

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-05-10** | Period of Report: **1995-03-31**
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FILER

SOUTH BANKING CO

CIK: **351566** | IRS No.: **581418696** | State of Incorpor.: **GA** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **002-71249** | Film No.: **95535936**
SIC: **6022** State commercial banks

Mailing Address
*104 N DIXON ST
ALMA GA 31510*

Business Address
*104 N DIXON ST
ALMA GA 31510
9126328631*

SOUTH BANKING COMPANY
SOUTH BANKING COMPANY
ALMA, GEORGIA

Part I. Financial Information

Consolidated Financial Statements 4 - 9

Notes to Consolidated Financial Statements 10

Management's Discussion and Analysis of Financial
Condition and Results of Operations 11

Part II. Other Information 12

SOUTH BANKING COMPANY
ALMA, GEORGIA
CONSOLIDATED BALANCE SHEETS

	March 31, 1995	December 31, 1994
ASSETS		
Cash and due from banks	\$ 4,382,976	\$ 3,447,596
Deposits in other banks - interest bearing	\$ 895,000	\$ 995,000
Investment securities Available for sale	\$ 4,424,662	\$ 4,063,412
Held to maturity	\$ 4,703,223	\$ 5,069,898
Georgia Bankers stock	\$ 272,880	\$ 272,880
Stock - Pineland Bank - at cost	\$ 130,463	\$ -
Federal Funds Sold	\$ 7,405,000	\$ 8,655,000
Loans	\$59,125,192	\$57,201,948
Less: Unearned discount	(57,479)	(58,622)
Reserve for loan losses	(1,008,795)	(974,866)
	\$58,058,918	\$56,168,460
Bank premises and equipment	\$ 3,242,603	\$ 3,252,981
Other assets	\$ 2,447,137	\$ 2,551,300

Total Assets	\$85,962,862	\$84,476,527
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LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities

Deposits: Demand - non-interest bearing	\$12,779,437	\$14,751,893
Demand - interest bearing	15,014,734	15,350,308
Savings	6,900,180	7,172,540
Time	39,937,402	36,509,016
	\$74,631,753	\$73,783,757
Borrowing	1,259,738	1,292,238
Accrued expenses and other liabilities	674,438	402,755
Total Liabilities	\$76,565,929	\$75,478,750

The accompanying notes are an integral part of these financial statements.

SOUTH BANKING COMPANY
ALMA, GEORGIA
CONSOLIDATED BALANCE SHEETS (con't)

	March 31, 1995	December 31, 1994
Stockholders' Equity		
Common stock \$1 par value; shares authorized - 1,000,000 shares issued and outstanding 1995 and 1994, 405,283 and 405,283, respectively	\$ 405,283	\$ 405,283
Surplus	3,136,238	3,136,238
Undivided profits	5,949,666	5,537,253
Unrealized gain (loss) on securities	(94,254)	(80,997)
Total Stockholders' Equity	\$ 9,396,933	\$ 8,997,777
Total Liabilities and Stockholders' Equity	\$85,962,862	\$84,476,527

The accompanying notes are an integral part of these financial statements.

SOUTH BANKING COMPANY
ALMA, GEORGIA

CONSOLIDATED STATEMENT OF INCOME

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
Interest Income		
Interest and fees on loans	\$ 1,652,359	\$ 1,300,221
Interest on federal funds sold	91,409	47,131
Interest on deposits with other banks	7,823	18,808
Interest on investment securities:		
U. S. Treasury	21,582	26,882
U. S. government agencies	63,318	61,202
Mortgage backed securities	36,125	24,715
State and political subdivisions	13,459	31,955
Other	-	-
Dividends	-	-
Total Interest Income	\$ 1,886,075	\$ 1,510,914
Interest Expense		
Interest on deposits	\$ 634,727	\$ 498,124
Interest on other borrowings	32,894	11,217
Total Interest Expense	\$ 667,621	\$ 509,341
Net Interest Income	\$ 1,218,454	\$ 1,001,573
Provision for loan losses	16,800	11,500
Net interest income after provisions for loan losses	\$ 1,201,654	\$ 990,073
Other Operating Income		
Service charge on deposit accounts	\$ 233,244	\$ 252,403
Commission on insurance	14,483	8,879
Other income	176,006	46,329
Total Other Operating Income	\$ 423,733	\$ 307,611

The accompanying notes are an integral part of these financial statements.

SOUTH BANKING COMPANY
ALMA, GEORGIA
CONSOLIDATED STATEMENT OF INCOME (Con't)

Three Months Ended	Three Months Ended
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	March 31, 1995	March 31, 1994
Other Operating Expenses		
Salaries	\$ 396,847	\$ 357,603
Profit sharing and other personnel expense	57,509	67,595
Occupancy expense	90,871	63,433
Furniture and fixtures expense	104,421	50,850
Payroll taxes	29,108	25,509
Data processing	-	89,156
Other operating expenses	333,074	300,214
Total Other Operating Expenses	\$ 1,011,830	\$ 954,360
Income before income taxes	\$ 613,557	\$ 343,324
Applicable income taxes	201,144	97,872
Net income	\$ 412,413	\$ 245,452

Per share data on weighted average
outstanding shares

Weighted average outstanding shares	405,283	405,563
Net income per share	\$ 1.0176	\$.6052

The accompanying notes are an integral part of these financial statements.

SOUTH BANKING COMPANY
ALMA, GEORGIA
STATEMENT OF CASH FLOWS

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
Cash Flows From Operating Activities:		
Net income	\$ 412,413	\$ 245,452
Add expenses not requiring cash:		
Provision for depreciation and amortization	96,783	66,082
Provision for loan losses	16,800	11,500
Bond portfolio losses	-	-
Gain on sale of other real estate		

owned	(17,332)	-
Increase (decrease) in taxes payable	50,245	74,440
Increase (decrease) in interest payable	100,870	102,133
Increase (decrease) in other liabilities	120,568	65,754
(Increase) decrease in interest receivable	(39,482)	(63,147)
(Increase) decrease in prepaid expenses	(77,489)	(13,358)
(Increase) decrease in other assets	(147,824)	(139,131)
Recognition of unearned loan income	(1,143)	(9,238)
Net Cash Used in Operating Activities	\$ 514,409	\$ 340,487

Cash Flows From Investing Activities:

Proceeds from maturities of investment securities	\$ 970,192	\$ 1,047,446
Purchase of investment securities	(935,027)	(804,721)
Net loans to customers	(1,906,115)	(1,919,194)
Purchase of premise and equipment	(86,096)	(518,604)
Proceeds from sale of premises and equipment	-	-
Proceeds from other real estate owned	339,594	-
Purchase of stock - Pineland Bank	(130,463)	-
Options to purchase Pineland Bank stock	3,390	-
Net Cash Used in Investing Activities	\$ (1,744,525)	\$ (2,195,073)

The accompanying notes are an integral part of these financial statements.

SOUTH BANKING COMPANY
ALMA, GEORGIA
STATEMENT OF CASH FLOWS (Con't)

	Three Months Ended March 31, 1995	Three Months Ended March 31, 1994
Cash Flows From Financing Activities:		
Net increase (decrease) in demand deposits, NOW and money market	\$ (2,308,030)	\$ (142,638)
Net increase (decrease) in savings and time deposit	3,156,026	1,311,900

Net increase (decrease) in short-term borrowings	(32,500)	-
Dividends paid	-	-
Redemptions of company stock	-	(3,300)
Net Cash Provided (Used) From Financing Activities	\$ 815,496	\$ 1,165,962
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (414,620)	\$ (688,624)
Cash and Cash Equivalents at Beginning of Year	13,097,596	13,552,011
Cash and Cash Equivalents at End of Period	\$12,682,976	\$12,863,387

The accompanying notes are an integral part of these financial statements.

SOUTH BANKING COMPANY
ALMA, GEORGIA
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

The accompanying consolidated financial statements in this report have not been audited. The statements have been prepared in accordance with generally accepted accounting principles and general practice within the banking industry.

On February 28, 1990, the merger of Georgia Peoples Bankshares, Inc. into South Banking Company was completed. The purchase method of accounting was used to record this transaction. The activity of Georgia Peoples Bankshares, Inc. since February 28, 1990 has been consolidated in these statements.

Effective January 1, 1993, the company adopted FASB 109 regarding recording of deferred income taxes. Prior year statements have been restated to reflect an adjustment required of \$58,508 reduction in deferred taxes and an increase in equity.

In the opinion of management, all adjustments for the fair presentation of the financial position and results of operations for the interim periods have been made.

SOUTH BANKING COMPANY
ALMA, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

During the first quarter of 1995, total assets increased \$1,486,335 or 1.8%. The banks have experienced a small increase in deposits due to competitive structuring of certificate rates during this period of improved economic activity. The banks have not been aggressively attempting to maintain certificate of deposits that are rate sensitive; however, the small increase occurred during this quarter as the bank has attempted to stop the movement of money and has been able to maintain more of the money of core customers. The core bank deposits have remained solid. The demand for loans resulted in a net increase in loans of \$1,890,458 or 3.4%. The bank continues to scrutinize the loan portfolio and loan request to insure quality loans rather than emphasizing growth. The increase in assets in 1995 of 1.8% compared to a increase of 2.0% for 1994 is an indication of the stabilizing economy.

Net income increased by \$166,961 for the period in 1995 compared to 1994. Net interest income increased by \$203,558 or 20.06%. This increase in net interest income results from the changes in the mix of interest earning assets and the increase in higher yielding loans. Service charges have decreased by \$19,159 or 7.6% over 1994. As the interest rate margins are squeezed tighter, the banks have looked to other fee type income. Other income increased due to fees from participation in SBA Loan programs of \$48,882 and services rendered by the data processing center for nonrelated banks of \$51,532. The data processing center began operation during the second quarter of 1994.

Provision for loan losses have remained at levels lower than prior years as the reserve for loan losses continue to be adequate for the loan portfolio. The reserve was increased substantially in 1991 and management feels current provision levels are adequate based on current conditions.

Operating expense as a total increased \$57,470 or 6.02%. This primary area of increase is in government areas such as increased FDIC fees, salaries and expenses related to the new data processing center. The bank data processing charges from an outside vendor have been eliminated.

The bank continues to monitor the economy and operations to insure proper actions are taken as the economy and banking climate continue to change.

SOUTH BANKING COMPANY
ALMA, GEORGIA
PART II. OTHER INFORMATION

Item 1. Legal Proceedings - None

Item 6. Exhibits and Reports on Form 8-K

(A) Exhibits

(27) Financial Data Schedule

The registrant has not filed any reports on Form 8-K
during the three month period ended March 31, 1995.

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.

SOUTH BANKING COMPANY
(Registrant)

Date: May 9, 1995

By: Valene Bennett
Valene Bennett
President

Date: May 9, 1995

By: Paul Bennett
Paul Bennett
Vice President

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