THOMASVILLE BANCSHARES INC
Form 10QSB
May 15, 2003

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 March 31, 2003.

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 1,443,558 shares issued and outstanding as of May 15, 2003.

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	March 31, 2003 (Unaudited)	December 31, 2002 (Unaudited)
Cash and due from banks	$ 3,326,877	$ 11,827,153
Federal funds sold	6,213,065	1,714,481
Total cash and cash equivalents	$ 9,539,942	$ 13,541,634
Investment securities:		
Securities available-for-sale, at market value	$ 6,336,661	$ 7,658,460
Loans, net	160,680,589	154,899,944
Property & equipment, net	4,228,104	4,168,044
Goodwill	3,417,259	3,417,259
Other assets	1,689,271	1,703,006
Total Assets	$185,891,826	$185,388,347
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits		
Non-interest bearing deposits	$ 17,082,699	$ 22,324,716
Interest bearing deposits	130,509,246	131,595,672
Total deposits	$147,591,945	$153,920,388
Borrowings	21,143,034	15,150,845
Other liabilities	884,232	608,374
Total Liabilities	$169,619,211	$169,679,607
Commitments and contingencies		
Shareholders' Equity:		
Common stock, $1.00 par value, 10 million shares authorized, 1,443,558 shares issued & outstanding	$ 1,443,558	$ 1,443,558
Paid-in-capital	8,784,064	8,761,714
Retained earnings	5,997,804	5,452,079
Accumulated other comprehensive income	47,189	51,389
Total Shareholders' Equity	$ 16,272,615	$ 15,708,740

Total Liabilities and Shareholders' Equity	$185,891,826	$185,388,347

Refer to notes to the financial statements.

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

	For the three months ended March 31, 2003	2002
Interest income	$2,544,067	$2,365,824
Interest expense	906,683	1,024,929
Net interest income	$1,637,384	$1,340,895
Provision for possible loan losses	80,000	55,000
Net interest income after provision for possible loan losses	$1,557,384	$1,285,895
Other income		
Service charges	$ 44,315	$ 39,302
Other fees	463,514	138,625
Gain on sale of asset	964	888
Gain from settlement of securities	134	808
Total other income	$ 508,927	$ 179,623
Operating expenses		
Salaries and benefits	$ 688,589	$ 445,308
Advertising and public relations	42,230	36,185
Depreciation	100,636	76,663
Regulatory fees and assessments	23,432	9,580
Other operating expenses	374,825	259,269
Total operating expenses	$1,229,712	$ 827,005
Net income before taxes	$ 836,599	$ 638,513
Income taxes	290,874	207,000
Net income	$ 545,725	$ 431,513
Basic income per share	$ .38	$ .31
Diluted income per share	$ .36	$ .30

Refer to notes to the financial statements.

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

	Three Months Ended March 31, 2003	Three Months Ended March 31, 2002
Cash flows from operating activities:	$ 1,011,754	$ 824,192
Cash flows from Investing Activities:		
Purchase of fixed assets	$ (160,696)	$ (481,015)
(Increase) in loans	(5,860,645)	(4,114,592)
Purchase of securities, AFS	(328,201)	(1,229,800)
Maturities, calls, paydowns, AFS	1,650,000	650,000
Net cash used by investing activities	$(4,699,542)	$(5,175,407)
Cash flows from Financing Activities:		
Increase in borrowings	$ 5,992,189	$ 4,000,000
(Decrease) in deposits	(6,328,443)	3,780,864
Options, restricted stock	22,350	18,750
Net cash used by financing activities	$ (313,904)	$ 7,799,614
Net (decrease) in cash and cash equivalents	$(4,001,692)	$ 3,448,399
Cash and cash equivalents, beginning of period	13,541,634	6,579,878
Cash and cash equivalents, end of period	$ 9,539,942	$10,028,277

Refer to notes to the financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2002 AND 2003

Common Stock Shares	Common Stock Par Value	Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total

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, three-month period ended Mar. 31, 2002	- -	- -	- -	431,513	- -	431,513
Net unrealized (loss) on securities, three-month period ended Mar. 31, 2002	- -	- -	- -	- -	(40,785)	(40,785)
Total comprehensive income	- -	- -	- -	431,513	(40,785)	390,728
Stock options, restricted stock	- -	- -	18,750	- -	- -	18,750
Balance, Mar. 31, 2002	1,395,000	$ 1,395,000	$ 8,219,658	$4,696,624	$ (12,691)	$14,298,591

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, three-month period ended Mar. 31, 2003	- -	- -	- -	545,725	- -	545,725
Net unrealized gains on securities, three-month period ended Mar. 31, 2003	- -	- -	- -	- -	(4,200)	(4,200)
Total comprehensive income	- -	- -	- -	545,725	(4,200)	541,525
Stock options, restricted stock	- -	- -	22,350	- -	- -	22,350

Balance, Mar. 31, 2003	1,443,558	$ 1,443,558	$ 8,784,064	$5,997,804	$ 47,189	$16,272,615

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2003

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 period ended March 31, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003. 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, 2002.

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 Company 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. Through its subsidiary, TNB Financial Services, Inc. ("TNBFS"), the Bank offers trust and brokerage services as well. In addition to the Bank, the Company has one other subsidiary, Joseph Parker & Company, Inc. ("JPC"), through which it provides investment advisory services. Currently, JPC has approximately $200 million under management.

NOTE 3 - RECENT ACCOUNTING PRONOUNCEMENTS

In December 2001, the American Institute of Certified Public Accountants issued Statement of Position ("SOP") 01-6, "Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others." SOP 01-6 reconciles the specialized accounting and financial reporting guidance in the existing Banks and Savings Institutions Guide, Audits of Credit Unions Guide, and Audits of Finance Companies Guide. The SOP eliminates differences in accounting and disclosure established by the respective guides and carries forward accounting guidance for transactions determined to be unique to certain financial institutions. Adoption of this pronouncement has not had a material impact on the Company's results of operations or financial position.

In October 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 147, "Acquisitions of Certain Financial Institutions," which addresses accounting for the acquisition of certain financial institutions. The provisions of SFAS No. 147 rescind the specialized accounting guidance in paragraph 5 of SFAS No. 72 and would require unidentifiable intangible assets to be reclassified to goodwill if certain criteria are met. Financial institutions meeting the conditions outlined in SFAS No. 147 will be required to restate previously issued financial statements after September 30, 2002. The adoption of SFAS No. 147 has had no material impact on the Company's results of operations or financial position.

In December 2002, FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," which amended SFAS No. 123, "Accounting for Stock-Based Compensation" to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based compensation. In addition, this statement amended the disclosure requirements of SFAS No. 123 to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the chosen method on reporting results. The provisions of SFAS No. 148 are effective for annual periods ending December 15, 2002, and for interim periods beginning after December 15, 2002.

In November 2002, FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." It addresses the accounting for the stand-ready obligation under guarantees. A guarantor is required to recognize a liability with respect to its stand-ready obligation under the guarantee even if the probability of future payments under the guarantee is remote. The initial liability will be measured as the fair value of the stand-ready obligation. Additionally, the Interpretation addresses the disclosure requirements for guarantees including the nature and terms of the guarantees, maximum potential for future amounts and the carrying amount of the liabilities. The disclosure requirements are effective for interim and annual financial statements ending after December 15, 2002. The initial recognition and measurement provisions are effective for all guarantees within the scope of Interpretation 45 issued or modified after December 31, 2002. Commercial letters of credit and other loan commitments, which are commonly thought of as guarantees of funds were not included in the scope of interpretation. The Company has made relevant disclosures in the current year financial statements. The Company does not expect the adoption of Interpretation No. 45 to have a material impact on its financials.

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

OVERVIEW

Total consolidated assets increased by $.5 million to $185.9 million during the three-month period ended March 31, 2003. Cash and cash equivalents declined by $4.0 million to $9.5 million, investment securities declined by $1.3 million to $6.3 million, and loans increased by $5.8 million to $160.7 million. For the three-month period ended March 31, 2003, total deposits decreased by $6.3 million to $147.6 million, other liabilities increased by $.3 million to $.9 million, borrowings increased by $6.0 million to $21.1 million, and the capital accounts increased by $.5 million to $16.2 million. Although the aggregate amount of assets and liabilities was relatively unchanged, there was a significant change in the asset mix (a shift to higher earning assets) and in the liability-mix (a shift to wholesale funding).

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 March 31, 2003 financial statements evidence a satisfactory liquidity position as total cash and cash equivalents amounted to $9.5 million, representing 5.1% of total assets. Investment securities, which amounted to $6.3 million or 3.4% of total assets, provide a secondary source of liquidity because securities 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 established by the Bank's primary regulator, the Office of the Comptroller of the Currency ("OCC").

	Bank's March 31, 2003	Minimum required by regulator
Leverage ratio	8.4%	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.

Results of Operations

For the three-month periods ended March 31, 2003 and 2002, net income amounted to $545,725 and $431,513, respectively. On a per share basis, basic and diluted income for the three-month period ended March 31, 2003 amounted to $.38 and $.36, respectively. For the three-month period ended March 31, 2002, basic and diluted income per share amounted to $.31 and $.30, respectively. The factors primarily affecting the Bank's results of operations for the first quarter of 2003 as compared to the first quarter of 2002 are discussed below:

a. Interest income, the most significant revenue item, increased from $2,365,824 for the three-month period ended March 31, 2002 to $2,544,064 for the three-month period ended March 31, 2003, representing an annual growth rate of 7.5%. The increase was primarily due to the increase in average earning assets. Average earning assets grew from $146.7 million at March 31, 2002 to $168.6 million at March 31, 2003, an increase of $21.9 million, or 14.9%.

b. The yield on earning assets declined from 6.45% for the three-month period ended March 31, 2002 to 6.03% for the three-month period ended March 31, 2003. The cost of funds also declined, from 2.91% as of March 31, 2002 to 2.45% as of March 31, 2003.

c. Net interest income, representing the difference between interest received on interest-earning assets and interest paid on interest bearing liabilities, increased from $1,340,895 for the three-month period ended

March 31, 2002 to $1,637,384 for the three-month period ended March 31, 2003, a net increase of $296,489, or 22.1%. Net yield on earning assets increased from 3.66% for the three-month period ended March 31, 2002 to 3.88% for the three-month period ended March 31, 2003. The primary reason for the increase is that the decrease in the yield on earning assets was smaller than the decrease in the cost of funds, resulting in an increase in the net interest margin. As a result of the Federal Reserve Board's monetary policy actions, lower interest yields as well as lower cost of funds are being experienced industry-wide.

The following presents, in a tabular form, the main components of interest-earning assets and interest bearing liabilities for the three-month period ended March 31, 2003.

(Dollars in 000's)

Interest Earning Assets/ Bearing Liabilities	Average Balance	Interest Income/ Cost	Yield/ Cost
Federal funds sold	$ 2,661	$ 8	1.13%
Securities	7,518	80	4.26%
Loans	158,452	2,456	6.20%
Total	$ 168,631	$ 2,544	6.03%
Deposits and borrowings	$ 147,844	$ 907	2.45%
Net interest income		$ 1,637	
Net yield on earning assets			3.88%

d. Other income increased from $179,623 for the three-month period ended March 31, 2002 to $508,927 for the three-month period ended March 31, 2003. This increase is primarily due to (i) $235,339 of fees generated during the three months ended March 31, 2003 by JPC, which was acquired during the third calendar quarter of 2002, and (ii) an increase of $43,121 in the fees generated by TNBFS during the first quarter of 2003 as compared with the first quarter of 2002. As a percentage of average total assets, other income increased from .46% for the three-month period ended March 31, 2002 to 1.10% for the three-month period ended March 31, 2003.

e. Total operating expenses increased from $827,005 for the three-month period ended March 31, 2002 to $1,229,712 for the three-month period ended March 31, 2003. As a percent of average total assets, total operating expenses increased from 2.13% for the three-month period ended March 31, 2002 to 2.65% for the three-month period ended March 31, 2003. The increase is mainly due to the added expense associated with the operations of JPC. Excluding expenses associated with JPC, total operating expenses increased from $827,005 for the quarter ended March 31, 2002 to $1,045,814 for the quarter ended March 31, 2003, or from 2.13% of average assets to 2.25% of average assets.

Allowance for Loan Losses

At December 31, 2002, the allowance for loan losses amounted to $1,722,097. At March 31, 2003, the allowance amounted to $1,797,120. The allowance for loan losses, as a percent of gross loans, increased from 1.10% to 1.11% during the three-month period ended March 31, 2003. Management considers the allowance for loan losses to be adequate and sufficient to absorb anticipated 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.

ITEM 3. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer has evaluated the Company's disclosure controls and procedures as of a date within 90 days prior to the date of this filing, and concluded that these controls and procedures are effective. There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of this evaluation.

Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information it is required to disclose in the reports it files under the 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 the Company is required to disclose in the reports that it files under the Exchange Act is accumulated and communicated to management, including the principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) The certification pursuant to Section 906 of the Sarbanes-Oxley Act is filed as Exhibit 99.1 hereto.

(b) Reports on Form 8-K. There were no reports on Form 8-K filed during the quarter ended March 31, 2003.

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: May 15, 2003 BY: /s/ Stephen H. Cheney

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

CERTIFICATION

I, Stephen H. Cheney, President and Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Thomasville Bancshares, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and I have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others employed by the registrant, particularly during the period in which this quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarter report (the "Evaluation Date"); and

c) presented in this quarterly report in conclusions about the effectiveness of the disclosure controls and procedures based on my evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could

significantly affect internal controls subsequent to the Evaluation Date, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ Stephen H. Cheney

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