CAPITAL CITY BANK GROUP INC
Form 10-Q
August 07, 2015

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

For the Quarterly Period Ended June 30, 2015

OR

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

For the transition period from ____________ to ____________

Commission File Number: 0-13358

(Exact name of registrant as specified in its charter)

Florida	**59-2273542**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

217 North Monroe Street, Tallahassee, Florida	**32301**
(Address of principal executive office)	(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 x 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 Smaller reporting company o
(Do not check if smaller reporting company)

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 July 31, 2015, 17,154,236 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 JUNE 30, 2015

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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 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 and the following sections of our Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 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:

§ legislative or regulatory changes, including the Dodd-Frank Act, Basel III, and the ability to repay and qualified mortgage standards;
§ our ability to successfully manage interest rate risk, liquidity risk, and other risks inherent to our industry;
§ the effects of security breaches and computer viruses that may affect our computer systems or fraud related to debit card products;
§ the accuracy of our financial statement estimates and assumptions, including the estimates used for our loan loss provision and deferred tax asset valuation;
§ the frequency and magnitude of foreclosure of our loans;
§ the effects of our lack of a diversified loan portfolio, including the risks of geographic and industry concentrations;
§ the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
§ our need and our ability to incur additional debt or equity financing;
§ our ability to declare and pay dividends;
§ changes in the securities and real estate markets;
§ changes in monetary and fiscal policies of the U.S. Government;
§ inflation, interest rate, market and monetary fluctuations;
§ the effects of harsh weather conditions, including hurricanes, and man-made disasters;
§ our ability to comply with the extensive laws and regulations to which we are subject;
§ our ability to comply with the laws of each jurisdiction where we operate;
§ the willingness of clients to accept third-party products and services rather than our products and services and vice versa;
§ increased competition and its effect on pricing;

- technological changes;
- negative publicity and the impact on our reputation;
- 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 listed in *Item 1A Risk Factors* or discussed in this Form 10-Q 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

CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in Thousands)	**(Unaudited)** **June 30,** 2015	December 31, 2014
ASSETS		
Cash and Due From Banks	$ 61,484	$ 55,467
Federal Funds Sold and Interest Bearing Deposits	185,572	329,589
Total Cash and Cash Equivalents	247,056	385,056
Investment Securities, Available for Sale, at fair value	433,688	341,548
Investment Securities, Held to Maturity, at amortized cost (fair value of $201,929 and $163,412)	201,805	163,581
Total Investment Securities	635,493	505,129
Loans Held For Sale	10,991	10,688
Loans, Net of Unearned Income	1,474,265	1,431,374
Allowance for Loan Losses	(15,236)	(17,539)
Loans, Net	1,459,029	1,413,835
Premises and Equipment, Net	99,108	101,899
Goodwill	84,811	84,811
Other Real Estate Owned	30,167	35,680
Other Assets	87,489	90,071
Total Assets	$ 2,654,144	$ 2,627,169
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$ 723,866	$ 659,115
Interest Bearing Deposits	1,440,778	1,487,679
Total Deposits	2,164,644	2,146,794
Short-Term Borrowings	53,698	49,425
Subordinated Notes Payable	62,887	62,887
Other Long-Term Borrowings	29,733	31,097
Other Liabilities	71,144	64,426
Total Liabilities	2,382,106	2,354,629

SHAREOWNERS’ EQUITY		
Preferred Stock, $.01 par value; 3,000,000 shares authorized; no shares issued and outstanding	—	—
Common Stock, $.01 par value; 90,000,000 shares authorized; 17,154,233 and 17,447,223 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	172	174
Additional Paid-In Capital	37,625	42,569
Retained Earnings	255,096	251,306
Accumulated Other Comprehensive Loss, Net of Tax	(20,855)	(21,509)
Total Shareowners’ Equity	272,038	272,540
Total Liabilities and Shareowners’ Equity	$2,654,144	$2,627,169

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

CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended		**Six Months Ended**	
	June 30,		**June 30,**	
(Dollars in Thousands, Except Per Share Data)	2015	2014	2015	2014
INTEREST INCOME				
Loans, including Fees	$18,231	$18,152	$36,094	$36,250
Investment Securities:				
Taxable Securities	1,299	815	2,484	1,519
Tax Exempt Securities	152	124	261	267
Federal Funds Sold and Interest Bearing Deposits	151	257	340	548
Total Interest Income	19,833	19,348	39,179	38,584
INTEREST EXPENSE				
Deposits	259	293	505	601
Short-Term Borrowings	15	17	36	37
Subordinated Notes Payable	338	331	670	662
Other Long-Term Borrowings	237	269	477	560
Total Interest Expense	849	910	1,688	1,860
NET INTEREST INCOME	18,984	18,438	37,491	36,724
Provision for Loan Losses	375	499	668	858
Net Interest Income After Provision For Loan Losses	18,609	17,939	36,823	35,866
NONINTEREST INCOME				
Deposit Fees	5,682	6,213	11,223	12,082
Bank Card Fees	2,844	2,820	5,586	5,527
Wealth Management Fees	1,776	1,852	3,822	3,770
Mortgage Banking Fees	1,203	738	2,190	1,363
Data Processing Fees	364	388	737	929
Other	2,925	1,336	4,084	2,461
Total Noninterest Income	14,794	13,347	27,642	26,132
NONINTEREST EXPENSE				
Compensation	16,404	15,206	32,928	30,987
Occupancy, net	4,258	4,505	8,654	8,803
Other Real Estate Owned, net	931	2,276	2,428	3,675
Other	6,846	7,089	13,819	13,977
Total Noninterest Expense	28,439	29,076	57,829	57,442
INCOME BEFORE INCOME TAXES	4,964	2,210	6,636	4,556
Income Tax Expense (Benefit)	1,119	737	1,805	(668)
NET INCOME	$3,845	$1,473	$4,831	$5,224

BASIC NET INCOME PER SHARE	$0.22	$0.08	$0.28	$0.30
DILUTED NET INCOME PER SHARE	$0.22	$0.08	$0.28	$0.30
Average Basic Shares Outstanding	17,296	17,427	17,402	17,413
Average Diluted Shares Outstanding	17,358	17,488	17,456	17,463

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

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CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(Dollars in Thousands)	2015	2014	2015	2014
NET INCOME	$3,845	$1,473	$4,831	$5,224
Other comprehensive (loss) income, before tax:				
Change in net unrealized gain/loss on securities available for sale	(117)	257	1,029	252
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	19	16	36	36
Other comprehensive (loss) income, before tax	(98)	273	1,065	288
Deferred tax expense (benefit) related to other comprehensive income	37	105	(411)	112
Other comprehensive (loss) income, net of tax	(61)	168	654	176
TOTAL COMPREHENSIVE INCOME	$3,784	$1,641	$5,485	$5,400

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

CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENTS 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 Loss, Net of Taxes	Total
Balance, January 1, 2014	17,360,960	$ 174	$ 41,152	$ 243,614	$ (8,540)	$ 276,400
Net Income		—	—	5,224	—	5,224
Other Comprehensive Income, Net of Tax		—	—	—	176	176
Cash Dividends ($0.0400 per share)		—	—	(696)	—	(696)
Stock Based Compensation		—	526	—	—	526
Impact of Transactions Under Compensation Plans, net	88,497	—	(50)	—	—	(50)
Balance, June 30, 2014	17,449,457	$ 174	$ 41,628	$ 248,142	$ (8,364)	$ 281,580
Balance, January 1, 2015	17,447,223	$ 174	$ 42,569	$ 251,306	$ (21,509)	$ 272,540
Net Income		—	—	4,831	—	4,831
Other Comprehensive Income, Net of Tax		—	—	—	654	654
Cash Dividends ($0.0600 per share)		—	—	(1,041)	—	(1,041)
Repurchase of Common Stock	(392,981)	(3)	(5,795)	—	—	(5,798)
Stock Based Compensation		—	522	—	—	522
Impact of Transactions Under Compensation Plans, net	99,991	1	329	—	—	330
Balance, June 30, 2015	17,154,233	$ 172	$ 37,625	$ 255,096	$ (20,855)	$ 272,038

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

CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,	
(Dollars in Thousands	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$4,831	$5,224
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Provision for Loan Losses	668	858
Depreciation	3,259	3,246
Amortization of Premiums, Discounts, and Fees (net)	2,269	2,521
Amortization of Intangible Assets	—	32
Impairment Loss on Security	90	—
Net Increase in Loans Held-for-Sale	(303)	(1,975)
Stock Compensation	522	526
Deferred Income Taxes	2,591	1,390
Loss on Sales and Write-Downs of Other Real Estate Owned	1,309	2,382
Loss on Disposal of Equipment	20	—
Net Decrease in Other Assets	1,043	1,796
Net Increase (Decrease) in Other Liabilities	6,768	(2,834)
Net Cash Provided By Operating Activities	23,067	13,166
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities Held to Maturity:		
Purchases	(62,634)	(51,311)
Payments, Maturities, and Calls	23,782	18,325
Securities Available for Sale:		
Purchases	(136,542)	(89,578)
Payments, Maturities, and Calls	43,417	64,239
Net Increase in Loans	(48,409)	(29,452)
Proceeds From Sales of Other Real Estate Owned	6,760	12,377
Purchases of Premises and Equipment	(1,641)	(2,002)
Net Cash Used In Investing Activities	(175,267)	(77,402)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Deposits	17,850	(27,798)
Net Increase (Decrease) in Short-Term Borrowings	4,273	(15,829)
Repayment of Other Long-Term Borrowings	(1,364)	(3,521)
Dividends Paid	(1,041)	(696)
Payments to Repurchase Common Stock	(5,798)	—
Issuance of Common Stock Under Compensation Plans	280	341
Net Cash Provided By (Used In) Financing Activities	14,200	(47,503)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(138,000)	(111,739)

Cash and Cash Equivalents at Beginning of Period	385,056	529,928
Cash and Cash Equivalents at End of Period	$247,056	$418,189
Supplemental Cash Flow Disclosures:		
Interest Paid	$1,694	$1,915
Income Taxes Paid	$171	$2,635
Noncash Investing and Financing Activities:		
Loans Transferred to Other Real Estate Owned	$2,830	$9,267
Transfer of Current Portion of Long-Term Borrowings	$—	$1,240

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

Nature of Operations. 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.

Basis of Presentation. The consolidated financial statements in this Quarterly Report on Form 10-Q include the accounts of CCBG and its wholly-owned subsidiary, Capital City Bank ("CCB" or the "Bank" and together with the Company). All material inter-company transactions and accounts have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The consolidated statement of financial condition at December 31, 2014 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2014.

NOTE 2 – INVESTMENT SECURITIES

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

June 30, 2015	December 31, 2014

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value	Amortized Cost	Unrealized Gain	Unrealized Losses	Market Value
Available for Sale								
U.S. Government Treasury	$242,833	$ 1,157	$ —	$243,990	$185,830	$ 220	$ 19	$186,031
U.S. Government Agency	102,700	414	116	102,998	95,950	289	142	96,097
States and Political Subdivisions	75,961	78	165	75,874	48,405	65	82	48,388
Mortgage-Backed Securities	1,946	185	—	2,131	2,094	193	—	2,287
Equity Securities[1]	8,695	—	—	8,695	8,745	—	—	8,745
Total	$432,135	$ 1,834	$ 281	$433,688	$341,024	$ 767	$ 243	$341,548
Held to Maturity								
U.S. Government Treasury	$134,786	$ 580	$ 8	$135,358	$76,179	$ 144	$ 6	$76,317
U.S. Government Agency	10,077	40	—	10,117	19,807	29	19	19,817
States and Political Subdivisions	22,883	19	12	22,890	26,717	36	6	26,747
Mortgage-Backed Securities	34,059	26	521	33,564	40,878	33	380	40,531
Total	$201,805	$ 665	$ 541	$201,929	$163,581	$ 242	$ 411	$163,412
Total Investment Securities	$633,940	$ 2,499	$ 822	$635,617	$504,605	$ 1,009	$ 654	$504,960

(1) *Includes Federal Home Loan Bank, Federal Reserve Bank, and FNBB, Inc stock recorded at cost of $3.7 million, $4.8 million, and $0.2 million, respectively, at June 30, 2015 and Federal Home Loan Bank, Federal Reserve Bank, and Bankers Bancorporation of Florida, Inc. stock recorded at cost of $3.9 million, $4.8 million, and $0.1 million, respectively, at December 31, 2014.*

Securities with an amortized cost of $286.6 million and $337.9 million at June 30, 2015 and December 31, 2014, respectively, were pledged to secure public deposits and for other purposes.

The Bank, as a member of the Federal Home Loan Bank of Atlanta (“FHLB”), is required to own capital stock in the FHLB based generally upon the balances of residential and commercial real estate loans, and FHLB advances. FHLB stock 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 June 30, 2015, the Company's investment securities had the following maturity distribution based on contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations. Mortgage-backed securities and certain amortizing U.S. government agency securities are shown separately because they are not due at a certain maturity date.

(Dollars in Thousands)	Available for Sale		Held to Maturity	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Due in one year or less	$56,181	$56,257	$16,625	$16,644
Due after one through five years	294,554	295,594	151,121	151,720
Mortgage-Backed Securities	1,946	2,131	34,059	33,565
U.S. Government Agency	70,759	71,011	—	—
Equity Securities	8,695	8,695	—	—
Total	$432,135	$433,688	$201,805	$201,929

Unrealized Losses on Investment Securities. The following table summarizes the investment securities with unrealized losses at June 30, 2015, aggregated by major security type and length of time in a continuous unrealized loss position:

(Dollars in Thousands)	Less Than 12 Months		Greater Than 12 Months		Total	
	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
June 30, 2015						
Available for Sale						
U.S. Government Agency	$16,480	$ 50	$12,642	$ 66	$29,122	$ 116
States and Political Subdivisions	40,727	162	782	3	41,509	165
Total	57,207	212	13,424	69	70,631	281
Held to Maturity						
U.S. Government Treasury	5,053	8	—	—	5,053	8
States and Political Subdivisions	4,986	12	154	—	5,140	12
Mortgage-Backed Securities	13,386	278	14,332	243	27,718	521
Total	$23,425	$ 298	$14,486	$ 243	$37,911	$ 541
December 31, 2014						
Available for Sale						
U.S. Government Treasury	$35,838	$ 19	$—	$ —	$35,838	$ 19
U.S. Government Agency	18,160	54	18,468	88	36,628	142
States and Political Subdivisions	16,497	77	505	5	17,002	82
Total	70,495	150	18,973	93	89,468	243
Held to Maturity						
U.S. Government Treasury	15,046	6	—	—	15,046	6

U.S. Government Agency	10,002	19	—	—	10,002	19
States and Political Subdivisions	3,788	6	—	—	3,788	6
Mortgage-Backed Securities	15,066	149	18,155	231	33,221	380
Total	$43,902	$ 180	$18,155	$ 231	$62,057	$ 411

Management evaluates securities for other than temporary impairment at least quarterly, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to: 1) the length of time and the extent to which the fair value has been less than amortized cost, 2) the financial condition and near-term prospects of the issuer, and 3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in cost. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by rating agencies have occurred, regulatory issues, and analysts' reports.

Approximately $13.4 million of investment securities, with an unrealized loss of approximately $69,000, have been in a loss position for greater than 12 months. These debt securities are in a loss position because they were acquired when the general level of interest rates was lower than that on June 30, 2015. The Company believes that the unrealized losses in these debt securities are temporary in nature and that the full principal will be collected as anticipated. Because the declines in the market value of these investments are attributable to changes in interest rates and not credit quality and because the Company does not intend to sell the investments and it is more likely than not that the Company will not be required to sell the investments before recovery of their amortized costs bases, which may be at maturity, the Company does not consider these investments to be other-than-temporarily impaired at June 30, 2015. For the second quarter of 2015, we recognized a permanent impairment loss of $90,000 related to an equity investment (Bankers Bancorporation of Florida, Inc.).

NOTE 3 – LOANS, NET

Loan Portfolio Composition. The composition of the loan portfolio was as follows:

(Dollars in Thousands)	June 30, 2015	December 31, 2014
Commercial, Financial and Agricultural	$ 151,116	$ 136,925
Real Estate – Construction	44,216	41,596
Real Estate – Commercial Mortgage	510,962	510,120
Real Estate – Residential[(1)]	296,381	295,969
Real Estate – Home Equity	230,388	229,572
Consumer	241,202	217,192
Loans, Net of Unearned Income	$ 1,474,265	$ 1,431,374

[(1)] *Includes loans in process with outstanding balances of $12.6 million and $7.4 million at June 30, 2015 and December 31, 2014, respectively.*

Net deferred fees included in loans were $1.5 million at June 30, 2015 and December 31, 2014.

The Company has pledged a blanket floating lien on all 1-4 family residential mortgage loans, commercial real estate mortgage loans, and home equity loans to support available borrowing capacity at the FHLB of Atlanta and has pledged a blanket floating lien on all consumer loans, commercial loans, and construction loans to support available borrowing capacity at the Federal Reserve Bank of Atlanta.

Nonaccrual Loans. Loans are generally placed on nonaccrual status if principal or interest payments become 90 days past due and/or management deems the collectability of the principal and/or interest to be doubtful. Loans are returned to accrual status when the principal and interest amounts contractually due are brought current or when future payments are reasonably assured.

The following table presents the recorded investment in nonaccrual loans and loans past due over 90 days and still on accrual by class of loans.

	June 30, 2015		December 31, 2014	
(Dollars in Thousands)	Nonaccrual	90 + Days	Nonaccrual	90 + Days
Commercial, Financial and Agricultural	$420	$ —	$507	$ —
Real Estate – Construction	333	—	424	—
Real Estate – Commercial Mortgage	6,395	—	5,806	—
Real Estate – Residential	5,978	—	6,737	—
Real Estate – Home Equity	2,095	—	2,544	—
Consumer	99	—	751	—
Total Nonaccrual Loans	$15,320	$ —	$16,769	$ —

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Loan Portfolio Aging. A loan is defined as a past due loan when one full payment is past due or a contractual maturity is over 30 days past due ("DPD").

The following table presents the aging of the recorded investment in past due loans by class of loans.

(Dollars in Thousands)	**30-59 DPD**	**60-89 DPD**	**90 + DPD**	**Total Past Due**	**Total Current**	**Total Loans**
June 30, 2015						
Commercial, Financial and Agricultural	$57	$—	$ —	$57	$150,639	$151,116
Real Estate – Construction	—	—	—	—	43,883	44,216
Real Estate – Commercial Mortgage	2,640	68	—	2,708	501,859	510,962
Real Estate – Residential	1,020	811	—	1,831	288,572	296,381
Real Estate – Home Equity	451	—	—	451	227,842	230,388
Consumer	626	185	—	811	240,292	241,202
Total Past Due Loans	$4,794	$1,064	$ —	$5,858	$1,453,087	$1,474,265
December 31, 2014						
Commercial, Financial and Agricultural	$352	$155	$ —	$507	$135,911	$136,925
Real Estate – Construction	690	—	—	690	40,482	41,596
Real Estate – Commercial Mortgage	1,701	569	—	2,270	502,044	510,120
Real Estate – Residential	682	1,147	—	1,829	287,403	295,969
Real Estate – Home Equity	689	85	—	774	226,254	229,572
Consumer	625	97	—	722	215,719	217,192
Total Past Due Loans	$4,739	$2,053	$ —	$6,792	$1,407,813	$1,431,374

Allowance for Loan Losses. The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses within the existing portfolio of loans. Loans are charged-off to the allowance when losses are deemed to be probable and reasonably quantifiable.

The following table details the activity in the allowance for loan losses by portfolio class. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

(Dollars in Thousands)	Commercial, Financial, Agricultural	Real Estate Construction	Real Estate Commercial Mortgage	Real Estate Residential	Real Estate Home Equity	Consumer	Total
Three Months Ended June 30, 2015							
Beginning Balance	$ 903	$ 574	$ 4,501	$ 6,195	$ 2,547	$ 1,370	$ 16,090
Provision for Loan Losses	171	(214)	5	(257)	410	260	375
Charge-Offs	(239)	—	(285)	(484)	(454)	(351)	(1,813)
Recoveries	82	—	54	200	33	215	584
Net Charge-Offs	(157)	—	(231)	(284)	(421)	(136)	(1,229)
Ending Balance	$ 917	$ 360	$ 4,275	$ 5,654	$ 2,536	$ 1,494	$ 15,236
Six Months Ended June 30, 2015							
Beginning Balance	$ 784	$ 843	$ 5,287	$ 6,520	$ 2,882	$ 1,223	$ 17,539
Provision for Loan Losses	525	(483)	93	(325)	233	625	668
Charge-Offs	(529)	—	(1,189)	(789)	(636)	(927)	(4,070)
Recoveries	137	—	84	248	57	573	1,099
Net Charge-Offs	(392)	—	(1,105)	(541)	(579)	(354)	(2,971)
Ending Balance	$ 917	$ 360	$ 4,275	$ 5,654	$ 2,536	$ 1,494	$ 15,236
Three Months Ended June 30, 2014							
Beginning Balance	$ 633	$ 1,842	$ 7,080	$ 8,842	$ 2,853	$ 860	$ 22,110
Provision for Loan Losses	114	(576)	(56)	15	523	479	499
Charge-Offs	(86)	—	(1,029)	(695)	(375)	(421)	(2,606)
Recoveries	45	1	152	52	65	225	540
Net Charge-Offs	(41)	1	(877)	(643)	(310)	(196)	(2,066)
Ending Balance	$ 706	$ 1,267	$ 6,147	$ 8,214	$ 3,066	$ 1,143	$ 20,543
Six Months Ended June 30, 2014							
Beginning Balance	$ 699	$ 1,580	$ 7,710	$ 9,073	$ 3,051	$ 982	$ 23,095
Provision for Loan Losses	(16)	(318)	(119)	120	717	474	858
Charge-Offs	(97)	—	(1,623)	(1,426)	(778)	(826)	(4,750)
Recoveries	120	5	179	447	76	513	1,340
Net Charge-Offs	23	5	(1,444)	(979)	(702)	(313)	(3,410)
Ending Balance	$ 706	$ 1,267	$ 6,147	$ 8,214	$ 3,066	$ 1,143	$ 20,543

The following table details the amount of the allowance for loan losses by portfolio class disaggregated on the basis of the Company's impairment methodology.

(Dollars in Thousands)	Commercial, Financial, Agricultural	Real Estate Construction	Real Estate Commercial Mortgage	Real Estate Residential	Real Estate Home Equity	Consumer	Total
June 30, 2015							
Period-end amount Allocated to:							
Loans Individually Evaluated for Impairment	$ 288	$ —	$ 2,070	$ 1,980	$453	$ 12	$4,803
Loans Collectively Evaluated for Impairment	629	360	2,205	3,674	2,083	1,482	10,433
Ending Balance	$ 917	$ 360	$ 4,275	$ 5,654	$2,536	$ 1,494	$15,236
December 31, 2014							
Period-end amount Allocated to:							
Loans Individually Evaluated for Impairment	$ 293	$ —	$ 2,733	$ 2,113	$638	$ 5	$5,782
Loans Collectively Evaluated for Impairment	491	843	2,554	4,407	2,244	1,218	11,757
Ending Balance	$ 784	$ 843	$ 5,287	$ 6,520	$2,882	$ 1,223	$17,539
June 30, 2014							
Period-end amount Allocated to:							
Loans Individually Evaluated for Impairment	$ 185	$ 63	$ 3,565	$ 2,563	$305	$ 20	$6,701
Loans Collectively Evaluated for Impairment	521	1,204	2,582	5,651	2,761	1,123	13,842
Ending Balance	$ 706	$ 1,267	$ 6,147	$ 8,214	$3,066	$ 1,143	$20,543

The Company's recorded investment in loans related to each balance in the allowance for loan losses by portfolio class and disaggregated on the basis of the Company's impairment methodology was as follows:

(Dollars in Thousands)	Commercial, Financial, Agricultural	Real Estate Construction	Real Estate Commercial Mortgage	Real Estate Residential	Real Estate Home Equity	Consumer	Total
June 30, 2015							
Individually Evaluated for Impairment	$ 1,072	$ 311	$ 29,746	$ 18,918	$ 2,960	$ 171	$ 53,178
Collectively Evaluated for Impairment	150,044	43,905	481,216	277,463	227,428	241,031	1,421,087
Total	$ 151,116	$ 44,216	$ 510,962	$ 296,381	$ 230,388	$ 241,202	$ 1,474,265

December 31, 2014							
Individually Evaluated for Impairment	$ 1,040	$ 401	$ 32,242	$ 20,120	$ 3,074	$ 216	$ 57,093
Collectively Evaluated for Impairment	135,885	41,195	477,878	275,849	226,498	216,976	1,374,281
Total	$ 136,925	$ 41,596	$ 510,120	$ 295,969	$ 229,572	$ 217,192	$ 1,431,374
June 30, 2014							
Individually Evaluated for Impairment	$ 1,378	$ 821	$ 40,516	$ 22,273	$ 2,563	$ 315	$ 67,866
Collectively Evaluated for Impairment	133,455	33,423	478,064	283,556	225,669	183,558	1,337,725
Total	$ 134,833	$ 34,244	$ 518,580	$ 305,829	$ 228,232	$ 183,873	$ 1,405,591

Impaired Loans. Loans are deemed to be impaired when, based on current information and events, it is probable that the Company will not be able to collect all amounts due (principal and interest payments), according to the contractual terms of the loan agreement. Loans, for which the terms have been modified, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings and classified as impaired.

The following table presents loans individually evaluated for impairment by class of loans.

(Dollars in Thousands)	Unpaid Principal Balance	**Recorded Investment With No Allowance**	**Recorded Investment With Allowance**	**Related Allowance**
June 30, 2015				
Commercial, Financial and Agricultural	$ 1,072	$ 176	$ 896	$ 288
Real Estate – Construction	311	311	—	—
Real Estate – Commercial Mortgage	29,746	11,626	18,120	2,070
Real Estate – Residential	18,918	4,578	14,340	1,980
Real Estate – Home Equity	2,960	1,046	1,914	453
Consumer	171	25	146	12
Total	$ 53,178	$ 17,762	$ 35,416	$ 4,803
December 31, 2014				
Commercial, Financial and Agricultural	$ 1,040	$ 189	$ 851	$ 293
Real Estate – Construction	401	401	—	—
Real Estate – Commercial Mortgage	32,242	11,984	20,258	2,733
Real Estate – Residential	20,120	5,492	14,628	2,113
Real Estate – Home Equity	3,074	758	2,316	638
Consumer	216	3	213	5
Total	$ 57,093	$ 18,827	$ 38,266	$ 5,782

The following table summarizes the average recorded investment and interest income recognized by class of impaired loans.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2015		2014		2015		**2014**	
(Dollars in Thousands)	Average Recorded Investment	Total Interest Income	Average Recorded Investment	Total Interest Income	Average Recorded Investment	Total Interest Income	Average Recorded Investment	Total Interest Income
Commercial, Financial and Agricultural	$ 1,162	$ 11	$ 1,482	$ 17	$ 1,121	$ 22	$ 1,514	$ 35
Real Estate – Construction	356	—	689	1	371	—	645	2

Real Estate – Commercial Mortgage	30,480	310	45,215	389	31,067	571	46,801	917
Real Estate – Residential	19,379	214	21,558	307	19,626	411	21,195	517
Real Estate – Home Equity	3,042	23	2,768	17	3,053	43	2,965	34
Consumer	183	2	338	2	194	4	344	5
Total	$54,602	$ 560	$72,050	$ 733	$55,432	$1,051	$73,464	$1,510

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Credit Risk Management. The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures designed to maximize loan income within an acceptable level of risk. Management and the Board of Directors review and approve these policies and procedures on a regular basis (at least annually).

Reporting systems have been implemented to monitor loan originations, loan quality, concentrations of credit, loan delinquencies and nonperforming loans and potential problem loans. Management and the Credit Risk Oversight Committee periodically review our lines of business to monitor asset quality trends and the appropriateness of credit policies. In addition, total borrower exposure limits are established and concentration risk is monitored. As part of this process, the overall composition of the loan portfolio is reviewed to gauge diversification of risk, client concentrations, industry group, loan type, geographic area, or other relevant classifications of loans. Specific segments of the loan portfolio are monitored and reported to the Board on a quarterly basis and have strategic plans in place to supplement Board approved credit policies governing exposure limits and underwriting standards. Detailed below are the types of loans within the Company’s loan portfolio and risk characteristics unique to each.

Commercial, Financial, and Agricultural – Loans in this category are primarily made based on identified cash flows of the borrower with consideration given to underlying collateral and personal or other guarantees. Lending policy establishes debt service coverage ratio limits that require a borrower’s cash flow to be sufficient to cover principal and interest payments on all new and existing debt. The majority of these loans are secured by the assets being financed or other business assets such as accounts receivable, inventory, or equipment. Collateral values are determined based upon third party appraisals and evaluations. Loan to value ratios at origination are governed by established policy guidelines.

Real Estate Construction – Loans in this category consist of short-term construction loans, revolving and non-revolving credit lines and construction/permanent loans made to individuals and investors to finance the acquisition, development, construction or rehabilitation of real property. These loans are primarily made based on identified cash flows of the borrower or project and generally secured by the property being financed, including 1-4 family residential properties and commercial properties that are either owner-occupied or investment in nature. These properties may include either vacant or improved property. Construction loans are generally based upon estimates of costs and value associated with the completed project. Collateral values are determined based upon third party appraisals and evaluations. Loan to value ratios at origination are governed by established policy guidelines. The disbursement of funds for construction loans is made in relation to the progress of the project and as such these loans are closely monitored by on-site inspections.

Real Estate Commercial Mortgage – Loans in this category consists of commercial mortgage loans secured by property that is either owner-occupied or investment in nature. These loans are primarily made based on identified cash flows of the borrower or project with consideration given to underlying real estate collateral and personal guarantees. Lending policy establishes debt service coverage ratios and loan to value ratios specific to the property type. Collateral values are determined based upon third party appraisals and evaluations.

Real Estate Residential – Residential mortgage loans held in the Company's loan portfolio are made to borrowers that demonstrate the ability to make scheduled payments with full consideration to underwriting factors such as current income, employment status, current assets, and other financial resources, credit history, and the value of the collateral. Collateral consists of mortgage liens on 1-4 family residential properties. Collateral values are determined based upon third party appraisals and evaluations. The Company does not originate sub-prime loans.

Real Estate Home Equity – Home equity loans and lines are made to qualified individuals and are generally secured by senior or junior mortgage liens on owner-occupied 1-4 family homes or vacation homes. Borrower qualifications include favorable credit history combined with supportive income and debt ratio requirements and combined loan to value ratios within established policy guidelines. Collateral values are determined based upon third party appraisals and evaluations.

Consumer Loans – This loan portfolio includes personal installment loans, direct and indirect automobile financing, and overdraft lines of credit. The majority of the consumer loan portfolio consists of indirect and direct automobile loans. Lending policy establishes maximum debt to income ratios, minimum credit scores, and includes guidelines for verification of applicants' income and receipt of credit reports.

Credit Quality Indicators. As part of the ongoing monitoring of the Company's loan portfolio quality, management categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment performance, credit documentation, and current economic/market trends, among other factors. Risk ratings are assigned to each loan and revised as needed through established monitoring procedures for individual loan relationships over a predetermined amount and review of smaller balance homogenous loan pools. The Company uses the definitions noted below for categorizing and managing its criticized loans. Loans categorized as "Pass" do not meet the criteria set forth for the Special Mention, Substandard, or Doubtful categories and are not considered criticized.

Special Mention – Loans in this category are presently protected from loss, but weaknesses are apparent which, if not corrected, could cause future problems. Loans in this category may not meet required underwriting criteria and have no mitigating factors. More than the ordinary amount of attention is warranted for these loans.

Substandard – Loans in this category exhibit well-defined weaknesses that would typically bring normal repayment into jeopardy. These loans are no longer adequately protected due to well-defined weaknesses that affect the repayment capacity of the borrower. The possibility of loss is much more evident and above average supervision is required for these loans.

Doubtful – Loans in this category have all the weaknesses inherent in a loan categorized as Substandard, with the characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

The following table presents the risk category of loans by segment.

(Dollars in Thousands)	Commercial, Financial, Agriculture	Real Estate	Consumer	Total Criticized Loans
June 30, 2015				
Special Mention	$ 8,686	$37,412	$ 130	$46,228
Substandard	1,595	66,980	577	69,152
Doubtful	—	—	—	—
Total Criticized Loans	$ 10,281	$104,392	$ 707	$115,380
December 31, 2014				
Special Mention	$ 8,059	$51,060	$ 114	$59,233
Substandard	2,817	79,167	1,153	83,137
Doubtful	—	—	—	—
Total Criticized Loans	$ 10,876	$130,227	$ 1,267	$142,370

Troubled Debt Restructurings (“TDRs”). TDRs are loans in which the borrower is experiencing financial difficulty and the Company has granted an economic concession to the borrower that it would not otherwise consider. In these instances, as part of a work-out alternative, the Company will make concessions including the extension of the loan term, a principal moratorium, a reduction in the interest rate, or a combination thereof. The impact of the TDR modifications and defaults are factored into the allowance for loan losses on a loan-by-loan basis as all TDRs are, by definition, impaired loans. Thus, specific reserves are established based upon the results of either a discounted cash flow analysis or the underlying collateral value, if the loan is deemed to be collateral dependent. In the limited circumstances that a loan is removed from TDR classification it is the Company’s policy to also remove it from the impaired loan category, but to continue to individually evaluate loan impairment based on the contractual terms specified by the loan agreement.

The following table presents loans classified as TDRs.

	June 30, 2015		December 31, 2014	
(Dollars in Thousands)	Accruing	Nonaccruing	Accruing	Nonaccruing
Commercial, Financial and Agricultural	$778	$ 253	$838	$ 266
Real Estate – Construction	—	—	—	—
Real Estate – Commercial Mortgage	23,646	952	26,565	1,591
Real Estate – Residential	15,071	1,995	14,940	2,532
Real Estate – Home Equity	1,969	157	1,856	356
Consumer	168	—	211	—
Total TDRs	$41,632	$ 3,357	$44,410	$ 4,745

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Loans classified as TDRs during the periods indicated are presented in the table below. The modifications made during the reporting period involved either an extension of the loan term, an interest rate adjustment, or a principal moratorium, and the financial impact of these modifications was not material.

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
(Dollars in Thousands)	Number of Contracts	Pre-Modified Recorded Investment	Post-Modified Recorded Investment	Number of Contracts	Pre-Modified Recorded Investment	Post-Modified Recorded Investment
Commercial, Financial and Agricultural	—	$ —	$ —	—	$ —	$ —
Real Estate – Construction	—	—	—	—	—	—
Real Estate – Commercial Mortgage	1	58	58	2	515	515
Real Estate – Residential	1	204	204	5	668	641
Real Estate – Home Equity	—	—	—	—	—	—
Consumer	—	—	—	—	—	—
Total TDRs	2	$ 262	$ 262	7	$ 1,183	$ 1,156

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
(Dollars in Thousands)	Number of Contracts	Pre-Modified Recorded Investment	Post-Modified Recorded Investment	Number of Contracts	Pre-Modified Recorded Investment	Post-Modified Recorded Investment
Commercial, Financial and Agricultural	—	$ —	$ —	1	$ 51	$ 54
Real Estate – Construction	—	—	—	—	—	—
Real Estate – Commercial Mortgage	1	60	60	2	644	644
Real Estate – Residential	3	271	317	6	1,107	1,207
Real Estate – Home Equity	—	—	—	3	248	248
Consumer	—	—	—	1	34	34
Total TDRs	4	$ 331	$ 377	13	$ 2,084	$ 2,187

For the three and six months ended June 30, 2015, there were no defaults for TDR loans that had been modified within the previous 12 months. For the three and six months ended June 30, 2014, loans modified as TDRs within the previous 12 months that have subsequently defaulted during the periods indicated are presented in the table below.

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
(Dollars in Thousands)	Number of Contracts	Post-Modified Recorded Investment		Number of Contracts	Post-Modified Recorded Investment	
Commercial, Financial and Agricultural	—	$	—	—	$	—
Real Estate – Construction	—		—	—		—
Real Estate – Commercial Mortgage	—		—	—		—
Real Estate – Residential	1		118	1		118
Real Estate – Home Equity	1		153	1		153
Consumer	—		—	—		—
Total TDRs	2	$	271	2	$	271

(1) *Recorded investment reflects charge-offs and additional funds advanced at time of restructure, if applicable.*

The following table provides information on how TDRs were modified during the periods indicated.

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
(Dollars in Thousands)	Number of Contracts	**Recorded Investment**(1)		Number of Contracts	**Recorded Investment**(1)	
Extended amortization	—	$	—	1	$	118
Interest rate adjustment	—		—	1		156
Extended amortization and interest rate adjustment	2		262	5		882
Other	—		—	—		—
Total TDRs	2	$	262	7	$	1,156

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
(Dollars in Thousands)	Number of Contracts	**Recorded Investment**(1)		Number of Contracts	**Recorded Investment**(1)	
Extended amortization	3	$	317	6	$	1,579
Interest rate adjustment	—		—	1		156
Extended amortization and interest rate adjustment	1		60	3		257

Other	—	—	3	195
Total TDRs	4	$ 377	13	$ 2,187

(1) *Recorded investment reflects charge-offs and additional funds advanced at time of restructure, if applicable.*

NOTE 4 – OTHER REAL ESTATE OWNED

The following table presents other real estate owned activity for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2015	2014	2015	2014
Beginning Balance	$33,835	$44,036	$35,680	$48,071
Additions	1,088	7,977	2,830	9,267
Valuation Write-downs	(505)	(822)	(1,306)	(1,552)
Sales	(4,026)	(8,612)	(6,763)	(13,207)
Other	(225)	—	(274)	—
Ending Balance	$30,167	$42,579	$30,167	$42,579

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Net expenses applicable to other real estate owned include the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2015	2014	2015	2014
Gains from the Sale of Properties	$(534)	$(88)	$(655)	$(334)
Losses from the Sale of Properties	348	808	658	1,164
Rental Income from Properties	(43)	(62)	(231)	(275)
Property Carrying Costs	655	795	1,350	1,567
Valuation Adjustments	505	823	1,306	1,553
Total	$931	$2,276	$2,428	$3,675

As of June 30, 2015, the Company had $3.1 million of loans secured by residential real estate in the process of foreclosure**.**

NOTE 5 - 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 June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2015	2014	2015	2014
Service Cost	$1,675	$1,500	$3,350	$3,000
Interest Cost	1,425	1,400	2,850	2,800
Expected Return on Plan Assets	(1,950)	(1,875)	(3,900)	(3,750)
Prior Service Cost Amortization	75	75	150	150
Net Loss Amortization	800	325	1,600	650
Net Periodic Cost	$2,025	$1,425	$4,050	$2,850
Discount Rate	4.15 %	5.00 %	4.15 %	5.00 %
Long-Term Rate of Return on Assets	7.50 %	7.50 %	7.50 %	7.50 %

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2015	2014	2015	2014
Interest Cost	$28	$28	$55	$55
Prior Service Cost Amortization	2	40	5	80
Net Gain Amortization	(90)	(183)	(180)	(365)
Net Periodic Income	$(60)	$(115)	$(120)	$(230)
Discount Rate	4.15%	5.00%	4.15%	5.00%

NOTE 6 - 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. The amounts associated with the Company's off-balance sheet obligations were as follows:

	June 30, 2015			December 31, 2014		
(Dollars in Thousands)	Fixed	Variable	Total	Fixed	Variable	Total
Commitments to Extend Credit [1]	$53,821	$286,645	$340,466	$33,633	$278,438	$312,071
Standby Letters of Credit	6,989	—	6,989	8,307	—	8,307
Total	$60,810	$286,645	$347,455	$41,940	$278,438	$320,378

(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.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities. In general, management does not anticipate any material losses as a result of participating in these types of transactions. However, any potential losses arising from such transactions are reserved for in the same manner as management reserves for its other credit facilities.

For both on- and off-balance sheet financial instruments, the Company requires collateral to support such instruments when it is deemed necessary. The Company evaluates each client's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies, but may include deposits held in financial institutions; U.S. Treasury securities; other marketable securities; real estate; accounts receivable; property, plant and equipment; and inventory.

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 it for potential future settlement of certain litigation (the "Covered Litigation") that relates to several antitrust lawsuits challenging the practices of Visa and MasterCard International. In 2008, the Company, as a member of the Visa U.S.A. network, obtained Class B shares of Visa, Inc. upon its initial public offering. Since its initial public offering, Visa, Inc. has funded a litigation reserve for the Covered Litigation resulting in a reduction in the Class B shares held by the Company. During the first quarter of 2011, the Company sold its remaining Class B shares resulting in a $3.2 million pre-tax gain. Associated with this sale, the Company entered into a swap contract with the purchaser of the shares that requires a payment to the counterparty in the event that Visa, Inc. makes subsequent revisions to the conversion ratio for its Class B shares.

In December 2013, a settlement agreement was approved by the court in resolution of the aforementioned Covered Litigation matter. Visa's share of the settlement is to be paid from the litigation reserve account, which was further funded during the third quarter of 2014 resulting in a payment of $161,000 to the counterparty. Fixed charges included in the liability are payable quarterly until the litigation reserve is fully liquidated and at which time the aforementioned swap contract will be terminated. Quarterly fixed payments approximate $62,000. Conversion ratio payments and ongoing fixed quarterly charges are reflected in earnings in the period incurred.

NOTE 7 – FAIR VALUE MEASUREMENTS

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820 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.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Securities Available for Sale. U.S. Treasury securities and certain U.S. Government Agency securities are reported at fair value utilizing Level 1 inputs. Other securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, credit information and the bond's terms and conditions, among other things.

In general, the Company does not purchase securities that have a complicated structure. The Company's entire portfolio consists of traditional investments, nearly all of which are U.S. Treasury obligations, federal agency bullet or mortgage pass-through securities, or general obligation or revenue based municipal bonds. Pricing for such instruments is easily obtained. From time to time, the Company will validate, on a sample basis, prices supplied by the independent pricing service by comparison to prices obtained from third-party sources or derived using internal models.

A summary of fair values for assets and liabilities consisted of the following:

(Dollars in Thousands)	**Level 1 Inputs**	Level 2 Inputs	Level 3 Inputs	Total Fair Value
June 30, 2015				
Securities Available for Sale:				
U.S. Treasury	$243,990	$—	$ —	$243,990
U.S. Government Agency	—	102,998	—	102,998
States and Political Subdivisions	—	75,874	—	75,874
Mortgage-Backed Securities	—	2,131	—	2,131
Equity Securities	—	8,695	—	8,695
December 31, 2014				
Securities Available for Sale:				
U.S. Treasury	$186,031	$—	$ —	$186,031
U.S. Government Agency	—	96,097	—	96,097
State and Political Subdivisions	—	48,388	—	48,388
Mortgage-Backed Securities	—	2,287	—	2,287
Equity Securities	—	8,745	—	8,745

Assets Measured at Fair Value on a Non-Recurring Basis

Certain assets are measured at fair value on a non-recurring basis (i.e., the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances). An example would be assets exhibiting evidence of impairment. The following is a description of valuation methodologies used for assets measured on a non-recurring basis.

Impaired Loans. Impairment for collateral dependent loans is measured using the fair value of the collateral less selling costs. The fair value of collateral is determined by an independent valuation or professional appraisal in conformance with banking regulations. Collateral values are estimated using Level 3 inputs due to the volatility in the real estate market, and the judgment and estimation involved in the real estate appraisal process. Impaired loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. Valuation techniques are consistent with those techniques applied in prior periods. Impaired collateral dependent loans had a carrying value of $13.4 million with a valuation allowance of $1.0 million at June 30, 2015 and $13.6 million and $2.0 million, respectively, at December 31, 2014.

Loans Held for Sale. 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 six months of 2015, certain foreclosed assets, upon initial recognition, were measured and reported at fair value through a charge-off to the allowance for loan losses based on the fair value of the foreclosed asset less estimated cost to sell. The fair value of the foreclosed asset is determined by an independent valuation or professional appraisal in conformance with banking regulations. On an ongoing basis, we obtain updated appraisals on foreclosed assets and realize valuation adjustments as necessary. The fair value of foreclosed assets is estimated using Level 3 inputs due to the judgment and estimation involved in the real estate valuation process.

Assets and Liabilities Disclosed at Fair Value

The Company is required to disclose the estimated fair value of financial instruments, both assets and liabilities, for which it is practical to estimate fair value and the following is a description of valuation methodologies used for those assets and liabilities.

Cash and Short-Term Investments. The carrying amount of cash and short-term investments is used to approximate fair value, given the short time frame to maturity and as such assets do not present unanticipated credit concerns.

Securities Held to Maturity. Securities held to maturity are valued in accordance with the methodology previously noted in this footnote under the caption "Assets and Liabilities Measured at Fair Value on a Recurring Basis – Securities Available for Sale".

Loans. The loan portfolio is segregated into categories and the fair value of each loan category is calculated using present value techniques based upon projected cash flows and estimated discount rates that reflect the credit, interest rate, and liquidity risks inherent in each loan category. The calculated present values are then reduced by an allocation of the allowance for loan losses against each respective loan category.

Deposits. The fair value of Noninterest Bearing Deposits, NOW Accounts, Money Market Accounts and Savings Accounts are the amounts payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using present value techniques and rates currently offered for deposits of similar remaining maturities.

Subordinated Notes Payable. The fair value of each note is calculated using present value techniques, based upon projected cash flows and estimated discount rates as well as rates being offered for similar obligations.

Short-Term and Long-Term Borrowings. The fair value of each note is calculated using present value techniques, based upon projected cash flows and estimated discount rates as well as rates being offered for similar debt.

A summary of estimated fair values of significant financial instruments consisted of the following:

June 30, 2015

(Dollars in Thousands)	**Carrying Value**	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	$61,484	$61,484	$—	$—
Short-Term Investments	185,572	185,572	—	—
Investment Securities, Available for Sale	433,688	243,990	189,698	—
Investment Securities, Held to Maturity	201,805	135,358	66,571	—
Loans Held for Sale	10,991	—	10,991	—
Loans, Net of Allowance for Loan Losses	1,459,029	—		1,471,717
LIABILITIES:				
Deposits	$2,164,644	$—	$2,094,514	$—
Short-Term Borrowings	53,698	—	53,700	—
Subordinated Notes Payable	62,887	—	45,639	—
Long-Term Borrowings	29,733	—	30,687	—

	December 31, 2014			
(Dollars in Thousands)	**Carrying Value**	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	$55,467	$55,467	$—	$—
Short-Term Investments	329,589	329,589	—	—
Investment Securities, Available for Sale	341,548	186,031	155,517	—
Investment Securities, Held to Maturity	163,581	76,317	87,095	—
Loans Held for Sale	10,688	—	10,688	
Loans, Net of Allowance for Loan Losses	1,413,835	—	—	1,369,314
LIABILITIES:				
Deposits	$2,146,794	$—	$2,146,510	$—
Short-Term Borrowings	49,425	—	48,760	—
Subordinated Notes Payable	62,887	—	62,887	—
Long-Term Borrowings	31,097	—	32,313	—

All non-financial instruments are excluded from the above table. The disclosures also do not include goodwill. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

NOTE 8 – OTHER COMPREHENSIVE INCOME

The amounts allocated to other comprehensive income are presented in the table below. Reclassification adjustments related to securities held for sale are included in net gain (loss) on securities transactions in the accompanying consolidated statements of comprehensive income. For the periods presented, reclassifications adjustments related to securities held for sale was not material.

(Dollars in Thousands)	**Before Tax Amount**	**Tax (Expense) Benefit**	**Net of Tax Amount**
Three Months Ended June 30, 2015			
Investment Securities:			
Change in net unrealized gain/loss on securities available for sale	$ (117)	$ 44	$ (73)
Amortization of losses on securities transferred from available for sale to held to maturity	19	(7)	12
Total Other Comprehensive Loss	$ (98)	$ 37	$ (61)
Six Months Ended June 30, 2015			
Investment Securities:			
Change in net unrealized gain/loss on securities available for sale	$ 1,029	$ (397)	$ 632
Amortization of losses on securities transferred from available for sale to held to maturity	36	(14)	22
Total Other Comprehensive Income	$ 1,065	$ (411)	$ 654

(Dollars in Thousands)	**Before Tax Amount**	**Tax (Expense) Benefit**	**Net of Tax Amount**
Three Months Ended June 30, 2014			
Investment Securities:			
Change in net unrealized gain/loss on securities available for sale	$ 257	$ (99)	$ 158
Amortization of losses on securities transferred from available for sale to held to maturity	16	(6)	10
Total Other Comprehensive Income	$ 273	$ (105)	$ 168
Six Months Ended June 30, 2014			

Investment Securities:			
Change in net unrealized gain/loss on securities available for sale	$ 252	$ (98)	$ 154
Amortization of losses on securities transferred from available for sale to held to maturity	36	(14)	22
Total Other Comprehensive Income	$ 288	$ (112)	$ 176

Accumulated other comprehensive loss was comprised of the following components:

(Dollars in Thousands)	Securities Available for Sale	Retirement Plans	Accumulated Other Comprehensive Loss
Balance as of January 1, 2015	$ 59	$ (21,568)	$ (21,509)
Other comprehensive income during the period	654	—	654
Balance as of June 30, 2015	$ 713	$ (21,568)	$ (20,855)
Balance as of January 1, 2014	$ (132)	$ (8,408)	$ (8,540)
Other comprehensive income during the period	176	—	176
Balance as of June 30, 2014	$ 44	$ (8,408)	$ (8,364)

NOTE 9 – ACCOUNTING STANDARDS UPDATES

ASU 2014-04 "Receivables – Troubled Debt Restructurings by Creditors (Topic 310-40) – Reclassification of Residential Real Estate Collateralized Consumer Loans Upon Foreclosure." ASU 2014-04 provides guidance regarding the reclassification of residential real estate collateralized consumer mortgage loans upon foreclosures. The guidance requires reclassification of a consumer mortgage loan to other real estate owned upon obtaining legal title to the residential property, which could occur either through foreclosure or through a deed in lieu of foreclosure or similar legal agreement. The existence of a borrower redemption right will not prevent the lender from reclassifying a loan to real estate once the lender obtains legal title to the property. In addition, entities are required to disclose the amount of foreclosed residential real estate properties and the recorded investment in residential real estate mortgage loans in the process of foreclosure on both an interim and annual basis. The guidance may be applied prospectively or on a modified retrospective basis in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2014. The adoption of this pronouncement did not have a significant impact on the Company's financial statements.

ASU 2015-03, "Interest – Imputation of Interest (Subtopic 835-30) – Simplifying the Presentation of Debt Issuance Costs" ASU 2015-03 requires companies to present debt issuance costs the same way they currently present debt discounts, as a direct deduction from the carrying value of that debt liability. ASU 2015-03 will be effective for the Company on January 1, 2016, though early adoption is permitted. ASU 2015-03 is not expected to have a significant impact on the Company's financial statements.

ASU 2015-05, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40) – Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." ASU 2015-05 provides guidance to evaluate accounting for fees paid by a customer in cloud computing arrangement. The new guidance clarifies that if a cloud computing arrangement includes a software license, the customer should account for the license consistent with its accounting for other software licenses. If the arrangement does not include a software license, the customer should account for the arrangement as a service contract. ASU 2015-05 will be effective for the Company on January 1, 2016, though early adoption is permitted. ASU 2015-05 is not expected to have a significant impact on our financial statements.

Item 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management’s discussion and analysis (“MD&A”) provides supplemental information, which sets forth the major factors that have affected our financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and related notes. The following information should provide a better understanding of the major factors and trends that affect our earnings performance and financial condition, and how our performance during 2015 compares with prior years. Throughout this section, Capital City Bank Group, Inc., and subsidiaries, collectively, are referred to as “CCBG,” “Company,” “we,” “us,” or “our.”

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, including this MD&A section, 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,” 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. Please see the Introductory Note and *Item 1A. Risk Factors* of our 2014 Report on Form 10-K, as updated in our subsequent quarterly reports filed on Form 10-Q, and in our other filings made from time to time with the SEC after the date of this report.

However, other factors besides those listed in our Quarterly Report or in our Annual Report 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.

BUSINESS OVERVIEW

We are a financial holding company headquartered in Tallahassee, Florida, and we are the parent of our wholly-owned subsidiary, Capital City Bank (the “Bank” or “CCB”). The Bank offers a broad array of products and services through a total of 63 full-service offices located in Florida, Georgia, and Alabama. The Bank offers commercial and retail banking services, as well as trust and asset management, retail securities brokerage and data processing services.

Our profitability, like most financial institutions, is dependent to a large extent upon net interest income, which is the difference between the interest and fees received on earning assets, such as loans and securities, and the interest paid on interest-bearing liabilities, principally deposits and borrowings. Results of operations are also affected by the provision for loan losses, operating expenses such as salaries and employee benefits, occupancy and other operating expenses including income taxes, and noninterest income such as deposit fees, wealth management fees, mortgage banking fees, bank card fees, and data processing fees.

A detailed discussion regarding the economic conditions in our markets and our long-term strategic objectives is included as part of the MD&A section of our 2014 Form 10-K.

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	2015		2014				2013	
llars in Thousands, ept Per Share Data)	Second	First	Fourth	Third	Second	First	Fourth	Third
nmary of erations:								
rest Income	$19,833	$19,346	$19,871	$19,766	$19,348	$19,236	$20,076	$20,250
rest Expense	849	839	852	868	910	950	1,080	1,050
Interest Income	18,984	18,507	19,019	18,898	18,438	18,286	18,996	19,200
vision for Loan ses	375	293	623	424	499	359	397	555
Interest Income r Provision for n Losses	18,609	18,214	18,396	18,474	17,939	17,927	18,599	18,645
ninterest Income	14,794	12,848	13,053	13,351	13,347	12,785	13,825	14,026
ninterest Expense	28,439	29,390	28,309	28,607	29,076	28,366	29,647	30,153
ome Before Income es	4,964	1,672	3,140	3,218	2,210	2,346	2,777	2,518
ome Tax Expense nefit)	1,119	686	1,219	1,103	737	(1,405)	5	927
Income	3,845	986	1,921	2,115	1,473	3,751	2,772	1,591
Interest Income E)	$19,119	$18,611	$19,124	$19,020	$18,567	$18,424	$19,141	$19,355
Common Share:								
Income Basic	$0.22	$0.06	$0.11	$0.12	$0.08	$0.22	$0.16	$0.09
Income Diluted	0.22	0.06	0.11	0.12	0.08	0.22	0.16	0.09
idends Declared	0.03	0.03	0.03	0.02	0.02	0.02	0.00	0.00
ated Book Value	15.80	15.59	15.53	16.18	16.08	16.02	15.85	14.44
rket Price:								
h	16.32	16.33	16.00	14.98	14.71	14.59	12.69	13.08
v	13.94	13.16	13.00	13.26	12.60	11.56	11.33	11.06
se	15.27	16.25	15.54	13.54	14.53	13.28	11.77	11.78
ected Average ances:								
ns, Net	$1,473,954	$1,448,617	$1,426,756	$1,421,327	$1,411,988	$1,395,506	$1,414,909	$1,436,03
ning Assets	2,328,012	2,306,485	2,212,781	2,209,429	2,260,885	2,268,320	2,206,286	2,201,39
al Assets	2,670,701	2,648,551	2,549,736	2,530,571	2,578,993	2,598,307	2,553,653	2,558,39
osits	2,178,399	2,163,376	2,077,365	2,062,881	2,109,563	2,124,960	2,050,870	2,059,49
reowners' Equity	274,421	275,304	286,029	284,130	282,346	279,729	253,999	251,617
nmon Equivalent erage Shares:								
ic	17,296	17,508	17,433	17,440	17,427	17,399	17,341	17,336
ated	17,358	17,555	17,530	17,519	17,488	17,439	17,423	17,396

formance Ratios:

urn on Average ets	0.58	%	0.15	%	0.30	%	0.33	%	0.23	%	0.59	%	0.43	%	0.25
urn on Average ity	5.62		1.45		2.66		2.95		2.09		5.44		4.33		2.51
Interest Margin E)	3.29		3.27		3.43		3.42		3.29		3.29		3.45		3.49
interest Income as f Operating enue	43.80		40.98		40.70		41.40		41.99		41.15		42.12		42.21
ciency Ratio	83.85		93.42		87.98		88.37		91.11		90.89		90.22		90.42
et Quality:															
owance for Loan ses	$15,236		$16,090		17,539		$19,093		$20,543		$22,110		$23,095		$25,010
owance for Loan ses to Loans	1.03	%	1.10	%	1.22	%	1.34	%	1.45	%	1.57	%	1.65	%	1.75
performing Assets PAs”)	45,487		50,625		52,449		65,208		68,249		78,594		85,035		94,700
As to Total Assets	1.71		1.88		2.00		2.61		2.66		2.98		3.26		3.77
As to Loans + EO	3.00		3.38		3.55		4.45		4.67		5.42		5.87		6.38
owance to -Performing Loans	99.46		95.83		104.60		81.31		80.03		63.98		62.48		60.00
Charge-Offs to rage Loans	0.33		0.49		0.61		0.52		0.59		0.39		0.65		0.78
ital Ratios:															
1 Capital Ratio	15.83	%	16.16	%	16.67	%	16.88	%	16.85	%	16.85	%	16.56	%	15.60
al Capital Ratio	16.72		17.11		17.76		18.08		18.10		18.22		17.94		16.97
mmon Equity Tier	12.27		12.57		NA		NA		NA		NA		NA		NA
gible Capital Ratio	7.29		7.26		7.38		8.22		7.93		7.66		7.58		6.84
erage Ratio	10.53		10.73		10.99		10.97		10.70		10.47		10.46		10.16

(1) *Not applicable prior to January 1, 2015.*

FINANCIAL OVERVIEW

A summary overview of our financial performance is provided below.

Results of Operations

- § Net income of $3.8 million, or $0.22 per diluted share, for the second quarter of 2015 compared to net income of $1.0 million, or $0.06 per diluted share, in the first quarter of 2015, and net income of $1.5 million, or $0.08 per diluted share for the second quarter of 2014. For the six month period ended June 30, 2015, we realized net income of $4.8 million, or $0.28 per diluted share, compared to net income of $5.2 million, or $0.30 per diluted share, for the comparable period of 2014. Second quarter 2015 earnings were favorably impacted by bank owned life insurance ("BOLI") proceeds of $1.7 million, or $0.10 per share. For the six month period ended June 30, 2014, earnings were favorably impacted by a tax benefit of $2.2 million, or $0.13 per share, related to an adjustment to our reserve for uncertain tax positions.

- § Tax equivalent net interest income for the second quarter of 2015 was $19.1 million compared to $18.6 million for the first quarter of 2015 and $18.6 million for the second quarter of 2014. For the first six months of 2015, tax equivalent net interest income totaled $37.7 million compared to $37.0 million in 2014. The increase over the first quarter of 2015 was driven by one additional calendar day and a positive shift in earning asset mix due to growth in the loan and investment portfolios. Compared to both prior year periods, the increase reflects a favorable shift in earning asset mix due to growth in the loan and investment portfolios as well as a slight reduction in interest expense.

- § Total credit costs (loan loss provision plus other real estate owned ("OREO") expenses) were $1.3 million, $1.8 million, and $2.8 million for the quarters ended June 30, 2015, March 31, 2015, and June 30, 2014, respectively. Total credit costs for the six month period of 2015 were $3.1 million compared to $4.5 million for the same period of 2014. Continued favorable problem loan migration and improvement in key credit metrics drove a lower loan loss provision for the first half of 2015. Continued improvement in property values has had a favorable impact on our OREO costs as reflected in a lower level of net losses on the sale of properties and valuation adjustments.

- § Noninterest income for the second quarter of 2015 totaled $14.8 million, an increase of $1.9 million, or 15.1%, over the first quarter of 2015 and $1.5 million, or 10.8%, over the second quarter of 2014. For the first six months of 2015, noninterest income totaled $27.6 million, a $1.5 million, or 5.8% increase over the same period of 2014. The increase over the first quarter of 2015 was primarily due to the aforementioned BOLI proceeds of $1.7 million and higher mortgage banking fees. These factors also drove the increase over both prior year periods, but were partially offset by lower deposit fees.

- § Noninterest expense (excluding OREO expense) for the second quarter of 2015 totaled $27.5 million, a decrease of $0.4 million, or 1.4%, from the first quarter of 2015 and an increase of $0.7 million, or 2.6%, over the second quarter of 2014. The decrease from the first quarter of 2015 was attributable to lower compensation, occupancy, and other

expense (processing services). For the first six months of 2015, noninterest expense totaled $55.4 million, an increase of $1.6 million, or 3.0%, over the same period of 2014. Compared to both prior year periods, the increase was due to higher compensation expense, primarily pension plan expense.

Financial Condition

- Average earning assets were $2.328 billion for the second quarter of 2015, an increase of $21.5 million, or 0.9%, over the first quarter of 2015, and $115.2 million, or 5.2%, over the fourth quarter of 2014 with the increase over both prior periods driven by higher client deposit balances. Loan and investment portfolio growth produced a favorable re-mixing of earning assets for the first half of the year.

- Average loans increased by $25.3 million, or 1.8%, over the first quarter of 2015 and $47.2 million or 3.3% over the fourth quarter of 2014. Loan growth in 2015 has been broad based with a majority being realized in the commercial, commercial mortgage, and consumer (auto finance) portfolios.

- Nonperforming assets totaled $45.5 million at the end of the second quarter of 2015, a decrease of $5.1 million from the first quarter of 2015 and $ 7.0 million from the fourth quarter of 2014. Nonperforming assets represented 1.71% of total assets at June 30, 2015 compared to 1.88% at March 31, 2015 and 2.00% at December 31, 2014.

- As of June 30, 2015, we were well-capitalized with a risk based capital ratio of 16.72% and a tangible common equity ratio of 7.29% compared to 17.11% and 7.26%, respectively, at March 31, 2015 and 17.76% and 7.38%, respectively, at December 31, 2014. All of our regulatory capital ratios significantly exceed the threshold to be well-capitalized under the Basel III capital standards.

RESULTS OF OPERATIONS

Net Income

For the second quarter of 2015, we realized net income of $3.8 million, or $0.22 per diluted share, compared to net income of $1.0 million, or $0.06 per diluted share for the first quarter of 2015, and net income of $1.5 million, or $0.08 per diluted share, for the second quarter of 2014. For the first six months of 2015, we realized net income of $4.8 million, or $0.28 per diluted share, compared to net income of $5.2 million, or $0.30 per diluted share for the same period of 2014.

Compared to the first quarter of 2015, performance reflects higher net interest income of $0.5 million, a $1.9 million increase in noninterest income, and lower noninterest expense of $0.9 million, that was partially offset by a $0.1 million increase in the loan loss provision and higher income taxes of $0.4 million.

Compared to the second quarter of 2014, the increase in earnings was due to higher net interest income of $0.5 million, a $1.5 million increase in noninterest income, lower noninterest expense of $0.6 million, and a $0.1 million reduction in the loan loss provision, partially offset by higher income taxes of $0.4 million.

The decrease in earnings for the first six months of 2015 versus the comparable period of 2014 was attributable to higher noninterest expense of $0.4 million and income taxes of $2.4 million, partially offset by higher noninterest income of $1.5 million, net interest income of $0.7 million, and a $0.2 million reduction in the loan loss provision.

A condensed earnings summary of each major component of our financial performance is provided below:

	Three Months Ended			Six Months Ended	
(Dollars in Thousands, except per share data)	June 30, 2015	March 31, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest Income	$19,833	$ 19,346	$ 19,348	$39,179	$ 38,584
Taxable Equivalent Adjustments	135	104	129	239	266
Total Interest Income (FTE)	19,968	19,450	19,477	39,418	38,850
Interest Expense	849	839	910	1,688	1,860
Net Interest Income (FTE)	19,119	18,611	18,567	37,730	36,990
Provision for Loan Losses	375	293	499	668	858
Taxable Equivalent Adjustments	135	104	129	239	266
Net Interest Income After provision for Loan Losses	18,609	18,214	17,939	36,823	35,866

Noninterest Income	14,794	12,848	13,347	27,642	26,132
Noninterest Expense	28,439	29,390	29,076	57,829	57,442
Income Before Income Taxes	4,964	1,672	2,210	6,636	4,556
Income Tax Expense (Benefit)	1,119	686	737	1,805	(668)
Net Income	$3,845	$ 986	$ 1,473	$4,831	$ 5,224
Basic Net Income Per Share	$0.22	$ 0.06	$ 0.08	$0.28	$ 0.30
Diluted Net Income Per Share	$0.22	$ 0.06	$ 0.08	$0.28	$ 0.30

Net Interest Income

Net interest income represents our single largest source of earnings and is equal to interest income and fees generated by earning assets less interest expense paid on interest bearing liabilities. This information is provided on a "taxable equivalent" basis to reflect the tax-exempt status of income earned on certain loans and investments, the majority of which are state and local government debt obligations. We provide an analysis of our net interest income including average yields and rates in Table I on page 41.

Tax equivalent net interest income for the second quarter of 2015 was $19.1 million compared to $18.6 million for the first quarter of 2015 and $18.6 million for the second quarter of 2014. For the six months ended June 30, 2015, tax equivalent net interest income totaled $37.7 million compared to $37.0 million for the same period of 2014. The increase in tax equivalent net interest income compared to the first quarter of 2015 reflects one additional calendar day, a positive shift in earning asset mix due to growth in the loan and investment portfolios, partially offset by unfavorable loan repricing. The increase in tax equivalent net interest income compared to the same prior year periods reflects a positive shift in earning asset mix due to growth in the loan and investment portfolios and a slight reduction in interest expense. The lower interest expense is attributable to FHLB advance pay downs and favorable repricing on several non-maturity deposit products.

The net interest margin for the second quarter of 2015 was 3.29%, an increase of two basis points over the first quarter of 2015 and unchanged from the second quarter of 2014. Growth in our investment and loan portfolios helped to grow our margin from the first to second quarter. While the margin from the comparable prior year period stayed consistent, our net interest income grew period over period. The lack of improvement in the net interest margin percentage is primarily attributable to the continued growth in average deposits, which was invested in lower yielding overnight funds and suppressed our net interest margin.

While margins are lower than our historical levels, our current strategy, which is consistent with our historical strategy, is to not accept greater interest rate risk by reaching further out the curve for yield, particularly given the fact that short term rates are at historical lows. We continue to maintain short duration portfolios on both sides of the balance sheet and believe we are well positioned to respond to changing market conditions. Over time, this strategy has produced fairly consistent outcomes and a net interest margin that is significantly above peer comparisons.

Provision for Loan Losses

The provision for loan losses for the second quarter of 2015 was $0.4 million compared to $0.3 million for the first quarter of 2015 and $0.5 million for the second quarter of 2014. For the first six months of 2015, the loan loss provision totaled $0.7 million compared to $0.9 million for the same period of 2014. The lower level of provision reflects continued favorable problem loan migration and improvement in key credit metrics. Net charge-offs for the second quarter of 2015 totaled $1.2 million, or 0.33% (annualized), of average loans compared to $1.7 million, or

0.49% (annualized), for the first quarter of 2015 and $2.1 million, or 0.59% (annualized), for the second quarter of 2014. For the first six months of 2015, net charge-offs totaled $3.0 million, or 0.41% (annualized), of average loans compared to $3.4 million, or 0.49% (annualized), for the same period of 2014. At quarter-end, the allowance for loan losses of $15.2 million was 1.03% of outstanding loans (net of overdrafts) and provided coverage of 99% of nonperforming loans compared to 1.10% and 96%, respectively, at March 31, 2015 and 1.22% and 105%, respectively, at December 31, 2014.

Charge-off activity for the respective periods is set forth below:

(Dollars in Thousands, except per share data)	Three Months Ended June 30, 2015	March 31, 2015	June 30, 2014	Six Months Ended **June 30, 2015**	**June 30, 2014**
CHARGE-OFFS					
Commercial, Financial and Agricultural	$239	$ 290	$ 86	$529	$ 97
Real Estate - Construction	—	—	—	—	—
Real Estate - Commercial Mortgage	285	904	1,029	1,189	1,623
Real Estate - Residential	484	305	695	789	1,426
Real Estate - Home Equity	454	182	375	636	778
Consumer	351	576	421	927	826
Total Charge-offs	$1,813	$ 2,257	$ 2,606	$4,070	$ 4,750
RECOVERIES					
Commercial, Financial and Agricultural	$82	$ 55	$ 45	$137	$ 120
Real Estate - Construction	—	—	1	—	5
Real Estate - Commercial Mortgage	54	30	152	84	179
Real Estate - Residential	200	48	52	248	447
Real Estate - Home Equity	33	24	65	57	76
Consumer	215	358	225	573	513
Total Recoveries	$584	$ 515	$ 540	$1,099	$ 1,340
Net Charge-offs	$1,229	$ 1,742	$ 2,066	$2,971	$ 3,410
Net Charge-offs (Annualized) as a percent of Average Loans Outstanding, Net of Unearned Income	0.33 %	0.49 %	0.59 %	0.41 %	0.49 %

Noninterest Income

Noninterest income for the second quarter of 2015 totaled $14.8 million, an increase of $1.9 million, or 15.1%, over the first quarter of 2015 and $1.5 million, or 10.8%, over the second quarter of 2014. The increase over the first quarter of 2015 was primarily attributable to higher other income of $1.8 million which includes $1.7 million in BOLI death proceeds. Higher mortgage banking fees of $0.2 million, bank card fees of $0.1 million, and deposit fees of $0.2 million also contributed to the increase and were partially offset by lower wealth management fees of $0.3 million. Compared to the second quarter of 2014, the increase reflects higher other income of $1.6 million (primarily BOLI) and higher mortgage banking fees of $0.5 million that were partially offset by lower deposit fees of $0.5 million and wealth management fees of $0.1 million. For the first six months of 2015, noninterest income totaled $27.6 million, a $1.5 million increase over the same period of 2014, primarily attributable to higher other income of $1.6 million (primarily BOLI) and higher mortgage banking fees of $0.8 million, partially offset by lower deposit fees of $0.9 million.

The table below reflects the major components of noninterest income.

(Dollars in Thousands)	Three Months Ended **June 30, 2015**	**March 31, 2015**	June 30, 2014	Six Months Ended **June 30, 2015**	**June 30, 2014**
Deposit Fees	$5,682	$ 5,541	$ 6,213	$11,223	$ 12,082
Bank Card Fees	2,844	2,742	2,820	5,586	5,527
Wealth Management Fees	1,776	2,046	1,852	3,822	3,770
Mortgage Banking Fees	1,203	987	738	2,190	1,363
Data Processing Fees	364	373	388	737	929
Other	2,925	1,159	1,336	4,084	2,461
Total Noninterest Income	$14,794	$ 12,848	$ 13,347	$27,642	$ 26,132

Significant components of noninterest income are discussed in more detail below.

Deposit Fees. Deposit fees for the second quarter of 2015 totaled $5.7 million, an increase of $141,000, or 2.5%, over the first quarter of 2015 and a decrease of $531,000, or 8.5%, compared to the second quarter of 2014. For the first six months of 2015, deposit fees totaled $11.2 million, a decrease of $859,000, or 7.1%, from the comparable period of 2014. The increase over the first quarter of 2015 was attributable to a higher level of overdraft fees which are seasonally low during the first quarter as our clients receive tax refunds. Compared to the both prior year periods, the decrease was primarily due to a lower level of overdraft fees reflecting lower utilization of our overdraft service.

Bank Card Fees. Bank card fees (including interchange fees and ATM/debit card fees) totaled $2.8 million for the second quarter of 2015, an increase of $102,000, or 3.7%, over the first quarter of 2015 and $24,000, or 0.9%, over the second quarter of 2014. For the first six months of 2015, bank card fees totaled $5.6 million, which represented an increase of $59,000, or 1.1%, over the same period of 2014. The increase compared to all prior periods reflects higher card spend by our clients.

Wealth Management Fees. Wealth management fees, which include both trust fees (i.e., managed accounts, trusts/estates, and retirement plans) and retail brokerage fees (i.e., investment and insurance products) totaled $1.8 million for the second quarter of 2015, down $270,000, or 13.2%, from the first quarter of 2015 and $76,000, or 4.1%, from the second quarter of 2014. The decrease from the first quarter of 2015 and second quarter of 2014 was driven by lower retail brokerage fees reflective of a reduction in assets under management. For the first six months of 2015, wealth management fees totaled $3.8 million, an increase of $52,000, or 1.4%, over the same period of 2014 driven by an increase in trust fees reflective of higher trust assets under management. At June 30, 2015, total assets under management were approximately $1.191 billion compared to $1.278 billion at December 31, 2014 and $1.270 billion at June 30, 2014.

Mortgage Banking Fees. Mortgage banking fees totaled $1.2 million for the second quarter of 2015, an increase of $216,000, or 21.9%, over the first quarter of 2015 and an increase of $465,000, or 63.0%, over the second quarter of 2014. For the first six months of 2015, fees totaled $2.2 million, an increase of $827,000, or 60.7%, over the same period of 2014. The increase compared to all prior periods was due to higher new loan production reflective of increased home purchase activity and a higher margin on sold loans.

Data Processing Fees. Data processing fees were comparable to the first quarter of 2015 and down $24,000, or 6.2%, from the second quarter of 2014. For the first six months of 2015, fees declined by $192,000, or 20.7%, compared to the first six months of 2014. The decrease from both prior year periods was attributable to lower fees from a government processing contract that was discontinued in mid-2014.

Other. Other income totaled $2.9 million for the second quarter of 2015, an increase of $1.8 million, or 152.4%, over the first quarter of 2015 and an increase of $1.6 million, or 118.9%, over the second quarter of 2014. For the first six

months of 2015, other income increased $1.6 million, or 65.9%, compared to the same period of 2014. The increase over all prior periods was primarily due to $1.7 million in tax-free proceeds received from the death of one of our officers. Higher miscellaneous fee income also contributed to the increase over the first quarter of 2015. Lower revenue from a vendor bonus agreement that expired at the end of 2014 partially offset the increases realized over both prior year periods.

Noninterest Expense

Noninterest expense for the second quarter of 2015 totaled $28.4 million, a decrease of $0.9 million, or 3.2%, from the first quarter of 2015 attributable to lower OREO expense of $0.6 million, compensation expense of $0.1 million, occupancy expense of $0.1 million, and other expense (excluding OREO expenses) of $0.1 million. Compared to the second quarter of 2014, noninterest expense decreased by $0.6 million or 2.2% attributable to lower OREO expense of $1.3 million, occupancy expense of $0.2 million and other expense (excluding OREO expenses) of $0.2 million, partially offset by higher compensation expense of $1.1 million. For the first six months of 2015, noninterest expense totaled $57.8 million, an increase of $0.4 million, or 0.7%, over the same period of 2014 attributable to higher compensation expense of $1.9 million that was partially offset by lower OREO expense of $1.2 million, occupancy expense of $0.1 million, and other expense (excluding OREO expenses) of $0.2 million. Higher pension plan expense was the primary reason for the increase in compensation expense compared to both prior year periods and is discussed in further detail below. Expense management is an important part of our culture and strategic focus and we continue to make progress on reducing core operating costs and removing problem asset resolution costs from our system. During 2015, we have increased our intensity in evaluating opportunities to optimize our delivery infrastructure, including banking office operations and on-line platforms, and other process improvement initiatives.

The table below reflects the major components of noninterest expense.

	Three Months Ended			Six Months Ended	
(Dollars in Thousands)	June 30, 2015	March 31, 2015	June 30, 2014	**June 30, 2015**	June 30, 2014
Salaries	$12,435	$ 12,515	$ 11,995	$24,950	$ 24,486
Associate Benefits	3,969	4,009	3,251	7,978	6,501
Total Compensation	16,404	16,524	15,206	32,928	30,987
Premises	2,181	2,276	2,109	4,457	4,241
Equipment	2,077	2,120	2,396	4,197	4,562
Total Occupancy	4,258	4,396	4,505	8,654	8,803
Legal Fees	691	705	1,037	1,396	1,818
Professional Fees	1,022	1,045	963	2,067	2,029
Processing Services	1,642	1,778	1,482	3,420	2,955
Advertising	305	340	371	645	688
Travel and Entertainment	227	211	270	438	442
Printing and Supplies	184	204	223	388	496
Telephone	479	535	467	1,014	947
Postage	235	281	307	516	612
Insurance - Other	702	705	731	1,407	1,462
Other Real Estate Owned, net	931	1,497	2,276	2,428	3,675
Miscellaneous	1,359	1,169	1,238	2,528	2,528
Total Other	7,777	8,470	9,365	16,247	17,652
Total Noninterest Expense	$28,439	$ 29,390	$ 29,076	$57,829	$ 57,442

Significant components of noninterest expense are discussed in more detail below.

Compensation. Compensation expense totaled $16.4 million for the second quarter of 2015, a decrease of $120,000, or 0.7%, from the first quarter of 2015 primarily due to a reduction in salary expense reflective of lower payroll and unemployment taxes. Compared to the second quarter of 2014, total compensation expense increased $1.2 million, or 7.9%, attributable to higher associate benefit expense of $718,000 and salaries of $480,000. The increase in associate benefits expense was driven by a $644,000 increase in our pension plan expense attributable to the utilization of a lower discount rate in 2015 for determining pension plan liabilities reflecting a decrease in long-term bond interest rates. Revision to the mortality tables used to calculate pension liabilities also contributed to the increase, but to a lesser extent. Higher performance based pay (commissions and incentives) drove the increase in salary expense. For the first six months of 2015, compensation expense totaled $32.9 million, an increase of $1.9 million, or 6.3%, over the same period of 2014 due to higher associate benefit expense of $1.5 million and a $464,000 increase in salary expense. Both variances were driven by the same factors as noted above for the second quarter.

Occupancy. Occupancy expense (including premises and equipment) totaled $4.3 million for the second quarter of 2015, a decrease of $138,000, or 3.1%, from the first quarter of 2015 primarily attributable to lower premises and equipment maintenance costs. Compared to the second quarter of 2014, occupancy expense decreased $247,000, or 5.5%, attributable to lower equipment expense, primarily reflective of higher non-routine maintenance expenses realized in the second quarter of 2014. For the first six months of 2015, occupancy expense decreased $149,000, or 1.7%, from the same period of 2014 driven by lower equipment expense, primarily software costs.

Other. Other noninterest expense decreased $693,000, or 8.2%, from the first quarter of 2015 and decreased $1.6 million, or 17.0%, from the second quarter of 2014. The decrease compared to the first quarter of 2015 was driven by lower OREO expense of $566,000 due to a net gain of $186,000 realized during the second quarter of 2015 from the sale of properties as well as lower valuation adjustments, both reflective of improving real estate values in our markets. Lower processing services of $136,000 also contributed to the decrease and reflect one-time costs incurred in the first quarter of 2015 related to the implementation of our new online/mobile banking platform. Compared to the second quarter of 2014, other expense decreased primarily due to lower OREO expense of $1.3 million and legal fees of $346,000 which were partially offset by higher processing services of $160,000. The reduction in OREO expense was due to the same aforementioned factors. The decrease in legal fees was driven by a lower level of support needed for problem loan resolutions. The increase in processing services was attributable to same aforementioned factors related to the new online/mobile banking platform. For the first six months of 2015, other expense declined $1.4 million, or 8.0%, from the same period of 2014, primarily attributable to lower OREO expense of $1.2 million, legal fees of $422,000, printing/supply expense of $108,000 and postage expense of $96,000, partially offset by higher processing service fees of $465,000. The reduction in OREO and legal expenses were due to the same aforementioned factors for the second quarter. The decrease in printing/supply expense generally reflects improved control over discretionary costs and the reduction in postage expense was primarily due to increased e-statement penetration. The increase in processing services was due to the aforementioned new on-line/mobile banking platform, including one-time implementation costs.

Our operating efficiency ratio (expressed as noninterest expense as a percent of the sum of taxable-equivalent net interest income plus noninterest income) was 83.85% for the second quarter of 2015 compared to 93.42% for the first quarter of 2015 and 91.11% for the second quarter of 2014. For the first six months of 2015, this ratio was 88.46% compared to 91.00% for the comparable period of 2014. The aforementioned receipt of BOLI proceeds was the primary reason for the change in this metric compared to all prior periods.

Income Taxes

We realized income tax expense of $1.1 million (23% effective rate) for the second quarter of 2015 compared to $0.7 million (41% effective rate) for the first quarter of 2015 and $0.7 million (33% effective rate) for the second quarter of 2014. For the first six months of 2015, we realized an income tax expense of $1.8 million (27% effective rate) compared to an income tax benefit of $0.7 million (-15% effective rate) for the same period of 2014. The aforementioned discrete BOLI transaction realized in the second quarter of 2015 was tax-free, therefore income tax expense for the first three and six-months of 2015 was favorably impacted. Income taxes for the corresponding six-month period of 2014 were also favorably impacted by a $2.2 million state tax benefit attributable to an adjustment in our reserve for uncertain tax positions associated with prior year matters. Absent future discrete events, we anticipate our effective income tax rate for the second half of 2015 will normalize within a range of 34%-35%.

FINANCIAL CONDITION

Average assets totaled approximately $2.671 billion for the second quarter of 2015, an increase of $22.2 million, or 0.8%, over the first quarter of 2015, and an increase of $121.0 million, or 4.7%, over the fourth quarter of 2014. Average earning assets were $2.328 billion for the second quarter of 2015, an increase of $21.5 million, or 0.9%, over the first quarter of 2015, and an increase of $115.2 million, or 5.2%, over the fourth quarter of 2014. The increase in earning assets over the first quarter of 2015 reflects a higher level of noninterest bearing deposits, partially offset by a lower level of public fund deposits. The increase compared to the fourth quarter of 2014 reflects higher balances for all deposit products with the exception of money market accounts and certificates of deposit. Additionally, growth in both the loan and investment portfolios led to a more favorable earning asset mix.

Investment Securities

In the second quarter of 2015, our average investment portfolio increased $61.5 million, or 11.1%, over the first quarter of 2015 and increased $119.5 million, or 24.0%, over the fourth quarter of 2014. As a percentage of average earning assets, the investment portfolio represented 26.5% in the second quarter of 2015, compared to 24.1% in the first quarter of 2015 and 22.5% in the fourth quarter of 2014. The increase in the average balance of the investment portfolio compared to the prior period was primarily attributable to increases in U.S. Treasury purchases and municipal bonds. The increase compared to the fourth quarter of 2014 was primarily attributable to an increase in U.S. Treasury purchases. For the remainder of 2015, it is anticipated that not all cash flow from the investment portfolio

will be reinvested into securities. We will continue to closely monitor liquidity levels and pledging requirements to assess the need to purchase additional investments, as well as look for new investment products that are prudent relative to our risk profile and overall investment strategy.

The investment portfolio is a significant component of our operations and, as such, it functions as a key element of liquidity and asset/liability management. Two types of classifications are approved for investment securities which are Available-for-Sale (“AFS”) and Held-for-Maturity (“HTM”). During the second quarter of 2015, securities were purchased under both the AFS and HTM designations. As of June 30, 2015, $433.7 million, or 68.2% of the investment portfolio was classified as AFS, with the remaining $201.8 million, or 31.8%, classified as HTM.

At acquisition, the classification of the security will be determined based on how the purchase will affect our asset/liability strategy and future business plans and opportunities. Such decisions will be weighed against multiple factors, including regulatory capital requirements, volatility in earnings or other comprehensive income, and liquidity needs. Securities in the AFS portfolio are recorded at fair value with unrealized gains and losses associated with these securities recorded net of tax, in the accumulated other comprehensive income component of shareowners’ equity. Securities that are HTM will be acquired or owned with the intent of holding them to maturity (final payment date). HTM investments are measured at amortized cost. It is neither management’s current intent nor practice to participate in the trading of investment securities for the purpose of recognizing gains and therefore we do not maintain a trading portfolio.

At June 30, 2015, the investment portfolio had a net pre-tax unrealized gain in the AFS portfolio of $1.6 million compared to an unrealized gain of $1.7 million and $0.5 million at the March 31, 2015 and December 31, 2014 periods, respectively. At June 30, 2015, there were approximately 205 positions (combined AFS and HTM) with unrealized losses totaling $0.8 million. Of the 205 positions, 75 were Ginnie Mae mortgage-backed securities (GNMA), U.S. Treasuries, or SBA securities, all of which carry the full faith and credit guarantee of the U.S. Government. SBA securities float monthly or quarterly to the prime rate and are uncapped. Of these 75 positions, there were 22 GNMA positions and 22 SBA positions in an unrealized loss position for longer than 12 months, and have unrealized losses of $243,000 and $66,000, respectively. There were 127 municipal bonds in an unrealized loss position that were pre-refunded, or rated “AA-“or better. Three of these positions were in an unrealized loss position for longer than 12 months, and had an unrealized loss of $3,000. The remaining three securities are government agency bonds, none of which have been in an unrealized loss position for longer than 12 months. None of the positions with unrealized losses are considered impaired, and all positions are expected to mature at par or better. For the second quarter of 2015, we recognized a permanent impairment loss of $90,000 related to an equity investment (Bankers Bancorporation of Florida, Inc).

The average maturity of the total portfolio at June 30, 2015 was 2.09 years compared to 2.14 years and 2.17 years for the March 31, 2015 and December 31, 2014 periods, respectively. The average life of the total portfolio at June 30, 2015 was shorter compared to both prior periods mainly attributable to the natural aging of the existing portfolio, partially offset by new investments primarily with 2-4 year average maturities.

Loans

Average loans increased $25.3 million, or 1.8%, over the first quarter of 2015 and $47.2 million, or 3.3%, over the fourth quarter of 2014. The improvement over both prior periods was broad based with a majority of the growth in the consumer (auto finance), commercial, and commercial mortgage portfolios.

The resolution of problem loans totaled $2.9 million for the second quarter of 2015 ($1.8 million in net charge offs and $1.1 million transferred to ORE), compared to $4.0 million from the first quarter of 2015 ($2.3 million in net charge offs and $1.7 million transferred to ORE), and $5.9 million from the fourth quarter 2014 ($2.8 million in net charge offs and $3.1 million transferred to ORE). The problem loan resolutions are based on "as of" balances, not averages.

Without compromising our credit standards or taking on inordinate interest rate risk, we have modified several lending programs in our business, commercial real estate, and consumer portfolios to try to mitigate the significant impact that consumer and business deleveraging is having on our portfolio. These programs have helped to increase overall production.

Nonperforming Assets

Nonperforming assets (nonaccrual loans and other real estate owned "OREO") totaled $45.5 million at the end of the second quarter of 2015, a decrease of $5.1 million from the first quarter of 2015 and $7.0 million from the fourth quarter of 2014. Nonaccrual loans totaled $15.3 million at the end of the second quarter of 2015, a decrease of $1.5 million from both the first quarter of 2015 and the fourth quarter of 2014. Nonaccrual loan additions totaled $4.5 million in the second quarter of 2015 and $10.3 million for the first six months of 2015, which compares to $11.9 million for the same period of 2014. The balance of OREO totaled $30.2 million at the end of the second quarter of 2015, a decrease of $3.7 million and $5.5 million, respectively, from the first quarter of 2015 and fourth quarter of 2014. For the second quarter of 2015, we added properties totaling $1.1 million, sold properties totaling $4.0 million, recorded valuation adjustments totaling $0.5 million, and realized miscellaneous adjustments of $0.3 million. For the first six months of 2015, we added properties totaling $2.8 million, sold properties totaling $6.7 million, recorded valuation adjustments totaling $1.3 million, and realized miscellaneous adjustments of $0.3 million. Nonperforming assets represented 1.71% of total assets at June 30, 2015 compared to 1.88% at March 31, 2015 and 2.00% at December 31, 2014.

(Dollars in Thousands)	June 30, 2015	March 31, 2015	December 31, 2014
Nonaccruing Loans:			
Commercial, Financial and Agricultural	$420	$626	$ 507
Real Estate - Construction	333	424	424
Real Estate - Commercial Mortgage	6,395	6,909	5,806
Real Estate - Residential	5,978	6,123	6,737
Real Estate - Home Equity	2,095	2,253	2,544
Consumer	99	455	751
Total Nonperforming Loans (“NPLs”[1])	$15,320	$16,790	$ 16,769
Other Real Estate Owned	30,167	33,835	35,680
Total Nonperforming Assets (“NPAs”)	$45,487	$50,625	$ 52,449
Past Due Loans 30 – 89 Days	$5,858	$3,689	$ 6,792
Past Due Loans 90 Days or More (accruing)	—	—	—
Performing Troubled Debt Restructurings	$41,632	$42,590	$ 44,410
Nonperforming Loans/Loans	1.03 %	1.15 %	1.16 %
Nonperforming Assets/Total Assets	1.71	1.88	2.00
Nonperforming Assets/Loans Plus OREO	3.00	3.38	3.55
Allowance/Nonperforming Loans	99.46 %	95.83 %	104.60 %

(1) Nonperforming TDRs are included in the Nonaccrual/NPL totals

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Activity within our nonperforming asset portfolio is provided in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2015	2014	2015	2014
NPA Beginning Balance:	$50,625	$78,594	$52,449	$85,035
Change in Nonaccrual Loans:				
Beginning Balance	16,790	34,558	16,769	36,964
Additions	4,497	4,355	10,264	11,854
Charge-Offs	(1,333)	(2,445)	(2,953)	(4,308)
Transferred to OREO	(1,088)	(7,040)	(1,705)	(8,316)
Paid Off/Payments	(2,669)	(2,423)	(3,613)	(5,050)
Restored to Accrual	(877)	(1,335)	(3,442)	(5,474)
Ending Balance	15,320	25,670	15,320	25,670
Change in OREO:				
Beginning Balance	33,835	44,036	35,680	48,071
Additions	1,088	7,977	2,830	9,267
Valuation Write-downs	(505)	(822)	(1,306)	(1,552)
Sales	(4,026)	(8,612)	(6,763)	(13,207)
Other	225	—	(274)	—
Ending Balance	30,167	42,579	30,167	42,579
NPA Net Change	(5,138)	(10,345)	(6,962)	(16,786)
NPA Ending Balance	$45,487	$68,249	$45,487	$68,249

Activity within our TDR portfolio is provided in the table below.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2015	2014	2015	2014
TDR Beginning Balance:	$47,158	$58,818	$49,154	$58,543
Additions	262	377	1,156	2,187
Charge-Offs	(399)	(533)	(1,283)	(818)
Paid Off/Payments	(1,710)	(1,020)	(2,321)	(2,025)
Removal Due to Change in TDR Status	—	(22)	(202)	(22)
Transferred to OREO	(322)	(1,748)	(1,515)	(1,993)
TDR Ending Balance	$44,989	$55,872	$44,989	$55,872

Allowance for Loan Losses

We maintain an allowance for loan losses at a level that management believes to be sufficient to provide for probable losses inherent in the loan portfolio as of the balance sheet date. Credit losses arise from borrowers' inability or unwillingness to repay, and from other risks inherent in the lending process, including collateral risk, operations risk, concentration risk and economic risk. All related risks of lending are considered when assessing the adequacy of the loan loss reserve. The allowance for loan losses is established through a provision charged to expense. Loans are charged against the allowance when management believes collection of the principal is unlikely. The allowance for loan losses is based on management's judgment of overall loan quality. This is a significant estimate based on a detailed analysis of the loan portfolio. The balance can and will change based on changes in the assessment of the loan portfolio's overall credit quality. We evaluate the adequacy of the allowance for loan losses on a quarterly basis.

The allowance for loan losses was $15.2 million at June 30, 2015 compared to $16.1 million at March 31, 2015 and $17.5 million at December 31, 2014. The allowance for loan losses was 1.03% of outstanding loans and provided coverage of 99% of nonperforming loans at June 30, 2015 compared to 1.10% and 96%, respectively, at March 31, 2015 and 1.22% and 105%, respectively, at December 31, 2014. The reduction in the allowance from both prior periods was attributable to a lower level of both general reserves and impaired loan reserves. The decrease in general reserves reflects slower problem loan migration, lower loan loss experience, and continued improvement in credit metrics, partially offset by reserves for growth in the loan portfolio. The decrease in impaired loan reserves was driven by a lower level of impaired loans reflecting reduced inflow and successful resolutions as well as lower loss content. It is management's opinion that the allowance at June 30, 2015 is adequate to absorb losses inherent in the loan portfolio at quarter-end.

Deposits

Average total deposits were $2.178 billion for the second quarter of 2015, an increase of $15.0 million, or 0.7%, over the first quarter of 2015 and $101.0 million, or 4.9%, over the fourth quarter of 2014. The increase in deposits compared to the first quarter of 2015 reflects higher levels of all non-maturity account types except NOW accounts, partially offset by declines in public fund deposits and certificates of deposit. The higher level of deposits when compared to the fourth quarter of 2014 is primarily attributable to increased balances of noninterest bearing, public NOW, and savings accounts, partially offset by a decline in money market accounts and certificates of deposit. The seasonal inflows of public funds began in the fourth quarter of 2014, most likely peaked in the second quarter of 2015, and are expected to decline into the fourth quarter of 2015.

Deposit levels remain strong and our mix of deposits continues to improve as higher cost certificates of deposit are replaced with lower rate non-maturity deposits and noninterest-bearing demand accounts. Prudent pricing discipline will continue to be the key to managing our mix of deposits. Therefore, we do not attempt to compete with higher rate paying competitors for deposits.

MARKET RISK AND INTEREST RATE SENSITIVITY

Market Risk and Interest Rate Sensitivity

Overview. Market risk management arises from changes in interest rates, exchange rates, commodity prices, and equity prices. We have risk management policies to monitor and limit exposure to market risk and do not participate in activities that give rise to significant market risk involving exchange rates, commodity prices, or equity prices. In asset and liability management activities, our policies are designed to minimize structural interest rate risk.

Interest Rate Risk Management. Our net income is largely dependent on net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities mature or re-price on a different basis than interest-earning assets. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income. Net interest income is also affected by changes in the portion of interest-earning assets that are funded by interest-bearing liabilities rather than by other sources of funds, such as noninterest-bearing deposits and shareowners' equity.

We have established a comprehensive interest rate risk management policy, which is administered by management's Asset/Liability Management Committee ("ALCO"). The policy establishes limits of risk, which are quantitative

measures of the percentage change in net interest income (a measure of net interest income at risk) and the fair value of equity capital (a measure of economic value of equity ("EVE") at risk) resulting from a hypothetical change in interest rates for maturities from one day to 30 years. We measure the potential adverse impacts that changing interest rates may have on our short-term earnings, long-term value, and liquidity by employing simulation analysis through the use of computer modeling. The simulation model captures optionality factors such as call features and interest rate caps and floors imbedded in investment and loan portfolio contracts. As with any method of gauging interest rate risk, there are certain shortcomings inherent in the interest rate modeling methodology used by us. When interest rates change, actual movements in different categories of interest-earning assets and interest-bearing liabilities, loan prepayments, and withdrawals of time and other deposits, may deviate significantly from assumptions used in the model. Finally, the methodology does not measure or reflect the impact that higher rates may have on adjustable-rate loan clients' ability to service their debts, or the impact of rate changes on demand for loan and deposit products.

We prepare a current base case and three alternative simulations, at least once per quarter, and report the analysis to the Board of Directors. In addition, more frequent forecasts may be produced when interest rates are particularly uncertain or when other business conditions so dictate.

Our interest rate risk management goal is to avoid unacceptable variations in net interest income and capital levels due to fluctuations in market rates. Management attempts to achieve this goal by balancing, within policy limits, the volume of floating-rate liabilities with a similar volume of floating-rate assets, by keeping the average maturity of fixed-rate asset and liability contracts reasonably matched, by maintaining our core deposits as a significant component of our total funding sources, and by adjusting pricing rates to market conditions on a continuing basis.

The balance sheet is subject to testing for interest rate shock possibilities to indicate the inherent interest rate risk. Average interest rates are shocked by plus or minus 100, 200, and 300 basis points ("bp"), although we may elect not to use particular scenarios that we determined are impractical in a current rate environment. It is management's goal to structure the balance sheet so that net interest earnings at risk over a 12-month period and the economic value of equity at risk do not exceed policy guidelines at the various interest rate shock levels.

We augment our interest rate shock analysis with alternative external interest rate scenarios on a quarterly basis. These alternative interest rate scenarios may include non-parallel rate ramps.

Analysis. Measures of net interest income at risk produced by simulation analysis are indicators of an institution's short-term performance in alternative rate environments. These measures are typically based upon a relatively brief period, usually one year. They do not necessarily indicate the long-term prospects or economic value of the institution.

ESTIMATED CHANGES IN NET INTEREST INCOME [(1)]

Changes in Interest Rates	+300 bp	+200 bp	+100 bp	-100 bp
Policy Limit	-10.0%	-7.5%	-5.0%	-5.0%
June 30, 2015	0.7%	-0.3%	-0.2%	-3.7%
March 31, 2015	4.5%	2.2%	1.1%	-4.3%

The Net Interest Income at Risk position was less favorable at the end of the second quarter of 2015, when compared to the prior quarter-end, for all rate scenarios with the exception of rates down 100 bps, which improved. The unfavorable change from the prior quarter-end reflects lower levels of repricing assets, primarily overnight funds, due to a decrease in deposits, while also funding loan growth and bond purchases. In addition, this analysis incorporates an instantaneous, parallel shock and assumes we move with market rates and do not lag our deposit rates. All measures of net interest income at risk are within our prescribed policy limits.

The measures of equity value at risk indicate our ongoing economic value by considering the effects of changes in interest rates on all of our cash flows, and discounting the cash flows to estimate the present value of assets and liabilities. The difference between these discounted values of the assets and liabilities is the economic value of equity, which, in theory, approximates the fair value of our net assets.

ESTIMATED CHANGES IN ECONOMIC VALUE OF EQUITY [(1)]

Changes in Interest Rates	+300 bp	+200 bp	+100 bp	-100 bp
Policy Limit	-12.5%	-10.0%	-7.5%	-7.5%
June 30, 2015	19.7%	14.0%	7.7%	-17.4%
March 31, 2015	15.6%	9.0%	5.4%	-5.7%

As of June 30, 2015, the economic value of equity in all rate scenarios versus the base case was more favorable than it was as of March 31, 2015, with the exception of the rates down 100 bps scenario. The EVE in the rates down 100 bps scenario is outside of the desired parameters as the change in value on the core deposits from last quarter declined due to a combination of the benchmark FHLB yield curve steepening and a change in mix from shorter to longer deposits (Public NOW ran off, DDA and MMDA grew). All measures of economic value of equity are within our prescribed policy limits with the exception of the rates down 100 bps scenario. Given the floored value of the non-maturity deposits, this metric may remain outside policy limits, but will continue to be closely monitored.

(1) Down 200 and 300 bp scenarios have been excluded due to the current historically low interest rate environment.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

In general terms, liquidity is a measurement of our ability to meet our cash needs. Our objective in managing our liquidity is to maintain our ability to meet loan commitments, purchase securities or repay deposits and other liabilities in accordance with their terms, without an adverse impact on our current or future earnings. Our liquidity strategy is guided by policies that are formulated and monitored by our ALCO and senior management, and which take into account the marketability of assets, the sources and stability of funding and the level of unfunded commitments. We regularly evaluate all of our various funding sources with an emphasis on accessibility, stability, reliability and cost-effectiveness. Our principal source of funding has been our client deposits, supplemented by our short-term and long-term borrowings, primarily from securities sold under repurchase agreements, federal funds purchased and FHLB borrowings. We believe that the cash generated from operations, our borrowing capacity and our access to capital resources are sufficient to meet our future operating capital and funding requirements.

As of June 30, 2015, we have the ability to generate $1.09 billion in additional liquidity through all of our available resources (this excludes $186,000 in overnight funds sold). In addition to primary borrowing outlets mentioned above, we also have the ability to generate liquidity by borrowing from the Federal Reserve Discount Window and through brokered deposits. We recognize the importance of maintaining liquidity and have developed a Contingency Liquidity Plan, which addresses various liquidity stress levels and our response and action based on the level of severity. We periodically test our credit facilities for access to the funds, but also understand that as the severity of the liquidity level increases that certain credit facilities may no longer be available. A liquidity stress test is completed on a quarterly basis based on events that could potentially occur at the Bank with results reported to ALCO, our Market Risk Oversight Committee, and the Board of Directors. The liquidity available to us is considered sufficient to meet our ongoing needs.

We view our investment portfolio primarily as a source of liquidity and have the option to pledge the portfolio as collateral for borrowings or deposits, and/or sell selected securities. The portfolio consists of debt issued by the U.S. Treasury, U.S. governmental and federal agencies, and municipal governments. The weighted average life of the portfolio is approximately 2.09 years, and as of June 30, 2015 had a net unrealized pre-tax gain of $1.6 million in the available-for-sale portfolio.

Our average liquidity (defined as funds sold plus interest bearing deposits with other banks less funds purchased) was $237.1 million during the second quarter of 2015 compared to an average net overnight funds sold position of $302.4 million in the first quarter of 2015 and an average overnight funds sold position of $288.6 million in the fourth quarter of 2014. The decrease in overnight funds compared to the first quarter of 2015 reflects growth in both the loan and investment portfolios. Partially offsetting this decline was an increase in average deposit balances despite a decline in public funds. The decrease relative to the fourth quarter of 2014 is primarily attributable to growth in both the loan and investment portfolios, partially offset by an increase in average deposits.

Capital expenditures are estimated to approximate $3.0 million over the next 12 months, which will consist primarily of office remodeling, office equipment/furniture, and technology purchases. Management believes that these capital expenditures will be funded with existing resources without impairing our ability to meet our on-going obligations.

Borrowings

At June 30, 2015, advances from the FHLB consisted of $30.5 million in outstanding debt consisting of 31 notes. During the first six months of 2015, the Bank made FHLB advance payments totaling approximately $2.6 million, which includes paying off two advances totaling $1.2 million. No additional FHLB advances were obtained. The FHLB notes are collateralized by a blanket floating lien on all of our 1-4 family residential mortgage loans, commercial real estate mortgage loans, and home equity mortgage loans.

We have issued two junior subordinated deferrable interest notes to our wholly-owned Delaware statutory trusts. The first note for $30.9 million was issued to CCBG Capital Trust I in November 2004. The second note for $32.0 million was issued to CCBG Capital Trust II in May 2005. The interest payment for the CCBG Capital Trust I borrowing is due quarterly and adjusts quarterly to a variable rate of LIBOR plus a margin of 1.90%. This note matures on December 31, 2034. The interest payment for the CCBG Capital Trust II borrowing is due quarterly and adjusts annually to a variable rate of LIBOR plus a margin of 1.80%. This note matures on June 15, 2035. The proceeds of these borrowings were used to partially fund acquisitions. Under the terms of each junior subordinated deferrable interest note, in the event of default or if we elect to defer interest on the note, we may not, with certain exceptions, declare or pay dividends or make distributions on our capital stock or purchase or acquire any of our capital stock.

Capital

Equity capital was $272.0 million as of June 30, 2015, compared to $274.1 million as of March 31, 2015 and $272.5 million as of December 31, 2014. Our leverage ratio was 10.57%, 10.73%, and 10.99%, respectively, as of these dates. Further, as of June 30, 2015, our risk-adjusted capital ratio was 16.75% compared to 17.11% and 17.76% at March 31, 2015 and December 31, 2014, respectively. Our common equity tier 1 ratio was 12.31% as of June 30, 2015 compared to 12.57% as of March 31, 2015, which was the first reporting period this ratio was published under the Basel III capital standards. All of our capital ratios significantly exceed the threshold to be designated as "well-capitalized" under the Basel III capital standards. The reduction in our regulatory capital ratios in 2015 reflects the implementation of Basel III and the repurchase of common stock.

During the first six months of 2015, shareowners' equity decreased $0.5 million, or 0.4%, on an annualized basis. During this same period, shareowners' equity was positively impacted by net income of $4.8 million, stock compensation accretion of $0.5 million, a $0.7 million net increase in the unrealized gain on investment securities, and net adjustments totaling $0.3 million related to transactions under our stock compensation plans. Shareowners' equity was reduced by common stock dividends totaling $1.0 million and the repurchase of common stock of $5.8 million.

At June 30, 2015, our common stock had a book value of $15.80 per diluted share compared to $15.59 at March 31, 2015 and $15.53 at December 31, 2014. The tangible book value of our common stock for the same respective dates was $10.87, $10.77 and $10.70. Book value is impacted by changes in the amount of our net unrealized gain or loss on investment securities available-for-sale and changes to the amount of our unfunded pension liability both of which are recorded through other comprehensive income. At June 30, 2015, the net unrealized gain on investment securities available for sale was $0.7 million and the amount of our unfunded pension liability was $21.6 million.

In February 2014, our Board of Directors authorized the repurchase of up to 1,500,000 shares of our outstanding common stock. Repurchases may be made in the open market or in privately negotiated transactions; however, we are not obligated to repurchase any specified number of shares. During 2015, we have repurchased 393,000 shares at an average price of $14.72 per share under the plan.

OFF-BALANCE SHEET ARRANGEMENTS

We do not currently engage in the use of derivative instruments to hedge interest rate risks. However, we are a party to financial instruments with off-balance sheet risks in the normal course of business to meet the financing needs of our clients.

At June 30, 2015, we had $340.5 million in commitments to extend credit and $7.0 million in standby letters of credit. 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. Standby letters of credit are conditional commitments issued by us to guarantee the performance of a client to a third party. We use the same credit policies in establishing commitments and issuing letters of credit as we do for on-balance sheet instruments.

If commitments arising from these financial instruments continue to require funding at historical levels, management does not anticipate that such funding will adversely impact the Company’s ability to meet its on-going obligations. In the event these commitments require funding in excess of historical levels, management believes current liquidity, advances available from the FHLB and the Federal Reserve, and investment security maturities provide a sufficient source of funds to meet these commitments.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in our 2014 Form 10-K. The preparation of our Consolidated Financial Statements in accordance with accounting principles generally accepted in the United States (“GAAP”) and reporting practices applicable to the banking industry requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates.

We have identified accounting for (i) the allowance for loan and lease losses, (ii) valuation of goodwill and other intangible assets, and (iii) pension benefits as our most critical accounting policies and estimates in that they are important to the portrayal of our financial condition and results, and they require our subjective and complex

judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. These accounting policies, including the nature of the estimates and types of assumptions used, are described throughout this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2014 Form 10-K.

TABLE I

AVERAGE BALANCES & INTEREST RATES

	Three Months Ended June 30,						Six Months Ended June 30,				
	2015			2014			2015			2014	
n Thousands)	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest
2)	$1,473,954	$18,285	4.98%	$1,411,988	$18,216	5.17%	$1,461,356	$36,194	4.99%	$1,403,793	$36,377
Securities[2]	540,735	1,313	0.97	345,419	816	0.87	516,321	2,511	0.95	318,332	1,519
mpt Securities	76,191	219	1.15	94,810	188	0.77	70,043	373	1.06	104,621	407
ld	237,132	151	0.26	408,668	257	0.25	269,588	340	0.25	437,837	548
rning Assets	2,328,012	19,968	3.44%	2,260,885	19,477	3.46%	2,317,308	39,418	3.43%	2,264,582	38,851
Due From	52,473			44,115			50,555			46,089	
ce For Loan	(16,070)			(22,255)			(16,702)			(22,730)	
sets	306,286			296,248			308,526			300,656	
ASSETS	$2,670,701			$2,578,993			$2,659,687			$2,588,597	

s: