COMMUNITY TRUST BANCORP INC /KY/
Form 10-K
March 15, 2006

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

[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, 2005
	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 **Pikeville, Kentucky** *(address of principal executive offices)*	**41501** *(Zip Code)*

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

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

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

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 is a large accelerated filer, an accelerated filer, or a non-accelerated file. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	Accelerated filer ü	Non-accelerated filer

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 National Market, the aggregate market value of voting stock held by non-affiliates of the Registrant as of June 30, 2005 was $487,175,475. The number of shares outstanding of the Registrant's Common Stock as of February 28, 2006 was 15,009,954. For the purpose of the foregoing calculation only, all directors and executive officers of the Registrant have been deemed affiliates.

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 25, 2006	Part III

PART I

Item 1. Business

Community Trust Bancorp, Inc. (the "Corporation") 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. The Corporation 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, 2005, the Corporation owned all the capital stock of one commercial bank and one trust company, serving small and mid-sized communities in eastern, northeast, central, and south central Kentucky and southern West Virginia. The commercial bank is Community Trust Bank, Inc., Pikeville, Kentucky (the "Bank"). The trust company, Community Trust and Investment Company, Lexington, Kentucky (the "Trust Company"), has offices in Lexington, Pikeville, Ashland, Middlesboro, and Versailles, Kentucky. At December 31, 2005, the Corporation had total consolidated assets of $2.8 billion and total consolidated deposits of $2.4 billion, making it the largest bank holding company headquartered in the Commonwealth of Kentucky.

Effective January 1, 2003, the Bank and the Trust Company converted their charters to state charters from national associations. The Bank remained a member of the Federal Reserve System following conversion. Following its conversion, the Trust Company changed its name from Trust Company of Kentucky, National Association to Community Trust and Investment Company in order to identify more closely the Trust Company with the Bank. While the conversions resulted in some reduction in expenses, they did not result in any changes in the management or operations of the Bank or the Trust Company.

On June 10, 2005, the Bank completed the acquisition of Heritage Community Bank of Danville, Kentucky. All former Heritage Community Bank offices now operate as branch offices of Community Trust Bank, Inc. The Corporation obtained loans totaling approximately $73.7 million, cash and cash equivalents of approximately $8.1 million, and deposits totaling approximately $69.8 million from this acquisition. The total cost of the acquisition, including direct acquisition costs, was $12.4 million. Goodwill and core deposit intangible of approximately $3.9 million was recorded.

Through its subsidiaries, the Corporation 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 the Bank include making commercial, construction, mortgage, and personal loans. Also available are lease-financing, lines of credit, revolving lines of credit, term loans, and other specialized loans including asset-based financing. The 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 operations.

COMPETITION

The Corporation’s subsidiaries face substantial competition for deposit, credit, and trust relationships, as well as other sources of funding in the communities they 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 the Corporation’s subsidiaries. Many of these providers offer services within and outside the market areas served by the Corporation’s subsidiaries. The Corporation’s subsidiaries strive to offer competitively priced products along with quality customer service to build customer relationships in the communities they serve.

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 "Gramm Act") has expanded the permissible activities of a bank holding company. The Gramm 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. The Corporation has not yet elected to be treated as a financial holding company. The Gramm 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 the business of the Corporation is seasonal. The business of the Corporation is 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 the Corporation. See note 18 to the consolidated financial statements for additional information regarding concentrations of credit.

The Corporation engages in no operations in foreign countries.

EMPLOYEES

As of December 31, 2005, the Corporation and its subsidiaries had 1,003 full-time equivalent employees. 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

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

The Bank is a state-chartered bank subject to state and federal banking laws and regulations and to periodic examination by the Kentucky Office of Financial Institutions and to the restrictions, including dividend restrictions, thereunder. The 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. The Trust Company is also regulated by the Kentucky Office of Financial Institutions and the Federal Reserve.

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

The operations of the Corporation and its subsidiaries also are 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.

The Corporation'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 the Corporation's 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. The Corporation's Code of Business Conduct and Ethics is also available on the Corporation's website. Copies of the Corporation's 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. The Corporation'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 future or conditional verbs such as "will," "should," "would," and "could." These forward-looking statements involve risks and 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, of changes in laws and regulations on competition and of 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 the Corporation 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 the Corporation's results. These statements are representative only on the date hereof, and the Corporation undertakes no obligation to update any forward-looking statements made.

Item 1A. Risk Factors

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 are an increasing 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.

Management considers interest rate risk one of the Corporation's 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 the Corporation's net interest revenue is largely dependent upon the effective management of interest rate risk. The Corporation employs a variety of measurement techniques to identify and manage its 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.

Government Policies

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

The earnings of banks and bank holding companies such as Community Trust Bancorp, Inc. 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 the Corporation's practices and growth prospects.

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:

- A downturn in the local economies in which we operate or the national economy;
- A downturn in one or more of the business sectors in which our customers operate; or
- A rapid increase in interest rates.

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. 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. 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.

Economy

Our business may be adversely affected by downturns in the local economies on which we depend.

Our loan portfolio is concentrated primarily in eastern, northeast, central, and south central Kentucky and southern West Virginia. Our profits depend on providing products and services to clients in these local regions. An increase in unemployment, a decrease in real estate values, or continued 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 or need 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.

Acquisition Risk

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

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

Any future acquisitions or mergers by the Corporation 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 of 2001, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, the Sarbanes-Oxley Act of 2002 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 the Corporation 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 the Corporation, including the conversion of the acquired entity's core operating systems, data systems and products to those of the Corporation 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 the Corporation 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 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 the Corporation's information systems could damage the Corporation's reputation, result in the loss of customer business, subject the Corporation to additional regulatory scrutiny or expose the Corporation to civil litigation and possible financial liability, any of which could have an adverse effect on the Corporation's financial condition and results of operation.

Market Risk

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

The Corporation's 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;
- The Corporation's announcements of developments related to its 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.

The Corporation's stock price may fluctuate significantly in the future, and these fluctuations may be unrelated to the Corporation's performance. General market price declines or market volatility in the future could adversely affect the price of its common stock, and the current market price may not be indicative of future market prices.

Item 1B. Unresolved Staff Comments

None.

SELECTED STATISTICAL INFORMATION

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

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

	2005			2004			2003		
(in thousands)	**Average Balances**	**Interest**	**Average Rate**	**Average Balances**	**Interest**	**Average Rate**	**Average Balances**	**Interest**	**Average Rate**
Earning assets:									
Loans, net of unearned income (1)(2)(3)	$ 2,024,756	$ 137,602	6.80%	$ 1,816,146	$ 111,417	6.13%	$ 1,658,289	$ 108,827	6.56%
Loans held for sale	1,135	131	11.54%	1,498	151	10.08%	5,456	460	8.43%
Securities:									
U.S. Treasury and agencies	391,810	15,984	4.08%	333,654	13,520	4.05%	284,980	12,378	4.34%
Tax exempt state and political subdivisions (3)	50,995	3,237	6.35%	53,179	3,391	6.38%	50,419	3,408	6.76%
Other securities	72,433	2,909	4.02%	87,251	2,889	3.31%	226,505	4,289	1.89%
Federal funds sold	57,394	1,849	3.22%	44,960	596	1.33%	66,499	746	1.12%
Interest bearing deposits	993	26	2.62%	852	11	1.29%	103	1	0.97%
Total earning assets	2,599,516	$ 161,738	6.22%	2,337,540	$ 131,975	5.65%	2,292,251	$ 130,109	5.68%
Allowance for loan losses	(29,236)			(26,380)			(23,966)		
	2,570,280			2,311,160			2,268,285		
Nonearning assets:									
Cash and due from banks	78,251			74,112			69,111		
Premises and equipment, net	55,480			50,941			49,956		
Other assets	111,677			107,059			104,934		
Total assets	$ 2,815,688			$ 2,543,272			$ 2,492,286		

Interest bearing liabilities:									
Deposits:									
Savings and demand deposits	$ 624,908	$ 8,787	1.41%	$ 621,543	$ 5,360	0.86%	$ 631,424	$ 6,309	1.00%
Time deposits	1,169,680	34,225	2.93%	1,077,795	23,100	2.14%	1,139,419	30,901	2.71%
Repurchase agreements and federal funds purchased	118,906	3,819	3.21%	93,281	1,496	1.60%	83,270	1,108	1.33%
Other short-term borrowings	0	0	0.00%	688	72	10.47%	262	24	9.16%
Advances from Federal Home Loan Bank	152,823	4,872	3.19%	63,546	1,907	3.00%	4,123	230	5.58%
Long-term debt	59,500	5,254	8.83%	59,500	5,254	8.83%	60,304	5,323	8.83%
Total interest bearing liabilities	2,125,817	$ 56,957	2.68%	1,916,353	$ 37,189	1.94%	1,918,802	$ 43,895	2.29%
Noninterest bearing liabilities:									
Demand deposits	423,147			379,353			338,909		
Other liabilities	20,605			18,005			19,489		
Total liabilities	2,569,569			2,313,711			2,277,200		
Shareholders’ equity	246,119			229,561			215,086		
Total liabilities and shareholders’ equity	$ 2,815,688			$ 2,543,272			$ 2,492,286		
Net interest income		$ 104,781			$ 94,786			$ 86,214	
Net interest spread			3.54%			3.71%			3.39%
Benefit of interest free			0.49%			0.34%			0.37%

funding			
Net interest margin	4.03%	4.05%	3.76%

(1) Interest includes fees on loans of $2,841, $2,646, and $3,267 in 2005, 2004, and 2003, respectively.
(2) Loan balances 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 2005 and 2004 and also between 2004 and 2003.

	Total Change	Change Due to		Total Change	Change Due to	
(in thousands)	**2005/2004**	**Volume**	**Rate**	**2004/2003**	**Volume**	**Rate**
Interest income						
Loans	$ 26,185	$ 13,509	$ 12,676	$ 2,590	$ 9,959	$ (7,369)
Loans held for sale	(20)	(33)	13	(309)	(282)	(27)
U.S. Treasury and federal agencies	2,464	2,372	92	1,142	2,012	(870)
Tax exempt state and political subdivisions	(154)	(140)	(14)	(17)	181	(198)
Other securities	20	(444)	464	(1,400)	(1,747)	347
Federal funds sold	1,253	203	1,050	(150)	(214)	64
Interest bearing deposits	15	2	13	10	10	0
Total interest income	29,763	15,469	14,294	1,866	9,919	(8,053)
Interest expense						
Savings and demand deposits	3,427	29	3,398	(949)	(100)	(849)
Time deposits	11,125	2,105	9,020	(7,801)	(1,743)	(6,058)
Repurchase agreements and federal funds purchased	2,323	500	1,823	388	143	245
Other short-term borrowings	(72)	0	(72)	48	44	4
Advances from Federal Home Loan Bank	2,965	2,839	126	1,677	1,831	(154)
Long-term debt	0	0	0	(69)	(71)	2
Total interest expense	19,768	5,473	14,295	(6,706)	104	(6,810)
Net interest income	$ 9,995	$ 9,996	$ (1)	$ 8,572	$ 9,815	$ (1,243)

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, 2005 are as follows:

	Estimated Maturity at December 31, 2005				
	Within 1 Year	1-5 Years	5-10 Years	After 10 Years	Total Fair Value