COMMUNITY FIRST BANCORP
Form 10-Q
November 14, 2007

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

FORM 10-Q

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

For Quarterly Period Ended September 30, 2007 Commission File No. 000-29640

COMMUNITY FIRST BANCORPORATION
(Exact name of registrant as specified in its charter)

South Carolina	58-2322486
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

449 HIGHWAY 123 BYPASS
SENECA, SOUTH CAROLINA 29678
(Address of principal executive offices, zip code)

(864) 886-0206
(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 [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.
(Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Common Stock, no par or stated value, 2,973,194 Shares Outstanding on November 1, 2007

COMMUNITY FIRST BANCORPORATION

FORM 10-Q

Index

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets
Consolidated Statements of Income
Consolidated Statements of Changes in Shareholders' Equity
Consolidated Statements of Cash Flows
Notes to Unaudited Consolidated Financial Statements

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Oper
Item 3. Quantitative and Qualitative Disclosures About Market Risk
Item 4T. Controls and Procedures

PART II - OTHER INFORMATION

Item 6. Exhibits

SIGNATURE

PART I - FINANCIAL INFORMATION

Item 1. - Financial Statements

COMMUNITY FIRST BANCORPORATION
Consolidated Balance Sheets

Assets

Cash and due from banks ....
Interest bearing balances due from banks ....
Federal funds sold ....

Cash and cash equivalents	
Securities available-for-sale	
Securities held-to-maturity (fair value $5,770 for 2007 and $6,530 for 2006)	
Other investments	
Loans	
Allowance for loan losses	
Loans - net	
Premises and equipment - net	
Accrued interest receivable	
Other assets	
Total assets	
Liabilities	
Deposits	
Noninterest bearing	
Interest bearing	
Total deposits	
Short-term borrowings	
Long-term debt	
Accrued interest payable	
Other liabilities	
Total liabilities	
Shareholders' equity	
Common stock - no par value; 10,000,000 shares authorized; issued and outstanding - 2,973,194 for 2007 and 2,958,558 for 2006	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive income (loss)	
Total shareholders' equity	
Total liabilities and shareholders' equity	

See accompanying notes to unaudited consolidated financial statements.

COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Income

Period E

	Three Months 2007	2006
	(Dollars in thousand	
Interest income		
Loans, including fees	$ 4,632	$ 3,56
Interest bearing balances due from banks	3	
Securities		
Taxable	975	99
Tax-exempt	212	17
Other investments	14	1
Federal funds sold	145	18
Total interest income	5,981	4,94
Interest expense		
Time deposits $100M and over	1,038	80
Other deposits	2,283	1,80
Short-term borrowings	-	
Long-term debt	46	5
Total interest expense	3,367	2,67
Net interest income	2,614	2,27
Provision for loan losses	150	1
Net interest income after provision	2,464	2,25
Other income		
Service charges on deposit accounts	394	40
ATM interchange and other fees	115	9
Credit life insurance commissions	8	1
Other income	66	4
Total other income	583	55
Other expenses		
Salaries and employee benefits	1,130	80
Net occupancy expense	116	8
Furniture and equipment expense	111	11
Amortization of computer software	62	6
ATM interchange and related expenses	66	6
Directors' fees	20	3
Other expense	396	29
Total other expenses	1,901	1,46
Income before income taxes	1,146	1,34
Income tax expense	375	44
Net income	$ 771	$ 90

Per share*

Net income	$ 0.26	$ 0.3
Net income, assuming dilution	0.24	0.2

* Per share information has been retroactively adjusted to reflect a 5% stock dividend effective December 18, 2006.

See accompanying notes to unaudited consolidated financial statements.

4

COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Changes in Shareholders' Equity

(Unaudited)

	Common Stock Number of Shares	Common Stock Amount	Additional Paid-in Capital
			(Dollars i
Balance, January 1, 2006	2,798,409	$ 26,956	$ -
Comprehensive income:			
Net income	-	-	-
Unrealized holding gains and losses on available-for-sale securities arising during the period, net of income taxes of $159	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Share-based compensation	-	-	178
Exercise of employee stock options	19,579	83	-
Balance, September 30, 2006	2,817,988	$ 27,039	$ 178
Balance, January 1, 2007	2,958,558	$ 30,061	$ 593
Comprehensive income:			
Net income	-	-	-
Unrealized holding gains and losses on available-for-sale securities arising during the period, net of			

income taxes of $207	-	-	-
Total other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Exercise of employee stock options	14,636	83	-
Balance, September 30, 2007	2,973,194	$ 30,144	$ 593

See accompanying notes to unaudited consolidated financial statements.

COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Cash Flows

(Dol

Operating activities	
Net income	
Adjustments to reconcile net income to net cash provided by operating activities	
Provision for loan losses	
Depreciation	
Amortization of net loan (fees) and costs	
Securities accretion and premium amortization	
Net (gain) or loss on sale of foreclosed assets	
Increase in interest receivable	
Increase in interest payable	
Increase in prepaid expenses and other assets	
Increase (decrease) in other accrued expenses	
Increase in cash surrender value of bank-owned life insurance	
Share-based compensation	

Net cash provided by operating activities	
Investing activities	
Purchases of available-for-sale securities	
Maturities, calls and paydowns of securities available-for-sale	
Maturities, calls and paydowns of securities held-to-maturity	
Purchases of other investments	
Proceeds of sales of other investments	
Net increase in loans made to customers	
Purchases of premises and equipment	
Proceeds of sale of foreclosed assets	
Proceeds of sale of real estate held for sale	
Purchases of bank-owned life insurance	
Net cash used by investing activities	
Financing activities	
Net (decrease) increase in demand deposits, interest bearing transaction accounts and savings accounts	
Net increase in certificates of deposit and other time deposits	
Net decrease in short-term borrowings	
Repayment of long-term debt	
Exercise of employee stock options	
Net cash provided by financing activities	
Decrease in cash and cash equivalents	
Cash and cash equivalents, beginning	
Cash and cash equivalents, ending	
Supplemental Disclosure of Cash Flow Information Cash paid during the year for:	
Interest, net of $18 capitalized during construction in 2006	
Income taxes	
Noncash investing and financing activities:	
Transfer of loans to other real estate	
Other comprehensive income	

See accompanying notes to unaudited consolidated financial statements.

COMMUNITY FIRST BANCORPORATION

Notes to Unaudited Consolidated Financial Statements

Accounting Policies - A summary of significant accounting policies is included in Community First Bancorporation's (the "Company") Annual Report on Form 10-K for the year ended December 31, 2006 filed with the Securities and Exchange Commission. Certain amounts in the 2006 financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on net income or retained earnings for any period.

Management Opinion - In the opinion of management, the accompanying unaudited consolidated financial statements of Community First Bancorporation reflect all adjustments necessary for a fair presentation of the results of the periods presented. Such adjustments were of a normal, recurring nature.

Nonperforming Loans - As of September 30, 2007, there were $426,000 in nonaccrual loans and no loans 90 days or more past due and still accruing interest.

Earnings Per Share - Basic earnings per common share is computed by dividing net income applicable to common shares by the weighted average number of common shares outstanding. Diluted earnings per share is computed by dividing applicable net income by the weighted average number of common shares outstanding and any dilutive potential common shares and dilutive stock options. It is assumed that all dilutive stock options are exercised at the beginning of each period and that the proceeds are used to purchase shares of the Company's common stock at the average market price during the period. All 2006 per share information has been retroactively adjusted to give effect to a 5% stock dividend effective December 18, 2006. Net income per share and net income per share, assuming dilution, were computed as follows:

	(U Period En	
	Three Months	
	2007	2006
	(Dollars in thousands	
Net income per share, basic		
Numerator - net income	$ 771	$ 90
Denominator		
Weighted average common shares issued and outstanding	2,972,583	2,952,48
Net income per share, basic	$ .26	$ .3
Net income per share, assuming dilution		
Numerator - net income	$ 771	$ 90
Denominator		
Weighted average common shares issued and outstanding	2,972,583	2,952,48
Effect of dilutive stock options	208,615	199,39
Total shares	3,181,198	3,151,87
Net income per share, assuming dilution	$ .24	$ .2

Share-Based Compensation - As of September 30, 2007, the Company has two share-based compensation plans. Effective January 1, 2006, the Company began accounting for compensation expenses related to stock options granted to employees and non-officer directors under the recognition and measurement principles of Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment"("SFAS 123(R)) using the modified prospective application method. Total share-based compensation expenses included in salaries and employee benefits and directors fees were $38,000 and $17,000, respectively, for the three month period, and $98,000 and $80,000, respectively, for the nine month period ended September 30, 2006. During the fourth quarter of 2006, the Company accelerated the vesting of all options then outstanding and there have been no grants of options during 2007. Consequently, no share-based compensation expense is recognized in the 2007 period.

Salary Continuation Agreement - On July 31, 2007, the Company entered into a Salary Continuation Agreement with its Chief Executive Officer, which was effective as of January 1, 2007. The Agreement is being accounted for under the provisions of Accounting Principles Board Opinion No. 12 and Financial Accounting Standards Board Statements No. 106 and 111, as applicable. During the three and nine periods of 2007, salaries and benefits expense of $290,000 was recognized for this agreement.

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Statements included in this report which are not historical in nature are intended to be, and are hereby identified as "forward looking statements" for purposes of the safe harbor provided by Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events or performance and underlying assumptions and other statements which are other than statements of historical facts. Such forward-looking statements may be identified, without limitation, by the use of the words "anticipates," "believes," "estimates," "expects," "intends," "plans," "predicts," "projects," and similar expressions. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurance that management's beliefs, expectations or projections will result or be achieved or accomplished. The Company cautions readers that forward-looking statements, including without limitation, those relating to the Company's recent and continuing expansion, its future business prospects, revenues, working capital, liquidity, capital needs, interest costs, income, and adequacy of the allowance for loan losses, are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those indicated in the forward-looking statements, due to several important factors herein identified, among others, and other risks and factors identified from time to time in the Company's reports filed with the Securities and Exchange Commission. The risks and uncertainties include, but are not limited to

- our growth and our ability to maintain growth;
- governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- the effect of interest rate changes on our level and composition of deposits, loan demand and the value of our collateral and securities;
- the effects of competition from other financial institutions operating in our market area and elsewhere, including

institutions operating locally, nationally and internationally, together with competitors that offer banking products and services by mail, telephone and computer and/or the Internet;

- failure of assumptions underlying the establishment of our allowance for loan losses, including the value of collateral securing loans; and
- loss of consumer confidence and economic disruptions resulting from terrorist activities.

The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Changes in Financial Condition

During the three months ended September 30, 2007, loans grew by $10,936,000, or 4.8%, and securities available-for-sale decreased by $3,873,000, or 3.7%. Total deposits increased by $8,981,000, or 2.7%, during the 2007 third quarter, due to higher amounts of public deposits. The Company also purchased bank-owned life insurance of $7,000,000 during the third quarter of 2007. This asset is intended to fund certain retirement benefits of the Company's Chief Executive Officer under the terms of an agreement dated July 31, 2007. The Company accrued $290,000 for those benefits during the third quarter of 2007.

Loans grew by $33,941,000, or 16.7% and, as noted above, bank-owned life insurance of $7,000,000 was purchased during the 2007 nine month period. These items were funded primarily by an increase of $27,232,000, or 10.2%, in interest bearing deposits and a reduction of $13,178,000 in federal funds sold during the period. The Company reduced its short-term borrowings by $4,500,000 during the 2007 nine month period.

8

The Company believes that it continues to have sufficient flexibility to fund loan requests or make investments in securities at attractive yields, and to meet normal demands for deposit withdrawals by its customers, while maintaining its exposure to any further increases in interest rates at an acceptable level.

Results of Operations

Three Months Ended September 30, 2007 and 2006

The Company recorded consolidated net income of $771,000 or $.26 per share for the third quarter of 2007 compared with net income of $904,000 and earnings per share of $.31 for the third quarter of 2006. Net income per share, assuming dilution was $.24 for the 2007 quarter and $.28 for the 2006 period. Net income per share amounts for 2006 have been retroactively adjusted to reflect a five percent stock dividend effective December 18, 2006.

Loan growth was primarily responsible for higher interest income for the 2007 third quarter. Higher rates paid on, and increased volumes of, time deposits combined to increase interest expense. In the 2007 third quarter, the Company continued to incur higher occupancy expenses associated with its new Seneca, SC office and began incurring expenses related to training of personnel and publicity for its new banking office in Anderson, SC, which opened for business early in the fourth quarter of 2007. The Company also incurred higher expenses for public relations and professional services during the 2007 period. In addition, the Company incurred expenses of $290,000 related to a salary continuation agreement entered into with its Chief Executive Officer on July 31, 2007. The contract terms were made effective as of January 1, 2007, however, and the current three month period reflects a disproportionate share of the expense. Such expenses for the fourth quarter of 2007 are expected to be approximately $97,000. Income tax expense was reduced due to the lower amount of net income before taxes.

Summary Income St

(Dollars in thous

For the Three Months Ended September 30,	2007	2006
Interest income	$ 5,981	$ 4,942
Interest expense	3,367	2,672
Net interest income	2,614	2,270
Provision for loan losses	150	15
Noninterest income	583	559
Noninterest expenses	1,901	1,469
Income tax expense	375	441
Net income	$ 771	$ 904

Nine Months Ended September 30, 2007 and 2006

The Company recorded consolidated net income of $2,667,000 or $.89 per share for the first nine months of 2006 compared with net income of $2,557,000 and earnings per share of $.87 for the same period of 2006. Net income per share, assuming dilution was $.84 for the 2007 nine months and $.81 for the same period of 2006. Net income per share amounts for 2006 have been retroactively adjusted to reflect the five percent stock dividend effective December 18, 2006.

Increases in interest income, interest expenses and net interest income for the 2007 nine month period reflect the effects of loan growth, higher rates earned on securities and loans, and higher rates paid for, and higher volumes of, interest bearing deposits, especially time deposits.

Salaries and employee benefits and directors' fees for the 2006 nine month period included approximately $178,000 representing the effect of the adoption of SFAS 123(R). No such amounts were incurred during the 2007 period. The Company incurred higher legal and other professional fees in the 2007 period primarily due to expenses associated with the recent contractual agreements between the Company and its Chief Executive Officer. The Company previously has not provided for the chief executive officer's retirement except to the extent that matching contributions were made in conjunction with his participation in the Company's 401(k) plan. During the third quarter of 2007, the Company purchased life insurance that will be used to fund its liability under this arrangement. It is expected that increases in the cash surrender value of the life insurance will substantially offset the effects on earnings of the Company's anticipated liability.

Summary Income St

For the Nine Months Ended September 30,	2007	2006	D
		(Dollars in thou	
Interest income	$17,462	$14,392	
Interest expense	9,777	7,553	
Net interest income	7,685	6,839	
Provision for loan losses	270	65	
Noninterest income	1,571	1,637	
Noninterest expenses	5,077	4,581	
Income tax expense	1,242	1,273	
Net income	$ 2,667	$ 2,557	

Net Interest Income

Net interest income, the principal source of the Company's earnings, was higher in both the 2007 three month and nine month periods. Changes in the composition of earning assets and interest bearing liabilities, combined with more responsive practices with regard to changing the initial interest rates offered for deposits and charged for fixed-rate loans, led to these increases.

In August and September 2007, the Federal Reserve Board reduced its discount rate by a total of 100 basis points. These adjustments were made in response to the well-publicized concerns about imminent interest rate "resets" associated with subprime mortgage loans, which could cause some borrowers' payments to increase so significantly as to be unaffordable and result in significantly increased foreclosure rates. The Company generally does not originate subprime mortgage loans. Most of the mortgage loans originated by the Company are retained and serviced by the Bank and are underwritten using traditional mortgage guidelines.

In response to the Federal Reserve's rate cuts, the Bank lowered the rates it offers for deposits late in the third quarter of 2007. Approximately $72,000,000 of savings and money market accounts were potentially subject to such immediate rate changes as of September 30, 2007. Yields on variable rate loans which are indexed to the prime rate were similarly reduced during the 2007 third quarter. Variable rate loans totaled $71,980,000 at the end of the 2007 third quarter.

Three Months Ended September 30, 2007 and 2006

For the third quarter of 2007, net interest income totaled $2,614,000, an increase of $344,000 over the amount for the same period of 2006. The Company's interest rate spread for the third quarter of 2007 was 2.15%, an increase of 8 basis points over the 2.07% interest rate spread for the third quarter of 2006. Net yield on earning assets for the 2007 third quarter was 2.91%, an increase of 12 basis points over the 2006 third quarter net yield. The average amount of the Company's higher yielding loan category for the third quarter of 2007 was 23.3% more than for the third quarter of 2006. Interest rates associated with those loans in the 2007 period were 40 basis points higher than in the 2006 period. As a result, interest income on loans was $1,065 higher in the 2007 three month period. Rates associated with other significant categories of earning assets were higher in the 2007 three month period as well and the yield on earning assets for the 2007 period was 57 basis points higher than for the 2006 period.

Rates paid for interest bearing liabilities also generally increased above the prior year level. Rates paid for time deposits rose most dramatically and rates paid for other types of interest bearing deposit accounts and for borrowings rose only modestly or fell. Average amounts of time deposits outstanding for the 2007 period increased by $29,540,000, or 15.8%, over the amount for the 2006 period.

Average Balances, Yi
Three Months Ended

	2007			
	Average Balances	Interest Income/ Expense	Yields/ Rates (1)	
			(Dollars in t	
Assets				
Interest-bearing balances due from banks	$ 227	$ 3	5.24%	$
Securities				
Taxable	93,000	975	4.16%	
Tax exempt (2)	19,574	212	4.30%	
Total investment securities	112,574	1,187	4.18%	
Other investments	845	14	6.57%	
Federal funds sold	11,770	145	4.89%	
Loans (2) (3) (4)	231,452	4,632	7.94%	
Total interest earning assets	356,868	5,981	6.65%	
Cash and due from banks	8,698			
Allowance for loan losses	(2,302)			
Valuation allowance - Available-for-sale securities	(1,602)			
Premises and equipment	8,227			
Other assets	6,560			
Total assets	$ 376,449			$
Liabilities and shareholders' equity				
Interest bearing deposits				
Interest bearing transaction accounts	$ 57,297	$ 457	3.16%	$
Savings	19,068	92	1.91%	
Time deposits $100M and over	85,990	1,038	4.79%	
Other time deposits	130,076	1,734	5.29%	
Total interest bearing deposits	292,431	3,321	4.51%	
Long-term debt	4,500	46	4.06%	
Total interest bearing liabilities	296,931	3,367	4.50%	
Noninterest bearing demand deposits	41,084			
Other liabilities	3,061			
Shareholders' equity	35,373			

Total liabilities and shareholders' equity	$ 376,449			$
	==========			=
Interest rate spread			2.15%	
Net interest income and net yield on earning assets		$ 2,614	2.91%	
Interest free funds supporting earning assets	$ 59,937			$

----

(1) Yields and rates are annualized
(2) Yields on tax exempt instruments have not been adjusted to a tax-equivalent basis.
(3) Nonaccrual loans are included in the average loan balances and income on such loans is recognized on a cash basis. (4) Includes immaterial amounts of loan fees.

Nine Months Ended September 30, 2007 and 2006

For the first nine months of 2007, net interest income totaled $7,685,000, an increase of $846,000, or 12.4%, over the amount for the same period of 2006. The Company's interest rate spread for the 2007 nine month period was 2.13%, only slightly lower than the 2.14% spread for the 2006 period. The yield on interest earning assets increased to 6.54% for the 2007 period, compared with 5.90% for the 2006 period, due to higher rates earned on all significant categories of earning assets, but especially as related to loans. A significant portion of the Company's loans are variable rate instruments that are repriced in response to changes in the "prime rate." Also, for all loans with original anticipated maturities of more than five years, the Company generally includes a provision that allows it to adjust the interest rate on each loan at least every five years.

Rates paid for interest bearing liabilities during the 2007 nine month period were 65 basis points higher than for the 2006 period. Rates paid for time deposits during the 2007 period were 79 basis points higher than in the 2006 period. The average amounts of time deposits outstanding during the 2007 period were $17,949,000, or 9.6%, more than in the 2006 period. Rates paid for interest bearing transaction accounts for the 2007 nine month period were 46 basis points more than for the same period of 2006 and the average amount of such accounts in the 2007 period was $13,228,000, or 30.0%, more than for the 2006 period. Increases in rates paid for other interest-bearing funding sources were less significant.

The Company continues to pursue a strategy to increase its market share in its local market areas in Anderson and Oconee Counties of South Carolina. Oconee County is served from four offices, which are located in Seneca, Walhalla and Westminster. The Company currently is using its temporary facility at the Westminster location and there presently are no firm plans, timetables or budgets for constructing a permanent facility for this office. The Anderson County market is served from three offices in Anderson and Williamston, including an office on Highway 81 in Anderson County opened early in the fourth quarter of 2007.

Average Balances, Yie
Nine Months Ended Se

(Dollars in thousands)	2007 Average Balances	2007 Interest Income/ Expense	2007 Yields/ Rates (1)	
Assets				
Interest-bearing balances due from banks	$ 141	$ 4	3.79%	$
Securities				
Taxable	91,100	2,907	4.27%	
Tax exempt (2)	19,588	616	4.20%	
Total investment securities	110,688	3,523	4.26%	
Other investments	904	43	6.36%	
Federal funds sold	25,733	1,007	5.23%	
Loans (2) (3) (4)	219,261	12,885	7.86%	
Total interest earning assets	356,727	17,462	6.54%	
Cash and due from banks	8,256			
Allowance for loan losses	(2,253)			
Valuation allowance - Available-for-sale securities	(1,282)			
Premises and equipment	8,048			
Other assets	4,673			
Total assets	$ 374,169			$
Liabilities and shareholders' equity				
Interest bearing deposits				
Interest bearing transaction accounts	$ 57,293	$ 1,373	3.20%	$
Savings	28,282	616	2.91%	
Time deposits $100M and over	82,312	2,901	4.71%	
Other time deposits	123,391	4,729	5.12%	
Total interest bearing deposits	291,278	9,619	4.42%	
Short-term borrowings	17	3	23.59%	
Long-term debt	5,119	155	4.05%	
Total interest bearing liabilities	296,414	9,777	4.41%	
Noninterest bearing demand deposits	40,028			
Other liabilities	3,139			
Shareholders' equity	34,588			
Total liabilities and shareholders' equity	$ 374,169			$
Interest rate spread			2.13%	
Net interest income and net yield on earning assets		$ 7,685	2.88%	
Interest free funds supporting earning assets	$ 60,313			$

----

(1) Yields and rates are annualized
(2) Yields on tax exempt instruments have not been adjusted to a tax-equivalent basis.
(3) Nonaccrual loans are included in the average loan balances and income on such loans is recognized on a cash basis. (4) Includes immaterial amounts of loan fees.

Provision and Allowance for Loan Losses

The provision for loan losses was $150,000 for the third quarter of 2007 compared with $15,000 for the third quarter of 2006. For the first nine months of 2007, the provision for loan losses was $270,000, compared with $65,000 for the first nine months of 2006. At September 30, 2007, the allowance for loan losses was 1.00% of loans, compared with 1.10% at December 31, 2006. The increase in the provision and allowance was made as a result of moderate increases in the amounts of nonaccrual and potential problem loans and net charge-offs and higher volumes of loans.

For the first nine months of 2007, net charge-offs totaled $141,000, compared with $72,000 in net charge offs during the same period of 2006. As of September 30, 2007, nonaccrual loans totaled $426,000 and there were no loans 90 days or more past due and still accruing interest. As of September 30, 2006, there were $481,000 in nonaccrual loans and no loans 90 days or more past due and still accruing interest. The activity in the allowance for loan losses is summarized in the table below:

	Nine Months Ended September 30,	Yea Dec
		(Dollars
Allowance at beginning of period	$ 2,242	$
Provision for loan losses	270	
Net charge-offs	(141)	
Allowance at end of period	$ 2,371	$
Allowance as a percentage of loans outstanding at period end	1.00%	
Loans at end of period	$ 236,907	$

Non-Performing and Potential Problem Loans

90 Days or

	Nonaccruing Loans	More Past Due and Still Accruing	Total Non-performing Loans	Percen of To Loan
			(Dollars in thousands)	
January 1, 2006	$ 900	$ 5	$ 905	0.53
Net change	(321)	(5)	(326)	
March 31, 2006	579	-	579	0.34
Net change	(82)	-	(82)	
June 30, 2006	497	-	497	0.27
Net change	(16)	-	(16)	
September 30, 2006	481	-	481	0.25
Net change	(431)	-	(431)	
December 31, 2006	50	-	50	0.02
Net change	143	-	143	
March 31, 2007	193	-	193	0.09
Net change	219	-	219	
June 30, 2007	412	-	412	0.18
Net change	14	-	14	
September 30, 2007	$ 426	$ -	$ 426	0.18

Potential problem loans include loans, other than non-performing loans, that management has identified as having possible credit problems sufficient to cast doubt upon the abilities of the borrowers to comply with the current repayment terms. Management believes that potential problem loans reflect circumstances unique to each individual borrower. The Company does not currently originate or invest in, nor has it historically originated or invested in, significant amounts of subprime mortgage loans.

Noninterest Income

Noninterest income totaled $583,000 for the third quarter of 2007, compared with $559,000 for the 2006 quarter. Service charges on deposit accounts in the 2007 quarter were $394,000 representing a decrease of $10,000 from the prior year period. Increases in the cash surrender value of bank-owned life insurance obtained in the third quarter of 2007 totaled $33,000. There were no sales of any securities in either the 2007 or 2006 period.

For the nine months ended September 30, 2007, noninterest income totaled $1,571,000, compared with $1,637,000 for the same period of 2006. Service charges on deposit accounts in the 2007 period were $1,071,000 representing a decrease of $79,000 from the prior year period. There were no sales of any securities in either the 2007 or 2006 period. A gain of $31,000 from the sale of foreclosed assets was recognized in the 2006 period; there has been no such gain in 2007. During the 2007 period, $33,000 of increases in the cash surrender value of life insurance were recognized.

Noninterest Expenses

Noninterest expenses totaled $1,901,000 for the third quarter of 2007 compared with $1,469,000 for the same period of 2006, representing an increase of $432,000 or 29.4%. Salaries and employee benefits increased by $326,000, or

40.5%, to $1,130,000. During the 2006 period, share-based compensation expense of $38,000 was recognized due to the adoption of SFAS 123(R). No share-based compensation expense was recognized in the 2007 period. During the three and nine month periods of 2007, $290,000 was accrued for a salary continuation agreement with the Company's chief executive officer. The agreement was reached on July 31, 2007 and was effective as of January 1, 2007.

Occupancy and furniture and equipment expenses for the third quarter of 2007 increased by $25,000 compared with 2006 primarily due to the Company's occupancy of new corporate offices and the opening of the new banking office in Seneca, SC, as well as higher maintenance expenses associated with the Company's equipment. Directors' fees for the 2006 three month period include $17,000 of share-based compensation expenses that resulted from the adoption of SFAS 123(R). No share-based expenses were recognized in the 2007 period. In addition, higher expenses were incurred in 2007 for stationery, supplies and promotional

expenses resulting from the opening of the new corporate offices and additional banking offices. Legal and consulting expenses were higher in the 2007 period as a result of expenses incurred in negotiating agreements with the Company's Chief Executive Officer.

For the nine months ended September 30, 2007, salaries and employee benefits increased by $392,000, or 16.0%, over the amount for 2006. No share-based compensation expense was recognized in the 2007 period, while $98,000 of such expenses were recognized in the 2006 period. The increase in salaries and benefits for 2007 is attributable to an increase in the number of employees for the new Seneca and Anderson offices, higher costs of providing health insurance benefits, the aforementioned expense for the Chief Executive's Salary Continuation Agreement, and normal salary increases. Net occupancy and furniture and equipment expenses increased by an aggregate of $85,000, or 15.3%. Early in the second quarter of 2006, the Company moved its corporate offices into a newly constructed office building in Seneca, SC that also houses a new full-service banking office. The new Anderson office was opened early in the fourth quarter of 2007 and, consequently, had no effect on this increase. Other expenses increased due to legal and consulting fees as discussed in the preceding paragraph. During the first nine months of 2006, the Company recognized share-based expenses for directors fees of $80,000. No such expenses were incurred in the 2007 period.

Liquidity

Liquidity is the ability to meet current and future obligations through the liquidation or maturity of existing assets or the acquisition of additional liabilities. The Company manages both assets and liabilities to achieve appropriate levels of liquidity. Cash and short-term investments are the Company's primary sources of asset liquidity. These funds provide a cushion against short-term fluctuations in cash flow from both deposits and loans. Securities available-for-sale are the Company's principal source of secondary asset liquidity. However, the availability of this source is influenced by market conditions. Individual and commercial deposits are the Company's primary source of funds for credit activities. The Company has significant amounts of credit availability under its FHLB lines of credit and federal funds purchased facilities.

As of September 30, 2007, the ratio of loans to total deposits was 70.3%, compared with 65.9% as of December 31, 2006. Deposits as of September 30, 2007 were $337,166,000, an increase of $29,209,000 or 9.5% over the amount as of December 31, 2006. Management believes that the Company's liquidity sources are adequate to meet its operating needs.

Capital Resources

The Company's capital base increased by $3,119,000 since December 31, 2006 as the result of net income of $2,667,000 for the first nine months of 2007, $83,000 from the exercise of employee stock options, plus a $369,000 change in unrealized gains and losses on available-for-sale securities, net of deferred income tax effects.

The Company and its banking subsidiary (the "Bank") are subject to regulatory risk-based capital adequacy standards. Under these standards, bank holding companies and banks are required to maintain certain minimum ratios of capital to risk-weighted assets and average total assets. Under the provisions of the Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA), federal bank regulatory authorities are required to implement prescribed "prompt corrective actions" upon the deterioration of the capital position of a bank. If the capital position of an affected institution were to fall below certain levels, increasingly stringent regulatory corrective actions are mandated.

The September 30, 2007 risk based capital ratios for the Company and the Bank are presented in the following table, compared with the "well capitalized" and minimum ratios under the regulatory definitions and guidelines:

	Tier 1	Total Capital	Leverage
Community First Bancorporation	14.6%	15.6%	9.7%
Community First Bank	14.1%	15.1%	9.4%
Minimum "well-capitalized" requirement	6.0%	10.0%	6.0%
Minimum requirement	4.0%	8.0%	5.0%

Off-Balance-Sheet Arrangements

In the normal course of business, the Bank is party to financial instruments with off-balance-sheet risk including commitments to extend credit and standby letters of credit. Such instruments have elements of credit risk in excess of the amount recognized in the balance sheet. The exposure to credit loss in the event of nonperformance by the other parties to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual notional amount of those instruments. Generally, the same credit policies used for on-balance-sheet instruments, such as loans, are used in extending loan commitments and standby letters of credit.

Following are the off-balance-sheet financial instruments whose contract amounts represent credit risk:

	September 30, 2007
	(Dollars in thousands)
Loan commitments	$54,529
Standby letters of credit	774

Loan commitments involve agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and some involve payment of a fee. Many of the commitments are expected to expire without being fully drawn; therefore, the total amount of loan commitments does not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if any, upon extension of credit is based on management's credit evaluation of the borrower. Collateral held varies but may include commercial and residential real properties, accounts receivable, inventory and equipment.

Standby letters of credit are conditional commitments to guarantee the performance of a customer to a third party. The credit risk involved in issuing standby letters of credit is the same as that involved in making loan commitments to customers. Many letters of credit will expire without being drawn upon and do not necessarily represent future cash requirements. The Bank receives fees for loan commitments and standby letters of credit. The amount of such fees was not material for either the nine months or three months ended September 30, 2007.

As described under "Liquidity," management believes that its various sources of liquidity provide the resources necessary for the Bank to fund the loan commitments and to perform under standby letters of credit, if the need arises. Neither the Company nor the Bank are involved in other off-balance sheet contractual relationships or transactions that could result in liquidity needs or other commitments or significantly impact earnings.

Item 3. - Quantitative and Qualitative Disclosures About Market Risk

The Company's exposure to market risk is primarily related to the risk of loss from adverse changes in market prices and rates. This risk arises principally from interest rate risk inherent in the Company's lending, deposit gathering and borrowing activities. Management actively monitors and manages its interest rate risk exposure. Although the Company manages other risks, such as credit quality and liquidity risk in the normal course of business, management considers interest rate risk to be its most significant market risk and this risk could potentially have the largest material effect on the Company's financial condition and results of operations. Other types of market risk, such as commodity price risk and foreign currency exchange risk, do not arise in the normal course of the Company's community banking operations.

The Company uses a simulation model to assist in achieving consistent growth in net interest income while managing interest rate risk. As of September 30 2007, the model indicates that net interest income would increase $14,000 and net income would increase $9,000 in the next twelve months if interest rates rose by 100 basis points. Conversely, net interest income would decrease $35,000 and net income would decrease $22,000 in the next twelve months if interest rates declined by 100 basis points. In the current interest rate environment, it appears unlikely that there will be any large changes in interest rates in the immediate future. The prospective effects of hypothetical interest rate changes are based on a number of assumptions, including the relative levels of market interest rates and prepayment assumptions affecting loans, and should not be relied on as indicative of actual future results. The prospective effects also do not contemplate potential actions that the Company, its customers and the issuers of its investment securities could undertake in response to changes in interest rates.

As of September 30, 2007, there was no significant change from the interest rate sensitivity analysis for the various changes in interest rates

calculated as of December 31, 2006. The foregoing disclosures related to the Company's market risk should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included in the

2006 Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Item 4T. - Controls and Procedures

Based on the evaluation required by 17 C.F.R. Section 240.13a-15(b) or 240.15d-15(b) of the Company's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the Company's chief executive officer and chief financial officer concluded such controls and procedures, as of the end of the period covered by this report, were effective.

There has been no change in the Company's internal control over financial reporting during the most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 6. - Exhibits

10.1	Employment Agreement among Community First Bancorporation, Community First Bank and Frederick D. Shepherd, Jr. (incorporated by reference to Form 8-K filed August 6, 2007).
10.2	Salary Continuation Agreement between Community First Bank and Frederick D. Shepherd, Jr. (incorporated by reference to Form 8-K filed on August 6, 2007).
31.	Rule 13a-14(a)/15d-14(a) Certifications
32.	Certifications Pursuant to 18 U.S.C. Section 1350

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMUNITY FIRST BANCORPORATION

November 14, 2007	/s/ Frederick D. Shepherd, Jr.
Date	Frederick D. Shepherd, Jr., Chief Executive Officer and Chief Financial Officer

EXHIBIT INDEX

10.1	Employment Agreement among Community First Bancorporation, Community First Bank and Frederick D. Shepherd, Jr. (incorporated by reference to Form 8-K filed August 6, 2007).
10.2	Salary Continuation Agreement between Community First Bank and Frederick D. Shepherd, Jr. (incorporated by reference to Form 8-K filed on August 6, 2007).
31.	Rule 13a-14(a)/15d-14(a) Certifications
32.	Certifications Pursuant to 18 U.S.C. Section 1350