THOMASVILLE BANCSHARES INC
Form 10QSB
May 13, 2005

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, 2005.

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 2,939,183 shares issued and outstanding as of May 12, 2005.

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, 2005 (Unaudited)	December 31, 2004 (Unaudited)
Cash and due from banks	$ 4,835,991	$ 5,963,843
Federal funds sold	9,494,184	662,263
Total cash and cash equivalents	$ 14,330,175	$ 6,626,106
Investment securities:		
Securities available-for-sale, at market value	$ 13,053,618	$ 18,421,154
Loans, net	205,045,771	204,328,320
Property & equipment, net	4,805,136	4,815,924
Goodwill	3,372,259	3,372,259
Other assets	2,886,536	2,320,074
Total Assets	$243,493,495	$239,883,837
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits		
Non-interest bearing deposits	$ 25,654,476	$ 26,063,129
Interest bearing deposits	176,962,737	173,143,434
Total deposits	$202,617,213	$199,206,563
Subordinated debentures	4,000,000	- -
Federal funds purchased	- -	1,097,000
Borrowings	15,442,263	19,376,107
Other liabilities	1,165,928	682,627
Total Liabilities	$223,225,404	$220,362,297
Commitments and contingencies		
Shareholders' Equity:		
Common stock, $1.00 par value, 10 million shares authorized, 2,937,832 (2005) and 2,937,625 (2004) shares issued & outstanding	$ 2,937,832	$ 2,937,625
Paid-in-capital	7,911,245	7,872,245
Retained earnings	9,544,527	8,739,226
Accumulated other		

comprehensive (loss)	(125,513)	(27,556)
Total Shareholders' Equity	$ 20,268,091	$ 19,521,540
Total Liabilities and Shareholders' Equity	$243,493,495	$239,883,837

Refer to notes to the consolidated financial statements.

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

	For the three months ended March 31,	
	2005	2004
Interest income	$3,391,186	$2,730,747
Interest expense	1,093,986	836,086
Net interest income	$2,297,200	$1,894,661
Provision for possible loan losses	105,000	105,000
Net interest income after provision for possible loan losses	$2,192,200	$1,789,661
Other income		
Service charges on deposit accounts	$ 151,780	$ 154,745
Fees, money management	255,000	265,999
Trust services	165,622	105,922
Other income and fees	105,614	82,447
Total other income	$ 678,016	$ 609,113
Operating expenses		
Salaries and benefits	$ 864,402	$ 773,425
Advertising and public relations	88,582	64,625
Depreciation	97,847	105,585
Regulatory fees and assessments	26,810	24,549
Other operating expenses	540,024	432,375
Total operating expenses	$1,617,665	$1,400,559
Net income before taxes	$1,252,551	$ 998,215
Income taxes	447,250	351,366
Net income	$ 805,301	$ 646,849
Basic income per share	$ .27	$ .22

Diluted income per share	$ .26	$ .22

Refer to notes to the consolidated financial statements.

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

	Three Months Ended March 31,	
	2005	2004
Cash flows from operating activities:	$ 945,005	$ 1,197,950
Cash flows from investing activities:		
Purchase of fixed assets	$ (87,059)	$ (106,524)
(Increase) in loans	(822,451)	(6,326,101)
Purchase of securities, AFS	- -	(3,011,250)
Maturities, calls, paydowns, AFS	5,249,561	- -
Net cash provided by/ (used in) investing activities	$ 4,340,051	$(9,443,875)
Cash flows from financing activities:		
(Decrease) in borrowings and federal funds purchased	$(1,030,844)	$ 8,907,186
Increase in deposits	3,410,650	(2,460,616)
401K plan stock funding	-2,907	6,820
Options, restricted stock	36,300	33,834
Net cash provided by financing activities	$ 2,419,013	$ 6,487,224
Net increase/(decrease) in cash and cash equivalents	$ 7,704,069	$(1,758,701)
Cash and cash equivalents, beginning of period	6,626,106	6,531,799
Cash and cash equivalents, end of period	$14,330,175	$ 4,773,098

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2004 AND 2005

	Common Stock Shares	Common Stock Par Value	Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, Dec 31, 2003	2,934,076	$ 2,934,076	$ 7,615,280	$6,759,183	$ (7,033)	$17,301,506
Comprehensive Income:						
Net income, three-month period ended Mar. 31, 2004	- -	- -	- -	646,849	- -	646,849
Net unrealized gain on securities, three-month period ended Mar. 31, 2004	- -	- -	- -	- -	43,705	43,705
Total comprehensive income	- -	- -	- -	646,849	43,705	690,554
Sale of 628 shares to employee 401K plan	628	628	5,878	- -	- -	6,820
Stock options, restricted stock (3,230 options)	- -	- -	33,834	- -	- -	33,834
Balance, Mar. 31, 2004	2,934,704	$ 2,934,704	$ 7,655,306	$7,406,032	$ 36,672	$18,032,714

	Common Stock Shares	Common Stock Par Value	Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, Dec 31, 2004	2,937,625	$ 2,937,625	$ 7,872,245	$8,739,226	$ (27,556)	$19,521,540
Comprehensive Income:						
Net income, three-month period ended Mar. 31, 2005	- -	- -	- -	805,301	- -	805,301
Net unrealized						

(loss) on securities, three-month period ended Mar. 31, 2005	- -	- -	- -	- -	(97,957)	(97,957)
Total comprehensive income	- -	- -	- -	805,301	(97,957)	707,344
Sale of 207 shares to employee 401K plan	207	207	2,700	- -	- -	2,907
Stock options, restricted stock (2,740 options)	- -	- -	36,300	- -	- -	36,300
Balance, Mar. 31, 2005	2,937,832	$ 2,937,832	$ 7,911,245	$9,544,527	$(125,513)	$20,268,091

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
MARCH 31, 2005

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, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. 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, 2004.

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, both 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 two other subsidiaries, TNB Financial Services, Inc. ("TNBFS"), through which the Company provides investment advisory services, and Thomasville Capital Trust I ("TCTI") which issued $4.0 million in trust preferred securities to unrelated investors.

NOTE 3 - INVESTMENT SERVICES

Information pertaining to securities with gross unrealized losses at March 31, 2005, aggregated by investment category and further segregated by the length of time (less than or over twelve months) that the securities have been in a continuous loss position follows:

	Less than Twelve Months		Over Twelve Months		Total	
Description	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency and Government Corporations	$3,570,044	$(131,341)	$6,949,087	$(59,331)	$10,519,131	$(190,672)

At March 31, 2005, unrealized losses in the securities portfolio amounted to $190,672, representing 1.46% of the total portfolio. All of the unrealized losses relate to U.S. Agency securities and securities of U.S. government corporations. These unrealized losses were caused by fluctuations in market interest rates, rather than concerns over the credit quality of the issuers. The Company believes that the U.S. Agencies and government corporations will continue to honor their interest payments on time as well as the full debt at maturity. Because the unrealized losses are due to fluctuations in the interest rate, and no credit-worthiness factors exist, the Company believes that the investments are not considered other-than-temporarily impaired.

NOTE 4 - RECENT ACCOUNTING PRONOUNCEMENTS

EXCHANGES OF NONMONETARY ASSETS: In December 2004, the FASB issued SFAS 153, "Exchanges of Nonmonetary Assets", an amendment to APB Opinion No. 29, "Accounting for Nonmonetary Transactions." This statement amends the principle that exchanges of nonmonetary assets should be measured based on the fair value of the assets exchanged and more broadly provides for exceptions regarding exchanges of nonmonetary assets that do not have commercial substance. This Statement is effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The adoption of this standard is not expected to have a material impact on the Company's financial condition, results of operations, or liquidity.

SHARE-BASED PAYMENT: In December 2004, the FASB issued Statement No. 123(R), "Share-Based Payment." Statement No. 123(R) requires companies to recognize in the income statement the grant-date fair value of stock options and other equity-based compensation issued to employees. The revised Statement generally requires that companies account for these share-based transaction using the fair-value-based method, and eliminates a company's ability to account for these transactions using the intrinsic value method of accounting in APB Opinion No. 25. For small business issuers, Statement No. 123(R) is effective as of the beginning of the first interim or annual reporting period that begins after December 15, 2005. The Company has not yet determined the exact impact the new standard will have on its consolidated financial statements. The above

disclosures, as required by FASB Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure-an amendment of FASB Statement No. 123," provide detail as to its results of operations as if it had applied the fair value based method and recognition provisions of Statement No. 148 to stock-based employee compensation to the current reporting periods.

MEANING OF OTHER THAN TEMPORARY IMPAIRMENT: In March 2004, the Financial Accounting Standards Board (FASB) Emerging Issues Task Force (EITF) released Issue 03-01, "Meaning of Other Than Temporary Impairment," which addressed other-than-temporary impairment for certain debt and equity investments. The recognition and measurement requirements of Issue 03-01, and other disclosure requirements not already implemented, were effective for periods beginning after June 15, 2004. In September 2004, the FASB staff issued FASB Staff Position (FSP) EITF 03-1-1, which delayed the effective date for certain measurement and recognition guidance contained in Issue 03-01. The FSP requires the application of pre-existing other-than-temporary guidance during the period of delay until a final consensus is reached. Management does not anticipate the issuance of the final consensus will have a material impact on the Company's financial condition, results of operations, or liquidity.

LOAN COMMITMENTS: On March 9, 2004, the SEC issued Staff Accounting Bulletin 105 (SAB 105), "Application of Accounting Principles to Loan Commitment" stating that the fair value of loan commitments is to be accounted for as a derivative instrument under SFAS 133, but the valuation of such commitment should not consider expected future cash flows related to servicing of the future loan.

The Company adopted the provisions of SAB 105 as of January 1, 2004. Adoption of SAB 105 did not result in a material impact on the Company's financial condition, results of operations, or liquidity.

ACCOUNTING FOR CERTAIN LOANS OR DEBT SECURITIES ACQUIRED IN A TRANSFER: In December 2003, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 03-3, "Accounting for Certain Loans or Debt Securities Acquired in a Transfer." SOP 03-3 requires acquired loans, including debt securities, to be recorded at the amount of the purchaser's initial investment and prohibits carrying over valuation allowances from the seller for those individually-evaluated loans that have evidence of deterioration in credit quality since origination, and it is probable all contractual cash flows on the loan will be unable to be collected. SOP 03-3 also requires the excess of all undiscounted cash flows expected to be collected at acquisition over the purchaser's initial investment to be recognized as interest income on a level-yield basis over the life of the loan. Subsequent increases in cash flows expected to be collected are recognized as impairment. Loans carried at fair value, mortgage loans held for sale, and loans to borrowers in good standing under revolving credit agreements are excluded from the scope of SOP 03-3. The guidance is effective for loans acquired in fiscal years beginning after December 15, 2004 and is not expected to have a material impact on the Company's financial condition, results of operations, or liquidity.

ACCOUNTING FOR CERTAIN FINANCIAL INSTRUMENTS WITH CHARACTERISTICS OF BOTH LIABILITIES AND EQUITY: In May 2003, the FASB issued SFAS 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." This statement establishes standards for classifying and measuring certain financial instruments that embody obligations of the issuer and have characteristics of both liabilities and equity. The provisions of SFAS 150 became effective June 1, 2003, for all financial instruments created or modified after May 31, 2003, and otherwise became effective as of July 1, 2003. The adoption of this standard did not have a material impact on the Company's financial condition, results of operations, or liquidity.

In December 2003, the FASB deferred for an indefinite period the

application of the guidance in SFAS 150 to noncontrolling interest that are classified as equity in the financial statement of a subsidiary but would be classified as a liability in the parent's financial statements under SFAS 150. The deferral is limited to mandatorily redeemable noncontrolling interest associated with finite-lived subsidiaries. Management does not believe any such applicable entities exist as of March 31, 2005, but will continue to evaluate the applicability of this deferral to entities which may be consolidated as a result of FASB Interpretation No. 46 (FIN 46), "Consolidation of Variable Interest Entities."

CONSOLIDATION OF VARIABLE INTEREST ENTITIES: In January 2003, the FASB issued FIN 46, which provides guidance on how to identify a variable interest entity (VIE) and determine when the assets, liabilities, noncontrolling interests, and the results of operations of a VIE are to be included in an entity's consolidated financial statements. A VIE exists when either the total equity investment is at risk is not sufficient to permit the entity to finance its activities itself, or the equity investors lack one of three characteristics associated with owning a controlling financial interest. Those characteristics include the direct and indirect ability to make decisions about the entity's activities through voting rights or similar rights, the obligation to absorb the expected losses of an entity if they occur, or the right to receive the expected residual returns of the entity if they occur.

In December 2003, the FASB reissued FIN 46 with certain modifications and clarifications. Application of this guidance was effective for interests in certain VIEs commonly referred to as special-purpose entities (SPEs) as of December 31, 2003. Application for all other types of entities was required as of March 31, 2004, unless previously applied. TCTI meets the definition of an SPE.

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

OVERVIEW

Thomasville Bancshares, Inc., a Georgia corporation (the "Company"), was formed in March 1995 to organize and act as the holding company for Thomasville National Bank (the "Bank"), a national banking association. 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, internet banking, direct deposit and automatic teller services.

In September 2001, the Bank formed an operating subsidiary, TNB Financial Services, Inc., a Georgia corporation with trust powers. On March 31, 2004, TNB Financial Services was liquidated, with all of its operations being transferred to TNB Trust Services, a division of 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. In July 2004, JPC's name was changed to TNB Financial Services, Inc. ("TNBFS").

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 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. Taxes are discussed in more detail in Note 13 of the consolidated financial statements. 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 reviews 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, 2004.

FINANCIAL CONDITION

Total consolidated assets increased by $3.6 million, to $243.5 million, during the three-month period ended March 31, 2005. Cash and cash equivalents increased by $7.7 million, to $14.3 million; investment securities decreased by $5.4 million, to $13.0 million; loans increased by $0.7 million, to $205.0 million; and other assets increased by $0.6 million, to $11.1 million. To fund the growth in assets, deposits increased by $3.4 million, to $202.6 million; borrowings decreased by $1.0 million, to $19.5 million; other liabilities increased by $0.5 million, to $1.2 million; and the capital accounts increased

by $0.7 million, to $20.3 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 March 31, 2005 financial statements evidence a satisfactory liquidity position as total cash and cash equivalents amounted to $14.3 million, representing 5.9% of total assets. Investment securities, which amounted to $13.1 million, or 5.4% 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 established by the Bank's primary regulator, the Office of the Comptroller of the Currency ("OCC").

	Bank's March 31, 2005	Minimum required by regulator
Leverage ratio	8.5%	4.0%
Risk weighted ratio	12.5%	8.0%

On March 30, 2005, the Company, through a newly formed Delaware statutory trust, completed the sale of $4.0 million of trust preferred securities (the "Trust Preferred Securities"). The Trust Preferred Securities have a maturity of 30 years and are redeemable beginning in June 2010 or upon the occurrence of certain other conditions. The Company used approximately $2.7 million of the proceeds from the sale of the Trust Preferred Securities to repay holding company indebtedness and the remaining approximately $1.3 million was contributed as capital to the Bank. The Trust Preferred Securities pay cumulative cash distributions accumulating from the date of issuance at an annual rate of LIBOR plus 1.90% of the liquidation amount of $1,000 per preferred security on March 31, June 30, September 30 and December 31 of each year. The Trust Preferred Securities are recorded as subordinated debt on the consolidated balance sheet, but, subject to certain limitations, will qualify as Tier 1 capital for regulatory capital purposes.

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 March 31, 2005 and December 31, 2004.

	At March 31, 2005	At December 31, 2004
	(In thousands)	

Commitments to extend credit	$ 37,104	$ 25,115
Standby letters of credit	5,306	4,420
	$ 42,410	$ 29,535

RESULTS OF OPERATIONS

For the three-month periods ended March 31, 2005 and 2004, net income amounted to $805,301 and $646,849, respectively. On a per share basis, basic and diluted income for the three-month period ended March 31, 2005 amounted to $.27 and $.26, respectively. For the three-month period ended March 31, 2004, both basic and diluted income per share amounted to $.22. The factors primarily affecting the Company's results of operations for the first quarter of 2005 as compared to the first quarter of 2004 are discussed below:

a. Interest income, the most significant revenue item, increased from $2,730,747 for the three-month period ended March 31, 2004 to $3,391,186 for the three-month period ended March 31, 2005, representing an annual growth rate of 24.2%. The increase was primarily due to the increase in average earning assets and to higher yields. Average earning assets grew from $195.6 million at March 31, 2004 to $226.5 million at March 31, 2005, an increase of $30.9 million, or 15.8%.

b. The yield on earning assets increased from 5.59% for the three-month period ended March 31, 2004 to 5.99% for the three-month period ended March 31, 2005. The cost of funds also increased, from 1.94% as of March 31, 2004 to 1.98% as of March 31, 2005.

c. Net interest income, representing the difference between interest received on interest-earning assets and interest paid on interest bearing liabilities, increased from $1,894,661 for the three-month period ended March 31, 2004 to $2,297,200 for the three-month period ended March 31, 2005, a net increase of $402,539, or 21.2%. Net yield on earning assets increased from 3.88% for the three-month period ended March 31, 2004 to 4.06% for the three-month period ended March 31, 2005.

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, 2005.

(Dollars in 000's)

Interest Earning Assets/ Bearing Liabilities	Average Balance	Interest Income/ Cost	Yield/ Cost
Federal funds sold	$ 4,065	$ 25	2.46%
Securities	14,796	129	3.50%
Loans	207,608	3,237	6.24%
Total	$ 226,469	$ 3,391	5.99%
Deposits and borrowings	$ 220,710	$ 1,094	1.98%
Net interest income		$ 2,297	
Net yield on earning assets			4.06%

====

d. Other income increased from $609,113 for the three-month period ended March 31, 2004 to $678,016 for the three-month period ended March 31, 2005. This increase is primarily due to fees charged by TNBFS for money management and other advisory fees. As a percentage of average total assets, other income decreased from 1.16% for the three-month period ended March 31, 2004 to 1.12% for the three-month period ended March 31, 2005.

e. Total operating expenses increased from $1,400,559 for the three-month period ended March 31, 2004 to $1,617,665 for the three-month period ended March 31, 2005. As a percent of average total assets, total operating expenses remained unchanged at 2.65% for the three-month periods ended March 31, 2005 and 2004.

Allowance for Loan Losses

At December 31, 2004, the allowance for loan losses amounted to $2,224,845; at March 31, 2005, the allowance amounted to $2,331,853. The allowance for loan losses, as a percent of gross loans, increased from 1.08% to 1.12% during the three-month period ended March 31, 2005. 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

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 March 31, 2005 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 the 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 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.

ITEM 5. OTHER INFORMATION.

Effective as of January 1, 2005, the Company and the Bank entered into employment agreements with the Company's and the Bank's President and Chief Executive Officer, Stephen H. Cheney, and Executive Vice President, Charles H. Hodges, III. Both employment agreements are for a term of four years. Under the agreements, the Bank will pay Mr. Cheney and Mr. Hodges an annual base salary of $170,000 and $135,000, respectively, and both officers will be eligible for individual bonuses of up to 30% of base salary per year as determined by the Compensation Committee of the Bank. Both officers are eligible for annual increases in base salary at the discretion of the Bank's Board of Directors and based upon the review of the Compensation Committee and the financial performance of the Bank. In addition, each officer is entitled to participate in benefit plans offered generally to other employees or to a class of employees that includes senior executives, and each is entitled to receive the use of an automobile and a family membership in the Glen Arven Country Club located in Thomasville, Georgia.

The employment agreements are terminable by the majority vote of the Board of Directors of the Company and the Bank upon written notice to the respective officer. The agreements provide that loss of confidence by a Board of Directors in the leadership abilities of an officer is sufficient cause for termination. If either officer is terminated for any reason, the Company and the Bank shall have no further obligation other than for amounts owed to the officer on the date of termination. The employment agreements also contain noncompetion and employee nonsolication provisions that generally apply for a period of five years following the termination of employment. In the event such termination occurs as a result of a change in control (as defined in the employment agreements), the noncompetion and nonsolication provisions shall not apply.

The summary of the employment agreements above is qualified in its entirety by reference to the text of the agreements, which are included as Exhibits 10.1 and 10.2 to this report.

PART II. OTHER INFORMATION

ITEM 6. 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)
10.1	Employment agreement among the Company, the Bank and Stephen H. Cheney
10.2	Employment agreement among the Company, the Bank and Charles H. Hodges, III
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.

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 12, 2005 BY: /s/ Stephen H. Cheney

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