

THOMASVILLE BANCSHARES INC
Form 10-K
March 27, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO 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.

(Name of Small Business Issuer in Its charter)

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Georgia
(State or Other Jurisdiction of
Incorporation or Organization)

58-2175800
(I.R.S. Employer
Identification Number)

301 North Broad Street

Thomasville, Georgia
(Address of Principal Executive Offices)

(229) 226-3300

(Issuer's Telephone Number, Including Area Code)

31792
(Zip Code)

Securities registered under Section 12(b) of the Exchange Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$1.00 par value

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. " YES NO

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. "

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Indicate by check mark whether the registrant has (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers in response to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). YES NO

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant (2,241,704] shares) was approximately \$56,042,600 as of the last business day of the registrant's most recently completed second quarter. As of such date, no organized trading market existed for the common stock of the registrant. For the purposes of this response, directors, officers and holders of 5% or more of the registrant's common stock are considered the affiliates of the registrant at that date.

As of March 20, 2008, there were issued and outstanding 2,964,243 shares of the registrant's common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 13, 2008 to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days of the registrant's fiscal year end are incorporated into Part III of this Annual Report on Form 10-K.

Special Note Regarding Forward-Looking Statements

Certain statements in this Annual Report on Form 10-K contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which represent the expectations or beliefs of, including, but not limited to, statements concerning the banking industry and the issuer's operations, performance, financial condition and growth. For this purpose, any statements contained in this Report that are not statements of historical fact may be deemed forward-looking statements. Without limiting the generality of the foregoing, words such as may, will, expect, believe, anticipate, intend, could, should, can, estimate, or continue or the negative or other variations thereof and terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, certain of which are beyond the issuer's control, and actual results may differ materially depending on a variety of important factors, including competition, general economic and market conditions, changes in interest rates, changes in the value of real estate and other collateral securing loans, interest rate sensitivity and exposure to regulatory and legislative changes, and other risks and uncertainties described in the issuer's filings with the Securities and Exchange Commission. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, the Company can give no assurance that the results contemplated in the forward-looking statements will be realized. The inclusion of this forward-looking information should not be construed as a representation by the issuer or any person that the future events, plans, or expectations contemplated by the issuer will be achieved. The issuer undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

PART I

Item 1. Business **General**

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 consumer services such as U.S. Savings Bonds, travelers checks, cashiers checks, safe deposit boxes, bank by mail services, Internet banking, direct deposit and automatic teller services.

The holding company structure was adopted as a mechanism to enhance the Bank's ability to serve its future customers' requirements for financial services. The Company provides flexibility for expansion of the banking business through the acquisition of other financial institutions and provision of additional banking-related services which the traditional commercial bank may not provide under present laws. For example, banking regulations require that the Bank maintain a minimum ratio of capital to assets. In the event that the Bank's growth is such that this minimum ratio is not maintained, the Company may borrow funds, subject to the capital adequacy guidelines of the Federal Reserve Board, and contribute them to the capital of the Bank, or raise capital otherwise in a manner which is unavailable to the Bank under existing banking regulations.

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).

In June 2006, TNBFS was liquidated, with all of its operations transferred to TNB Trust Services, a division of the Bank. Subsequently, TNB Trust Services changed its name to TNB Financial Services.

As of December 31, 2007, TNB Financial Services managed approximately \$514 million in trust, agency and custody accounts.

Market Area and Competition

The market area of the Bank consists of Thomas County, Georgia and is focused on Thomasville, the county seat. Thomas County has been experiencing steady growth in both jobs and banking deposits in recent years. Thomasville is a regional and commercial medical center for Southwest Georgia. Thomas County maintains a steady industrial and agricultural base, which has been expanding in recent years. The largest employers in the county include the John D. Archbold Memorial Hospital and Flowers Industries, Inc. Agricultural activities in the county are supported by the second-largest fresh vegetable market in Georgia and a daily cash market for hogs, cattle and poultry.

Competition among financial institutions in the Bank s market area is intense. There are three commercial banks and a total of nine branches in Thomasville and four additional branches in smaller communities in Thomas County. In addition, there is one savings and loan association in Thomasville, and three credit unions headquartered in Thomas County.

Financial institutions primarily compete with one another for deposits. In turn, a bank s deposit base directly affects the bank s loan activities and general growth. Primary methods of competition include interest rates on deposits and loans, service charges on deposit accounts and the offering of unique financial services products. The Bank is competing with financial institutions that have much greater financial resources, and that may be able to offer more services and possibly better terms to their customers. However, the management of the Bank believes that the Bank will be able to attract sufficient deposits to enable the Bank to compete effectively with other area financial institutions.

The Bank competes with existing area financial institutions other than commercial banks and savings and loan associations, including insurance companies, consumer finance companies, brokerage houses, credit unions and other business entities which have recently been invading the traditional banking markets. Due to the growth of the Thomasville area, it is anticipated that additional competition will continue from new entrants to the market.

Distribution of Assets, Liabilities and Stockholders Equity; Interest Rates and Interest Differential

The following is a presentation of the average consolidated balance sheet of the Company for the years ended December 31, 2007, 2006 and 2005. This presentation includes all major categories of interest-earning assets and interest-bearing liabilities:

	Years Ended December 31,		
	2007	2006	2005
(In thousands)			
AVERAGE CONSOLIDATED ASSETS			
Interest-earning assets:			
Interest-bearing deposits in banks	\$ 31	\$ 55	\$ 23
Taxable securities	15,010	13,264	11,847
Federal funds sold	21,471	13,514	8,566
Loans, net of unearned interest	263,321	220,842	216,544
Total interest-earning assets	299,833	247,675	236,980
Cash and due from banks	10,030	8,299	7,599
Other assets	13,586	27,480	10,563
Total assets	\$ 323,449	\$ 283,454	\$ 255,142
AVERAGE CONSOLIDATED LIABILITIES AND STOCKHOLDERS EQUITY			
Interest-bearing liabilities:			
NOW and money market deposits	\$ 181,996	\$ 144,119	\$ 119,925
Savings deposits	7,189	7,687	7,544
Time deposits	62,086	61,600	59,928
Other borrowings	8,645	10,565	15,470
Junior subordinated debentures	4,124	4,124	3,093
Total interest-bearing liabilities	264,040	228,095	205,960
Noninterest-bearing deposits	29,387	29,798	27,010
Other liabilities	2,011	1,268	1,130
Total liabilities	295,438	259,161	234,100
Stockholders equity	28,011	24,293	21,042
Total liabilities and stockholders equity	\$ 323,449	\$ 283,454	\$ 255,142

The following statistical information should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements and related notes included elsewhere in this Form 10-K and in the documents incorporated herein by reference.

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The following tables set forth the amount of the interest income or interest expense for each category of interest-earning assets and interest-bearing liabilities, and the average interest rate for total interest-earning assets and total interest-bearing liabilities, net interest spread and net yield (or net interest margin) on average interest-earning assets.

	Years Ended December 31,					
	Average Balance	2007 Interest Income/Expense	Average Yield/Rate Paid	Average Balance	2006 Interest Income/Expense	Average Yield/Rate Paid
ASSETS						
Interest-earning assets:						
Loans, net of unearned interest	\$ 263,321	\$ 20,783	7.89%	\$ 220,842	\$ 18,396	8.33%
Investment securities:						
Taxable	15,010	645	4.30%	13,264	528	3.98%
Interest-bearing deposits in banks	31	2	6.45%	55	2	3.64%
Federal funds sold	21,471	1,078	5.02%	13,514	671	4.97%
Total interest-earning assets	299,833	22,508	7.51%	247,675	19,597	7.91%
Non-interest earning assets:						
Cash	10,030			8,299		
Allowance for loan losses	(3,460)			(2,888)		
Other assets	17,046			30,368		
Total noninterest-earning assets	23,616			35,779		
Total assets	\$ 323,449			\$ 283,454		
LIABILITIES AND STOCKHOLDERS EQUITY						
Interest-bearing liabilities:						
Savings and interest-bearing demand deposits	\$ 189,185	\$ 7,562	4.00%	\$ 151,806	\$ 5,558	3.66%
Time deposits	62,086	3,084	4.97%	61,600	2,643	4.29%
Other borrowings	8,645	395	4.57%	10,565	502	4.75%
Junior subordinated debentures	4,124	302	7.32%	4,124	293	7.10%
Total interest-bearing liabilities	264,040	11,343	4.30%	228,095	8,996	3.94%
Noninterest-bearing liabilities and stockholders equity:						
Demand deposits	29,387			29,798		
Other liabilities	2,011			1,268		
Stockholders equity	28,011			24,293		
Total noninterest-bearing liabilities and stockholders equity	59,409			55,359		
Total liabilities and stockholders equity	\$ 323,449			\$ 283,454		
Interest rate spread			3.21%			3.97%
Net interest income		\$ 11,165			\$ 10,601	
Net interest margin			3.72%			4.28%

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The following table reflects the changes in net interest income resulting from changes in interest rates and from asset and liability volume. The change in interest attributable to rate has been determined by applying the change in rate between years to average balances outstanding in the later year. The change in interest due to volume has been determined by applying the rate from the earlier year to the change in average balances outstanding between years. Thus, changes that are not solely due to volume have been consistently attributed to rate.

	Year Ended December 31,					
	2007 vs. 2006			2006 vs. 2005		
	Increase (Decrease)	Changes Due To		Increase (Decrease)	Changes Due To	
	Rate	Volume		Rate	Volume	
	(Dollars in Thousands)					
Increase (decrease) in:						
Income from earning assets:						
Interest and fees on loans	\$ 2,387	\$ (1,151)	\$ 3,538	\$ 3,898	\$ 3,610	\$ 288
Interest on securities:						
Taxable	117	47	70	105	54	51
Interest-bearing deposits in banks		1	(1)	1		1
Interest on federal funds	407	12	395	369	195	174
Total interest income	2,911	(1,091)	4,002	4,373	3,859	514
Expense from interest-bearing liabilities:						
Interest on savings and interest-bearing demand deposits	2,004	635	1,369	2,592	2,026	566
Interest on time deposits	441	420	21	876	827	49
Interest on other borrowings	(107)	(16)	(91)	(108)	85	(193)
Interest on junior subordinated debentures	9	9		95	29	66
Total interest expense	2,347	1,048	1,299	3,455	2,967	488
Net interest income	\$ 564	\$ (2,139)	\$ 2,703	\$ 918	\$ 892	\$ 26

Deposits

The Bank offers a full range of interest-bearing and noninterest-bearing accounts, including commercial and retail checking accounts, money market accounts, individual retirement and Keogh accounts, regular interest-bearing statement savings accounts and certificates of deposit with fixed and variable rates and a range of maturity date options. The sources of deposits are residents, businesses and employees of businesses within the Bank's market area, obtained through the personal solicitation of the Bank's officers and directors, direct mail solicitation and advertisements published in the local media. The Bank pays competitive interest rates on time and savings deposits up to the maximum permitted by law or regulation. In addition, the Bank has implemented a service charge fee schedule competitive with other financial institutions in the Bank's market area, covering such matters as maintenance fees on checking accounts, per item processing fees on checking accounts and returned check charges.

The following table presents, for the periods indicated, the average amount of and average rate paid on each of the following deposit categories:

Deposit Category	Year Ended December 31, 2007		Year Ended December 31, 2006		Year Ended December 31, 2005	
	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid	Average Amount	Average Rate Paid
Noninterest-bearing demand deposits	29,387	N/A	\$ 29,798	N/A	\$ 27,010	N/A
Savings and interest-bearing demand deposits	189,185	4.00%	151,806	3.66%	127,469	2.33%
Time deposits	62,086	4.97%	61,600	4.29%	59,928	2.95%

The following table indicates amounts outstanding of time certificates of deposit of \$100,000 or more and respective maturities at December 31, 2007:

	At December 31, 2007 (In thousands)	
<u>Time Certificates of Deposit</u>		
3 months or less	\$	6,544
3-12 months		22,970
over 12 months		17,627
Total	\$	47,141

Loan Portfolio

The Bank engages in a full complement of lending activities, including commercial/industrial, consumer and real estate loans. As of December 31, 2007, the Bank had a legal lending limit for unsecured loans of up to \$5,011,800 to any one person.

While risk of loss in the Bank's loan portfolio is primarily tied to the credit quality of its various borrowers, risk of loss may also increase due to factors beyond the Bank's control, such as local, regional and/or national economic downturns. General conditions in the real estate market may also impact the relative risk in the Bank's real estate portfolio. Of the Bank's target areas of lending activities, commercial loans are generally considered to have greater risk than real estate loans or consumer installment loans.

The Bank participates with other banks with respect to loans originated by the Bank which exceed the Bank's lending limits. Management of the Bank does not believe that loan participations necessarily pose any greater risk of loss than other loans.

The following is a description of each of the major categories of loans in the Bank's loan portfolio:

Commercial, Financial and Agricultural Loans. Commercial lending is directed principally towards businesses whose demands for funds fall within the Bank's legal lending limits and which are potential deposit customers of the Bank. This category of loans includes loans made to individual, partnership or corporate borrowers, and obtained for a variety of business purposes. Particular emphasis is placed on loans to small- and medium-sized businesses. The primary repayment risk for commercial loans is the failure of the business due to economic or financial factors. Although the Bank typically looks to a commercial borrower's cash flow as the principal source of repayment for such loans, many commercial loans are secured by inventory, equipment, accounts receivable, and other assets.

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Consumer Loans. The Bank's consumer loans consist primarily of installment loans to individuals for personal, family and household purposes, including automobile loans to individuals and pre-approved lines of credit. This category of loans also includes lines of credit and term loans secured by second mortgages on the residences of borrowers for a variety of purposes, including home improvements, education and other personal expenditures. In evaluating these loans the Bank reviews the borrower's level and stability of income and past credit history and the impact of these factors on the ability of the borrower to repay the loan in a timely manner. In addition, the Bank maintains a proper margin between the loan amount and collateral value.

Real Estate Loans. The Bank's real estate loans consist of residential first and second mortgage loans, residential construction loans and commercial real estate loans to a limited degree. These loans are made consistent with the Bank's appraisal policy and real estate lending policy which detail maximum loan-to-value ratios and maturities. These loan-to-value ratios are sufficient to compensate for fluctuations in the real estate market to minimize the risk of loss to the Bank.

The following table presents various categories of loans contained in the Bank's loan portfolio as of the dates indicated and the total amount of all loans for such periods:

<u>Type of Loan</u>	As of December 31,				
	2007	2006	2005	2004	2003
	(In thousands)				
Commercial, financial and agricultural	\$ 51,406	\$ 38,506	\$ 39,540	\$ 48,498	\$ 43,179
Real Estate - construction	15,118	12,182	10,133	7,919	9,834
Real Estate - mortgage	187,818	171,293	156,302	138,978	117,167
Installment and other loans to individuals	22,917	20,480	21,096	11,158	11,531
Subtotal	277,259	242,461	227,071	206,553	181,711
Less: allowance for possible loan losses	(3,806)	(3,365)	(2,713)	(2,225)	(1,961)
Total (net of allowances)	\$ 273,453	\$ 239,096	\$ 224,358	\$ 204,328	\$ 179,750

The following is a presentation of an analysis of maturities of certain loans as of December 31, 2007:

<u>Type of Loan</u>	Due in 1	Due After 1 to	Due After	Total
	Year or Less	5 Years	5 Years	
	(In thousands)			
Commercial, financial and agricultural	\$ 34,593	\$ 16,768	\$ 45	\$ 51,406
Real Estate - construction	12,389	2,729		15,118
Total	\$ 46,982	\$ 19,497	\$ 45	\$ 66,524

For all loan categories, the following is a presentation of an analysis of sensitivities to changes in interest rates as of December 31, 2007:

	Due In 1	Due After	Due After	Total
	Year or Less	1 to 5 Years	5 Years	
	(In thousands)			
Predetermined interest rate	\$ 89,152	\$ 36,473	\$ 1,915	\$ 127,540
Floating interest rate	104,656	42,816	2,247	149,719
Total	\$ 193,808	\$ 79,289	\$ 4,162	\$ 277,259

As of December 31, 2007 and 2006, the total recorded investment in impaired loans, all of which had allowances determined in accordance with FASB Statements No. 114 and No. 118, amounted to approximately \$262,800 and \$197,000, respectively. The average recorded investment in impaired loans amounted to approximately \$118,900 and \$380,000 for 2007 and 2006, respectively. The allowance related to impaired loans amounted to approximately \$26,300 and \$19,700 at December 31, 2007 and 2006, respectively. The balance of the allowance in excess of the above specific reserves is available to absorb the inherent losses of all other loans. There was no significant amount of interest income recognized on impaired loans for the years ended December 31, 2007 and 2006. The amount of interest recognized on impaired loans using the cash method of accounting was not material for 2007 and 2006. Loans on non-accrual status at December 31, 2007 and 2006 had outstanding balances of approximately \$262,800 and \$197,000, respectively. Interest recognized on non-accruing loans at December 31, 2007 and 2006 was \$5,490 and \$19,308, respectively. The Bank has no commitments to lend additional funds to borrowers whose loans have been modified.

As of December 31, 2007, there were no loans not disclosed above that are classified for regulatory purposes as doubtful, substandard or special mention which (i) represent or result from trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity, or capital resources, or (ii) represent material credits about which management is aware of any information which causes management to have serious doubts as to the ability of such borrowers to comply with the loan repayment terms.

Accrual of interest is discontinued on a loan when management of the Bank determines upon consideration of economic and business factors affecting collection efforts that collection of interest is doubtful. The following table provides information regarding certain loan classifications.

	2007		2006		At December 31, 2005		2004		2003	
	# of Loans	Aggregate Principal Balance	# of Loans	Aggregate Principal Balance	# of Loans	Aggregate Principal Balance	# of Loans	Aggregate Principal Balance	# of Loans	Aggregate Principal Balance
Loans over 90 days past due but still accruing interest	5	200,991	1	\$ 19,000	6	\$ 18,494	6	\$ 166,000	8	\$ 71,000
Loans considered to be troubled-debt restructured	2	2,044,000	1	\$ 94,000	1	\$ 94,000	1	\$ 187,000	1	\$ 151,000
Loans on non-accrual status	3	262,800	1	\$ 197,000	15	\$ 624,000	21	\$ 1,806,000	7	\$ 106,000

Additional discussion regarding the Company's non-performing assets is set forth in the Management's Discussion and Analysis of Financial Condition and Results of Operations included elsewhere in this Form 10-K.

Summary of Loan Loss Experience

An analysis of the Bank's loss experience is furnished in the following table for the periods indicated, as well as a breakdown of the allowance for possible loan losses:

Analysis of the Allowance for Possible Loan Losses

	Year Ended December 31,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Balance at beginning of period	\$ 3,365	\$ 2,713	\$ 2,225	\$ 1,961	\$ 1,722
Charge-offs:					
Real estate loans	(125)	(24)	(31)	(10)	(120)
Installments and other loans to individuals	(39)	(65)	(82)	(67)	(65)
Commercial loans		(2)	(3)	(181)	(7)
Recoveries	10	23	109	12	11
Net charge-offs	(154)	(68)	(7)	(246)	(181)
Additions charged to operations	595	720	495	510	420
Balance at end of period	\$ 3,806	\$ 3,365	\$ 2,713	\$ 2,225	\$ 1,961
Ratio of net charge-offs during the period to average loans outstanding during the period	0.06%	0.03%	0.01%	0.13%	0.11%

At December 31 of each of the last five years, the allowance was allocated as follows:

	2007		2006		2005		2004		2003	
	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans	Amount	Percent of loans in each category to total loans
	(Dollars in thousands)									
Commercial, Financial and Agricultural	\$ 798	21%	\$ 1,897	56.4%	\$ 1,040	17.4%	\$ 680	23.5%	\$ 590	23.8%
Real Estate - Construction	196	5.1%	152	4.5	170	4.5	130	3.8	150	5.4
Real Estate - Mortgage Installment and Other	1,903	50%	1,185	35.2	1,190	68.8	1,150	67.3	990	64.5
Loans to Individuals	112	2.9%	90	2.7	180	9.3	210	5.4	220	6.3
Unallocated	797	21%	41	1.2	133	N/A	55	N/A	11	N/A
Total	\$ 3,806	100.0%	\$ 3,365	100.0%	\$ 2,713	100.0%	\$ 2,225	100.0%	\$ 1,961	100.0%

Loan Loss Reserve

As of December 31, 2007, 18.5% of outstanding loans were in the category of commercial loans, which includes commercial, industrial and agricultural loans. Although commercial loans are generally considered by management as having greater risk than other categories of loans in the Bank's loan portfolio, 96.3% of these commercial loans at December 31, 2007 were made on a secured basis. Management believes that the secured condition of the preponderant portion of the Bank's commercial loan portfolio greatly reduces any risk of loss inherently present in commercial loans.

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The Bank's consumer loan portfolio is also well secured. At December 31, 2007, 91.1% of the Bank's consumer loans were secured by collateral primarily consisting of automobiles, boats and other personal property. Management believes that these loans involve less risk than commercial loans.

Real estate mortgage loans constituted 67.7% of outstanding loans at December 31, 2007. The loans in this category represent residential and commercial real estate mortgages where the amount of the original loan generally does not exceed 85% of the appraised value of the collateral. These loans are considered by management to be well secured with a low risk of loss.

A review of the loan portfolio by an independent firm is conducted annually. The purpose of this review is to assess the risk in the loan portfolio and to evaluate management's determination of the adequacy of the allowance for loan losses. The review includes analyses of historical performance, the level of non-conforming and rated loans, loan volume and activity, review of loan files and consideration of economic conditions and other pertinent information. Upon completion, the report is approved by the Board and management of the Bank. In addition to the above review, the Bank's primary regulator, the Office of the Comptroller of the Currency (the OCC), also conducts an annual examination of the loan portfolio. Upon completion, the OCC presents its report of findings to the Board and management of the Bank. Information provided from the above two independent sources, together with information provided by the management of the Bank and other information known to members of the Board, are utilized by the Board to monitor, on a quarterly basis, the loan portfolio. Specifically, the Board attempts to identify risks inherent in the loan portfolio (e.g., problem loans, potential problem loans and loans to be charged off), assess the overall quality and collectibility of the loan portfolio, and determine amounts of the allowance for loan losses and the provision for loan losses to be reported based on the results of their review.

Investments

As of December 31, 2007, investment securities comprised approximately 4.9% of the Bank's assets and net loans comprised approximately 87.3% of the Bank's assets. The Bank invests primarily in direct obligations of the United States, obligations guaranteed as to principal and interest by the United States, obligations of agencies of the United States and certificates of deposit issued by commercial banks. In addition, the Bank enters into Federal Funds transactions with its principal correspondent banks, and acts as a net seller of such funds. The sale of Federal Funds amounts to a short-term loan from the Bank to another bank.

The following table presents, for the dates indicated, the carrying value of the Bank's investments. All securities held at December 31, 2007, 2006 and 2005 were categorized as available for sale.

	2007	December 31, 2006 (In thousands)	2005
Obligations of U. S. government sponsored agencies	\$ 15,248	\$ 13,414	\$ 10,372
Other equity securities	290	290	290
Restricted equity securities	1,363	1,267	1,345
Total	\$ 16,901	\$ 14,971	\$ 12,007

The following table indicates as of December 31, 2007 the amount of investments due in (i) one year or less, (ii) one to five years, (iii) five to ten years, and (iv) over ten years:

	At December 31, 2007	
	Amount	Weighted Average Yield
	(Dollars in thousands)	
Obligations of U. S. government sponsored agencies:		
0 - 1 year	\$ 5,161	3.51%
Over 1 through 5 years	10,087	4.87%
Over 5 through 10 years		
Total	\$ 15,248	4.41%

Return on Equity and Assets

Returns on average consolidated assets and average consolidated equity for the periods indicated were as follows:

	Year Ended December 31,		
	2007	2006	2005
Return on average assets	1.38%	1.52%	1.39%
Return on average equity	15.9%	17.8%	16.9%
Average equity to average assets ratio	8.7%	8.6%	8.2%
Dividend payout ratio	26.6%	20.5%	20.7%

Asset/Liability Management

It is the objective of the Bank to manage assets and liabilities to provide a satisfactory, consistent level of profitability within the framework of established cash, loan, investment, borrowing and capital policies. Certain of the officers of the Bank are responsible for monitoring policies and procedures that are designed to ensure acceptable composition of the asset/liability mix, stability and leverage of all sources of funds while adhering to prudent banking practices. It is the overall philosophy of management to support asset growth primarily through growth of core deposits, which include deposits of all categories made by individuals, partnerships and corporations. Management of the Bank seeks to invest the largest portion of the Bank's assets in commercial, consumer and real estate loans.

The Bank's asset/liability mix is monitored on a daily basis with a monthly report reflecting interest-sensitive assets and interest-sensitive liabilities being prepared and presented to the Bank's Board of Directors. The objective of this policy is to control interest-sensitive assets and liabilities so as to minimize the impact of substantial movements in interest rates on the Bank's earnings.

Correspondent Banking

Correspondent banking involves the providing of services by one bank to another bank which cannot provide that service for itself from an economic or practical standpoint. The Bank purchases correspondent services offered by larger banks, including check collections, purchase of Federal Funds, security safekeeping, investment services, coin and currency supplies, overline and liquidity loan participations and sales of loans to or participations with correspondent banks.

The Bank sells loan participations to correspondent banks with respect to loans which exceed the Bank's lending limit. As compensation for services provided by a correspondent, the Bank may maintain certain balances with such correspondents in non-interest bearing accounts. At December 31, 2007, the Bank had outstanding participations totaling \$3,955,416.

Data Processing

The Bank performs a full range of data processing services internally, including an automated general ledger, deposit accounting, commercial, real estate and installment lending data processing, central information file and ATM processing.

Employees

At March 21, 2008, the Bank employed 62 persons on a full-time basis, including 22 officers, and 8 persons on a part-time basis.

Monetary Policies

The results of operations of the Bank are affected by credit policies of monetary authorities, particularly the Federal Reserve Board. The instruments of monetary policy employed by the Federal Reserve Board include open market operations in U.S. Government securities, changes in the discount rate on member bank borrowings, changes in reserve requirements against member bank deposits and limitations on interest rates which member banks may pay on time and savings deposits. In view of changing conditions in the national economy and in the money markets, as well as the effect of action by monetary and fiscal authorities, including the Federal Reserve Board, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand or the business and earnings of the Bank.

Registrar and Transfer Agent

Computershare Investor Services, LLC, Atlanta, Georgia, serves as the Transfer Agent and Registrar for the Company's common stock.

Supervision and Regulation

The following discussion sets forth some of the material elements of the regulatory framework applicable to bank holding companies and their subsidiaries and provides some specific information relative to the Company. The regulatory framework is intended primarily for the protection of depositors and the Bank Insurance Fund and not for the protection of security holders and creditors. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions.

The Company

General. As a bank holding company, the Company is regulated under the Bank Holding Company Act of 1956 (the BHC Act), as well as other federal and state laws governing the banking business. The Federal Reserve Board is the primary regulator of the Company, and supervises the Company's activities on a continual basis. The Bank is also subject to regulation and supervision by various regulatory authorities, including the Federal Reserve Board, the Office of the Comptroller of the Currency (the OCC) and the Federal Deposit Insurance Corporation (the FDIC).

Bank Holding Company Regulation. In general, the BHC Act limits bank holding company business to owning or controlling banks and engaging in other banking-related activities. Bank holding companies must obtain the Federal Reserve Board's approval before they:

acquire direct or indirect ownership or control of any voting shares of any bank that results in total ownership or control, directly or indirectly, of more than 5% of the voting shares of such bank;

merge or consolidate with another bank holding company; or

acquire substantially all of the assets of any additional banks.

Subject to certain state laws, a bank holding company that is adequately capitalized and adequately managed may acquire the assets of both in-state and out-of-state banks. With certain exceptions, the BHC Act prohibits bank holding companies from acquiring direct or indirect ownership or control of voting shares in any company that is not a bank or a bank holding company unless the Federal Reserve Board determines such activities are incidental or closely related to the business of banking.

The Change in Bank Control Act of 1978 requires a person (or group of persons acting in concert) acquiring control of a bank holding company to provide the Federal Reserve Board with 60 days' prior written notice of the proposed acquisition. Following receipt of this notice, the Federal Reserve Board has 60 days (or up to 90 days if extended) within which to issue a notice disapproving the proposed acquisition. In addition, any company must obtain the Federal Reserve Board's approval before acquiring 25% (5% if the company is a bank holding company) or more of the outstanding shares or otherwise obtaining control over the Company.

Financial Services Modernization. The Gramm-Leach-Bliley Financial Modernization Act of 1999 (the Modernization Act), enacted on November 12, 1999, amended the BHC Act and,

allows bank holding companies that qualify as financial holding companies to engage in a substantially broader range of non-banking activities than was permissible under prior law;

allows insurers and other financial services companies to acquire banks;

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allows national banks, and some state banks, either directly or through operating subsidiaries, to engage in certain non-banking financial activities;

removes various restrictions that applied to bank holding company ownership of securities firms and mutual fund advisory companies;
and

establishes the overall regulatory structure applicable to bank holding companies that also engage in insurance and securities operations. If the Company, which has not obtained qualification as a financial holding company, were to do so in the future, the Company would be eligible to engage in, or acquire companies engaged in, the broader range of activities that are permitted by the Modernization Act, provided that if any of the Company's banking subsidiaries were to cease to be well capitalized or well managed under applicable regulatory standards, the Federal Reserve Board could, among other things, place limitations on the Company's ability to conduct these broader financial activities or, if the deficiencies persisted, require the Company to divest the banking subsidiary. In addition, if the Company were to be qualified as a financial holding company and any of its banking subsidiaries were to receive a rating of less than satisfactory under the Community Reinvestment Act of 1977 (the CRA), the Company would be prohibited from engaging in any additional activities other than those permissible for bank holding companies that are not financial holding companies. The broader range of activities that financial holding companies are eligible to engage in includes those that are determined to be financial in nature, including insurance underwriting, securities underwriting and dealing, and making merchant banking investments in commercial and financial companies.

Transactions with Affiliates. The Company and the Bank are deemed to be affiliates within the meaning of the Federal Reserve Act, and transactions between affiliates are subject to certain restrictions. Generally, the Federal Reserve Act limits the extent to which a financial institution or its subsidiaries may engage in covered transactions with an affiliate. It also requires all transactions with an affiliate, whether or not covered transactions, to be on terms substantially the same, or at least as favorable to the institution or subsidiary, as those provided to a non-affiliate. The term covered transaction includes the making of loans, purchase of assets, issuance of a guarantee and other similar types of transactions.

Tie-In Arrangements. The Company and the Bank cannot engage in certain tie-in arrangements in connection with any extension of credit, sale or lease of property or furnishing of services. For example, with certain exceptions, neither the Company nor the Bank may condition an extension of credit on either a requirement that the customer obtain additional services provided by either the Company or the Bank, or an agreement by the customer to refrain from obtaining other services from a competitor. The Federal Reserve Board has adopted exceptions to its anti-tying rules that allow banks greater flexibility to package products with their affiliates. These exceptions were designed to enhance competition in banking and non-banking products and to allow banks and their affiliates to provide more efficient, lower cost service to their customers.

Source of Strength. Under Federal Reserve Board policy, the Company is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank. This support may be required at times when, absent that Federal Reserve Board policy, the Company may not find itself able to provide it. Capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Federal law also authorizes the OCC to order an assessment of the Company if the capital of the Bank were to become impaired. If the Company failed to pay the assessment within three months, the OCC could order the sale of the Company's stock in the Bank to cover the deficiency.

Subsidiary Dividends. The Company is a legal entity separate and distinct from the Bank. A major portion of the Company's revenues results from amounts paid as dividends to the Company by the Bank. The OCC's prior approval is required if the total of all dividends declared by a national bank in any calendar year will exceed the sum of that bank's net profits for that year and its retained net profits for the preceding two calendar years, less any required transfers to surplus. Federal law also prohibits national banks from paying dividends that would be greater than the bank's undivided profits after deducting statutory bad debt in excess of the bank's allowance for loan losses.

In addition, the Company and the Bank are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine under certain circumstances relating to the financial condition of a bank or bank holding company that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. The appropriate federal regulatory authorities have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsound and unsafe banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

State Law Restrictions. As a Georgia business corporation, the Company may be subject to certain limitations and restrictions under applicable Georgia corporate law. In addition, although the Bank is a national bank and therefore primarily regulated by the OCC, Georgia banking law may restrict certain activities of the Bank.

The Bank

General. The Bank, as a national banking association, is subject to regulation and examination by the OCC. The federal laws that apply to the Bank regulate, among other things, the scope of its business, its investments, its reserves against deposits, the timing of the availability of deposited funds and the nature and amount of and collateral for loans. The laws and regulations governing the Bank generally have been promulgated to protect depositors and not to protect shareholders of the Company or the Bank.

Community Reinvestment Act. The CRA requires that, in connection with examinations of financial institutions within their jurisdiction, the OCC evaluate the record of the financial institutions in meeting the credit needs of their local communities, including low and moderate income neighborhoods, consistent with the safe and sound operation of those banks. These factors are also considered in evaluating mergers, acquisitions, and applications to open a branch or facility.

Insider Credit Transactions. Banks are also subject to certain restrictions imposed by the Federal Reserve Act on extensions of credit to executive officers, directors, principal shareholders, or any related interests of such persons. Extensions of credit must be made on substantially the same terms, including interest rates and collateral, and follow credit underwriting procedures that are not less stringent than those prevailing at the time for comparable transactions with persons not covered above and who are not employees. Also, such extensions of credit must not involve more than the normal risk of repayment or present other unfavorable features.

Federal Deposit Insurance Corporation Improvement Act. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 (the FDICIA), each federal banking agency has prescribed, by regulation, noncapital safety and soundness standards for institutions under its authority. These standards cover internal controls, information systems, and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation, fees and benefits, such other operational and managerial standards as the agency determines to be appropriate, and standards for asset quality, earnings and stock valuation.

Interstate Banking and Branching. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the IBBEA) permits nationwide interstate banking and branching under certain circumstances. This legislation generally authorizes interstate branching and relaxes federal law restrictions on interstate banking. Currently, bank holding companies may purchase banks in any state, and states may not prohibit such purchases. Additionally, banks are permitted to merge with banks in other states as long as the home state of neither merging bank has opted out. The IBBEA requires regulators to consult with community organizations before permitting an interstate institution to close a branch in a low-income area. The IBBEA also prohibits the interstate acquisition of a bank if, as a result, the bank holding company would control more than ten percent of the total United States insured depository deposits or more than thirty percent, or the applicable state law limit,

of deposits in the acquired bank's state. The federal banking agencies prohibit banks from using their interstate branches primarily for deposit production and have accordingly implemented a loan-to-deposit ratio screen to ensure compliance with this prohibition.

Georgia has opted in to the IBBEA and allows in-state banks to merge with out-of-state banks subject to certain requirements. Georgia law generally authorizes the acquisition of an in-state bank by an out-of-state bank by merger with a Georgia financial institution that has been in existence for at least 3 years prior to the acquisition. With regard to interstate bank branching, out-of-state banks that do not already operate a branch in Georgia may not establish de novo branches in Georgia.

Deposit Insurance. The deposits of the Bank are currently insured to a maximum of \$100,000 per depositor through a fund administered by the FDIC. All insured banks are required to pay semi-annual deposit insurance premium assessments to the FDIC.

Capital Adequacy

Federal bank regulatory agencies use capital adequacy guidelines in the examination and regulation of bank holding companies and banks. If capital falls below minimum guideline levels, the holding company or bank may be denied approval to acquire or establish additional banks or nonbank businesses or to open new facilities.

The FDIC, the OCC and the Federal Reserve Board use risk-based capital guidelines for banks and bank holding companies. These are designed to make such capital requirements more sensitive to differences in risk profiles among banks and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items. The guidelines are minimums, and the Federal Reserve Board has noted that bank holding companies contemplating significant expansion programs should not allow expansion to diminish their capital ratios and should maintain ratios well in excess of the minimum. The current guidelines require all bank holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier 1 capital. Tier 1 capital for bank holding companies includes common shareholders equity, certain qualifying perpetual preferred stock and minority interests in equity accounts of consolidated subsidiaries, less intangibles except as described above.

The FDIC, the OCC and the Federal Reserve Board also employ a leverage ratio, which is Tier 1 capital as a percentage of total assets less intangibles, to be used as a supplement to risk-based guidelines. The principal objective of the leverage ratio is to constrain the maximum degree to which a bank holding company or bank may leverage its equity capital base. A minimum leverage ratio of 3% is required for the most highly rated bank holding companies and banks. Other bank holding companies and banks and bank holding companies seeking to expand, however, are required to maintain leverage ratios of at least 4% to 5%.

The FDICIA created a statutory framework of supervisory actions indexed to the capital level of the individual institution. Under regulations adopted by the FDIC, the OCC and the Federal Reserve Board, an institution is assigned to one of five capital categories depending on its total risk-based capital ratio, Tier 1 risk-based capital ratio, and leverage ratio, together with certain subjective factors. Institutions which are deemed to be undercapitalized depending on the category to which they are assigned are subject to certain mandatory supervisory corrective actions.

Other Laws and Regulations

International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001. On October 26, 2001, the USA PATRIOT Act was enacted. It includes the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001 (the IMLAFA) and strong measures to prevent, detect and prosecute terrorism and international money laundering. As required by the IMLAFA, the federal banking agencies, in cooperation with the U.S. Treasury Department, established rules that generally apply to insured depository institutions and U.S. branches and agencies of foreign banks.

Among other things, the new rules require that financial institutions implement reasonable procedures to (1) verify the identity of any person opening an account; (2) maintain records of the information used to verify the person's identity; and (3) determine whether the person appears on any list of known or suspected terrorists or terrorist organizations. The rules also prohibit banks from establishing correspondent accounts with foreign shell banks with no physical presence and encourage cooperation among financial institutions, their regulators and law enforcement to share information regarding individuals, entities and organizations engaged in terrorist acts or money laundering activities. The rules also limit a financial institution's liability for submitting a report of suspicious activity and for voluntarily disclosing a possible violation of law to law enforcement.

Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act of 2002 (the "SOA") was enacted to address corporate and accounting fraud. It established a new accounting oversight board that enforces auditing standards and restricts the scope of services that accounting firms may provide to their public company audit clients. Among other things, it also (i) requires chief executive officers and chief financial officers to certify to the accuracy of periodic reports filed with the SEC; (ii) imposes new disclosure requirements regarding internal controls, off-balance-sheet transactions, and pro forma (non-GAAP) disclosures; (iii) accelerates the time frame for reporting of insider transactions and periodic disclosures by certain public companies; and (iv) requires companies to disclose whether or not they have adopted a code of ethics for senior financial officers and whether the audit committee includes at least one audit committee financial expert.

The SOA requires the SEC, based on certain enumerated factors, to regularly and systematically review corporate filings. To deter wrongdoing, it (i) subjects bonuses issued to top executives to disgorgement if a restatement of a company's financial statements was due to corporate misconduct; (ii) prohibits an officer or director from misleading or coercing an auditor; (iii) prohibits insider trades during pension fund blackout periods; (iv) imposes new criminal penalties for fraud and other wrongful acts; and (v) extends the period during which certain securities fraud lawsuits can be brought against a company or its officers.

Privacy. Under the Modernization Act, federal banking regulators adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of the Modernization Act affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

Future Legislation. Changes to federal and state laws and regulations can affect the operating environment of bank holding companies and their subsidiaries in substantial and unpredictable ways. From time to time, various legislative and regulatory proposals are introduced. These proposals, if codified, may change banking statutes and regulations and the Company's operating environment in substantial and unpredictable ways. If codified, these proposals could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions and other financial institutions. The Company cannot accurately predict whether those changes in laws and regulations will occur, and, if those changes occur, the ultimate effect they would have upon the Company's financial condition or results of operation.

Item 2. Properties

The Bank's main office is located at 301 North Broad Street in Thomasville, Georgia. The building contains approximately 10,000 square feet of finished space. The building contains a lobby, a vault, eight offices, four teller stations, three drive-in windows, a drive-up ATM and a loan operations area. The Bank's main office also serves as the Company's executive offices.

The Bank also operates a branch office at 1320 Remington Avenue in Thomasville, Georgia. The branch facility consists of 4,800 square feet of space and contains a lobby, a vault, five inside teller stations, three drive-in windows, a drive-up ATM, and, the Bank's mortgage lending department.

The Bank also owns an office building located adjacent to the main office of the Bank that contains approximately 5,000 square feet. The first floor contains the boardroom conference facility and the TNB Financial Services division offices. The 2nd floor contains the Bank's bookkeeping area, operations and data center.

The Bank owns approximately 1.49 acres of undeveloped land in Tallahassee, Florida for possible future expansion in order to better service the TNB Financial Services division clients.

The Company does not own or lease any real property.

Item 3. Legal Proceedings

There are no material pending legal proceedings to which the Company or the Bank is a party or of which any of their properties are subject; nor are there material proceedings known to the Company to be contemplated by any governmental authority; nor are there material proceedings known to the Company, pending or contemplated, in which any director, officer or affiliate or any principal security holder of the Company, or any associate of any of the foregoing is a party or has an interest adverse to the Company or the Bank.

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

No matter was submitted during the quarter ended December 31, 2007 to a vote of security holders of the Company.

PART II
Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities
Market Information

The Company's common stock is quoted in the pink sheets. The following table sets forth the high and low bid prices for the Company's common stock during 2007 and 2006, as reported in the pink sheets. These prices reflect inter-dealer quotations without retail mark-ups, markdowns, or commissions and may not necessarily represent actual transactions.

	High	Low
2007		
First Quarter	25.00	23.00
Second Quarter	25.00	24.40
Third Quarter	25.00	23.25
Fourth Quarter	23.25	19.35
2006		
First Quarter	22.50	19.85
Second Quarter	25.00	21.50
Third Quarter	25.00	22.50
Fourth Quarter	24.13	22.48

 Holders of Common Stock

As of March 17, 2008, the number of holders of record of the Company's common stock was 648.

Cash Dividends

The Company paid a cash dividend of \$.40 per share in July 2007 and a cash dividend of \$0.30 per share in July 2006. Future dividend policy will depend on the Bank's earnings, capital requirements, financial condition and other factors considered relevant by the Board of Directors of the Company.

The Bank is restricted in its ability to pay dividends under the national banking laws and by OCC regulations. Pursuant to 12 U.S.C. § 56, a national bank may not pay dividends from its capital. All dividends must be paid out of undivided profits, subject to other applicable provisions of law. Payments of dividends out of undivided profits is further limited by 12 U.S.C. § 60(a), which prohibits a bank from declaring a dividend on its shares of common stock until its surplus equals its stated capital, unless there has been transferred to surplus not less than 1/10 of the Bank's net income of the preceding two consecutive half-year periods (in the case of an annual dividend). Pursuant to 12 U.S.C. § 60(b), OCC approval is required if the total of all dividends declared by the Bank in any calendar year exceeds the total of its net income for that year combined with its retained net income for the preceding two years, less any required transfers to surplus.

Item 6. Selected Financial Data

Not required.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of the Company's financial condition and results of operations should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere herein.

Overview

The Company's principal asset is its ownership of the Bank. Accordingly, the Company's results of operations are primarily dependent upon the results of operations of the Bank. The Bank conducts a commercial banking business consisting of attracting both retail and business deposits, and applying those funds to the origination of commercial, consumer and real estate loans (including commercial loans collateralized by real estate). The Bank's profitability depends primarily on net interest income, which is the difference between interest income generated from interest-earning assets (i.e., loans and investments) less the interest expense incurred on interest-bearing liabilities (i.e., customer deposits and borrowed funds). Net interest income is affected by the relative amounts of interest-earning assets and interest-bearing liabilities, and the interest rate earned and paid on these balances. Net interest income is dependent upon the Bank's interest-rate spread, which is the difference between the average yield earned on its interest-earning assets and the average rate paid on its interest-bearing liabilities. When interest-earning assets approximate or exceed interest-bearing liabilities, any positive interest rate spread will generate net interest income. The interest rate spread is impacted by interest rates, deposit flows, and loan demand. Additionally, and to a lesser extent, the Bank's profitability is affected by such factors as the level of noninterest income and expenses, the provision for loan losses, and its effective tax rate. Noninterest income consists primarily of service charges and fees. Noninterest expense consists of salaries and employee benefits, occupancy expenses, professional fees, and other operating expenses.

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; since it is affected by changing economic conditions and various external factors that may impact the portfolio in ways currently unforeseen. The allowance is increased by provisions for loan losses and by recoveries of loans previously charge-off and reduced by loans charged-off. For a full discussion of the Company's methodology of assessing the adequacy of the allowance for loan losses, see the Allowance for Loan Losses discussion below, as well as Note 3 in the Company's consolidated financial statements included in this Report.

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 11 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 Test for Impairment. In its endeavor to enhance shareholders' value, the Company acquired TNBFS (formerly Joseph Parker & Co., Inc.) in July 2002. The Company utilized the purchase method to reflect the acquisition of TNBFS. 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. TNBFS was liquidated in June 2006, and its operations transferred to TNB Financial Services, a division of the bank formerly known as TNB Trust Services.

Results of Operations

In 2007, total assets increased \$13.9 million to \$313.2 from \$299.3 million in 2006. Cash and cash equivalents decreased \$23.3 million to \$7.8 from \$31.1 million; securities increased \$1.8 to \$15.2 from \$13.4 million in 2006; loans increased \$34.4 million to \$273.5 from \$239.1 million in 2006; and all remaining assets increased \$1.1 million to \$16.7 from \$15.6 million in 2006.

To fund the growth in assets, deposits increased \$3.6 million to \$264.3 from \$260.7 million in 2006; borrowings increased \$6.4 to \$13.7 from \$7.3 million in 2006; and the equity accounts increased \$3.8 to \$29.9 from \$26.1 million in 2006.

Net Interest Income

Presented below are various components of assets and liabilities, interest income and expense as well as their yield/cost for the period indicated.

	Year Ended December 31, 2007			Year Ended December 31, 2006		
	Average Balance	Interest Income/ Expense	Yield/ Cost	Average Balance	Interest Income/ Expense	Yield/ Cost
	(Dollars in thousands)					
Interest-bearing deposits in banks	\$ 31	\$ 2	6.45%	\$ 55	\$ 2	3.64%
Federal funds sold	21,471	1,078	5.02%	13,514	671	4.97%
Securities	15,010	645	4.30%	13,264	528	3.98%
Loans, net	263,321	20,783	7.89%	220,842	18,396	8.33%
Total earning assets	\$ 299,833	\$ 22,508	7.51%	\$ 247,675	\$ 19,597	7.91%
Interest bearing deposits	\$ 251,271	\$ 10,646	4.24%	\$ 213,406	\$ 8,201	3.84%
Other borrowings	8,645	395	4.57%	10,565	502	4.75%
Trust preferred securities	4,124	302	7.32%	4,124	293	7.10%
Total interest-bearing liabilities	\$ 264,040	\$ 11,343	4.30%	\$ 228,095	\$ 8,996	3.94%

Net yield on earning assets 3.72% 4.28%

Net yield on interest-earning assets for 2007 and 2006 was 3.72% and 4.28%, respectively. The decrease in net yield resulted from the increase in the cost of interest-bearing liabilities, primarily cost of funds that do not reprice at the same frequency as assets, as well as a slight change in the overall deposit mix, occurring at the same time the yield on earning assets decreased.

Noninterest Income

Noninterest income for 2007 and 2006 amounted to \$4,048,657 and \$3,701,264, respectively. As a percent of average assets, however noninterest income decreased from 1.31% in 2006 to 1.25% in 2007. The increase in noninterest income is primarily due to fee income generated by the Bank for trust services. The Bank was also able to increase other service charges, as well as mortgage origination and other income.

The following table summarizes the major components of noninterest income for the years ended December 31, 2007 and 2006.

	2007	2006	Dollar Change	Percent Change
	(In thousands)			
Trust and investment services	\$ 2,562	\$ 2,230	\$ 332	15%
Service charges on deposit accounts	707	727	(20)	(3)
Mortgage origination fees	235	197	38	19
Other service charges, commissions and fees	229	192	37	19
Other	316	355	(39)	(11)
Total noninterest income	\$ 4,049	\$ 3,701	\$ 348	9%

Noninterest Expense

Noninterest expense increased from \$7,412,342 in 2006 to 8,164,298 in 2007. As a percent of total average assets, noninterest expense decreased from 2.62% in 2006 to 2.52% in 2007. The increase in expense in 2007 is primarily due to costs associated with the expansion of the Bank's TNB Financial Services division. However, as evidenced by the fact that noninterest expense, as a percent of total average assets, decreased from calendar year 2006 to 2007, the Company has achieved a higher degree of efficiency.

The following table summarizes the major components of noninterest expense for 2007 and 2006.

	2007	2006	Dollar Change	Percent Change
	(In thousands)			
Salaries and benefits	\$ 4,582	\$ 4,043	\$ 539	13%
Equipment	573	549	24	4
Occupancy	343	340	3	1
Data processing	495	505	(10)	(2)
Legal and accounting	362	267	95	36
Advertising and marketing	409	391	18	5
Other operating expenses	1,400	1,317	83	6
Total noninterest expense	\$ 8,164	\$ 7,412	\$ 752	10%

Nonperforming Assets

Nonperforming assets consist of nonaccrual loans, restructured loans, foreclosed real estate and other assets. Nonperforming assets increased by \$2,306,800, or 692.7%, from December 31, 2006. Total nonperforming assets were \$2,306,800 at December 31, 2007, which consisted of: \$260,785 in nonaccrual loans secured by real estate; \$2,015 in consumer loans; and \$2,044,000 in restructured loans. Included in restructured loans is a \$1,950,000 loan secured by real estate that was restructured during the third quarter of 2007. This loan was restructured to accommodate a slight reduction in the value of the collateral, and the loan is currently performing. In the opinion of management, the loan is well-collateralized and the guarantor of the principal has adequate financial means to repay the loan should the guaranty be called upon.

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As a percent of total assets, nonperforming assets totaled 0.74% at December 31, 2007 versus 0.10% at year-end 2006. No material credits have been transferred or removed from nonaccrual status during 2007. Refer to the subsection entitled Policy Note for criteria used by management in classifying loans as nonaccrual.

There was approximately \$200,991 in loans past due 90 days or more and still accruing interest at December 31, 2007, compared to \$19,000 at December 31, 2006. Management is unaware of any material concentrations within these past due balances. The table below provides further information about nonperforming assets and loans past due 90 plus days and still accruing interest:

<i>Nonperforming Assets (In thousands)</i>	December 31, 2007	December 31, 2006
Nonaccrual loans:		
Commercial, financial and agricultural	\$	\$
Real estate construction		
Real estate mortgage	261	132
Consumer	2	65
Other		
Total nonaccrual loans	263	197
Restructured loans	2,044	94
Total nonperforming loans	2,307	291
Foreclosed real estate		
Other repossessed assets		
Total nonperforming assets	\$ 2,307	\$ 291
Accruing loans past due 90 days or more	\$ 201	\$ 19
Ratios:		
Nonperforming loans to net loans	0.84%	0.12%
Nonperforming assets to net loans plus foreclosed/repossessed assets	0.84%	0.12%

Policy Note. Loans classified as nonaccrual have been placed in nonperforming, or impaired, status because the borrower's ability to make future principal and/or interest payments has become uncertain. The Company considers a loan to be nonaccrual when the collection of recorded interest or principal is not anticipated in the foreseeable future. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Nonaccrual loans that are impaired are reduced to the lower of the principal balance of the loan or the market value of the underlying real estate or other collateral net of selling costs. Any impairment in the principal balance is charged against the allowance for loan losses. Accrued interest on any loan placed on nonaccrual status is reversed. Interest income on nonaccrual loans, if subsequently recognized, is recorded on a cash basis. No interest is subsequently recognized on nonaccrual (or former nonaccrual) loans until all principal contractually due has been collected. Foreclosed real estate represents real property acquired by foreclosure or directly by title or deed transfer in settlement of debt. Provisions for subsequent devaluations of foreclosed real estate are charged to operations, while costs associated with improving the properties are generally capitalized.

Allowance for Loan Losses

During 2007, the allowance for loan losses increased from \$3,364,533 to \$3,805,826. As a percent of gross loans, the allowance for loan losses decreased from 1.39% to 1.37% during 2007. Net charge-offs during 2007 amounted to \$153,707 or .06% of average loans. During 2006, the allowance for loan losses increased from \$2,712,745 to \$3,364,533. As a percent of gross loans, the allowance for loan losses was approximately 1.19% and 1.39% for 2005 and 2006, respectively. Net charge-offs during 2006 amounted to \$68,213, or 0.03% of average loans. As of December 31, 2007, management considers the allowance for loan losses to be adequate to absorb 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.

Interest Rate Sensitivity

Net interest income, the Company's primary source of earnings, fluctuates with significant interest rate movements. To lessen the impact of these margin swings, the balance sheet should be structured so that repricing opportunities exist for both assets and liabilities in roughly equivalent amounts at approximately the same time intervals. Imbalances in these repricing opportunities at any time constitute interest rate sensitivity.

Interest rate sensitivity refers to the responsiveness of interest-earning assets and interest-bearing liabilities to changes in market interest rates. The rate sensitive position, or gap, is the difference in the volume of rate sensitive assets and liabilities at a given time interval. The general objective of gap management is to manage rate sensitive assets and liabilities so as to reduce the impact of interest rate fluctuations on the net interest margin. Management generally attempts to maintain a balance between rate sensitive assets and liabilities as the exposure period is lengthened to minimize the Company's overall interest rate risk.

The asset mix of the balance sheet is continually evaluated in terms of several variables: yield, credit quality, appropriate funding sources and liquidity. To effectively manage the liability mix of the balance sheet, there should be a focus on expanding the various funding sources. The Company's interest rate sensitivity position at December 31, 2007 is presented in the following table. The difference between rate sensitive assets and rate sensitive liabilities, or the interest rate sensitivity gap, is shown at the bottom of the table. Since all interest rates and yields do not adjust at the same pace, the gap is only a general indicator of rate sensitivity.

	At December 31, 2007 Maturing or Repricing Within Three				Total
	Zero to Three Months	Months to One Year	One to Five Years	Over Five Years	
(Dollars in Thousands)					
Earning assets:					
Interest-bearing deposits in banks	\$ 63	\$	\$	\$	\$ 63
Federal funds sold	357				357
Investment securities		5,161	10,087		15,248
Loans	150,554	39,477	82,329	4,898	277,258
	150,974	44,638	92,416	4,898	292,926
Interest-bearing liabilities:					
Interest-bearing demand deposits and savings	163,199				163,199
Time deposits	11,976	33,474	25,797	1,015	72,262
Other borrowings		3,667	4,667	1,383	9,717
Junior subordinated debentures				4,124	4,124
	175,175	37,141	30,464	6,522	249,302
Interest rate sensitivity gap	\$ (24,201)	\$ 7,497	\$ 61,952	\$ (1,624)	\$ 43,624
Cumulative interest rate sensitivity gap	\$ (24,201)	\$ (16,704)	\$ 45,248	\$ 43,624	
Interest rate sensitivity gap ratio	0.86	1.20	3.30	0.75	
Cumulative interest rate sensitivity gap ratio	0.86	0.92	1.19	1.17	

As evidenced by the table above, on a cumulative basis, at December 31, 2007, the Company was liability sensitive up to one year, and asset sensitive thereafter. In a declining interest rate environment, a liability sensitive position (a gap ratio of less than 1.0) is generally more advantageous since liabilities are repriced sooner than assets. Conversely, in a rising interest rate environment, an asset sensitive position (a gap ratio over 1.0) is generally more advantageous as earning assets are repriced sooner than the liabilities. With respect to the Company, an increase in interest rates would reduce income for one year and increase income thereafter. Conversely, a decline in interest rates would increase income for one year and decrease income thereafter. This, however, assumes that all other factors affecting income remain constant.

As the Company continues to grow, management will continuously structure its rate sensitivity position to best hedge against rapidly rising or falling interest rates. The Bank's Asset/Liability Committee meets on a monthly basis and develops management's strategy for the upcoming period. This strategy includes anticipations of future interest rate movements.

Liquidity

Liquidity represents the ability to provide steady sources of funds for loan commitments and investment activities, as well as to maintain sufficient funds to cover deposit withdrawals and payment of debt and operating obligations. These funds can be obtained by converting assets to cash or by attracting new deposits. The Company's primary source of liquidity is its ability to maintain and increase deposits through the Bank. Deposits increased \$3.6 million during 2007 and \$22.8 million during 2006.

Below are the pertinent liquidity balances and ratios at December 31, 2007 and 2006:

	December 31,	
	2007	2006
	(Dollars in thousands)	
Cash and cash equivalents	\$ 7,798	\$ 31,143
Securities	15,248	13,414
CDs, over \$100,000 to total deposits ratio	17.84%	14.52%
Loan to deposit ratio	103.5%	91.7%
Brokered deposits	14,025	19,100

Cash and cash equivalents are the primary source of liquidity. At December 31, 2007, cash and cash equivalents amounted to \$7.8 million, representing 2.5% of total assets. Securities available for sale provide a secondary source of liquidity. At December 31, 2007, total securities amounted to \$15.2 million, representing 4.9% of total assets.

At December 31, 2007, large denomination certificates accounted for 17.8% of total deposits. As a percent of total deposits, large denomination certificates increased from 14.5% at December 31, 2006 to 17.8% at December 31, 2007. Large denomination CDs are generally more volatile than other deposits. As a result, management continually monitors the competitiveness of the rates it pays on its large denomination CDs and periodically adjusts its rates in accordance with market demands. Significant withdrawals of large denomination CDs may have a material adverse effect on the Bank's liquidity.

Brokered deposits are deposit instruments, such as certificates of deposit, deposit notes, bank investment contracts and certain municipal investment contracts that are issued through brokers and dealers who then offer and/or sell these deposit instruments to one or more investors. As of December 31, 2007, the Company had \$14,025 million in brokered deposits, all in large denomination CDs.

Management knows of no trends, demands, commitments, events or uncertainties that should result in or are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way in the foreseeable future.

Off-Balance Sheet Arrangements and Contractual Obligations

In the ordinary course of business, the Bank has granted commitments to extend credit to approved customers. Generally, these commitments to extend credit have been granted on a temporary basis for seasonal or inventory requirements and have been approved by the Bank's Board of Directors. The Bank has also granted commitments to approved customers for standby letters of credit. These commitments are recorded in the financial statements when funds are disbursed or the financial instruments become payable. The Bank uses the same credit policies for these off-balance-sheet commitments as they do for financial instruments that are recorded in the consolidated financial statements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitment amounts expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Following is a summary of the commitments outstanding at December 31, 2007 and 2006:

	December 31, 2007 2006 (Dollars in Thousands)	
Commitments to extend credit	\$ 14,012	\$ 46,386
Financial standby letters of credit	2,869	6,584
	\$ 16,881	\$ 52,970

The following table sets forth certain information about contractual cash obligations as of December 31, 2007.

	Payments Due After December 31, 2007				
	Total	1 Year Or Less	1 -3 Years	4 -5 Years	After 5 Years
	(Dollars in Thousands)				
Time certificates of deposit	\$ 72,262	\$ 45,450	\$ 21,363	\$ 4,434	\$ 1,015
Other borrowings	9,717	3,667	2,333	1,667	2,050
Junior subordinated debentures	4,124				4,124
	\$ 86,103	\$ 37,141	\$ 23,696	\$ 6,101	\$ 7,189

The Company's operating leases represent short-term obligations, normally with maturities of one year or less. Many of the operating leases have thirty-day cancellation provisions. The total contractual obligations for operating leases do not require a material amount of the Company's cash funds.

At December 31, 2007, the Company did not have any binding commitments for capital expenditures.

Capital Adequacy

The capital resources of the Company are monitored on a periodic basis by federal and state regulatory authorities. During 2007, the Company increased capital by retaining net earnings of \$3,265,000 after payment of dividends. In addition to earnings for 2007, the Company increased its capital by approximately \$412,000 by the issuance of common stock, exercise of stock options and other stock-based compensation arrangements. Accumulated other comprehensive income also increased \$126,000. The Company is not aware of any trends that are likely to result in a material change in the Company's liquidity.

There are primary measures of capital adequacy for banks and bank holding companies: (i) risk-based capital guidelines and (ii) the leverage ratio. Risk-based capital guidelines measure the amount of a bank's required capital in relation to the degree of risk perceived in its assets and its off-balance sheet items. Under the risk-based capital guidelines, capital is divided into two tiers. Tier 1 capital consists of common shareholders equity, non-cumulative and cumulative perpetual preferred stock and minority interest. Goodwill is subtracted from the total. Tier 2 capital consists of the allowance for loan losses, hybrid capital instruments, term subordinated debt and intermediate term preferred stock. Banks are required to maintain a minimum risk-based capital ratio of 8.0%, with at least 4.0% consisting of Tier 1 capital.

The second measure of capital adequacy relates to the leverage ratio. The OCC has established a 3.0% minimum leverage ratio requirement. The leverage ratio is computed by dividing Tier 1 capital by average total assets.

The table below illustrates the Bank's and Company's regulatory capital ratios at December 31, 2007:

Bank	December 31, 2007	Minimum regulatory requirement
Tier 1 Capital	9.0%	4.0%
Tier 2 Capital		
Total risk-based capital ratio	13.4%	8.0%
Leverage ratio	12.1%	4.0%

The above ratios indicate that the capital positions of the Bank are sound and that the Bank is well positioned for future growth.

Issuance of Junior Subordinated Debentures

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 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 junior subordinated debentures on the consolidated balance sheet. Subject to certain limitations, the securities can qualify as Tier 1 capital for regulatory capital purposes.

Item 8. Financial Statements and Supplementary Data

The following financial statements are filed as Exhibit 99.1 to this report and are incorporated herein by reference:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2007 and 2006

Consolidated Statements of Income for the Years Ended December 31, 2007 and 2006

Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2007 and 2006

Consolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2007 and 2006

Consolidated Statements of Cash Flows for the Years Ended December 31, 2007 and 2006

Notes to Consolidated Financial Statements

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There has been no occurrence requiring a response to this Item.

Item 9A(T). Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures as of the end of the fiscal year covered by this Annual Report on Form 10-K and have concluded that the Company's disclosure controls and procedures are effective. During the fourth quarter of 2007, there were no changes in the Company's internal control over financial reporting that have materially affected, or that are reasonably likely to materially affect, the Company's internal control over financial reporting.

(b) Management's Annual Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's management, including its Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Company's management concluded that the Company's internal control over financial reporting was effective as of December 31, 2007.

This Annual Report on Form 10-K does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation requirements by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this Annual Report.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information relating to directors and executive officers of the Company contained in the Company's definitive Proxy Statement to be delivered to shareholders in connection with the 2008 Annual Meeting of Shareholders (the "2008 Proxy Statement") is incorporated herein by reference.

Item 11. Executive Compensation

The information relating to executive compensation contained in the 2008 Proxy Statement is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information relating to this item is contained in the 2008 Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information relating to certain relationships and related transactions contained in the 2008 Proxy Statement is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information relating to principal accountant fees and services contained in the 2008 Proxy Statement is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following exhibits are filed with or incorporated by reference into this report. The exhibits which are denominated by an asterisk (*) were previously filed as a part of, and are hereby incorporated by reference from (i) the Registration Statement on Form SB-2 under the Securities Act of 1933 for the Company, Registration Number 33-91536 (SB-2); (ii) the Registration Statement on Form SB-2 under the Securities Act of 1933 for the Company, Registration Number 333-58545 (1998 SB-2); (iii) the Company's Annual Report on Form 10-KSB for the year ended December 31, 2000 (2000 10-KSB); the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003 (2003 10-KSB); or the Company's Annual Report on Form 10-KSB for the year ended December 31, 2006 (2006 10-KSB). The exhibit numbers correspond to the exhibit numbers in the referenced document.

Exhibit No.	Description of Exhibit
*3.1	- Articles of Incorporation of the Company (SB-2)
*3.2	- Bylaws of the Company (SB-2)
*10.1	- Employment Agreement dated January 14, 1998 between the Company and Stephen H. Cheney (1998 SB-2)
*10.2	- Employment Agreement dated January 14, 1998 between the Company and Charles H. Hodges, III (1998 SB-2)
*10.3	- 2000 Directors' Compensation Plan (2000 10-KSB)
*10.4	- 2006 Stock Incentive Plan (2006 10-KSB)
*14.1	- Code of Ethics (2003 10-KSB)
21.1	- Subsidiaries of the Registrant
31.1	- Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	- Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	- Consolidated Financial Statements

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: March 27, 2008

By: /s/ Stephen H. Cheney
 Stephen H. Cheney
 President and Chief Executive Officer
 (principal executive, financial and accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Stephen H. Cheney Stephen H. Cheney	President, Chief Executive Officer and Director (<i>principal executive officer, principal financial officer and principal accounting officer</i>)	March 27, 2008
/s/ Charles H. Hodges, III Charles H. Hodges, III	Executive Vice President and Director	March 27, 2008
Charles A. Balfour	Director	
/s/ Joel W. Barrett Joel W. Barrett	Director	March 27, 2008
/s/ David A. Cone David A. Cone	Director	March 27, 2008
Charles E. Hancock, M.D.	Director	
/s/ Harold L. Jackson Harold L. Jackson	Director	March 27, 2008
Randall L. Moore	Director	
/s/ Diane W. Parker Diane W. Parker	Director	March 27, 2008

/s/ Cochran A. Scott, Jr.
Cochran A. Scott, Jr.

Director

March 27, 2008

Richard L. Singletary, Jr.

Director

EXHIBIT INDEX

Exhibit No	Description
21.1	- Subsidiaries of the Registrant
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32.1	- Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	- Consolidated Financial Statements