



PLANNING • INVESTMENTS • TRUSTS

Thomasville Bancshares, Inc.

2008 Annual Report





Our Mission



The mission of Thomasville Bancshares, Inc. is to operate a sound and profitable company while serving the banking needs of the Thomasville/Thomas County community.

We will strive to protect our customer's deposits, meet their credit needs, and promote economic development throughout the community, while consistently generating strong returns on our shareholders' investment. We will employ the best people and provide an environment that encourages them to be decision makers and problem solvers. We intend to make Thomasville and Thomas County a better place to live and do business because Thomasville Bancshares, Inc. is part of the community.

To Our Owners

We are pleased to report that your Bank is surviving the banking crisis and is in fact doing well. There is no question that these are challenging times in the banking industry. The weak economy and depressed real estate market are impacting our community and many of our customers. Fortunately, our conservative operating philosophy continues to serve us well. We are pleased with our results for 2008 and feel that we are positioned to capitalize on opportunities in the future.

In 2008 we achieved success in all four key components of bank performance: we generated a solid profit, achieved strong growth, maintained solid credit quality and increased our capital.

Net profit for the year was \$3,329,867 or \$1.12 per share. This compares to \$1.50 per share in 2007, a decrease of 25%. Our earnings were impacted by an expense of \$2,125,000 held in reserve for potential future loan losses. While this reserve was far in excess of our actual losses, and we hope we will not need to use it, we felt the current economic conditions warranted this expense. Our return on average assets was 1.11% and return on average equity was 11.23%. Our earnings were bolstered by strong performance from TNB Financial, our Trust & Investment Division.

During 2008 we welcomed many new customers to TNB. We opened 1,421 new deposit accounts and increased total deposits by \$12,323,784. Loan growth was even stronger. For the year we made new loans totaling \$101,640,869. Our total loans outstanding at the end of the year were \$303,728,813. While we heard talk of a "credit freeze" we certainly did not experience this at TNB. We continue to lend money prudently and conservatively to businesses and individuals in our community.

The quality of our loan portfolio also held up very well. Net charge-offs for the year totaled \$813,569 which was .27% of loans outstanding. This compares to net charge-offs of \$148,383 in 2007, and while this was a significant increase for us, it was a fraction of the charge-offs experienced by our peers in the industry. All other measures of credit quality such as past due loans and non-performing loans remain low and indicate no alarming trends. Our total non-performing loans are only 2.51% of our capital.

Our capital remains strong and is growing. At the end of 2008, our Total Regulatory Capital was \$32,323,191, giving us a capital to asset ratio of 9.94%, well above the 5% required to be considered "well capitalized" by the regulators. This strong capital position is certainly important and is one of our Bank's strengths.

We also want to take this opportunity to comment on the TARP money or "bail-out" money as it has been labeled. We are pleased to announce that we did not take the TARP money. We did not think that we needed it and had no interest in selling a portion of

our Bank to the Federal Government. We have a strong capital position that we believe provides a solid cushion for the future of our company.

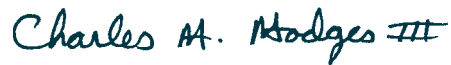
As we enter 2009 the uniqueness of our bank has never been more evident. We continue to focus on our local community and make loans to people that we know. We certainly do not want to imply that there are no risks. We are concerned about the weak economy. We are committed to working with our customers to the fullest extent possible and help them “weather the storm”. We are confident that we will outperform our peers during these difficult times and thrive in the future.

We thank you for supporting the Company both as shareholders and customers. As always, we remind you that the best way to enhance your investment is to do business with Thomasville National Bank and TNB Financial, while encouraging others to do so as well.

Sincerely,



Stephen H. Cheney
President/CEO

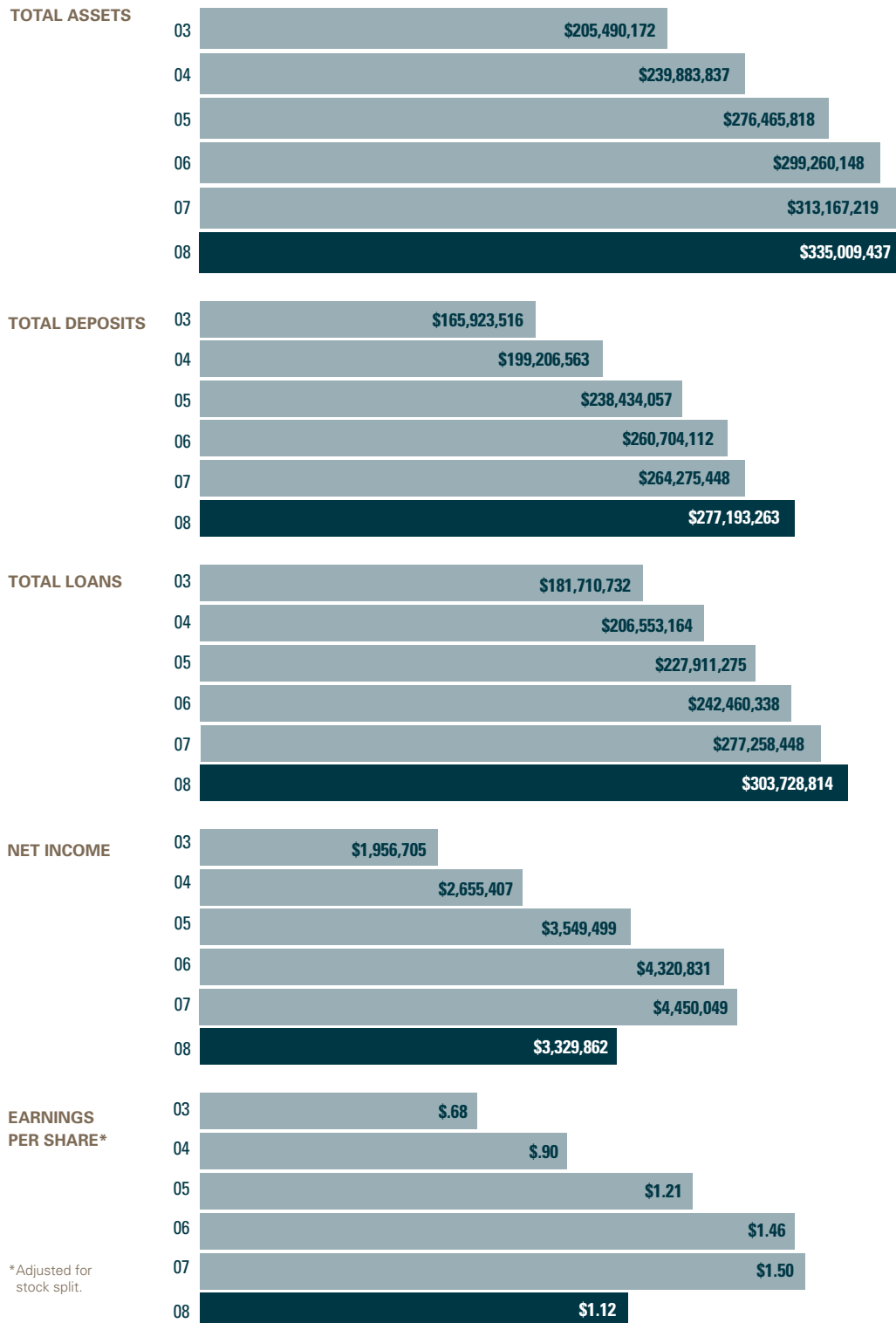


Charles H. Hodges, III
Executive Vice President



Financial Highlights 2008

In 2008 we achieved success in all four key components of bank performance: we generated a solid profit, achieved strong growth, maintained solid credit quality and increased our capital.



*Adjusted for stock split.

Year Ended December 31	2008	2007	2006
For The Year			
Total Revenue	\$ 22,737,381	\$ 26,555,486	\$ 23,298,980
Net Income	\$ 3,329,862	\$ 4,450,049	\$ 4,320,831
Common Dividend Paid	\$ 1,483,104	\$ 1,180,108	\$ 886,733
Per Common Share*			
Net Income-Basic	\$ 1.12	\$ 1.50	\$ 1.46
Net Income-Diluted	\$ 1.08	\$ 1.45	\$ 1.42
Common Stock Closing Price	\$ 15.25	\$ 21.25	\$ 22.95
Book Value	\$ 10.86	\$ 10.10	\$ 8.83
Financial Ratios (TNB)			
Return on Average Assets	1.11%	1.32%	1.52%
Return on Average Equity	11.23%	15.20%	17.49%
Net Interest Margin	3.74%	3.83%	4.12%
Efficiency Ratio	45.58%	45.82%	43.82%
At December 31			
Total Assets	\$ 335,009,437	\$ 313,167,219	\$ 299,260,148
Loans	\$ 303,728,814	\$ 277,258,448	\$ 242,460,338
Allowance for Loan Loss	\$ 5,091,483	\$ 3,805,826	\$ 3,364,533
Deposits	\$ 277,193,263	\$ 264,275,448	\$ 260,704,112
Total Shareholders Equity	\$ 32,235,186	\$ 29,913,077	\$ 26,109,419
Weighted Average Shares Outstanding	\$ 2,966,673	\$ 2,962,867	\$ 2,950,272

*Adjusted for stock split.

We are committed to working with our customers to the fullest extent possible and help them “weather the storm”. We are confident that we will outperform our peers during these difficult times and thrive in the future.

Consolidated Balance Sheets

For the Years Ended December 31,	2008	2007
ASSETS		
Cash and due from banks	\$ 5,283,104	\$ 7,378,479
Interest-bearing deposits in banks	50,394	62,667
Federal funds sold	1,083,494	356,826
Securities available for sale, at fair value	13,134,210	15,248,444
Restricted equity securities, at cost	1,876,100	1,363,150
Other equity securities, at cost	290,000	290,000
Loans	303,728,814	277,258,448
Less allowance for loan losses	5,091,483	3,805,826
Loans, net	298,637,331	273,452,622
Premises and equipment, net	6,127,164	6,339,880
Goodwill	3,372,259	3,372,259
Accrued interest receivable	2,622,770	3,569,586
Other assets	2,532,611	1,733,306
Total Assets	\$ 335,009,437	\$ 313,167,219
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	\$ 28,766,288	\$ 28,814,382
Interest-bearing	248,426,975	235,461,066
Total deposits	277,193,263	264,275,448
Federal funds purchased and securities sold under agreements to repurchase	661,816	3,989,326
Federal Home Loan Bank borrowings	20,050,000	9,716,667
Junior subordinated debentures	4,124,000	4,124,000
Accrued interest payable	534,263	808,404
Other liabilities	210,909	340,297
Total liabilities	302,774,251	283,254,142
Commitments and contingencies		
Stockholders' equity		
Common stock, par value \$1.00; 10,000,000 shares authorized; 2,968,931 and 2,962,867 issued and outstanding		
	2,968,931	2,962,867
Paid-in capital	9,104,881	8,705,047
Retained earnings	20,099,337	18,253,199
Accumulated other comprehensive loss	62,037	(8,036)
Total stockholders' equity	32,235,186	29,913,077
Total liabilities and stockholders' equity	\$ 335,009,437	\$ 313,167,219

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

For the Years Ended December 31,	2008	2007
Interest income		
Interest and fees on loans	\$ 18,089,014	\$ 20,782,583
Interest on taxable securities	480,886	644,561
Interest on federal funds sold	102,513	1,077,984
Interest on deposits in other banks	1,463	1,701
	18,673,876	22,506,829
Interest expense		
Interest on deposits	6,547,338	10,645,562
Interest on other borrowings	979,398	696,919
	7,526,736	11,342,481
Net interest income	11,147,140	11,164,348
Provision for loan losses		
Net interest income after provision for loan losses	9,022,140	10,569,348
Noninterest income		
Trust and investment services	2,545,742	2,562,212
Service charges on deposit accounts	790,024	707,349
Other service charges, commissions and fees	252,706	228,994
Data processing fees	234,642	201,060
Mortgage origination fees	90,273	235,379
Other	150,118	113,633
	4,063,505	4,048,657
Noninterest expense		
Salaries and employee benefits	4,459,406	4,581,861
Equipment	586,251	573,402
Occupancy	364,522	343,394
Data processing	464,909	495,000
Advertising and marketing	359,021	408,778
Legal and accounting	337,395	361,829
Other operating	1,449,643	1,400,034
	8,021,147	8,164,298
Income before income taxes	5,064,498	6,453,707
Applicable income taxes		
Net income	\$ 3,329,862	\$ 2,003,658
Basic earnings per share	\$ 1.12	\$ 1.50
Diluted earnings per share	\$ 1.08	\$ 1.45

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Shareholders' Equity

For the Years ended December 31, 2008 and 2007

	Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Par Value				
Balance, December 31, 2006	2,957,698	\$ 2,957,698	\$ 8,298,041	\$ 14,987,978	\$ (134,298)	\$ 26,109,419
Net income	—	—	—	4,450,049	—	4,450,049
Cash dividend declared, \$0.40 per share	—	—	—	(1,184,828)	—	(1,184,828)
Other comprehensive income	—	—	—	—	126,262	126,262
Issuance of common stock	4,969	4,969	116,890	—	—	121,859
Exercise of stock options	200	200	1,800	—	—	2,000
Stock-based compensation	—	—	151,446	—	—	151,446
Issuance of restricted stock	—	—	136,870	—	—	136,870
Balance, December 31, 2007	<u>2,962,867</u>	<u>2,962,867</u>	<u>8,705,047</u>	<u>18,253,199</u>	<u>(8,036)</u>	<u>29,913,077</u>
Net income	—	—	—	3,329,862	—	3,329,862
Other comprehensive income	—	—	—	—	70,073	70,073
Cash dividend declared, \$0.50 per share	—	—	—	(1,483,724)	—	(1,483,724)
Issuance of common stock	5,198	5,198	97,496	—	—	102,694
Exercise of stock options	866	866	7,794	—	—	8,660
Stock-based compensation	—	—	151,444	—	—	151,444
Issuance of restricted stock	—	—	143,100	—	—	143,100
Balance, December 31, 2008	<u>2,968,931</u>	<u>\$ 2,968,931</u>	<u>\$ 9,104,881</u>	<u>\$ 20,099,337</u>	<u>\$ 62,037</u>	<u>\$ 32,235,186</u>

The entire 2008 Consolidated Financial Report of the Company is available on our website www.tnbank.com.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

For the Years Ended December 31,	2008	2007
OPERATING ACTIVITIES		
Net income	\$ 3,329,862	\$ 4,450,049
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan loss	2,125,000	595,000
Provision for deferred taxes	(397,677)	(85,879)
Depreciation	390,846	364,768
Stock-based compensation	151,444	151,446
(Increase) decrease in interest receivable	946,816	(644,166)
Increase (decrease) in interest payable	(274,140)	256,673
Increase (decrease) in taxes payable	93,404	(205,928)
Gain on sale of fixed assets	—	(10,987)
Net other operating activities	(239,976)	276,829
Total adjustments	2,795,717	677,756
Net cash provided by operating activities	6,125,579	5,127,805
INVESTING ACTIVITIES		
(Increase) decrease in interest-bearing deposits in banks	12,273	(57,338)
Purchases of securities available for sale	(18,367,446)	(9,527,155)
Proceeds from maturities of securities available for sale	20,587,850	7,883,566
(Increase) decrease in federal funds sold	(726,668)	17,257,338
Increase in loans, net	(29,324,596)	(34,951,817)
Net change in restricted equity securities	(512,950)	(96,501)
Proceeds from sale of fixed assets	—	185,779
Proceeds from sale of foreclosed assets	1,594,345	—
Purchase of premises and equipment	(178,130)	(978,689)
Net cash used in investing activities	(26,915,322)	(20,284,817)
FINANCING ACTIVITIES		
Increase in deposits	12,917,815	3,571,336
Repayment of other borrowings	(3,666,667)	(2,500,000)
Proceeds from other borrowings	14,000,000	4,875,000
Increase (decrease) in federal funds purchased and securities sold under agreements to repurchase	(3,327,510)	3,989,326
Issuance of common stock, net	102,694	121,859
Issuance of restricted stock	143,100	136,870
Proceeds from exercise of stock options	8,660	2,000
Dividends paid	(1,483,724)	(1,184,828)
Net cash provided by financing activities	18,694,368	9,011,563
Net decrease in cash and due from banks	(2,095,375)	(6,145,449)
Cash and due from banks at beginning of year	7,378,479	13,523,928
Cash and due from banks at end of year	\$ 5,283,104	\$ 7,378,479
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 7,800,876	\$ 11,085,808
Cash paid for income taxes	\$ 1,986,000	\$ 2,242,557

See Notes to Consolidated Financial Statements.

Board of Directors

Thomasville National Bank Board of Directors

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SUSAN HALL, *VICE PRESIDENT*
CHARITY KNIFER, *VICE PRESIDENT*



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