COMMUNITY TRUST BANCORP INC /KY/
Form 10-K
March 12, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-K

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| [X] | ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED) |
| | For the fiscal year ended December 31, 2009 |
| | Or |
| [ ] | TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED) |
| | For the transition period from _____________ to _____________ |

Commission file number 0-11129
COMMUNITY TRUST BANCORP, INC.
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Kentucky | 61-0979818 |
| (State or other jurisdiction of incorporation or organization) | IRS Employer Identification No. |
| 346 North Mayo Trail<br>Pikeville, Kentucky<br>(address of principal executive offices) | 41501<br>(Zip Code) |

(606) 432-1414
(Registrant’s telephone number)

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, $5.00 par value
(Title of Class)

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

| | |
|---|---|
| Yes | No ü |

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

| Yes | No ü |
|---|---|

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 ü | No |
|---|---|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

| Yes | No |
|---|---|

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

| Large accelerated filer | Accelerated filer ü | Non-accelerated filer | Smaller reporting company |
|---|---|---|---|
| | | (Do not check if a 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 | No ü |
|---|---|

Based upon the closing price of the Common Shares of the Registrant on the NASDAQ-Stock Market LLC – Global Select Market, the aggregate market value of voting stock held by non-affiliates of the Registrant as of June 30, 2009 was $375.3 million. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant have been deemed affiliates. The number of shares outstanding of the Registrant's Common Stock as of February 26, 2010 was 15,199,639.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference into the Form 10-K part indicated:

| Document | Form 10-K |
|---|---|
| (1) Proxy statement for the annual meeting of shareholders to be held April 27, 2010 | Part III |

# PART I

## Item 1. Business

Community Trust Bancorp, Inc. ("CTBI") is a bank holding company registered with the Board of Governors of the Federal Reserve System pursuant to Section 5(a) of the Bank Holding Company Act of 1956, as amended. CTBI was incorporated August 12, 1980, under the laws of the Commonwealth of Kentucky for the purpose of becoming a bank holding company. At December 31, 2009, CTBI owned all the capital stock of one commercial bank and one trust company, serving small and mid-sized communities in eastern, northeastern, central, and south central Kentucky and southern West Virginia. The commercial bank is Community Trust Bank, Inc., Pikeville, Kentucky (the "Bank") and the trust company is Community Trust and Investment Company, Lexington, Kentucky (the "Trust Company"). At December 31, 2009, CTBI had total consolidated assets of $3.1 billion and total consolidated deposits, including repurchase agreements, of $2.6 billion, making it the second largest bank holding company headquartered in the Commonwealth of Kentucky.

Through its subsidiaries, CTBI engages in a wide range of commercial and personal banking and trust activities, which include accepting time and demand deposits; making secured and unsecured loans to corporations, individuals and others; providing cash management services to corporate and individual customers; issuing letters of credit; renting safe deposit boxes; and providing funds transfer services. The lending activities of our Bank include making commercial, construction, mortgage, and personal loans. Lease-financing, lines of credit, revolving lines of credit, term loans, and other specialized loans, including asset-based financing, are also available. Our corporate subsidiaries act as trustees of personal trusts, as executors of estates, as trustees for employee benefit trusts, as registrars, transfer agents, and paying agents for bond and stock issues, as depositories for securities, and as providers of full service brokerage services.

## COMPETITION

CTBI's subsidiaries face substantial competition for deposit, credit, trust, and brokerage relationships in the communities we serve. Competing providers include state banks, national banks, thrifts, trust companies, insurance companies, mortgage banking operations, credit unions, finance companies, brokerage companies, and other financial and non-financial companies which may offer products functionally equivalent to those offered by our subsidiaries. Many of these providers offer services within and outside the market areas served by our subsidiaries. We strive to offer competitively priced products along with quality customer service to build customer relationships in the communities we serve.

Recently, the United States and global markets, as well as general economic conditions, have been disruptive and volatile. Some financial institutions have failed and others have been forced to seek acquisition partners. Larger financial institutions, some of whom may benefit from partial nationalization, could strengthen their competitive position as a result of ongoing consolidation within the financial services industry.

Since July 1989, banking legislation in Kentucky places no limits on the number of banks or bank holding companies that a bank holding company may acquire. Interstate acquisitions are allowed where reciprocity exists between the laws of Kentucky and the home state of the bank or bank holding company to be acquired. Bank holding companies continue to be limited to control of less than 15% of deposits held by banks in the states where they do business (exclusive of inter-bank and foreign deposits).

The Gramm-Leach-Bliley Act of 1999 (the "GLB Act") has expanded the permissible activities of a bank holding company. The GLB Act allows qualifying bank holding companies to elect to be treated as financial holding companies. A financial holding company may engage in activities that are financial in nature or are incidental or complementary to financial activities. We have not yet elected to be treated as a financial holding company. The GLB Act also eliminated restrictions imposed by the Glass-Steagall Financial Services Law, adopted in the 1930s, which prevented banking, insurance, and securities firms from fully entering each other's business. This legislation has resulted in further consolidation in the financial services industry. In addition, removal of these restrictions has increased the number of entities providing banking services and thereby created additional competition.

No material portion of our business is seasonal. We are not dependent upon any one customer or a few customers, and the loss of any one or a few customers would not have a material adverse effect on us. See note 18 to the consolidated financial statements for additional information regarding concentrations of credit.

We do not engage in any operations in foreign countries.

## EMPLOYEES

As of December 31, 2009, CTBI and subsidiaries had 982 full-time equivalent employees. Our employees are provided with a variety of employee benefits. A retirement plan, an employee stock ownership plan, group life insurance, major medical insurance, a cafeteria plan, and annual management and employee incentive compensation plans are available to eligible personnel.

## SUPERVISION AND REGULATION

We, as a registered bank holding company, are restricted to those activities permissible under the Bank Holding Company Act of 1956, as amended, and are subject to actions of the Board of Governors of the Federal Reserve System thereunder. We are required to file an annual report with the Federal Reserve Board and are subject to an annual examination by the Board.

Our Bank is a state-chartered bank subject to state and federal banking laws and regulations and periodic examination by the Kentucky Department of Financial Institutions and the restrictions, including dividend restrictions, thereunder. Our Bank is also a member of the Federal Reserve System and is subject to certain restrictions imposed by and to examination and supervision under the Federal Reserve Act. Our Trust Company is also regulated by the Kentucky Department of Financial Institutions and the Federal Reserve.

Deposits of our Bank are insured by the Federal Deposit Insurance Corporation (FDIC), which subjects banks to regulation and examination under the provisions of the Federal Deposit Insurance Act.

The operations of CTBI and our subsidiaries are also affected by other banking legislation and policies and practices of various regulatory authorities. Such legislation and policies include statutory maximum rates on some loans, reserve requirements, domestic monetary and fiscal policy, and limitations on the kinds of services that may be offered.

CTBI's annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to those reports are available free of charge on our website at www.ctbi.com as soon as reasonably practicable after such materials are electronically filed with or furnished to the Securities and Exchange Commission. CTBI's Code of Business Conduct and Ethics is also available on our website. Copies of our annual report will be made available free of charge upon written request.

## CAUTIONARY STATEMENT

Certain of the statements contained herein that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. CTBI's actual results may differ materially from those included in the forward-looking statements. Forward-looking statements are typically identified by words or phrases such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “may increase,” “may fluctuate,” and similar expressions or fu conditional verbs such as “will,” “should,” “would,” and “could.” These forward-looking statements involve risks anc uncertainties including, but not limited to, economic conditions, portfolio growth, the credit performance of the portfolios, including bankruptcies, and seasonal factors; changes in general economic conditions including the performance of financial markets, prevailing inflation and interest rates, realized gains from sales of investments, gains from asset sales, and losses on commercial lending activities; results of various investment activities; the effects of competitors’ pricing policies, changes in laws and regulations, competition, and demographic changes on target market populations’ savings and financial planning needs; industry changes in information technology systems on which we are highly dependent; failure of acquisitions to produce revenue enhancements or cost savings at levels or within the time frames originally anticipated or unforeseen integration difficulties; the adoption by CTBI of a Federal Financial Institutions Examination Council (FFIEC) policy that provides guidance on the reporting of delinquent consumer loans and the timing of associated credit charge-offs for financial institution subsidiaries; and the resolution of legal proceedings and related matters. In addition, the banking industry in general is subject to various monetary and fiscal policies and regulations, which include those determined by the Federal Reserve Board, the Federal Deposit Insurance Corporation, and state regulators, whose policies and regulations could affect CTBI’s results. These statements are representative only on the date hereof, and CTBI undertakes no obligation to update any forward-looking statements made.

Item 1A. Risk Factors

Economic Risk
CTBI may continue to be adversely affected by current economic and market conditions.

The national and global economic downturn has resulted in unprecedented levels of financial market volatility and has in general adversely impacted the market value of financial institutions, limited access to capital and had an adverse effect on the financial condition or results of operations of banking companies in general, including CTBI. In some cases, the markets have produced downward pressure on stock prices and credit capacity for certain issuers without regard to those issuers' underlying financial strength. During this time, CTBI has experienced challenges, credit quality has deteriorated and net income and results of operations have been adversely impacted. Although CTBI operated at a profit last year, CTBI is a part of the financial system and a continuation of the systemic lack of available credit, lack of confidence in the financial sector, increased volatility in the financial markets, and reduced business activity could materially and adversely impact CTBI's business, financial condition, and results of operations. In addition, the possible duration and severity of the adverse economic cycle is unknown and may exacerbate financial service providers', including CTBI's, exposure to credit risk. Actions by Congress, Treasury, the FDIC and other governmental agencies and regulators have been initiated to address economic stabilization, yet the efficacy of these programs in stabilizing the economy and the banking system is uncertain. There can be no assurance that these actions will not have an adverse effect on the financial position or results of operations of financial service providers including CTBI.

Economy of Our Markets
Our business may continue to be adversely affected by downturns in the local economies on which we depend.

Our loan portfolio is concentrated primarily in eastern, northeastern, central, and south central Kentucky and southern West Virginia. Our profits depend on providing products and services to clients in these local regions. These regions have recently experienced an increase in unemployment and a decrease in real estate values. Further increases in unemployment, additional decreases in real estate values, or increases in interest rates could weaken the local economies in which we operate. Weakness in our market area could depress our earnings and consequently our financial condition because:

- Clients may not want, need, or qualify for our products and services;
- Borrowers may not be able to repay their loans;
- The value of the collateral securing our loans to borrowers may decline; and
- The quality of our loan portfolio may decline.

Interest Rate Risk
Changes in interest rates could adversely affect our earnings and financial condition.

Our earnings and financial condition are dependent to a large degree upon net interest income, which is the difference between interest earned from loans and investments and interest paid on deposits and borrowings. The narrowing of interest-rate spreads, meaning the difference between the interest rates earned on loans and investments and the interest rates paid on deposits and borrowings, could adversely affect our earnings and financial condition. Interest rates are highly sensitive to many factors, including:

- The rate of inflation;
- The rate of economic growth;
- Employment levels;
- Monetary policies; and
- Instability in domestic and foreign financial markets.

Changes in market interest rates will also affect the level of voluntary prepayments on our loans and the receipt of payments on our mortgage-backed securities resulting in the receipt of proceeds that may be reinvested at a lower rate than the loan or mortgage-backed security being prepaid.

We originate residential loans for sale and for our portfolio. The origination of loans for sale is designed to meet client financing needs and earn fee income. The origination of loans for sale is highly dependent upon the local real estate market and the level and trend of interest rates. Increasing interest rates may reduce the origination of loans for sale and consequently the fee income we earn. While our commercial banking, construction, and income property business lines remain a significant portion of our activities, high interest rates may reduce our mortgage-banking activities and thereby our income. In contrast, decreasing interest rates have the effect of causing clients to refinance mortgage loans faster than anticipated. This causes the value of assets related to the servicing rights on loans sold to be lower than originally anticipated. If this happens, we may need to write down our servicing assets faster, which would accelerate our expense and lower our earnings.

We consider interest rate risk one of our most significant market risks. Interest rate risk is the exposure to adverse changes in net interest income due to changes in interest rates. Consistency of our net interest revenue is largely dependent upon the effective management of interest rate risk. We employ a variety of measurement techniques to identify and manage our interest rate risk including the use of an earnings simulation model to analyze net interest income sensitivity to changing interest rates. The model is based on actual cash flows and repricing characteristics for on and off-balance sheet instruments and incorporates market-based assumptions regarding the effect of changing interest rates on the prepayment rates of certain assets and liabilities. Assumptions based on the historical behavior of deposit rates and balances in relation to changes in interest rates are also incorporated into the model. These assumptions are inherently uncertain, and as a result, the model cannot precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

Banking Reform
Our business may be adversely affected by proposed "banking reform" legislation.

The Obama administration has proposed major changes to the banking and financial institutions regulatory regimes in the near future in light of the recent performance of and government intervention in the financial services sector. Legislation to implement these changes is pending in the U.S. House of Representatives and the U.S. Senate. These proposed reforms and other changes to statutes, regulations, and policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect CTBI in substantial and unpredictable ways. Such changes could subject CTBI to additional costs, limit the types of financial services and products CTBI may offer, negatively impact the recoverability of certain of our recorded assets, and increase the ability of non-banks to offer competing financial services and products, among other things.

Government Policies
Our business may be adversely affected by changes in government policies.

The earnings of banks and bank holding companies such as ours are affected by the policies of regulatory authorities, including the Federal Reserve Board, which regulates the money supply. Among the methods employed by the Federal Reserve Board are open market operations in U.S. Government securities, changes in the discount rate on member bank borrowings, and changes in reserve requirements against member bank deposits. These methods are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may also affect interest rates charged on loans or paid on deposits. The monetary policies of the Federal Reserve Board have had a significant effect on the operating results of commercial and savings banks in the past and are expected to continue to do so in the future.

The banking industry is highly regulated and changes in federal and state banking regulations as well as policies and administration guidelines may affect our practices, growth prospects, and earnings. In particular, there is no assurance that recent governmental actions designed to stabilize the economy and banking system will not adversely affect the financial position or results of operations of CTBI.

Credit Risk
Our earnings and reputation may be adversely affected if we fail to effectively manage our credit risk.

Originating and underwriting loans are integral to the success of our business. This business requires us to take "credit risk," which is the risk of losing principal and interest income because borrowers fail to repay loans. Collateral values and the ability of borrowers to repay their loans may be affected at any time by factors such as:

- The length and severity of downturns in the local economies in which we operate or the national economy;
- The length and severity of downturns in one or more of the business sectors in which our customers operate, particularly the automobile, hotel/motel, coal, and residential development industries; or
- A rapid increase in interest rates.

Our loan portfolio includes loans with a higher risk of loss.

We originate commercial real estate loans, construction and development loans, consumer loans, and residential mortgage loans, primarily within our market area. Commercial real estate, commercial, and construction and development loans tend to involve larger loan balances to a single borrower or groups of related borrowers and are most susceptible to a risk of loss during a downturn in the business cycle. These loans also have historically had a greater credit risk than other loans for the following reasons:

- Commercial Real Estate Loans. Repayment is dependent on income being generated in amounts sufficient to cover operating expenses and debt service. These loans also involve greater risks because they are generally not fully amortizing over a loan period, but rather have a balloon payment due at maturity. A borrower's ability to make a balloon payment typically will depend on being able to either refinance the loan or timely sell the underlying property. As of December 31, 2009, commercial real estate loans, including multi-family loans, comprised approximately 29% of our total loan portfolio.

- Other Commercial Loans. Repayment is generally dependent upon the successful operation of the borrower's business. In addition, the collateral securing the loans may depreciate over time, be difficult to appraise, be illiquid, or fluctuate in value based on the success of the business. As of December 31, 2009, commercial loans comprised approximately 16% of our total loan portfolio.

- Construction and Development Loans. The risk of loss is largely dependent on our initial estimate of whether the property's value at completion equals or exceeds the cost of property construction and the availability of take-out financing. During the construction phase, a number of factors can result in delays or cost overruns. If our estimate is inaccurate or if actual construction costs exceed estimates, the value of the property securing our loan may be insufficient to ensure full repayment when completed through a permanent loan, sale of the property, or by seizure of collateral. As of December 31, 2009, construction and development loans comprised approximately 8% of our total loan portfolio.

Consumer loans may carry a higher degree of repayment risk than residential mortgage loans, particularly when the consumer loan is unsecured. Repayment of a consumer loan typically depends on the borrower's financial stability, and it is more likely to be affected adversely by job loss, illness, or personal bankruptcy. In addition, federal and state bankruptcy, insolvency, and other laws may limit the amount we can recover when a consumer client defaults. As of December 31, 2009, consumer loans comprised approximately 22% of our total loan portfolio.

A large percentage of our loan portfolio is secured by real estate, in particular commercial real estate. Continued deterioration in the real estate market or other segments of our loan portfolio would lead to additional losses, which could have a material adverse effect on our business, financial condition, and results of operations.

As of December 31, 2009, approximately 62% of our loan portfolio is secured by real estate, the majority of which is commercial real estate. As a result of increased levels of commercial and consumer delinquencies and declining real estate values, we have experienced increasing levels of net charge-offs and allowances for loan and lease reserves. Continued increases in commercial and consumer delinquency levels or continued declines in real estate market values would require increased net charge-offs and increases in the allowance for loan and lease losses, which could have a material adverse effect on our business, financial condition, and results of operations and prospects.

Increased FDIC Assessments

Our FDIC insurance assessments have increased substantially and may continue to increase, resulting in higher operating costs.

In the past several years, the FDIC announced significant increases in the premiums charged for FDIC deposit insurance protection. In 2009, a special assessment of $1.3 million was paid by CTBI. Should more bank failures occur, FDIC premiums could continue to increase. These increased premiums will have an adverse effect on our net income and results of operations.

Environmental Liability Risk

We are subject to environmental liability risk associated with lending activity.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.

Competition

Strong competition within our market area may reduce our ability to attract and retain deposits and originate loans.

We face competition both in originating loans and in attracting deposits. Competition in the financial services industry is intense. We compete for clients by offering excellent service and competitive rates on our loans and deposit products. The type of institutions we compete with include commercial banks, savings institutions, mortgage banking firms, credit unions, finance companies, mutual funds, insurance companies and brokerage and investment banking firms. Competition arises from institutions located within and outside our market areas. As a result of their size and ability to achieve economies of scale, certain of our competitors offer a broader range of products and services than we offer. The recent economic crisis is likely to result in increased consolidation in the financial industry and larger financial institutions, some of whom may benefit from partial nationalization, may strengthen their competitive positions. In addition, to stay competitive in our markets we may need to adjust the interest rates on our products to match the rates offered by our competitors, which could adversely affect our net interest margin. As a result, our profitability depends upon our continued ability to successfully compete in our market areas while achieving our investment objectives.

Acquisition Risk
We may have difficulty in the future continuing to grow through acquisitions.

Due to consolidation within the banking industry, the number of suitable acquisition targets has decreased and there is intense competition for attractive acquisitions. As a result, we may experience difficulty in making acquisitions on acceptable terms.

Any future acquisitions or mergers by CTBI or its banking subsidiary are subject to approval by the appropriate federal and state banking regulators. The banking regulators evaluate a number of criteria in making their approval decisions, such as:

- Safety and soundness guidelines;
- Compliance with all laws including the USA Patriot Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act, the Sarbanes-Oxley Act and the related rules and regulations promulgated under such Act or the Exchange Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Community Reinvestment Act, the Home Mortgage Disclosure Act, and all other applicable fair lending laws and other laws relating to discriminatory business practices; and
- Anti-competitive concerns with the proposed transaction.

If the banking regulators or a commenter on our regulatory application raise concerns about any of these criteria at the time a regulatory application is filed, the banking regulators may deny, delay, or condition their approval of a proposed transaction.

We have grown, and intend to continue to grow, through acquisitions of banks and other financial institutions. After these acquisitions, we may experience adverse changes in results of operations of acquired entities, unforeseen liabilities, asset quality problems of acquired entities, loss of key personnel, loss of clients because of change of identity, difficulties in integrating data processing and operational procedures, and deterioration in local economic conditions. These various acquisition risks can be heightened in larger transactions.

Integration Risk
We may not be able to achieve the expected integration and cost savings from our ongoing bank acquisition activities.

We have a long history of acquiring financial institutions and we expect this acquisition activity to continue in the future. Difficulties may arise in the integration of the business and operations of the financial institutions that agree to merge with and into CTBI and, as a result, we may not be able to achieve the cost savings and synergies that we expect will result from the merger activities. Achieving cost savings is dependent on consolidating certain operational and functional areas, eliminating duplicative positions and terminating certain agreements for outside services. Additional operational savings are dependent upon the integration of the banking businesses of the acquired financial institution with that of CTBI, including the conversion of the acquired entity’s core operating systems, data systems and products to those of CTBI and the standardization of business practices. Complications or difficulties in the conversion of the core operating systems, data systems, and products of these other banks to those of CTBI may result in the loss of clients, damage to our reputation within the financial services industry, operational problems, one-time costs currently not anticipated by us, and/or reduced cost savings resulting from the merger activities.

Operational Risk
An extended disruption of vital infrastructure or a security breach could negatively impact our business, results of operations, and financial condition.

Our operations depend upon, among other things, our infrastructure, including equipment and facilities. Extended disruption of vital infrastructure by fire, power loss, natural disaster, telecommunications failure, computer hacking or viruses, terrorist activity or the domestic and foreign response to such activity, or other events outside of our control could have a material adverse impact on the financial services industry as a whole and on our business, results of operations, cash flows, and financial condition in particular. Our business recovery plan may not work as intended or may not prevent significant interruption of our operations. The occurrence of any failures, interruptions, or security breaches of our information systems could damage our reputation, result in the loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have an adverse effect on our financial condition and results of operation.

Market Risk
Community Trust Bancorp, Inc.'s stock price is volatile.

Our stock price has been volatile in the past, and several factors could cause the price to fluctuate substantially in the future. These factors include:

- Actual or anticipated variations in earnings;
- Changes in analysts' recommendations or projections;
- CTBI's announcements of developments related to our businesses;
- Operating and stock performance of other companies deemed to be peers;
- New technology used or services offered by traditional and non-traditional competitors; and
- News reports of trends, concerns, and other issues related to the financial services industry.

Our stock price may fluctuate significantly in the future, and these fluctuations may be unrelated to CTBI's performance. The recent financial crisis has resulted in a lack of investor confidence in the financial institutions sector. General market price declines or market volatility in the future could adversely affect the price of our common stock, and the current market price may not be indicative of future market prices.

Technology Risk
CTBI continually encounters technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

Counterparty Risk
The soundness of other financial institutions could adversely affect CTBI.

Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, and other institutional counterparties. As a result, defaults by, or even rumors or questions about, one or more financial services companies, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due us. There is no assurance that any such losses would not materially and adversely affect our businesses, financial condition, or results of operations.

Item 1B. Unresolved Staff Comments

None.

SELECTED STATISTICAL INFORMATION

The following tables set forth certain statistical information relating to CTBI and subsidiaries on a consolidated basis and should be read together with our consolidated financial statements.

Consolidated Average Balance Sheets and Taxable Equivalent Income/Expense and Yields/Rates

| | 2009 | | | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| (in thousands) | Average Balances | Interest | Average Rate | Average Balances | Interest | Average Rate | Average Balances | Interest | Average Rate |
| Earning assets: | | | | | | | | | |
| Loans (1)(2)(3) | $2,383,875 | $139,677 | 5.86 % | $2,283,180 | $150,413 | 6.59% | $2,205,431 | $171,632 | 7.78% |
| Loans held for sale | 1,580 | 359 | 22.72 | 1,752 | 171 | 9.76 | 2,484 | 157 | 6.32 |
| Securities: | | | | | | | | | |
| U.S. Treasury and agencies | 237,641 | 8,792 | 3.70 | 249,515 | 10,912 | 4.37 | 275,219 | 12,034 | 4.37 |
| Tax exempt state and political subdivisions (3) | 47,801 | 2,839 | 5.94 | 45,146 | 2,875 | 6.37 | 45,514 | 2,946 | 6.47 |
| Other securities | 20,812 | 777 | 3.73 | 32,842 | 1,723 | 5.25 | 117,136 | 5,350 | 4.57 |
| Federal Reserve Bank and Federal Home Loan Bank stock | 29,047 | 1,402 | 4.83 | 28,549 | 1,559 | 5.46 | 28,040 | 1,794 | 6.40 |
| Federal funds sold | 66,619 | 193 | 0.29 | 53,816 | 1,083 | 2.01 | 82,324 | 4,246 | 5.16 |
| Interest bearing deposits | 24,203 | 54 | 0.22 | 6,297 | 121 | 1.92 | 1,910 | 83 | 4.35 |
| Other investments | 17,267 | 131 | 0.76 | 100 | 3 | 3.00 | 100 | 5 | 5.00 |
| Investment in unconsolidated subsidiaries | 1,856 | 120 | 6.47 | 1,857 | 120 | 6.46 | 1,856 | 130 | 7.00 |
| Total earning assets | 2,830,701 | $154,344 | 5.45 % | 2,703,054 | $168,980 | 6.25% | 2,760,014 | $198,377 | 7.19% |
| Allowance for loan and lease losses | (32,599 ) | | | (29,901 ) | | | (28,129 ) | | |
| | 2,798,102 | | | 2,673,153 | | | 2,731,885 | | |
| Nonearning assets: | | | | | | | | | |
| Cash and due from banks | 59,940 | | | 74,264 | | | 75,667 | | |
| Premises and equipment, net | 50,843 | | | 52,559 | | | 54,434 | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Other assets | 138,215 | | | 121,241 | | | 118,727 | | |
| Total assets | $3,047,100 | | | $2,921,217 | | | $2,980,713 | | |
| | | | | | | | | | |
| Interest bearing liabilities: | | | | | | | | | |
| Deposits: | | | | | | | | | |
| Savings and demand deposits | $666,874 | $4,002 | 0.60 % | $655,577 | $7,885 | 1.20% | $696,329 | $17,457 | 2.51% |
| Time deposits | 1,271,072 | 35,791 | 2.82 | 1,204,550 | 45,964 | 3.82 | 1,231,039 | 58,180 | 4.73 |
| Repurchase agreements and federal funds purchased | 180,044 | 2,457 | 1.36 | 170,231 | 4,424 | 2.60 | 174,697 | 8,429 | 4.82 |
| Advances from Federal Home Loan Bank | 47,434 | 1,291 | 2.72 | 49,001 | 1,701 | 3.47 | 67,452 | 2,402 | 3.56 |
| Long-term debt | 61,341 | 3,999 | 6.52 | 61,341 | 4,000 | 6.52 | 61,830 | 4,364 | 7.06 |
| Total interest bearing liabilities | 2,226,765 | $47,540 | 2.13 % | 2,140,700 | $63,974 | 2.99% | 2,231,347 | $90,832 | 4.07% |
| Noninterest bearing liabilities: | | | | | | | | | |
| Demand deposits | 471,902 | | | 443,593 | | | 425,534 | | |
| Other liabilities | 30,722 | | | 28,523 | | | 29,726 | | |
| Total liabilities | 2,729,389 | | | 2,612,816 | | | 2,686,607 | | |
| | | | | | | | | | |
| Shareholders' equity | 317,711 | | | 308,401 | | | 294,106 | | |
| Total liabilities and shareholders' equity | $3,047,100 | | | $2,921,217 | | | $2,980,713 | | |
| | | | | | | | | | |
| Net interest income | | $106,804 | | | $105,006 | | | $107,545 | |
| Net interest spread | | | 3.32 % | | | 3.26% | | | 3.12% |
| Benefit of interest free funding | | | 0.45 % | | | 0.62% | | | 0.78% |
| Net interest margin | | | 3.77 % | | | 3.88% | | | 3.90% |

(1) Interest includes fees on loans of $1,741, $1,679, and $1,819 in 2009, 2008, and 2007, respectively.
(2) Loan balances are net of unearned income and include principal balances on nonaccrual loans.
(3) Tax exempt income on securities and loans is reported on a fully taxable equivalent basis using a 35% rate.

Net Interest Differential

The following table illustrates the approximate effect of volume and rate changes on net interest differentials between 2009 and 2008 and also between 2008 and 2007.

| (in thousands) | Total Change 2009/2008 | Change Due to Volume | Change Due to Rate | Total Change 2008/2007 | Change Due to Volume | Change Due to Rate |
|---|---|---|---|---|---|---|
| Interest income | | | | | | |
| Loans | $ (10,736 ) | $ 6,424 | $ (17,160 ) | $ (21,219 ) | $ 5,877 | $ (27,096 ) |
| Loans held for sale | 188 | (15 ) | 203 | 14 | (37 ) | 51 |
| U.S. Treasury and agencies | (2,120 ) | (538 ) | (1,582 ) | (1,122 ) | (1,124 ) | 2 |
| Tax exempt state and political subdivisions | (36 ) | 164 | (200 ) | (71 ) | (24 ) | (47 ) |
| Other securities | (946 ) | (733 ) | (213 ) | (3,627 ) | (3,375 ) | (252 ) |
| Federal Reserve Bank and Federal Home Loan Bank stock | (157 ) | 27 | (184 ) | (235 ) | 32 | (267 ) |
| Federal funds sold | (890 ) | 210 | (1,100 ) | (3,163 ) | (1,794 ) | (1,369 ) |
| Interest bearing deposits | (67 ) | 112 | (179 ) | 38 | 41 | (3 ) |
| Other investments | 128 | 132 | (4 ) | (2 ) | 0 | (2 ) |
| Investment in unconsolidated subsidiaries | 0 | 0 | 0 | (10 ) | 0 | (10 ) |
| Total interest income | (14,636 ) | 5,783 | (20,419 ) | (29,397 ) | (404 ) | (28,993 ) |
| | | | | | | |
| Interest expense | | | | | | |
| Savings and demand deposits | (3,883 ) | 134 | (4,017 ) | (9,572 ) | (1,075 ) | (8,497 ) |
| Time deposits | (10,173 ) | 2,423 | (12,596 ) | (12,216 ) | (1,277 ) | (10,939 ) |
| Repurchase agreements and federal funds purchased | (1,967 ) | 242 | (2,209 ) | (4,005 ) | (221 ) | (3,784 ) |
| Advances from Federal Home Loan Bank | (410 ) | (56 ) | (354 ) | (701 ) | (672 ) | (29 ) |
| Long-term debt | (1 ) | 0 | (1 ) | (364 ) | (34 ) | (330 ) |
| Total interest expense | (16,434 ) | 2,743 | (19,177 ) | (26,858 ) | (3,279 ) | (23,579 ) |
| | | | | | | |
| Net interest income | $ 1,798 | $ 3,040 | $ (1,242 ) | $ (2,539 ) | $ 2,875 | $ (5,414 ) |

For purposes of the above table, changes which are due to both rate and volume are allocated based on a percentage basis, using the absolute values of rate and volume variance as a basis for percentages. Income is stated at a fully taxable equivalent basis, assuming a 35% tax rate.

Investment Portfolio

The maturity distribution and weighted average interest rates of securities at December 31, 2009 are as follows:

Available-for-sale

| Estimated Maturity at December 31, 2009 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Within 1 Year | | 1-5 Years | | 5-10 Years | | After 10 Years | | Total Fair Value | | Amortized Cost |
| (in thousands) | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount |
| U.S. Treasury, government agencies, and government sponsored agencies | $28,516 | 3.85% | $160,538 | 4.36% | $14,759 | 3.46% | $315 | 6.44% | $204,128 | 4.22% | $198,687 |
| State and municipal obligations | 10,068 | 5.50 | 13,840 | 5.97 | 6,624 | 5.11 | 15,125 | 6.09 | 45,657 | 5.85 | 44,529 |
| Other securities | 0 | 0.00 | 0 | 0.00 | 20,097 | 3.72 | 355 | 1.35 | 20,452 | 3.66 | 20,540 |
| Total | $38,584 | 4.36% | $174,378 | 4.46% | $41,480 | 3.85% | $15,795 | 5.99% | $270,237 | 4.44% | $263,756 |

Held-to-maturity

| Estimated Maturity at December 31, 2009 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Within 1 Year | | 1-5 Years | | 5-10 Years | | After 10 Years | | Total Amortized Cost | | Fair Value |
| (in thousands) | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount | Yield | Amount |
| U.S. Treasury, government agencies, and government sponsored agencies | $12,280 | 3.88% | $0 | 0.00% | $0 | 0.00% | $0 | 0.00% | $12,280 | 3.88% | $12,373 |
| State and municipal obligations | 195 | 6.58 | 200 | 6.56 | 0 | 0.00 | 1,181 | 5.97 | 1,576 | 6.13 | 1,582 |
| Other securities | 0 | 0.00 | 480 | 1.13 | 0 | 0.00 | 0 | 0.00 | 480 | 1.13 | 480 |
| Total | $12,475 | 3.92% | $680 | 6.65% | $0 | 0.00% | $1,181 | 5.97% | $14,336 | 4.14% | $14,435 |
| | | | | | | | | | | | |
| Total securities | $51,059 | 4.25% | $175,058 | 4.46% | $41,480 | 3.85% | $16,976 | 5.99% | $284,573 | 4.42% | $278,191 |

The calculations of the weighted average interest rates for each maturity category are based upon yield weighted by the respective costs of the securities. The weighted average rates on state and political subdivisions are computed on a taxable equivalent basis using a 35% tax rate.

Excluding those holdings of the investment portfolio in U.S. Treasury securities, government agencies, and government sponsored agencies, there were no securities of any one issuer that exceeded 10% of our shareholders' equity at December 31, 2009.

The book values of securities available-for-sale and securities held-to-maturity as of December 31, 2009 and 2008 are presented in note 3 to the consolidated financial statements.

The book value of securities at December 31, 2007 is presented below:

| (in thousands) | Available-for-Sale | Held-to-Maturity |
|---|---|---|
| U.S. Treasury and government agencies | $ 20,307 | $ 0 |
| State and political subdivisions | 40,472 | 1,901 |
| U.S. government sponsored agencies | 205,049 | 31,058 |
| Collateralized mortgage obligations | 1 | 0 |
| Total debt securities | 265,829 | 32,959 |
| Marketable equity securities | 60,050 | 0 |
| Total securities | $ 325,879 | $ 32,959 |

Loan Portfolio

| (in thousands) | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Commercial: | | | | | |
| Construction | $ 141,440 | $ 156,425 | $ 143,773 | $ 133,902 | $ 115,721 |
| Secured by real estate | 707,500 | 663,663 | 640,574 | 632,881 | 665,911 |
| Other | 373,829 | 365,685 | 333,774 | 337,075 | 301,828 |
| Total commercial | 1,222,769 | 1,185,773 | 1,118,121 | 1,103,858 | 1,083,460 |
| | | | | | |
| Real estate construction | 51,311 | 56,298 | 69,021 | 50,588 | 51,232 |
| Real estate mortgage | 610,727 | 609,394 | 599,665 | 579,197 | 542,809 |
| Consumer | 530,905 | 484,843 | 435,273 | 422,291 | 414,920 |
| Equipment lease financing | 20,048 | 12,343 | 5,817 | 11,524 | 14,923 |
| Total loans | $ 2,435,760 | $ 2,348,651 | $ 2,227,897 | $ 2,167,458 | $ 2,107,344 |
| | | | | | |
| Percent of total year-end loans | | | | | |
| Commercial: | | | | | |
| Construction | 5.80 % | 6.65 % | 6.45 % | 6.18 % | 5.49 % |
| Secured by real estate | 29.05 | 28.26 | 28.75 | 29.20 | 31.60 |
| Other | 15.35 | 15.57 | 14.98 | 15.55 | 14.32 |
| Total commercial | 50.20 | 50.48 | 50.18 | 50.93 | 51.41 |
| | | | | | |
| Real estate construction | 2.11 | 2.40 | 3.10 | 2.34 | 2.43 |
| Real estate mortgage | 25.07 | 25.95 | 26.92 | 26.72 | 25.76 |
| Consumer | 21.80 | 20.64 | 19.54 | 19.48 | 19.69 |
| Equipment lease financing | 0.82 | 0.53 | 0.26 | 0.53 | 0.71 |
| Total loans | 100.00 % | 100.00 % | 100.00 % | 100.00 % | 100.00 % |

The total loans above are net of unearned income.

The following table shows the amounts of loans (excluding residential mortgages of 1-4 family residences, consumer loans, and lease financing) which, based on the remaining scheduled repayments of principal are due in the periods indicated. Also, the amounts are classified according to sensitivity to changes in interest rates (fixed, variable).

| | Maturity at December 31, 2009 | | | |
|---|---|---|---|---|
| (in thousands) | Within One Year | After One but Within Five Years | After Five Years | Total |
| Commercial secured by real estate and commercial other | $230,414 | $266,025 | $584,890 | $1,081,329 |
| Commercial and real estate construction | 121,464 | 20,689 | 50,598 | 192,751 |
| | $351,878 | $286,714 | $635,488 | $1,274,080 |
| | | | | |
| Rate sensitivity: | | | | |
| Predetermined rate | $71,365 | $55,486 | $52,462 | $179,313 |
| Adjustable rate | 280,513 | 231,228 | 583,026 | 1,094,767 |
| | $351,878 | $286,714 | $635,488 | $1,274,080 |

Nonperforming Assets

| (in thousands) | 2009 | | 2008 | | 2007 | | 2006 | | 2005 | |
|---|---|---|---|---|---|---|---|---|---|---|
| Nonaccrual loans | $32,247 | | $40,945 | | $22,237 | | $9,863 | | $12,219 | |
| Troubled debt restructured loans | 0 | | 0 | | 20 | | 66 | | 899 | |
| 90 days or more past due and still accruing interest | 9,067 | | 11,245 | | 9,622 | | 4,294 | | 8,284 | |
| Total nonperforming loans | 41,314 | | 52,190 | | 31,879 | | 14,223 | | 21,402 | |
| | | | | | | | | | | |
| Other repossessed assets | 276 | | 239 | | 241 | | 3 | | 60 | |
| Foreclosed properties | 37,333 | | 10,425 | | 7,851 | | 4,524 | | 5,410 | |
| Total nonperforming assets | $78,923 | | $62,854 | | $39,971 | | $18,750 | | $26,872 | |
| | | | | | | | | | | |
| Nonperforming assets to total loans and foreclosed properties/assets | 3.19 | % | 2.66 | % | 1.79 | % | 0.86 | % | 1.27 | % |
| Allowance to nonperforming loans | 79.01 | % | 59.06 | % | 88.00 | % | 193.54 | % | 137.87 | % |

Nonaccrual, Past Due, and Restructured Loans

| (in thousands) | Nonaccrual loans | As a % of Loan Balances by Category | | Restructured Loans | As a % of Loan Balances by Category | | Accruing Loans Past Due 90 Days or More | As a % of Loan Balances by Category | | Balances |
|---|---|---|---|---|---|---|---|---|---|---|
| December 31, 2009 | | | | | | | | | | |
| Commercial construction | $12,312 | 8.70 | % | $0 | 0.00 | % | $865 | 0.61 | % | $141,440 |
| Commercial secured by real estate | 9,803 | 1.39 | | 0 | 0.00 | | 5,640 | 0.80 | | 707,500 |
| Commercial other | 4,489 | 1.20 | | 0 | 0.00 | | 286 | 0.08 | | 373,829 |
| Consumer real estate construction | 1,244 | 2.42 | | 0 | 0.00 | | 0 | 0.00 | | 51,311 |
| Consumer real estate secured | 4,399 | 0.72 | | 0 | 0.00 | | 1,698 | 0.28 | | 610,727 |
| Consumer other | 0 | 0.00 | | 0 | 0.00 | | 578 | 0.11 | | 530,905 |
| Equipment lease financing | 0 | 0.00 | | 0 | 0.00 | | 0 | 0.00 | | 20,048 |
| Total | $32,247 | 1.32 | % | $0 | 0.00 | % | $9,067 | 0.37 | % | $2,435,760 |
| | | | | | | | | | | |
| December 31, 2008 | | | | | | | | | | |
| Commercial construction | $21,602 | 13.81 | % | $0 | 0.00 | % | $3,741 | 2.39 | % | $156,425 |
| Commercial secured by real estate | 10,780 | 1.62 | | 0 | 0.00 | | 3,319 | 0.50 | | 663,663 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Commercial other | 4,471 | 1.22 | 0 | 0.00 | 634 | 0.17 | 365,685 |
| Consumer real estate construction | 1,255 | 2.23 | 0 | 0.00 | 55 | 0.10 | 56,298 |
| Consumer real estate secured | 2,837 | 0.47 | 0 | 0.00 | 3,008 | 0.49 | 609,394 |
| Consumer other | 0 | 0.00 | 0 | 0.00 | 488 | 0.10 | 484,843 |
| Equipment lease financing | 0 | 0.00 | 0 | 0.00 | 0 | 0.00 | 12,343 |
| Total | $40,945 | 1.74 % | $0 | 0.00 % | $11,245 | 0.48 % | $2,348,651 |

In 2009, gross interest income that would have been recorded on nonaccrual loans had the loans been current in accordance with their original terms amounted to $2.3 million. Interest income actually received and included in net income for the period was $0.3 million, leaving $2.0 million of interest income not recognized during the period.

Discussion of the Nonaccrual Policy

The accrual of interest income on loans is discontinued when the collection of interest and principal in full is not expected. When interest accruals are discontinued, interest income accrued in the current period is reversed and interest income accrued in prior periods is charged to the allowance for loan and lease losses. Any loans past due 90 days or more must be well secured and in the process of collection to continue accruing interest.

Potential Problem Loans

Interest accrual is discontinued when we believe, after considering economic and business conditions, collateral value, and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful.

Foreign Outstandings

None

Loan Concentrations

We had no concentration of loans exceeding 10% of total loans at December 31, 2009. See note 18 to the consolidated financial statements for further information.

Analysis of the Allowance for Loan and Lease Losses

| (in thousands) | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| Allowance for loan and lease losses, beginning of year | $30,821 | $28,054 | $27,526 | $29,506 | $27,017 |
| Loans charged off: | | | | | |
| Commercial construction | 3,435 | 1,491 | 273 | 23 | 56 |
| Commercial secured by real estate | 3,192 | 914 | 1,106 | 872 | 826 |
| Commercial other | 4,342 | 2,080 | 2,134 | 3,816 | 4,233 |
| Real estate construction | 330 | 125 | 32 | 56 | 10 |
| Real estate mortgage | 1,081 | 746 | 547 | 572 | 746 |
| Consumer | 6,479 | 5,942 | 4,340 | 4,091 | 5,097 |
| Equipment lease financing | 0 | 0 | 0 | 0 | 0 |
| Total charge-offs | 18,859 | 11,298 | 8,432 | 9,430 | 10,968 |
| | | | | | |
| Recoveries of loans previously charged off: | | | | | |
| Commercial construction | 204 | 25 | 0 | 0 | 0 |
| Commercial secured by real estate | 415 | 177 | 180 | 132 | 94 |
| Commercial other | 350 | 534 | 428 | 689 | 766 |
| Real estate construction | 7 | 5 | 1 | 0 | 20 |
| Real estate mortgage | 150 | 60 | 250 | 210 | 310 |
| Consumer | 2,087 | 1,812 | 1,561 | 2,114 | 2,223 |
| Equipment lease financing | 0 | 0 | 0 | 0 | 0 |
| Total recoveries | 3,213 | 2,613 | 2,420 | 3,145 | 3,413 |
| | | | | | |
| Net charge-offs/(recoveries): | | | | | |
| Commercial construction | 3,231 | 1,466 | 273 | 23 | 56 |
| Commercial secured by real estate | 2,777 | 737 | 926 | 740 | 732 |
| Commercial other | 3,992 | 1,546 | 1,706 | 3,127 | 3,467 |
| Real estate construction | 323 | 120 | 31 | 56 | (10) |
| Real estate mortgage | 931 | 686 | 297 | 362 | 436 |
| Consumer | 4,392 | 4,130 | 2,779 | 1,977 | 2,874 |
| Equipment lease financing | 0 | 0 | 0 | 0 | 0 |
| Total net charge-offs/(recoveries) | 15,646 | 8,685 | 6,012 | 6,285 | 7,555 |
| | | | | | |
| Provisions charged against operations | 17,468 | 11,452 | 6,540 | 4,305 | 8,285 |
| | | | | | |
| Allowance of acquired bank | 0 | 0 | 0 | 0 | 1,759 |
| Balance, end of year | $32,643 | $30,821 | $28,054 | $27,526 | $29,506 |
| | | | | | |
| Allocation of allowance, end of year: | | | | | |
| Commercial construction | $2,774 | $3,645 | $3,194 | | |