

SECURITIES AND EXCHANGE COMMISSION

FORM 10QSB

Optional form for quarterly and transition reports of small business issuers under section 13 or 15(d)

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FILER

DW BANKSHARES INC

CIK: **916715** | IRS No.: **582079621** | State of Incorpor.: **GA** | Fiscal Year End: **0930**
Type: **10QSB** | Act: **34** | File No.: **033-73564** | Film No.: **96663573**
SIC: **6022** State commercial banks

Mailing Address
P O BOX 1929
DALTON GA 30722-1929

Business Address
401 S THORNTON AVE
DALTON GA 30720
7062261500

SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
--- SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1996

OR

--- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 33-736564

D/W BANKSHARES, INC.

(Exact name of registrant as specified in its charter)

GEORGIA

(State or other jurisdiction of
incorporation or organization)

58-2079621

(IRS Employer
Identification No.)

401 South Thornton Avenue, Dalton, Georgia 30720

(Address of principal executive offices)

706-226-1500

(Issuer's telephone number)

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 No
--- ---

The number of shares outstanding of registrant's common stock par value \$1.00 per share at September 30, 1996 was 700,836 shares.

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D/W Bankshares, Inc.
Quarterly Report on Form 10-QSB
For the Quarter Ended September 30, 1996

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D/W BANKSHARES, INC
Consolidated Balance Sheets
(Unaudited)

<TABLE>
<CAPTION>

ASSETS	September 30, 1996	December 31, 1995
<S>	<C>	<C>
Cash and due from banks	\$ 7,264,499	\$ 9,900,526
Federal funds sold	6,280,000	12,080,000
	-----	-----
Cash and cash equivalents	13,544,499	21,980,526
Securities available for sale, approximate market value	30,713,510	25,631,762
Securities held to maturity, amortized cost	5,814,456	6,764,930
Loans, net	74,620,596	78,117,503
Premises and equipment, net	3,824,731	3,330,760
Accrued interest receivable	1,089,817	1,155,537
Other assets	808,827	870,475
	-----	-----
	\$ 130,416,436	\$ 137,851,493
	-----	-----
	-----	-----
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand	\$ 16,440,353	\$ 17,958,950
Interest-bearing demand	38,136,864	48,097,004
Savings	5,746,249	5,398,971
Time	38,039,811	37,931,467
Time, \$100,000 and over	17,766,152	15,781,550
	-----	-----
Total deposits	116,129,429	125,167,942
Accrued interest payable	1,538,751	1,305,187
Other liabilities	396,057	108,967
Subordinated debentures	1,425,000	1,425,000
	-----	-----
Total liabilities	119,489,237	128,007,096
	-----	-----
Stockholders' equity:		
Common stock, \$1 par value	700,836	700,836
Additional paid-in capital	5,649,581	5,649,581

Retained earnings	4,639,239	3,426,511
Net unrealized gains (losses) on securities available for sale, net of tax	(62,457)	67,469
	-----	-----
Total stockholders' equity	10,927,199	9,844,397
	-----	-----
	\$ 130,416,436	\$ 137,851,493
	-----	-----

</TABLE>

See accompanying notes to consolidated financial statements.

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D/W BANKSHARES, INC.
Consolidated Statements of Earnings
(Unaudited)

<TABLE>
<CAPTION>

	NINE MONTHS ENDED September 30, 1996	NINE MONTHS ENDED September 30, 1995	THREE MONTHS ENDED September 30, 1996	THREE MONTHS ENDED September 30, 1995
<S>	<C>	<C>	<C>	<C>
Interest income:				
Loans	\$ 6,026,675	\$ 5,442,489	\$ 2,034,967	\$ 1,913,431
Federal funds sold	399,987	332,400	122,224	88,710
Investment securities	1,572,755	1,265,686	544,247	465,672
	-----	-----	-----	-----
Total interest income	7,999,417	7,040,575	2,701,438	2,467,813
Interest expense:				
Deposits	3,688,387	3,218,395	1,220,313	1,186,026
Other	74,813	50,211	49,938	24,938
	-----	-----	-----	-----
Total interest expense	3,763,200	3,268,606	1,270,251	1,210,964
	-----	-----	-----	-----
Net interest income	4,236,217	3,771,969	1,431,187	1,256,849
Provision for Loan Losses	205,000	398,910	5,000	221,560
	-----	-----	-----	-----
Net interest income after provision for loan losses	4,031,217	3,373,059	1,426,187	1,035,289
Other income	770,458	1,007,158	244,127	361,945
Other expenses:				
Salaries and employee benefits	1,661,736	1,481,063	555,109	515,527
Occupancy	531,639	404,808	179,133	129,439
Other	791,039	762,799	318,726	249,615
	-----	-----	-----	-----
Total other expenses	2,984,414	2,648,670	1,052,968	894,581
	-----	-----	-----	-----
Earnings before income taxes	1,817,261	1,731,547	617,346	502,653
Income taxes	604,533	627,700	214,906	187,900
	-----	-----	-----	-----
Net earnings	\$ 1,212,728	\$ 1,103,847	\$ 402,440	\$ 314,753
	-----	-----	-----	-----
Net earnings per common share	\$ 1.73	\$ 1.58	\$ 0.57	\$ 0.45
Weighted average number of shares	700,836	700,149	700,836	700,836
	-----	-----	-----	-----

</TABLE>

See accompanying notes to the consolidated financial statements.

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D/W BANKSHARES, INC.
Consolidated Statements of Cash Flows
Nine Months Ended September 30, 1996 and 1995
(Unaudited)

<TABLE>
<CAPTION>

	1996 ----	1995 ----
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	\$ 1,212,728	\$ 1,103,847
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization and accretion	329,375	33,300
Provision for loan losses	205,000	398,910
Loss on sales of securities available for sale	-	18,793
Change in:		
Interest receivable	65,720	(286,739)
Interest payable	233,564	678,775
Other assets	134,613	(164,675)
Other liabilities	287,090	178,096
	-----	-----
Net cash provided by operating activities	2,468,090	1,960,307
	-----	-----
Cash flows from investing activities:		
Proceeds from sales of securities available for sale	-	3,328,219
Proceeds from maturities of securities available for sale	14,508,396	3,250,000
Purchases of securities available for sale	(21,343,059)	(18,028,425)
Proceeds from maturities of securities held to maturity	2,450,000	500,000
Purchases of securities held to maturity	-	-
Net change in loans	3,291,907	(9,865,262)
Purchases of premises and equipment	(772,848)	(458,248)
	-----	-----
Net cash used by investing activities	(1,865,604)	(21,273,716)
	-----	-----
Cash flows from financing activities:		
Net change in deposits	(9,038,513)	14,364,120
Repayments of capital lease obligations	-	(16,263)
Proceeds from sale of subordinated debentures	-	1,425,000
Proceeds from exercise of stock options	-	37,496
	-----	-----
Net cash provided (used) by financing activities	(9,038,513)	15,810,353
	-----	-----
Net increase(decrease) in cash and cash equivalents	(8,436,027)	(3,503,056)
Cash and cash equivalents at beginning of period	21,980,526	13,450,932
	-----	-----
Cash and cash equivalents at end of period	\$ 13,544,499	\$ 9,947,876
	-----	-----

</TABLE>

See accompanying notes to the consolidated financial statements.

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BASIS OF PRESENTATION

On April 8, 1994, Dalton/Whitfield Bank & Trust (the "Bank") merged with Interim D/W Corporation ("Interim"), a wholly-owned subsidiary of D/W Bankshares, Inc. (the "Company"). As a result of this merger, the Bank operates as a subsidiary of the Company. The September 30, 1996 financial statements have been consolidated to include the accounts of the Company and the Bank. All significant accounts between the Company and the Bank have been eliminated in consolidation.

The consolidated financial statements contained in this report are unaudited but reflect all adjustments which are, in the opinion of management, necessary to present fairly the Company's financial position and results of operations for the periods included herein. All such adjustments are of a normal recurring nature.

EARNINGS PER SHARE

Earnings per share amounts are based on the weighted average number of shares outstanding during the period.

BUSINESS COMBINATION

On September 12, 1996, the Company's board of directors approved a merger agreement whereby the Company would be merged into Colonial BancGroup, Inc. ("Colonial") and the Bank would be merged into Colonial's Georgia subsidiary, Colonial Bank, headquartered in Atlanta, Georgia. For the merger to be effected, the Company's stockholders, the Federal Reserve Bank of Atlanta and the FDIC must approve the transaction, and Colonial must complete a public registration of its shares to be tendered with the merger.

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ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996.

The following narrative should be read in conjunction with the Company's consolidated financial statements and the notes thereto.

FINANCIAL CONDITION

Total assets decreased \$7,435,057, or 5.39%, over the December 31, 1995 balance. The investment portfolio increased \$4,131,274 or 12.75%, while the loan portfolio decreased \$3,496,907, or 4.48%, during the nine months. Cash and cash equivalents decreased \$8,436,027 or 38.38%.

Total deposits decreased \$9,038,513 or 7.22%, during the first nine months of 1996. Deposit customers consist primarily of individuals, small-to-medium sized businesses and local city and county public entities.

\$205,000 was added to the allowance for loan losses during the first nine months of 1996. The allowance for loan losses was \$1,433,231 and \$1,291,093, or 1.88% and 1.63% of total loans at September 30, 1996 and December 31, 1995 respectively. Loans past due 30 days or more represented 2.44% and 1.20% of total loans at September 30, 1996 and December 31, 1995 respectively.

LIQUIDITY

The Company maintains certain levels of liquid assets in order to meet demand from loan commitments, customer's deposit account withdrawals and other obligations. Primary sources of liquidity are short-term investments carried in the available-for-sale portfolio and federal funds sold. The liquidity ratio at September 30, 1996 was 34.81% which management considers to be adequate to meet all current and projected needs.

CAPITAL

As of September 30, 1996, stockholders' equity was \$10,927,199, or 8.40% of total assets. The Company's common stock had a book value of \$15.59 based on

outstanding shares of 700,836. There are approximately 471 shareholders of record. The equity to assets ratio of the Bank as of September 30, 1996 was 10.27%. The Company and the Bank exceed all regulatory capital requirements.

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RESULTS OF OPERATIONS

Net income for the three months ended September 30, 1996 was \$402,440 as compared to \$314,753 for the three months ended September 30, 1995.

Net income for the nine months ended September 30, 1996 was \$1,212,728 as compared to \$1,103,847 for the nine months ended September 30, 1995.

Net interest income is affected by the differences between the interest rates received on interest-earning assets and the interest rates paid on interest-bearing liabilities, and the volume of interest-earning assets and interest-bearing liabilities. On the following table is a comparison of the average balances, interest received and paid, and the average rate for the nine months ended September 30, 1996 and September 30, 1995 on the interest-earning assets and interest-bearing liabilities of the Company.

	NET INTEREST ANALYSIS					
	AVERAGE BALANCE		INTEREST		AVERAGE YIELD	
	(\$000)		(\$000)			
	9/30/96	9/30/95	9/30/96	9/30/95	9/30/96	9/30/95
LOANS	78,630	74,568	6,027	5,442	10.22%	9.73%
INVESTMENTS (INC. FED FUNDS)	47,662	36,820	1,973	1,598	5.52%	5.79%
INTEREST-BEARING ASSETS	125,892	111,388	8,000	7,040	8.47%	8.43%
INTEREST-BEARING LIABILITIES	109,527	94,628	3,763	3,269	4.58%	4.61%
INTEREST SPREAD					3.89%	3.82%
NET INTEREST MARGIN/ EARNING ASSETS					4.49%	4.51%

Non-interest income decreased \$236,700, or 23.50%, over the first nine months of 1995. Non-interest expenses increased \$335,744, or 12.68%, over the first nine months of 1995. The largest component of non-interest expenses was salaries and employee benefits, which increased \$180,673, or 12.20%. The increase was due to additional staff required for the opening of a new branch.

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PART II OTHER INFORMATION

- Item 1. Legal Proceedings - None
- Item 2. Change in Securities - None
- Item 3. Defaults upon Senior Securities - None
- Item 4. Submission of matters to a vote of Security Holders - None
- Item 5. Other Information - On September 12, 1996, the Company entered into an Agreement and Plan of Merger (the "Agreement") with Colonial BancGroup, Inc. ("Colonial"). Pursuant to the Agreement, the Company would be merged into Colonial and the Bank would be merged into Colonial's Georgia subsidiary, Colonial Bank.
- Item 6. Exhibits and Reports on Form 8-K
 - A. The Agreement and Plan of Merger by and between the Company and Colonial BancGroup, Inc. filed as Appendix A to the Form S- 4, Registration No. 333-15575 filed by Colonial BancGroup, Inc. is incorporated herein by reference.
 - B. Reports on Form 8-K

On August 12, 1996 a Form 8-K was filed disclosing pursuant to ITEM 5. OTHER INFORMATION, the proposed acquisition of the Company by Colonial.

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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.

D/W BANKSHARES, INC.
(Registrant)

DATE: November 13, 1996

BY: -----
Charles Y. Allgood
President & Chief
Executive Officer

DATE: November 13, 1996

BY: -----
Rita B. Gray
Secretary/Treasurer

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET (UNAUDITED) AND CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED) FOUND ON PAGES 3 & 4 OF D/W BANKSHARES, INC. 10-Q FOR QUARTER ENDED SEPT. 30, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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