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 (Do not check if smaller reporting company) Smaller reporting company o

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

At 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.

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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.

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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	$ —

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

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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

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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

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.

(Dollars in Thousands)	Three Months Ended June 30, 2014 Number of Contracts	Three Months Ended June 30, 2014 Post-Modified Recorded Investment	Six Months Ended June 30, 2014 Number of Contracts	Six Months Ended June 30, 2014 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.

(Dollars in Thousands)	Three Months Ended June 30, 2015 Number of Contracts	Three Months Ended June 30, 2015 **Recorded Investment(1)**	Six Months Ended June 30, 2015 Number of Contracts	Six Months Ended June 30, 2015 **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

(Dollars in Thousands)	Three Months Ended June 30, 2014 Number of Contracts	Three Months Ended June 30, 2014 **Recorded Investment(1)**	Six Months Ended June 30, 2014 Number of Contracts	Six Months Ended June 30, 2014 **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;