CAPITAL CITY BANK GROUP INC
Form 10-Q
November 06, 2009

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

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2009

OR

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

For the transition period from ____________ to ____________

Commission File Number: 0-13358

CAPITAL CITY BANK GROUP, INC.
(Exact name of registrant as specified in its charter)

Florida (State or other jurisdiction of incorporation or organization)	59-2273542 (I.R.S. Employer Identification No.)
217 North Monroe Street, Tallahassee, Florida (Address of principal executive office)	32301 (Zip Code)

(850) 402-7000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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 definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer x	Non-accelerated filer o (Do not check if smaller reporting company)	Smaller reporting company o

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

At October 31, 2009, 17,032,340 shares of the Registrant's Common Stock, $.01 par value, were outstanding.

CAPITAL CITY BANK GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED SEPTEMBER 30, 2009

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INTRODUCTORY NOTE

Caution Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan," "target," "goal," and similar expressions are intended to identify forward-looking statements.

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements.

Our ability to achieve our financial objectives could be adversely affected by the factors discussed in detail in Part I, Item 2., “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q, the following sections of our Annual Report on Form 10-K for the year ended December 31, 2008 (the “2008 Form 10-K”): (a) “Introductory Note” in Part I, Item 1. “Business”; (b) “Risk Factors” in Part I, Item 1A., as updated in our subsequent quarterly reports filed on Form 10-Q, and (c) “Introduction” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Part II, Item 7. as well as:

- the frequency and magnitude of foreclosure of our loans;
- the adequacy of collateral underlying collateralized loans and our ability to resell the collateral if we foreclose on the loans;
- the effects of our lack of a diversified loan portfolio, including the risks of geographic and industry concentrations;
- the accuracy of our financial statement estimates and assumptions, including the estimate for our loan loss provision;
- the extent to which our nonperforming loans increase or decrease as a percentage of our total loan portfolio;
- the effects of federal and state banking laws on our ability to declare and pay dividends;
- our ability to integrate the business and operations of companies and banks that we have acquired, and those we may acquire in the future;
- our need and our ability to incur additional debt or equity financing;
- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- the effects of harsh weather conditions, including hurricanes;
- inflation, interest rate, market and monetary fluctuations;
- effect of changes in the stock market and other capital markets;
- legislative or regulatory changes;
- our ability to comply with the extensive laws and regulations to which we are subject;
- the willingness of clients to accept third-party products and services rather than our products and services and vice versa;
- changes in the securities and real estate markets;
- increased competition and its effect on pricing;
- technological changes;
- changes in monetary and fiscal policies of the U.S. Government;
- the effects of security breaches and computer viruses that may affect our computer systems;
- changes in consumer spending and saving habits;
- growth and profitability of our noninterest income;
- changes in accounting principles, policies, practices or guidelines;

§ the limited trading activity of our common stock;
§ the concentration of ownership of our common stock;
§ anti-takeover provisions under federal and state law as well as our Articles of Incorporation and our Bylaws;
§ other risks described from time to time in our filings with the Securities and Exchange Commission; and
§ our ability to manage the risks involved in the foregoing.

However, other factors besides those referenced also could adversely affect our results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us or on our behalf speak only as of the date they are made. We do not undertake to update any forward-looking statement, except as required by applicable law.

PART I. FINANCIAL INFORMATION
Item 1. CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
AS OF SEPTEMBER 30, 2009 AND DECEMBER 31, 2008

(Dollars In Thousands, Except Share Data)	September 30, 2009	December 31, 2008
ASSETS		
Cash and Due From Banks	$ 79,275	$ 88,143
Federal Funds Sold and Interest Bearing Deposits	828	6,806
Total Cash and Cash Equivalents	80,103	94,949
Investment Securities, Available-for-Sale	183,944	191,569
Loans, Net of Unearned Interest	1,958,032	1,957,797
Allowance for Loan Losses	(45,401)	(37,004)
Loans, Net	1,912,631	1,920,793
Premises and Equipment, Net	111,797	106,433
Goodwill	84,811	84,811
Other Intangible Assets	5,040	8,072
Other Assets	113,611	82,072
Total Assets	$ 2,491,937	$ 2,488,699
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$ 397,943	$ 419,696
Interest Bearing Deposits	1,552,047	1,572,478
Total Deposits	1,949,990	1,992,174
Short-Term Borrowings	103,711	62,044
Subordinated Notes Payable	62,887	62,887
Other Long-Term Borrowings	50,665	51,470
Other Liabilities	56,269	41,294
Total Liabilities	2,223,522	2,209,869
SHAREOWNERS' EQUITY		
Preferred Stock, $.01 par value, 3,000,000 shares authorized; no shares outstanding	-	-
Common Stock, $.01 par value, 90,000,000 shares authorized; 17,032,337 and 17,126,997 shares issued and outstanding at September 30, 2009 and December 31, 2008, respectively	170	171
Additional Paid-In Capital	36,065	36,783
Retained Earnings	253,104	262,890
Accumulated Other Comprehensive Loss, Net of Tax	(20,924)	(21,014)
Total Shareowners' Equity	268,415	278,830
Total Liabilities and Shareowners' Equity	$ 2,491,937	$ 2,488,699

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30
(Unaudited)

(Dollars in Thousands, Except Per Share Data)	Three Months Ended 2009	Three Months Ended 2008	Nine Months Ended 2009	Nine Months Ended 2008
INTEREST INCOME				
Interest and Fees on Loans	$ 29,463	$ 32,435	$ 88,742	$ 101,112
Investment Securities:				
U.S. Treasuries	125	218	444	566
U.S. Government Agencies	440	588	1,471	2,014
States and Political Subdivisions	641	803	2,073	2,372
Other Securities	117	135	285	495
Federal Funds Sold	1	475	5	3,078
Total Interest Income	30,787	34,654	93,020	109,637
INTEREST EXPENSE				
Deposits	2,626	5,815	7,621	23,458
Short-Term Borrowings	113	230	269	1,047
Subordinated Notes Payable	936	936	2,794	2,798
Other Long-Term Borrowings	560	488	1,694	1,215
Total Interest Expense	4,235	7,469	12,378	28,518
NET INTEREST INCOME	26,552	27,185	80,642	81,119
Provision for Loan Losses	12,347	10,425	29,183	19,999
Net Interest Income After Provision For Loan Losses	14,205	16,760	51,459	61,120
NONINTEREST INCOME				
Service Charges on Deposit Accounts	7,099	7,110	20,959	20,935
Data Processing	914	873	2,680	2,498
Asset Management Fees	960	1,025	2,860	3,300
Securities Transactions	4	27	10	122
Mortgage Banking Fees	663	331	2,149	1,331
Bank Card Fees	2,398	2,431	7,940	10,300
Gain on Sale of Portion of Merchant Services Portfolio	-	6,250	-	6,250
Other	2,266	2,165	6,382	8,993
Total Noninterest Income	14,304	20,212	42,980	53,729
NONINTEREST EXPENSE				
Salaries and Associate Benefits	15,660	15,417	48,946	46,339
Occupancy, Net	2,455	2,373	7,340	7,226
Furniture and Equipment	2,193	2,369	6,835	7,534
Intangible Amortization	1,011	1,459	3,032	4,376
Other	10,296	8,298	30,649	24,995

Total Noninterest Expense		31,615		29,916		96,802		90,470
INCOME BEFORE INCOME TAXES		(3,106)		7,056		(2,363)		24,379
Income Tax (Benefit) Expense		(1,618)		2,218		(2,299)		7,451
NET (LOSS) INCOME	$	(1,488)	$	4,838	$	(64)	$	16,928
Basic Net Income Per Share	$	(0.08)	$	0.29	$	0.00	$	0.99
Diluted Net Income Per Share	$	(0.08)	$	0.29	$	0.00	$	0.99
Average Basic Shares Outstanding		17,024,423		17,123,967		17,047,464		17,146,780
Average Diluted Shares Outstanding		17,024,908		17,127,949		17,048,030		17,149,392

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN SHAREOWNERS' EQUITY
(Unaudited)

(Dollars In Thousands, Except Share Data)	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income, Net of Taxes	Total
Balance, December 31, 2008	17,126,997	$ 171	$ 36,783	$ 262,890	$ (21,014)	$ 278,830
Comprehensive Income:						
Net Loss	-	-	-	(64)	-	(64)
Net Change in Unrealized Gain On Available-for-Sale Securities (net of tax)	-	-	-	-	90	90
Total Comprehensive Income	-	-	-			26
Cash Dividends ($.570 per share)	-	-	-	(9,722)	-	(9,722)
Stock Performance Plan Compensation	-	-	(15)	-	-	(15)
Issuance of Common Stock	51,228	-	996	-	-	996
Repurchase of Common Stock	(145,888)	(1)	(1,560)	-	-	(1,561)
Balance, September 30, 2009	17,032,337	$ 170	$ 36,065	$ 253,10	$ (20,924)	$ 268,415

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30
(Unaudited)

(Dollars in Thousands)	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ (64)	$ 16,928
Adjustments to Reconcile Net Income to		
Cash Provided by Operating Activities:		
Provision for Loan Losses	29,183	19,999
Depreciation	5,015	5,173
Net Securities Amortization	1,692	616
Amortization of Intangible Assets	3,032	4,376
Gain on Sale of Portion of Merchant Services Portfolio	-	(6,250)
Proceeds From Sale of Portion of Merchant Services Portfolio	-	6,250
Gain on Securities Transactions	(10)	(122)
Origination of Loans Held-for-Sale	(129,263)	(87,612)
Proceeds From Sales of Loans Held-for-Sale	130,564	90,927
Net Gain From Sales of Loans Held-for-Sale	(2,149)	(1,331)
Non-Cash Compensation	-	19
Increase in Deferred Income Taxes	4,443	1,081
Net (Increase) Decrease in Other Assets	(6,907)	10,818
Net Increase (Decrease) in Other Liabilities	17,929	(10,283)
Net Cash Provided By Operating Activities	53,465	50,589
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities Available-for-Sale:		
Purchases	(54,347)	(75,528)
Sales	2,806	10,490
Payments, Maturities, and Calls	57,687	61,504
Net Increase in Loans	(52,470)	(26,672)
Purchase of Premises & Equipment	(10,381)	(11,368)
Proceeds From Sales of Premises & Equipment	2	-
Net Cash Used In Investing Activities	(56,703)	(41,574)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in Deposits	(42,183)	(179,561)
Net Increase (Decrease) in Short-Term Borrowings	41,385	(6,053)
Increase in Other Long-Term Borrowings	2,666	28,526
Repayment of Other Long-Term Borrowings	(3,189)	(2,191)
Dividends Paid	(9,722)	(9,370)
Repurchase of Common Stock	(1,561)	(2,414)
Issuance of Common Stock	996	832
Net Cash Provided by Financing Activities	(11,608)	(170,231)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(14,846)	(161,216)
Cash and Cash Equivalents at Beginning of Period	94,949	259,697

Cash and Cash Equivalents at End of Period	$	80,103	$	98,481
Supplemental Disclosure:				
Interest Paid on Deposits	$	7,775	$	25,135
Interest Paid on Debt	$	4,763	$	5,040
Taxes Paid	$	5,667	$	14,027
Loans Transferred to Other Real Estate Owned	$	32,298	$	5,788
Issuance of Common Stock as Non-Cash Compensation	$	154	$	1

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CAPITAL CITY BANK GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Capital City Bank Group, Inc. ("CCBG" or the "Company") provides a full range of banking and banking-related services to individual and corporate clients through its subsidiary, Capital City Bank, with banking offices located in Florida, Georgia, and Alabama. The Company is subject to competition from other financial institutions, is subject to regulation by certain government agencies and undergoes periodic examinations by those regulatory authorities.

The unaudited consolidated financial statements included herein have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission, including Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. Prior period financial statements have been reformatted and amounts reclassified, as necessary, to conform with the current presentation. The Company and its subsidiary follow accounting principles generally accepted in the United States ("GAAP") and reporting practices applicable to the banking industry. The principles that materially affect its financial position, results of operations and cash flows are set forth in the Notes to Consolidated Financial Statements which are included in the 2008 Form 10-K.

In the opinion of management, the consolidated financial statements contain all adjustments, which are those of a recurring nature, and disclosures necessary to present fairly the financial position of the Company as of September 30, 2009 and December 31, 2008, the results of operations for the three and nine months ended September 30, 2009 and 2008, and cash flows for the nine months ended September 30, 2009 and 2008. The Company has evaluated subsequent events for potential recognition and/or disclosure through November 6, 2009, the date the consolidated financial statements included in this Quarterly Report on Form 10-Q were issued.

NOTE 2 - INVESTMENT SECURITIES

The amortized cost and related market value of investment securities available-for-sale were as follows:

	September 30, 2009			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 22,318	$ 274	$ -	$ 22,592
U.S. Government Agencies	1,500	6	-	1,506
States and Political Subdivisions	107,266	1,429	45	108,650
Residential Mortgage-Backed Securities	36,848	845	33	37,660
Other Securities(1)	13,536	-	-	13,536
Total Investment Securities	$ 181,468	$ 2,554	$ 78	$ 183,944

	December 31, 2008			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 29,094	$ 577	$ -	$ 29,671
U.S. Government Agencies	7,091	180	-	7,271

States and Political Subdivisions		100,370		1,224		32		101,562
Residential Mortgage-Backed Securities		39,860		332		116		40,076
Other Securities(1)		12,882		107		-		12,989
Total Investment Securities	$	189,297	$	2,420	$	148	$	191,569

(1) Includes Federal Home Loan Bank and Federal Reserve Bank stock recorded at cost of $7.7 million and $4.8 million, respectively, at September 30, 2009, and $7.0 million and $4.8 million, respectively, at December 31, 2008. Also, balance includes a bank preferred stock issue recorded at $1.0 million and $1.1 million at September 30, 2009 and December 31, 2008, respectively.

The Company's subsidiary, Capital City Bank, as a member of the Federal Home Loan Bank ("FHLB") of Atlanta, is required to own capital stock in the FHLB of Atlanta based generally upon the balances of residential and commercial real estate loans, and FHLB advances. FHLB stock of $7.7 million which is included in other securities is pledged to secure FHLB advances. No ready market exists for this stock, and it has no quoted market value. However, redemption of this stock has historically been at par value.

Maturity Distribution. As of September 30, 2009, the Company's investment securities had the following maturity distribution based on contractual maturities:

(Dollars in Thousands)	Amortized Cost	Market Value
Due in one year or less	$ 72,007	$ 72,738
Due after one through five years	95,436	97,169
Due after five through ten years	1,489	1,501
Due over ten years	-	-
No Maturity	12,536	12,536
Total Investment Securities	$ 181,468	$ 183,944

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

NOTE 3 - LOANS

The composition of the Company's loan portfolio was as follows:

(Dollars in Thousands)	September 30, 2009	December 31, 2008
Commercial, Financial and Agricultural	$ 203,813	$ 206,230
Real Estate-Construction	128,476	141,973
Real Estate-Commercial	704,595	656,959
Real Estate-Residential(1)	429,087	481,034
Real Estate-Home Equity	243,808	218,500
Real Estate-Loans Held-for-Sale	3,418	3,204
Consumer	244,835	249,897
Loans, Net of Unearned Interest	$ 1,958,032	$ 1,957,797

(1) Includes loans in process with outstanding balances of $6.7 million and $13.9 million for September 30, 2009 and December 31, 2008, respectively.

Net deferred fees included in loans at September 30, 2009 and December 31, 2008 were $2.0 million and $1.9 million, respectively.

NOTE 4 - ALLOWANCE FOR LOAN LOSSES

An analysis of the changes in the allowance for loan losses for the nine month periods ended September 30 was as follows:

(Dollars in Thousands)	2009	2008
Balance, Beginning of Period	$ 37,004	$ 18,066
Provision for Loan Losses	29,183	19,999

Recoveries on Loans Previously Charged-Off	2,249	1,799
Loans Charged-Off	(23,035)	(9,320)
Balance, End of Period	$ 45,401	$ 30,544

Impaired Loans. Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Selected information pertaining to impaired loans is depicted in the table below:

	September 30, 2009		December 31, 2008	
(Dollars in Thousands)	Balance	Valuation Allowance	Balance	Valuation Allowance
Impaired Loans:				
With Related Valuation Allowance	$ 95,506	$ 22,395	$ 68,705	$ 15,901
Without Related Valuation Allowance	25,507	-	37,723	-

NOTE 5 - INTANGIBLE ASSETS

The Company had net intangible assets of $89.9 million and $92.9 million at September 30, 2009 and December 31, 2008, respectively. Intangible assets were as follows:

	September 30, 2009		December 31, 2008	
(Dollars in Thousands)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Core Deposit Intangibles	$ 47,176	$ 42,980	$ 47,176	$ 40,092
Goodwill	84,811	-	84,811	-
Customer Relationship Intangible	1,867	1,023	1,867	879
Total Intangible Assets	$ 133,854	$ 44,003	$ 133,854	$ 40,971

Net Core Deposit Intangibles: As of September 30, 2009 and December 31, 2008, the Company had net core deposit intangibles of $4.20 million and $7.1 million, respectively. Amortization expense for the first nine months of 2009 and 2008 was approximately $2.9 million and $2.9 million, respectively. Estimated annual amortization expense for 2009 is $3.8 million.

Goodwill: As of September 30, 2009 and December 31, 2008, the Company had goodwill, net of accumulated amortization, of $84.8 million. Goodwill is the Company's only intangible asset that is no longer subject to amortization under the provisions of Accounting Standards Codification (“ASC”) 350-20-35-1 (Formerly Statement of Financial Accounting Standards (“SFAS” No. 142)), “Goodwill and Other Intangible Assets.”

Other: As of September 30, 2009 and December 31, 2008, the Company had a customer relationship intangible asset, net of accumulated amortization, of $0.8 million and $1.0 million, respectively. This intangible asset was recorded as a result of the March 2004 acquisition of trust customer relationships from Synovus Trust Company. Amortization expense for the first nine months of 2009 and 2008 was approximately $144,000. Estimated annual amortization expense is approximately $191,000 based on use of a 10-year useful life.

NOTE 6 - DEPOSITS

The composition of the Company's interest bearing deposits at September 30, 2009 and December 31, 2008 was as follows:

(Dollars in Thousands)	September 30, 2009	December 31, 2008
NOW Accounts	$ 687,679	$ 758,976
Money Market Accounts	301,662	324,646
Savings Deposits	122,040	115,261
Other Time Deposits	440,666	373,595
Total Interest Bearing Deposits	$ 1,552,047	$ 1,572,478

NOTE 7 - STOCK-BASED COMPENSATION

The Company recognizes the cost of stock-based associate stock compensation in accordance with ASC-718-20-05-1 and ASC 718-50-05-01, (formerly SFAS No. 123R), "Share-Based Payment" (Revised) under the fair value method.

As of September 30, 2009, the Company had three stock-based compensation plans, consisting of the 2005 Associate Stock Incentive Plan ("ASIP"), the 2005 Associate Stock Purchase Plan ("ASPP"), and the 2005 Director Stock Purchase Plan ("DSPP"). Total compensation expense associated with these plans for the nine months ended September 30, 2009 and 2008 was $111,000 and $131,000, respectively. The Company, under the terms and conditions of the ASIP, maintained a 2011 Incentive Plan, which was terminated in March 2008, and the Company reversed approximately $577,000 in related stock compensation expense in conjunction with the termination of the Company's 2011 strategic initiative.

ASIP. The Company's ASIP allows the Company's Board of Directors to award key associates various forms of equity-based incentive compensation. Under the ASIP, all participants in this plan are eligible to earn an equity award, in the form of restricted stock. The Company, under the terms and conditions of the ASIP, created the 2009 Incentive Plan ("2009 Plan"), which has an award tied to an internally established earnings goal for 2009. The grant-date fair value of the shares eligible to be awarded in 2009 is approximately $718,000. In addition, each plan participant is eligible to receive from the Company a tax supplement bonus equal to 31% of the stock award value at the time of issuance. A total of 53,795 shares are eligible for issuance. There has been no expense recognized for the first nine months of 2009 as results fell short of the earnings performance goal.

A total of 875,000 shares of common stock have been reserved for issuance under the ASIP. To date, the Company has issued a total of 67,022 shares of common stock under the ASIP.

Executive Stock Option Agreement. Prior to 2007, the Company maintained a stock option arrangement for a key executive officer (William G. Smith, Jr. - Chairman, President and CEO, CCBG). The status of the options granted under this arrangement is detailed in the table provided below. In 2007, the Company replaced its practice of entering into a stock option arrangement by establishing a Performance Share Unit Plan under the provisions of the ASIP that allows the executive to earn shares based on the compound annual growth rate in diluted earnings per share over a three-year period. The details of this program for the executive are outlined in a Form 8-K filing dated January 31, 2007. No expense related to this plan was recognized for the first six months of 2009 and 2008 as results fell short of the earnings performance goal.

A summary of the status of the Company's option shares as of September 30, 2009 is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Term	Aggregate Intrinsic Value
Outstanding at January 1, 2009	60,384	$ 32.79	5.9	$-
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at September 30, 2009	60,384	$ 32.79	5.1	$-
Exercisable at September 30, 2009	60,384	$ 32.79	5.1	$-

Compensation expense associated with the aforementioned option shares was fully recognized as of December 31, 2007.

DSPP. The Company's DSPP allows the directors to purchase the Company's common stock at a price equal to 90% of the closing price on the date of purchase. Stock purchases under the DSPP are limited to the amount of the director's annual cash compensation. The DSPP has 93,750 shares reserved for issuance. A total of 58,559 shares have been issued since the inception of the DSPP. For the first nine months 2009, the Company recognized approximately $20,000 in expense related to this plan. For the first nine months of 2008, the Company recognized approximately $25,521 in expense related to the DSPP.

ASPP. Under the Company's ASPP, substantially all associates may purchase the Company's common stock through payroll deductions at a price equal to 90% of the lower of the fair market value at the beginning or end of each six-month offering period. Stock purchases under the ASPP are limited to 10% of an associate's eligible compensation, up to a maximum of $25,000 (fair market value on each enrollment date) in any plan year. Shares are issued at the beginning of the quarter following each six-month offering period. The ASPP has 593,750 shares of common stock reserved for issuance. A total of 111,586 shares have been issued since inception of the ASPP. For the first nine months of 2009, the Company recognized approximately $76,000 in expense related to the ASPP plan compared to $82,000 in expense for the same period in 2008.

NOTE 8 - EMPLOYEE BENEFIT PLANS

The Company has a defined benefit pension plan covering substantially all full-time and eligible part-time associates and a Supplemental Executive Retirement Plan ("SERP") covering its executive officers.

The components of the net periodic benefit costs for the Company's qualified benefit pension plan were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in Thousands)	2009	2008	2009	2008
Discount Rate	6.00%	6.25%	6.00%	6.25%
Long-Term Rate of Return on Assets	8.00%	8.00%	8.00%	8.00%
Service Cost	$ 1,398	$ 1,279	$ 4,194	$ 3,837
Interest Cost	1,147	1,063	3,441	3,189
Expected Return on Plan Assets	(1,265)	(1,253)	(3,795)	(3,759)
Prior Service Cost Amortization	127	75	382	225
Net Loss Amortization	739	280	2,216	840
Net Periodic Benefit Cost	$ 2,146	$ 1,444	$ 6,438	$ 4,332

The components of the net periodic benefit costs for the Company's SERP were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in Thousands)	2009	2008	2009	2008
Discount Rate	6.00%	6.25%	6.00%	6.25%
Service Cost	$ 5	$ 22	$ 15	$ 66
Interest Cost	45	56	134	168
Prior Service Cost Amortization	45	2	135	6
Net Loss Amortization	(88)	1	(263)	3
Net Periodic Benefit Cost	$ 7	$ 81	$ 21	$ 243

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Lending Commitments. The Company is a party to financial instruments with off-balance sheet risks in the normal course of business to meet the financing needs of its clients. These financial instruments consist of commitments to extend credit and standby letters of credit.

The Company's maximum exposure to credit loss under standby letters of credit and commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in establishing commitments and issuing letters of credit as it does for on-balance sheet instruments. As of September 30, 2009, the amounts associated with the Company's off-balance sheet obligations were as follows:

(Dollars in Millions)	Amount
Commitments to Extend Credit(1)	$ 367

Standby Letters of Credit	$	14

(1) Commitments include unfunded loans, revolving lines of credit, and other unused commitments.

Commitments to extend credit are agreements to lend to a client so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Contingencies. The Company is a party to lawsuits and claims arising out of the normal course of business. In management's opinion, there are no known pending claims or litigation, the outcome of which would, individually or in the aggregate, have a material effect on the consolidated results of operations, financial position, or cash flows of the Company.

Indemnification Obligation. The Company is a member of the Visa U.S.A. network. Visa U.S.A believes that its member banks are required to indemnify Visa U.S.A. for potential future settlement of certain litigation (the "Covered Litigation"). The Company recorded a charge in its fourth quarter 2007 financial statements of approximately $1.9 million, or $0.07 per diluted common share, to recognize its proportionate contingent liability related to the costs of the judgments and settlements from the Covered Litigation.

The Company reversed a portion of the Covered Litigation accrual in the amount of approximately $1.1 million to account for the establishment of a litigation escrow account by Visa Inc., the parent company of Visa U.S.A., in conjunction with Visa's initial public offering during the first quarter of 2008. This escrow account was established to pay the costs of the judgments and settlements from the Covered Litigation. Approximately $0.8 million remains accrued for the contingent liability related to remaining Covered Litigation.

In October 2008 and July 2009, Visa Inc. funded additional amounts of $1.1 billion and $700 million, respectively, into the litigation escrow account to fund the settlement of the Discover Financial Services litigation and additional pending litigation, which in effect reduced the exchange ratio for the Company's Class B shares of Visa Inc. While the Company could be required to separately fund its proportionate share of any Covered Litigation losses, it is expected that this litigation escrow account will be used to pay all or a substantial amount of the losses.

NOTE 10 - COMPREHENSIVE INCOME

FASB Topic ASC 220, "Comprehensive Income" (Formerly SFAS No. 130,) requires that certain transactions and other economic events that bypass the income statement be displayed as other comprehensive income. Comprehensive income totaled $26,000 for the nine months ended September 30, 2009 and $17.0 million for the comparable period in 2008. The Company's comprehensive income consists of net income and changes in unrealized gains and losses on securities available-for-sale (net of income taxes) and changes in the pension liability (net of taxes). The after-tax increase in net unrealized gains on securities totaled approximately $90,000 for the nine months ended September 30, 2009. The after-tax increase in the net unrealized gains on securities totaled approximately $155,000 for the nine months ended September 30, 2008. Reclassification adjustments consist only of realized gains and losses on sales of investment securities and were not material for the same comparable periods. As of September 30, 2009, total accumulated other comprehensive income (net of taxes) totaled $20.9 million consisting of a pension liability of $22.5 million and an unrealized gain on investment securities of $1.6 million. For the nine month period ended September 30, 2009, there was no change in the company's pension liability as this liability is adjusted on an annual basis at December 31st.

NOTE 11 – FAIR VALUE MEASUREMENTS

The Company adopted the provisions of ASC 820-10 (Formerly SFAS No. 157), "Fair Value Measurements," for financial assets and financial liabilities effective January 1, 2008. Subsequently, on January 1, 2009, the Company adopted ASC 820-10-15 (Formerly SFAS No. 157-2) "Effective Date of FASB Statement No. 157" for non-financial assets and non-financial liabilities. ASC 820-10 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements.

ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

ASC 820-10 requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement cost). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, ASC 820-10 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company's financial assets and financial liabilities carried at fair value effective January 1, 2008.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. These adjustments may include amounts to reflect counterparty credit quality, the Company's creditworthiness, among other things, as well as unobservable parameters. Any such valuation adjustments are applied consistently over time. The Company's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities Available for Sale. Securities classified as available for sale are reported at fair value on a recurring basis utilizing Level 1, 2, or 3 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service or a model that uses, as inputs, observable market based parameters. The fair value measurements consider observable data that may include quoted prices in active markets, or other inputs, including dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, and credit information and the bond's terms and conditions.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of September 30, 2009, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

(Dollars in Thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs(1)	Total Fair Value
Securities Available for Sale	$26,085	$144,323	$1,000	$171,408

(1) Reflects one bank preferred stock issue of $1.0 million with fair value based on an internal valuation model.

Certain financial and non-financial assets measured at fair value on a nonrecurring basis are detailed below; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). Financial and non-financial liabilities measured at fair value on a nonrecurring basis were not significant at September 30, 2009.

Impaired Loans. On a non-recurring basis, certain impaired loans are reported at the fair value of the underlying collateral if repayment is expected solely from the liquidation of collateral. Collateral values are estimated using Level 2 inputs based on customized discounting criteria. Impaired loans had a carrying value of $121.0 million, with a valuation allowance of $22.4 million, resulting in an additional provision for loan losses of $6.5 million for the nine month period ended September 30, 2009.

Loans Held for Sale. Loans held for sale were $3.4 million as of September 30, 2009. These loans are carried at the lower of cost or fair value and are adjusted to fair value on a non-recurring basis. Fair value is based on observable markets rates for comparable loan products which is considered a Level 2 fair value measurement.

Other Real Estate Owned. During the first nine months of 2009, certain foreclosed assets, upon initial recognition, were measured and reported at fair value through a charge-off to the allowance for possible loan losses based on the fair value of the foreclosed asset. The fair value of the foreclosed asset, upon initial recognition, is estimated using Level 2 inputs based on observable market data. Foreclosed assets measured at fair value upon initial recognition totaled $43.5 million during the nine months ended September 30, 2009. In connection with the measurement and initial recognition of the foregoing foreclosed assets, the Company recognized gross charge-offs to the allowance for loan losses totaling $10.3 million. In addition, the Company recognized subsequent losses totaling $2.5 million for foreclosed assets that were re-valued during the nine months ended September 30, 2009. The carrying value of foreclosed assets was $33.4 million at September 30, 2009.

Effective January 1, 2008, the Company adopted the provisions of ASC 825-10 (Formerly SFAS No. 159), "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of ASC 320-10 (Formerly FASB Statement No. 115)." ASC 825-10 permits the Company to choose to measure eligible items at fair value at specified election dates. Changes in fair value on items for which the fair value measurement option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) is applied instrument by instrument, with certain exceptions, thus the Company may record identical financial assets and liabilities at fair value or by another measurement basis permitted under generally accepted accounting principles, (ii) is irrevocable (unless a new election date occurs), and (iii) is applied only to entire instruments and not to portions of instruments. Adoption of ASC 825-on January 1, 2008 did not have a significant impact on the Company’s financial statements because the Company did not elect fair value measurement under ASC 825-10.

ASC 942-320-50 (Formerly SFAS 107), “Disclosures about Fair Value of Financial Instruments,” as amended, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. A detailed description of the valuation methodologies used in estimating the fair value of financial instruments is set forth in the 2008 Form 10-K.

The Company’s financial instruments that have estimated fair values are presented below:

	September 30, 2009		December 31, 2008	
(Dollars in Thousands)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Cash	$ 79,275	$ 79,275	$ 88,143	$ 88,143
Short-Term Investments	828	828	6,806	6,806
Investment Securities	183,944	183,944	191,569	191,569
Loans, Net of Allowance for Loan Losses	1,912,631	1,900,006	1,920,793	1,915,887
Total Financial Assets	$ 2,176,678	$ 2,164,053	$ 2,207,311	$ 2,202,405
Financial Liabilities:				
Deposits	$ 1,949,990	$ 1,868,873	$ 1,992,174	$ 1,960,361
Short-Term Borrowings	103,711	102,665	62,044	61,799
Subordinated Notes Payable	62,887	62,255	62,887	63,637
Long-Term Borrowings	50,665	53,110	51,470	57,457
Total Financial Liabilities	$ 2,167,253	$ 2,086,903	$ 2,168,575	$ 2,143,254

All non-financial instruments are excluded from the above table. The disclosures also do not include certain intangible assets such as client relationships, deposit base intangibles and goodwill. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

NOTE 12 – NEW AUTHORITATIVE ACCOUNTING GUIDANCE

Significant Accounting Policies, on July 1, 2009, the Accounting Standards Codification became FASB's officially recognized source of authoritative U.S. generally accepted accounting principles applicable to all public and non-public non-governmental entities, superseding existing FASB, AICPA, EITF and related literature. Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered non-authoritative. The switch to the ASC affects the away companies refer to U.S. GAAP in financial statements and accounting policies. Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure.

FASB ASC Topic 260, "Earnings Per Share." (Formerly FSP No. EITF 03-6-1) New authoritative accounting guidance under ASC Topic 260-10 provides that unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method. ASC Topic 260-10 became effective on January 1, 2009 and did not have a significant impact on the Company's financial statements.

FASB ASC Topic 320, "Investments - Debt and Equity Securities." (Formerly SFAS 115-2 and SFAS 124-2) New authoritative accounting guidance under ASC Topic 320, (i) changes existing guidance for determining whether an impairment is other than temporary to debt securities and (ii) replaces the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert: (a) it does not have the intent to sell the security; and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. Under ASC Topic 320, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. The Company adopted the provisions of the new authoritative accounting guidance under ASC Topic 320 during the second quarter of 2009. Adoption of the new guidance did not significantly impact the Company's financial statements.

FASB ASC Topic 715, "Compensation - Retirement Benefits." (Formerly FSP No. 132(R)-1) New authoritative accounting guidance under ASC Topic 715, "Compensation - Retirement Benefits," provides guidance related to an employer's disclosures about plan assets of defined benefit pension or other post-retirement benefit plans. Under ASC Topic 715, disclosures should provide users of financial statements with an understanding of how investment allocation decisions are made, the factors that are pertinent to an understanding of investment policies and strategies, the major categories of plan assets, the inputs and valuation techniques used to measure the fair value of plan assets, the effect of fair value measurements using significant unobservable inputs on changes in plan assets for the period and significant concentrations of risk within plan assets. The disclosures required by ASC Topic 715 will be included in the Company's financial statements beginning with the financial statements for the year-ended December 31, 2009.

ASC Topic 805, "Business Combinations." (Formerly SFAS No. 141) On January 1, 2009, new authoritative accounting guidance under ASC Topic 805 applies to all transactions and other events in which one entity obtains control over one or more other businesses. ASC Topic 805 requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquirer at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under previous accounting guidance whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. ASC Topic requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under prior accounting guidance. Under ASC Topic 805, the requirements of ASC Topic 420, "Accounting for Costs Associated with Exit or Disposal Activities," would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of ASC Topic 450, "Accounting for Contingencies." ASC Topic 805 is applicable to the Company's accounting for business combinations closing on or after January 1, 2009.

FASB ASC Topic 810, "Consolidation." (Formerly SFAS No. 160) New authoritative accounting guidance under ASC Topic 810, "Consolidation," amended prior guidance to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. Under ASC Topic 810, a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, ASC Topic 810 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. The new authoritative accounting guidance under ASC Topic 810 became effective for the Company on January 1, 2009 and did not have a significant impact on the Company's financial statements.

Further new authoritative accounting guidance under ASC Topic 810 amends prior guidance to change how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. The new authoritative accounting guidance requires additional disclosures about the reporting entity's involvement with variable-interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the entity's financial statements. The new authoritative accounting guidance under ASC Topic 810 will be effective January 1, 2010 and is not expected to have a significant impact on the Company's financial statements.

FASB ASC Topic 815, “Derivatives and Hedging.” (Formerly SFAS No. 161) New authoritative accounting guidance under ASC Topic 815, “Derivatives and Hedging,” amends prior guidance to amend and expand the disclosure requirements for derivatives and hedging activities to provide greater transparency about (i) how and why an entity uses derivative instruments, (ii) how derivative instruments and related hedge items are accounted for under ASC Topic 815, and (iii) how derivative instruments and related hedged items affect an entity’s financial position, results of operations and cash flows. To meet those objectives, the new authoritative accounting guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments and disclosures about credit-risk-related contingent features in derivative agreements. The new authoritative accounting guidance under ASC Topic 815 became effective for the Company on January 1, 2009 and did not have an impact on the Company’s financial statements.

FASB ASC Topic 820, “Fair Value Measurements and Disclosures.” (Formerly FSP ASC 820-10-4) New authoritative accounting guidance under ASC Topic 820,”Fair Value Measurements and Disclosures,” affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction, and clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active. ASC Topic 820 requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. The new accounting guidance amended prior guidance to expand certain disclosure requirements. The Company adopted the new authoritative accounting guidance under ASC Topic 820 during the second quarter of 2009 and it did not significantly impact the Company’s financial statements.

Further new authoritative accounting guidance (Accounting Standards Update No. 2009-5) under ASC Topic 820 provides guidance for measuring the fair value of a liability in circumstances in which a quoted price in an active market for the identical liability is not available. In such instances, a reporting entity is required to measure fair value utilizing a valuation technique that uses (i) the quoted price of the identical liability when traded as an asset, (ii) quoted prices for similar liabilities or similar liabilities when traded as assets, or (iii) another valuation technique that is consistent with the existing principles of ASC Topic 820, such as an income approach or market approach. The new authoritative accounting guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. The forgoing new authoritative accounting guidance under ASC Topic 820 will be effective for the Company’s financial statements beginning October 1, 2009 and is not expected to have a significant impact on the Company’s financial statements.

FASB ASC Topic 825 “Financial Instruments.”(Formerly SFAS 107-1 and APB 28-1) New authoritative accounting guidance under ASC Topic 825,”Financial Instruments,” requires an entity to provide disclosures about the fair value of financial instruments in interim financial information and amends prior guidance to require those disclosures in summarized financial information at interim reporting periods. The new interim disclosures required under Topic 825 are included in Note 11 - Fair Value Measurements.

FASB ASC Topic 855, “Subsequent Events.”(Formerly SFAS No. 165) New authoritative accounting guidance under ASC Topic 855, “Subsequent Events,” establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC Topic 855 defines (i) the period after the balance sheet date during which a reporting entity’s management should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (iii) the disclosures an entity should make about events or transactions that occurred after the balance sheet date. The new authoritative accounting guidance under ASC Topic 855 became effective for the Company’s financial statements for periods ending after June 15, 2009 and did not have a significant impact on the Company’s financial statements.

FASB ASC Topic 860, "Transfers and Servicing."(Formerly SFAS No. 166) New authoritative accounting guidance under ASC Topic 860, "Transfers and Servicing," amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. The new authoritative accounting guidance eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. The new authoritative accounting guidance also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from transfers during the period. The new authoritative accounting guidance under ASC Topic 860 will be effective January 1, 2010 and is not expected to have a significant impact on the Company's financial statements.

ASC Topic 105, "Generally Accepted Accounting Principles, (Formerly SFAS No. 168), establishes the FASB Accounting Standards Codification (the "Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by non-governmental entities in the preparation of financial statements in conformity with generally accepted accounting principles. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative guidance for SEC registrants. All guidance contained in the Codification carries an equal level of authority. All non-grandfathered, non-SEC accounting literature not included in the Codification is superseded and deemed non-authoritative. ASC Topic 105 will be effective for the Company's financial statements for the periods ending after September 15, 2009.

QUARTERLY FINANCIAL DATA (UNAUDITED)

	2009			2008				2007
(Dollars in Thousands, Except Per Share Data)	Third	Second	First	Fourth	Third(1)	Second	First	Fourth
Summary of Operations:								
Interest Income	$30,787	$31,180	$31,053	$33,229	$34,654	$36,260	$38,723	$40,786
Interest Expense	4,235	4,085	4,058	5,482	7,469	8,785	12,264	13,241
Net Interest Income	27,552	27,095	26,995	27,747	27,185	27,475	26,459	27,545
Provision for Loan Losses	12,347	8,426	8,410	12,497	10,425	5,432	4,142	1,699
Net Interest Income After Provision for Loan Losses	14,205	18,669	18,585	15,250	16,760	22,043	22,317	25,846
Noninterest Income	14,304	14,634	14,042	13,311	20,212	15,718	17,799	15,823
Noninterest Expense	31,615	32,930						