THOMASVILLE BANCSHARES INC
Form 10QSB
August 14, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

(Mark One)

X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2006.

OR

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

Commission File No. 0-25929

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

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

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

(229) 226-3300
(Issuer's Telephone Number)

Not Applicable
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer (1) filed all reports required to be filed by section 13 or 15(d) of the Exchange Act 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 [X] No [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

APPLICABLE ONLY TO CORPORATE ISSUERS: State the number of shares outstanding of each of the issuer's classes of common equity as of the latest practicable date.

Common stock, $1.00 par value per share 2,941,135 shares issued and outstanding as of August 11, 2006.

Transitional small business disclosure format (check one):
Yes ________ No X ___________

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED BALANCE SHEETS

ASSETS	June 30, 2006 (Unaudited)	December 31, 2005 (Unaudited)
Cash and due from banks	$ 11,406,696	$ 9,660,989
Federal funds sold	5,857,813	17,921,281
Total cash and cash equivalents	$ 17,264,509	$ 27,582,270
Investment securities:		
Securities available-for-sale, at market value	$ 15,284,869	$ 12,301,618
Loans, net	233,699,119	224,358,330
Property & equipment, net	5,589,880	5,630,095
Goodwill	3,372,259	3,372,259
Other assets	4,682,184	3,221,246
Total Assets	$279,892,820	$276,465,818
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities:		
Deposits		
Non-interest bearing deposits	$ 30,105,733	$ 32,666,624
Interest bearing deposits	206,299,617	205,210,749
Total deposits	$236,405,350	$237,877,373
Borrowings	14,593,908	11,067,263
Junior subordinated debentures	4,000,000	4,000,000
Other liabilities	1,338,618	1,044,164
Total Liabilities	$256,337,876	$253,988,800
Commitments and contingencies		
Shareholders' Equity:		
Common stock, $1.00 par value, 10 million shares authorized, 2,941,135 (2006) and 2,940,507 (2005) shares issued & outstanding	$ 2,941,135	$ 2,940,507
Paid-in-capital	8,240,546	8,160,931
Retained earnings	12,617,993	11,553,880
Accumulated other		

comprehensive (loss)	(244,730)	(178,300)
Total Shareholders' Equity	$ 23,554,944	$ 22,477,018
Total Liabilities and Shareholders' Equity	$279,892,820	$276,465,818

Refer to notes to the consolidated financial statements.

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

	For the three months ended June 30,	
	2006	2005
Interest income	$4,893,043	$3,707,613
Interest expense	2,128,872	1,227,830
Net interest income	$2,764,171	$2,479,783
Provision for possible loan losses	105,000	105,000
Net interest income after provision for possible loan losses	$2,659,171	$2,374,783
Other income		
Service charges on deposit accounts	$ 179,446	$ 167,283
Fees, money management	251,000	255,000
Trust services	228,667	178,384
Other income and fees	176,676	101,725
Total other income	$ 835,789	$ 702,392
Operating expenses		
Salaries and benefits	$1,058,259	$ 893,792
Advertising and public relations	81,754	55,285
Depreciation	106,629	98,316
Regulatory fees and assessments	23,514	25,581
Other operating expenses	633,615	581,379
Total operating expenses	$1,903,771	$1,654,353
Net income before taxes	$1,591,189	$1,422,822
Income taxes	627,300	520,099
Net income	$ 963,889	$ 902,723
Basic income per share	$ .33	$ .31

Diluted income per share	$ .31	$ .30

Refer to notes to the consolidated financial statements.

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

	For the six months ended June 30,	
	2006	2005
Interest income	$9,367,986	$7,098,799
Interest expense	3,953,916	2,321,816
Net interest income	$5,414,070	$4,776,983
Provision for possible loan losses	210,000	210,000
Net interest income after provision for possible loan losses	$5,204,070	$4,566,983
Other income		
Service charges on deposit accounts	$ 357,958	$ 319,063
Fees, money management	502,000	510,000
Trust services	438,626	344,006
Other income and fees	344,578	207,339
Total other income	$1,643,162	$1,380,408
Operating expenses		
Salaries and benefits	$2,057,556	$1,758,194
Advertising and public relations	159,662	143,867
Depreciation	179,553	196,163
Regulatory fees and assessments	50,458	52,391
Other operating expenses	1,168,150	1,121,403
Total operating expenses	$3,615,379	$3,272,018
Net income before taxes	$3,231,853	$2,675,373
Income taxes	1,281,007	967,349
Net income	$1,950,846	$1,708,024
Basic income per share	$ .66	$ .58
Diluted income per share	$ .64	$ .56

Refer to notes to the consolidated financial statements.

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

	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Cash flows from operating activities:	$ 1,153,759	$ 1,167,037
Cash flows from investing activities:		
Purchase of fixed assets	$ (139,338)	$ (146,778)
Maturities, calls, paydowns, AFS	- -	5,249,561
Purchase of securities, AFS	(2,959,926)	- -
(Increase) in loans	(9,550,789)	(3,772,358)
Net cash provided by/ (used in) investing activities	$(12,650,053)	$ 1,330,425
Cash flows from financing activities:		
Payment of dividends	$ (886,733)	$ - -
Issuance of stock to 401(k)	8,644	32,021
Exercise of stock options	2,000	- -
Increase in borrowings	3,526,645	(3,381,440)
(Decrease) in deposits	(1,472,023)	20,505,342
Net cash provided by financing activities	$ 1,178,533	$17,155,923
Net increase/(decrease) in cash and cash equivalents	$(10,317,761)	$19,653,385
Cash and cash equivalents, beginning of period	27,582,270	6,626,106
Cash and cash equivalents, end of period	$ 17,264,509	$26,279,491

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIODS ENDED JUNE 30, 2005 AND 2006

Accumulated

	Common Stock Shares	Common Stock Par Value	Paid in Capital	Retained Earnings	Other Comprehensive Income	Tot
Balance, Dec. 31, 2004	2,937,625	$ 2,937,625	$ 7,872,245	$ 8,739,226	$ (27,556)	$19,52
Comprehensive Income:						
Net income, six-month period ended June 30, 2005	- -	- -	- -	1,708,024	- -	1,70
Net unrealized (loss) on securities, six-month period ended June 30, 2005	- -	- -	- -	- -	(55,015)	(5
Total comprehensive income	- -	- -	- -	1,708,024	(55,015)	1,65
Declaration of dividends	- -	- -	- -	(734,845)	- -	(73
Sale of 1,952 shares to employee 401K plan	1,952	1,952	30,069	- -	- -	3
Stock options, restricted stock (5,290 options)	- -	- -	70,100	- -	- -	7
Balance, June 30, 2005	2,937,577	$ 2,937,577	$ 7,972,414	$ 9,712,405	$ (82,571)	$20,54

	Common Stock Shares	Common Stock Par Value	Paid in Capital	Retained Earnings	Other Comprehensive Income	Tot
Balance, Dec. 31, 2005	2,940,507	$ 2,940,507	$ 8,160,931	$11,553,880	$(178,300)	$22,47
Comprehensive Income:						
Net income, six-month period ended June 30, 2006	- -	- -	- -	1,950,846	- -	1,95
Net unrealized (loss) on securities, six-month period ended June 30, 2006	- -	- -	- -	- -	(66,430)	(6
Total comprehensive income	- -	- -	- -	1,950,846	(66,430)	1,88
Payment of dividends	- -	- -	- -	(886,733)	- -	(88
Exercise of stock options	200	200	1,800	- -	- -	
Sale of 428 shares to employee 401K plan	428	428	8,216	- -	- -	
Stock options, restricted stock (3,142.844 options)	- -	- -	69,600	- -	- -	6
Balance, June 30, 2006	2,941,135	$ 2,941,135	$ 8,240,546	$12,617,993	$(244,730)	$23,55

Refer to notes to the consolidated financial statements.

THOMASVILLE BANCSHARES, INC.
THOMASVILLE, GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
JUNE 30, 2006

NOTE 1 - BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-QSB. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six-month periods ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006. These statements should be read in conjunction with the consolidated financial statements and footnotes thereto included in Form 10-KSB for the year ended December 31, 2005.

NOTE 2 - SUMMARY OF ORGANIZATION

Thomasville Bancshares, Inc., Thomasville, Georgia (the "Company"), was organized in January 1995 for a then proposed de novo bank, Thomasville National Bank, (the "Bank"). The Bank commenced operations in October 1995. The Bank is primarily engaged in the business of obtaining deposits and providing commercial, consumer and real estate loans to the general public. The Bank also offers trust services. The Bank operates from two banking offices, both in Thomasville, Georgia. The Bank's depositors are each insured up to $100,000 by the Federal Deposit Insurance Corporation, subject to certain limitations imposed by the FDIC. In addition to the Bank, the Company has two other subsidiaries, TNB Financial Services, Inc. ("TNBFS"), through which the Company provides investment advisory services, and Thomasville Capital Trust I ("TCTI"), which issued $4.0 million in trust preferred securities to unrelated investors in 2005.

NOTE 3 - INVESTMENT SECURITIES

Information pertaining to securities with gross unrealized losses at June 30, 2006, aggregated by investment category and further segregated by the length of time (less than or over twelve months) that the securities have been in a continuous loss position follows:

	Less than Twelve Months		Over Twelve Months		Total	
Description	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Agency and Government Corporations	$3,927,244	$(42,196)	$9,311,293	$(328,608)	$13,238,537	$(370,804)

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At June 30, 2006, unrealized losses in the securities portfolio amounted to $370,804, representing 2.43% of the total portfolio. All of the unrealized losses relate to U.S. Agency securities and securities of U.S. government corporations. These unrealized losses were caused by fluctuations in market interest rates, rather than concerns over the credit quality of the issuers. The Company believes that the U.S. Agencies and government corporations will continue to honor their interest payments on time as well as the full debt at maturity. Because the unrealized losses are due to fluctuations in the interest rate, and no credit worthiness factors exist, the Company believes that the investments are not considered other-than-temporarily impaired.

NOTE 4 - RECENT ACCOUNTING PRONOUNCEMENTS

SFAS NO. 154, "ACCOUNTING CHANGES AND ERROR CORRECTIONS, A REPLACEMENT OF APB OPINION NO. 20 AND FASB STATEMENT NO. 3." SFAS 154 establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to a newly adopted accounting principle. Previously, most changes in accounting principle were recognized by including the cumulative effect of changing to the new accounting principle in net income of the period of the change. Under SFAS 154, retrospective application requires (i) the cumulative effect of the change to the new accounting principle on periods prior to those presented to be reflected in the carrying amounts of assets and liabilities as of the beginning of the first period presented, (ii) an offsetting adjustment, if any, to be made to the opening balance of retained earnings (or other appropriate components of equity) for that period, and (iii) financial statements for each individual prior period presented to be adjusted to reflect the direct period-specific effects of applying the new accounting principle. Special retroactive application rules apply in situations where it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Indirect effects of a change in accounting principle are required to be reported in the period in which the accounting change is made. SFAS 154 carries forward the guidance in APB Opinion 20 "Accounting Changes," requiring justification of a change in accounting principle on the basis of preferability. SFAS 154 also carries forward without change the guidance contained in APB Opinion 20, for reporting the correction of an error in previously issued financial statements and for a change in an accounting estimate. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. Adoption of SFAS 154 did not result in a material impact on the Company's Income, capital or financial position.

SFAS NO. 123, "SHARE-BASED PAYMENT (REVISED 2004)." SFAS 123R establishes standards for the accounting for transactions in which an entity (i) exchanges its equity instruments for goods or services, or (ii) incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of the equity instruments. SFAS 123R eliminates the ability to account for stock-based compensation using APB 25 and requires that such transactions be recognized as compensation cost in the income statement based on their fair values on the measurement date, which is generally the date of the grant. SFAS 123R was to be effective for the Company on July 1, 2005; however, the required implementation date was delayed until January 1, 2006. The Company will transition to fair-value based accounting for stock-based compensation using a modified version of prospective application ("modified prospective application"). Under modified prospective application, as it is applicable to the Company, SFAS 123R applies to new awards and to awards modified, repurchased, or cancelled after January 1, 2006. Additionally, compensation cost for the portion of awards for which the requisite service has not been rendered (generally referring to non-vested awards) that are outstanding as of January 1, 2006 must be recognized as the remaining requisite service is rendered during the period of and/or the periods after the adoption of SFAS 123R. The attribution of compensation cost for those earlier awards will be based on the same method and on the same grant-date fair values previously determined for the pro forma disclosures required for companies that did not adopt the fair value accounting method for stock-based employee compensation. Adoption of SFAS 123R did not have a material impact on the Company's earnings or capital accounts.

FASB STAFF POSITION (FSP) NO. 115-1, "THE MEANING OF OTHER-THAN-TEMPORARY IMPAIRMENT AND ITS APPLICATION TO CERTAIN INVESTMENTS." FSP 115-1 provides guidance for determining when an investment is considered impaired, whether impairment is other-than-temporary, and measurement of an impairment loss. An investment is considered impaired if the fair value of the investment is less than its cost. If, after consideration of all available evidence to evaluate the realizable value of its investment, impairment is determined to be other-than-temporary, then an impairment loss should be recognized equal to the difference between the investment's cost and its fair value. FSP 115-1 nullifies certain provisions of Emerging Issues Task Force (EITF) Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and It's Application to Certain Investments," while retaining the disclosure requirements of EITF 03-1 which were adopted in 2003. FSP 115-1 is effective for reporting periods beginning after December 15, 2005. Adoption of FSP 115-1 did not have a material impact on the Company's earnings or capital accounts.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.

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

In September 2001, the Bank formed an operating subsidiary, TNB Financial Services, Inc., a Georgia corporation with trust powers. On March 31, 2004, TNB Financial Services was liquidated, with all of its operations being transferred to TNB Trust Services, a division of the Bank.

In July 2002, the Company acquired all of the issued and outstanding capital stock of Joseph Parker & Company, Inc. ("JPC"), a Georgia corporation and federally registered investment advisory firm located in Thomasville, Georgia. In July 2004, JPC's name was changed to TNB Financial Services, Inc. ("TNBFS").

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

CRITICAL ACCOUNTING POLICIES

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

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

Income Taxes. The Company estimates income tax expense based on the amount it expects to owe various tax authorities. Taxes are discussed in more detail in Note 13 of the consolidated financial statements in the Company's Form 10-KSB for the year ended December 31, 2005. Accrued taxes represent the net estimated amount due to or to be received from taxing authorities. In estimating accrued taxes, management assesses the relative merits and risks of the appropriate tax treatment of transactions, taking into account statutory, judicial and regulatory guidance in the context of its tax position. Although the Company uses available information to record accrued income taxes, underlying estimates and assumptions can change over time as a result of unanticipated events or circumstances such as changes in tax laws influencing the Company's overall tax position.

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

Additional information regarding these critical accounting policies is set forth in the notes to the Company's financial statements included in the Company's Form 10-KSB for the year ended December 31, 2005.

FINANCIAL CONDITION

Total consolidated assets increased by $3.4 million, to $279.9 million, during the six-month period ended June 30, 2006. Cash and cash equivalents decreased by $10.3 million, to $17.3 million; investment securities increased by $3.0 million, to $15.3 million; loans increased by $9.3 million, to $233.7 million; and other assets increased by $1.4 million, to $13.6 million. To fund the growth in assets, deposits decreased by $1.5 million, to $219.7 million; borrowings increased by $3.5 million, to $13.6 million; other liabilities increased by $.3 million, to $2.0 million; and the capital accounts increased by $1.1 million, to $23.6 million.

Liquidity and Capital Resources

Liquidity is the Company's ability to meet all deposit withdrawals immediately, while also providing for the credit needs of customers. The June 30, 2006 financial statements evidence a satisfactory liquidity position as total cash and cash equivalents amounted to $17.3 million, representing 6.2% of total assets. Investment securities, which amounted to $15.3 million, or 5.5% of total assets, provide a secondary source of liquidity because they can be converted into cash in a timely manner. The Company's management closely monitors and maintains appropriate levels of interest earning assets and interest bearing liabilities so that maturities of assets are such that adequate funds are provided to meet customer withdrawals and loan demand. The Company is not aware of any trends, demands, commitments, events or uncertainties that will result in or are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.

The Bank maintains an adequate level of capitalization as measured by the following capital ratios and the respective minimum capital requirements established by the Bank's primary regulator, the Office of the Comptroller of the Currency ("OCC").

	Bank's June 30, 2006	Minimum required by regulator
Leverage ratio	8.8%	4.0%
Risk weighted ratio	12.5%	8.0%

Off-Balance Sheet Arrangements

In the ordinary course of business, the Bank may enter into off-balance sheet financial instruments which are not reflected in the financial statements. These instruments include commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when funds are disbursed or the instruments become payable.

Following is an analysis of significant off-balance sheet financial instruments at June 30, 2006 and December 31, 2005.

	At June 30, 2006	At December 31, 2005
	(In thousands)	
Commitments to extend credit	$ 47,747	$ 45,400
Standby letters of credit	6,994	5,695
	$ 54,741	$ 51,095

RESULTS OF OPERATIONS

For the three-month periods ended June 30, 2006 and 2005, net income amounted to $963,889 and $902,723, respectively. On a per share basis, basic and diluted income for the three-month period ended June 30, 2006 was $0.33 and $0.31, respectively. For the three-month period ended June 30, 2005, basic and diluted income per share, was $0.31 and $0.30, respectively. Management believes that the following facts are important to consider when comparing the results of the three-month period ended June 30, 2006 with the three-month period ended June 30, 2005:

a. Net interest income increased by approximately $284,000, or by 11.5%. This was accomplished over a time period when total assets have increased by only

7.9%.

b. The above increase combined with a $133,000 increase in non-interest income was more than sufficient to offset the $250,000 increase in operating expense.

Net income for the six-month period ended June 30, 2006 amounted to $1,950,846, or $0.66 and $0.64 per basic and diluted share. For the six-month period ended June 30, 2005, net income amounted to $1,708,024, or $0.58 and $0.56 per basic and diluted share. Management believes that the following facts are important to consider when comparing the results of operations for the six-month period ended June 30, 2006 with the six-month period ended June 30, 2005:

a. Average total earning assets increased from $228.5 million for the six months ended June 30, 2005 to $256.1 million for the six months ended June 30, 2006. The net increase of $27.6 million represents a 12.1% increase in average earning assets over a twelve-month period.

b. The yield on earning assets increased from 6.21% for the six-month period ended June 30, 2005 to 7.32% for the six-month period ended June 30, 2006. This increase is mainly due to economic policies undertaken by the Federal Reserve Board. Interest income increased from $7,098,799 for the six-month period ended June 30, 2005 to $9,367,986 for the six-month period ended June 30, 2006 because of the growth in average earning assets and the higher yields on all earning asset categories.

c. Net interest income represents the difference between interest received on interest earning assets and interest paid on interest bearing liabilities. The following table presents the main components of interest earning assets and interest bearing liabilities for the six-month period ended June 30, 2006.

(Dollars in 000's)

Interest Earning Assets/ Bearing Liabilities	Average Balance	Interest Income/ Cost	Yield/ Cost
Federal funds sold	$ 7,499	$ 175	4.67%
Securities	15,190	337	4.44%
Loans	233,400	8,856	7.59%
Total	$ 256,089	$ 9,368	7.32%
Deposits and borrowings	$ 219,016	$ 3,954	3.61%
Net interest income		$ 5,414	
Net yield on earning assets			4.23%

Net interest income increased from $4,776,983 for the six-month period ended June 30, 2005 to $5,414,070 for the six-month period ended June 30, 2006, an increase of $637,087, or 13.3%. The average cost of funds increased by 125 basis points to 3.61% for the six months ended June 30, 2006 as compared to the six months ended June 30, 2005; the yield on earning assets increased by 111 basis points over the same period. This combined with the fact that average earning assets exceed average interest bearing liabilities by $36.1 million caused the net yield on earning assets to increase from 4.18% for the six-month period ended June 30, 2005 to 4.23% for the six-month period ended June 30, 2006.

d. Other income increased from $1,380,408 for the six-month period ended June 30, 2005 to $1,643,162 for the six-month period ended June 30, 2006. As a percent of average total assets, other income decreased from 1.10% for the six-month period ended June 30, 2005 to 1.18% for the six-month period ended June 30, 2006.

e. Total operating expenses increased from $3,272,018 for the six-month period ended June 30, 2005 to $3,615,379 for the six-month period ended June 30, 2006. As a percent of average total assets, total operating expenses declined from 2.62% for the six-month period ended June 30, 2005 to 2.60% for the six-month period ended June 30, 2006.

Allowance for Loan Losses

At December 31, 2005, the allowance for loan losses amounted to $2,712,746; at June 30, 2006, the allowance amounted to $2,895,701. The allowance for loan losses, as a percent of gross loans, increased from 1.19% to 1.22% during the six-month period ended June 30, 2006. Management considers the allowance for loan losses to be adequate and sufficient to absorb anticipated future losses; however, there can be no assurance that charge-offs in future periods will not exceed the allowance for loan losses or that additional provisions to the allowance will not be required.

The Company is not aware of any current recommendation by the regulatory authorities which, if implemented, would have a material effect on the Company's liquidity, capital resources, or results of operations.

ITEM 3. CONTROLS AND PROCEDURES

Management has developed and implemented a policy and procedures for reviewing disclosure controls and procedures and internal controls over financial reporting on a quarterly basis. Management, including the Chief Executive Officer (who is both the Company's principal executive and principal financial officer), evaluated the effectiveness of the design and operation of disclosure controls and procedures as of June 30, 2006 and, based on their evaluation, the Company's Chief Executive Officer concluded that these controls and procedures are operating effectively. Disclosure controls and procedures are the Company's controls and other procedures that are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports that it files under the Securities Exchange Act is accumulated and communicated to management, including the principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company's internal control over financial reporting during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

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

The 2006 Annual Meeting of Shareholders of the Company was held on May 16, 2006. At the meeting, the following person was elected as a Class I director to serve for a term of three years and until his successor is elected and qualified: Joel W. Barrett. The following people were elected as Class II directors to serve for a term of three years and until their successors are elected and qualified: Charles E. Hancock, Charles H. Hodges, III, Harold L. Jackson, and Diane W. Parker.

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

	Votes For	Votes Withheld
Joel W. Barrett	2,238,580	5,000
Charles E. Hancock	2,241,380	2,200
Charles H. Hodges, III	2,239,980	3,600
Harold L. Jackson	2,241,580	2,000
Diane W. Parker	2,240,980	2,600

In addition, the shareholders of the Company ratified the appointment of Francis and Company, CPAs, as auditors for the Company and its subsidiaries for the year ending December 31, 2006. The number of votes for, against and abstaining with respect to the ratification of Francis and Company, CPAs was as follows:

Votes For	Votes Abstained	Votes Against
2,239,780	3,800	0

The 2006 Stock Incentive Plan was ratified by the shareholders.

Votes For	Votes Abstained	Votes Against	Broker Nonvotes
1,539,387	3,250	5,700	695,243

The following persons did not stand for reelection at the 2006 Annual Meeting of Shareholders as their term of office continued after the Annual Meeting: Charles A. Balfour, Richard L. Singletary, Stephen H. Cheney, David A. Cone, Randall L. Moore, Cochran A. Scott, Jr., and J. Mark Parker.

ITEM 6. EXHIBITS

The following exhibits are filed with this report.

Exhibit Number	Description
3.1	Articles of Incorporation of the Company (incorporated herein by referenced to the Company's Registration Statement on Form SB-2 under the Securities Act of 1933, Registration Number 33-91536)
3.2	Bylaws of the Company (incorporated herein by referenced to the Company's Registration Statement on Form SB-2

under the Securities Act of 1933, Registration Number 33-91536)

31.1 Certification Pursuant to Rule 13a-14(a), As Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THOMASVILLE BANCSHARES, INC.

(Registrant)

Date: August 11, 2006 By: /s/Stephen H. Cheney

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