COMMUNITY FIRST BANCORP
Form 10-Q
August 10, 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 June 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, 2,972,763 Shares Outstanding on July 30, 2007

COMMUNITY FIRST BANCORPORATION

FORM 10-Q

Index

2

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 $5,875 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 - 2,972,563 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

		Perio
	Three Months	
	2007	2006

	----	----
	(Dollars in thous	
Interest income		
Loans, including fees	$ 4,275	$ 3,34
Interest bearing balances due from banks	-	
Securities		
Taxable	994	95
Tax-exempt	217	15
Other investments	14	1
Federal funds sold	320	33
Total interest income	5,820	4,80
Interest expense		
Time deposits $100M and over	945	73
Other deposits	2,211	1,75
Short-term borrowings	-	
Long-term debt	55	6
Total interest expense	3,211	2,55
Net interest income	2,609	2,25
Provision for loan losses	120	2
Net interest income after provision	2,489	2,22
Other income		
Service charges on deposit accounts	343	38
ATM interchange and other fees	116	9
Credit life insurance commissions	9	1
Other income	34	4
Total other income	502	53
Other expenses		
Salaries and employee benefits	903	91
Net occupancy expense	114	7
Furniture and equipment expense	108	10
Amortization of computer software	58	7
ATM interchange and related expenses	79	6
Directors' fees	20	6
Other expense	360	37
Total other expenses	1,642	1,67
Income before income taxes	1,349	1,09
Income tax expense	410	34
Net income	$ 939	$ 74
Per share*		
Net income	$ 0.32	$ 0.2
Net income, assuming dilution	0.30	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	Reta Earn
			(Dollars in thou	
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 $255	-	-	-	
Total other comprehensive income				
Total comprehensive income				
Share-based compensation, net of income taxes of $23	-	-	100	
Balance, June 30, 2006	2,798,409	$ 26,956	$ 100	$
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 $374	-	-	-	
Total other comprehensive income				
Total comprehensive income				

Exercise of employee stock options	14,005	76	-	
Balance, June 30, 2007	2,972,563	$ 30,137	$ 593	$

See accompanying notes to unaudited consolidated financial statements.

5

COMMUNITY FIRST BANCORPORATION
Consolidated Statements of Cash Flows

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 ....
Gain on sale of foreclosed assets ....
Increase in interest receivable ....
Increase in interest payable ....
Increase in prepaid expenses and other assets ....
Increase in other accrued expenses ....
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 ....
Proceeds from sales of other investments ....
Purchases of other investments ....

Net increase in loans made to customers ....
Purchases of premises and equipment ....
Proceeds of sale of foreclosed assets ....
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 ....
Repayments 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 period for
Interest, net of $18 capitalized during construction during 2006 ....
Income taxes ....
Noncash investing and financing activities:
Other comprehensive income (loss) ....

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.

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 June 30, 2007, there were $412,000 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:

	(Unau	
	Period En	
	Three Months	
	2007	2006
	(Dollars in thousands,	
Net income per share, basic		
Numerator - net income	$ 939	$ 742
Denominator		
Weighted average common shares		
issued and outstanding	2,972,515	2,938,329
Net income per share, basic	$ .32	$ .25
Net income per share, assuming dilution		
Numerator - net income	$ 939	$ 742
Denominator		
Weighted average common shares		
issued and outstanding	2,972,515	2,938,329
Effect of dilutive stock options	204,437	216,601
Total shares	3,176,952	3,154,930
Net income per share, assuming dilution	$ .30	$ .24

Stock-Based Compensation - As of June 30, 2007, the Company has two stock-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 $40,000 and $38,000, respectively, for the three month period, and $60,000 and $63,000, respectively, for the six month period ended June 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.

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 June 30, 2007, loans grew by $13,918,000, or 6.6%, and securities available-for-sale grew by $6,494,000, or 6.6%. Conversely, total deposits decreased by $3,844,000, or 1.2%, during the 2007 second quarter. Interest-bearing deposits decreased by $3,091,000 during the 2007 second quarter. These changes were funded primarily by reducing the amount of federal funds sold by $28,488,000 during the quarter.

During the first six months of 2007, federal funds sold decreased by $12,669,000, or 52.5%, and interest bearing deposits increased by $21,052,000, or 7.9%. These funds were used to repay short-term borrowings of $4,500,000 and long-term debt of $1,000,000, to fund growth in loans, and to purchase securities. Loans increased by $23,005,000 or 11.3% and securities available-for-sale increased by $2,172,000 or 2.1%.

The Company believes that its liquidity position continues to provide it with 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. Management also believes that the current balance sheet positions maintain the Company's exposures to changes in interest rates at acceptable levels.

Results of Operations

Three Months Ended June 30, 2007 and 2006

The Company recorded consolidated net income of $939,000 or $.32 per share for the second quarter of 2007. These results are more than net income of $742,000 and earnings per share of $.25 for the second quarter of 2006. Net income per share, assuming dilution was $.30 for the 2007 quarter and $.24 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.

Net interest income for the 2007 second quarter was $357,000, or 15.9%, more than for the 2006 second quarter. Interest income for the 2007 second quarter increased primarily because of larger amounts of loans and higher rates earned on substantially all categories of earning assets. Interest expenses for the 2007 quarter were higher than the same period of 2006 primarily due to higher amounts of certificates of deposits and higher rates paid, especially for time deposits.

Noninterest income for the second quarter of 2007 was adversely affected primarily by a decrease in service charges on deposit accounts due to declining demand for an overdraft protection product that was introduced a few years ago. Noninterest expense for the 2007 second quarter decreased somewhat from the amounts recorded for the same 2006 period, primarily as a result of lower employee benefits and directors fees. Employee benefits and directors' fees for the 2006 three month period included approximately $78,000 representing the effect of the adoption of SFAS 123(R) using the modified prospective method. No expenses were incurred for share-based compensation in the 2007 period.

Summary Income State

For the Three Months Ended June 30,	2007	2006	Dolla
		(Dollars in thousan	
Interest income	$ 5,820	$ 4,803	$ 1
Interest expense	3,211	2,551	
	-------	-------	--

Net interest income	2,609	2,252	
Provision for loan losses	120	25	
Noninterest income	502	539	
Noninterest expenses	1,642	1,676	
Income tax expense	410	348	
Net income	$ 939	$ 742	$

Six Months Ended June 30, 2007 and 2006

The Company recorded consolidated net income of $1,896,000 or $.64 per share, for the first half of 2007, compared with $1,653,000, or earnings per share of $.56, for the same period of 2006. Net income per share, assuming dilution was $.60 for the 2007 six months and $.53 for the same period of 2006. Net income per share amounts for 2006 have been retroactively adjusted to reflect a five percent stock dividend effective December 18, 2006.

Net interest income for the first six months of 2007 increased by $502,000, or 11.0%, over the amount recorded for the same period of 2006. Increases in the amounts of loans outstanding and higher yields on earning assets resulted in interest income increasing more than interest expenses. Increases in interest expense were caused by increases in interest rates paid, primarily for deposits, and higher amounts of interest bearing deposits, especially time deposits.

Noninterest income for the first six months of 2007 decreased by $90,000 as a result of lower amounts of service charges on deposit accounts as discussed previously and a decrease in income from mortgage brokerage operations. In addition, during the 2006 six-month period, the Company realized a gain of $31,000 on the sale of foreclosed assets. No such activity was recorded in the 2007 period. Noninterest expenses for the 2007 six-month period were only slightly higher than for the 2006 period. During the second quarter of 2006, the Company opened a new banking office in Seneca, SC. The 2007 amounts of salaries and benefits, occupancy expenses and similar expenses reflect such expenses for the entire six months, while such expenses were incurred for only a portion of the 2006 period.

The results for the 2006 six-month period reflect the effects of adopting SFAS 123(R). Employee benefits and directors' fees for the 2006 six month period include approximately $123,000 representing the effect of the adoption of SFAS 123(R) using the modified prospective method.

Summary Income Sta

(Dollars in thous

For the Six Months Ended June 30,	2007	2006	D
Interest income	$11,481	$ 9,450	
Interest expense	6,410	4,881	
Net interest income	5,071	4,569	
Provision for loan losses	120	50	

Noninterest income	988	1,078
Noninterest expenses	3,176	3,112
Income tax expense	867	832
Net income	$ 1,896	$ 1,653

Net Interest Income

Net interest income is the principal source of the Company's earnings. During the second quarter of 2006, the Company offered above-market promotional interest rates on certain deposit products in conjunction with the opening of a new retail banking office in Seneca, SC. These promotional rates significantly increased the Company's interest expense during that period. The promotional program ended during the third quarter of 2006. Competition for deposits in the Company's market area is strong and the Company strives to differentiate itself from its competitors in several ways. While the Company continues to emphasize providing a high level of personal service as a differentiating characteristic, financial incentives must also be offered. Therefore, management prices its deposit products competitively.

Three Months Ended June 30, 2007 and 2006

The average yield on interest earning assets increased to 6.59% for the 2007 three-month period, compared with 5.94% for the 2006 period. Yields on all significant categories of earning assets were higher in the 2007 period. Similarly, interest rates paid for deposits and borrowings were higher in the 2007 period. The average rate paid for interest-bearing liabilities during the 2007 three-month period was 4.39%, compared with 3.84% in the same period of 2006. Accordingly, the average interest rate spread for the 2007 period was 10 basis points higher than for the 2006 period.

Average Balances, Yie
Three Months Ended

	2007			
	Average Balances	Interest Income/ Expense	Yields/ Rates (1)	A B
			(Dollars in th	
Assets				
Interest-bearing balances due from banks	$ 130	$ -	0.00%	$
Securities				
Taxable	91,844	994	4.34%	
Tax exempt (2)	19,499	217	4.46%	
Total investment securities	111,343	1,211	4.36%	
Other investments	890	14	6.31%	
Federal funds sold	23,533	320	5.45%	
Loans (2) (3) (4)	218,074	4,275	7.86%	

Total interest earning assets	353,970	5,820	6.59%	
Cash and due from banks	8,374			
Allowance for loan losses	(2,228)			
Valuation allowance - available-for-sale securities	(1,023)			
Premises and equipment	8,007			
Other assets	3,640			
Total assets	$ 370,740			$
Liabilities and shareholders' equity				
Interest bearing deposits				
Interest bearing transaction accounts	$ 59,327	$ 483	3.27%	$
Savings	25,715	170	2.65%	
Time deposits $100M and over	80,644	945	4.70%	
Other time deposits	122,491	1,558	5.10%	
Total interest bearing deposits	288,177	3,156	4.39%	
Long-term debt	5,368	55	4.11%	
Total interest bearing liabilities	293,545	3,211	4.39%	
Noninterest bearing demand deposits	39,295			
Other liabilities	3,181			
Shareholders' equity	34,719			
Total liabilities and shareholders' equity	$ 370,740			$
Interest rate spread			2.20%	
Net interest income and net yield on earning assets		$ 2,609	2.96%	
Interest free funds supporting earning assets	$ 60,425			$

----

(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.

Six Months Ended June 30, 2007 and 2006

For the first half of 2007, the average yield on interest earning assets was 6.49%, compared with 5.82% for the 2006 period. Yields were higher on substantially all types of earning assets in the 2007 period. Loan yields were higher because a significant portion of the Company's loan portfolio consists of variable rate instruments. Such loans, as offered by the Company, do not normally subject the borrower to the risk of negative amortization, nor do the loans involve the use of "teaser" rates or impose onerous fees or other terms that would discourage borrowers from refinancing to a lower cost product or one with a fixed rate. Yields earned on securities increased due to changes in the composition of the securities portfolio brought about by reinvesting the proceeds obtained from maturities, calls and paydowns of securities and the investment of other funds, such as deposits, obtained currently.

Average rates paid on interest-bearing liabilities were higher in the 2007 period, as well, at 4.36% compared with 3.63% in the 2006 six-month period. General increases in interest rates and competitive factors were primary causes of the increase in rates paid.

12

	Average Balances, Yie Six Months End		
	2007		
	Average Balances	Interest Income/ Expense	Yields/ Rates (1)
			(Dollars in
Assets			
Interest-bearing balances due from banks	$ 98	$ 1	2.06%
Securities			
Taxable	90,135	1,932	4.32%
Tax exempt (2)	19,595	404	4.16%
Total investment securities	109,730	2,336	4.29%
Other investments	935	29	6.25%
Federal funds sold	32,830	862	5.29%
Loans (2) (3) (4)	213,064	8,253	7.81%
Total interest earning assets	356,657	11,481	6.49%
Cash and due from banks	8,031		
Allowance for loan losses	(2,228)		
Valuation allowance - available-for-sale securities	(1,119)		
Premises and equipment	7,957		
Other assets	3,713		
Total assets	$ 373,011		
Liabilities and shareholders' equity			
Interest bearing deposits			
Interest bearing transaction accounts	$ 57,291	$ 916	3.22%
Savings	32,966	523	3.20%
Time deposits $100M and over	80,442	1,863	4.67%
Other time deposits	119,992	2,996	5.04%
Total interest bearing deposits	290,691	6,298	4.37%
Short-term borrowings	25	3	24.20%
Long-term debt	5,434	109	4.05%
Total interest bearing liabilities	296,150	6,410	4.36%
Noninterest bearing demand deposits	39,492		
Other liabilities	3,180		
Shareholders' equity	34,189		
Total liabilities and shareholders' equity ...	$ 373,011		
Interest rate spread			2.13%
Net interest income and net yield on earning assets		$ 5,071	2.87%
Interest free funds supporting earning assets	$ 60,507		

----

(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.

13

Provision and Allowance for Loan Losses

The provision for loan losses was $120,000 for the second quarter of 2007, compared with $25,000 for the comparable period of 2006. For the first half of 2007, the provision for loan losses was $120,000, compared with $50,000 recorded for the first half of 2006. At June 30, 2007, the allowance for loan losses was 1.01% of loans, down slightly from 1.10% at December 31, 2006.

For the first six months of 2007, net charge-offs totaled $83,000, compared with $47,000 in net charge offs during the same period of 2006. As of June 30, 2007, there were $412,000 in nonaccrual loans and no loans 90 days or more past due and still accruing interest. As of June 30, 2006, there were $497,000 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:

	Six Months Ended June 30, 2007
	(Do
Allowance at beginning of period	$ 2,242
Provision for loan losses	120
Net charge-offs	(83)
Allowance at end of period	$ 2,279
Allowance as a percentage of loans outstanding at period end	1.01%
Loans at end of period	$ 225,971

14

Non-Performing and Potential Problem Loans

	Nonaccrual Loans	90 Days or More Past Due and Still Accruing	Total Nonperforming Loans	Percentage of Total Loans

				(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%

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. As of June 30, 2007, approximately 73% of the Company's potential problem loans were included in the Company's "least severe" category of potential problem loans.

Noninterest Income

Noninterest income totaled $502,000 for the second quarter of 2007, compared with $539,000 for the 2006 quarter. Service charges on deposit accounts in the 2007 second quarter were $343,000, representing a decrease of $39,000 from the prior year quarter. Mortgage brokerage income in the second quarter of 2007 was approximately $9,000 less than in the 2006 quarter. There were no sales of any securities in either the 2007 or 2006 second quarter.

For the six months ended June 30, 2007, noninterest income totaled $988,000, compared with $1,078,000 for the same period of 2006. Service charges on deposit accounts in the 2007 six months period were $677,000 representing a decrease of $69,000 from the prior year period. Mortgage brokerage income in the 2007 six months period was approximately $18,000 less than in the 2006 period. No gains or losses on sales of securities were recognized in either the 2007 or 2006 six months period. A gain of $31,000 from the sale of foreclosed assets was recognized in the 2006 period, but there was no comparable activity in the 2007 period.

Noninterest Expenses

Noninterest expenses totaled $1,642,000 for the second quarter of 2007 compared with $1,676,000 for the same quarter of 2006, representing a decrease of $34,000. Compared with the 2006 period, employee benefits for the 2007 three-month period decreased by $16,000 and directors fees decreased by $45,000 as a result of the Company's accelerating the vesting, and the recognition of the associated expenses, of all previously-issued stock options in the fourth quarter of 2006. The Company does not plan to issue any form of share-based compensation for the foreseeable future. Occupancy expenses increased for the 2007 three-month period due to higher utility expenses and increases in depreciation and other expenses related to the new Seneca office.

For the six months ended June 30, 2007, salaries and employee benefits increased by $66,000 over the amount for the 2006 period primarily as a result of opening the new Seneca office. Net occupancy and furniture and equipment expenses increased by an aggregate of $60,000.

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 Anderson County market is served from offices in Anderson

15

and Williamston. The Company started construction of an additional office on Highway 81 in Anderson County during the second quarter of 2007. This new office is expected to open for business during the fourth quarter of 2007.

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 June 30, 2007, the ratio of loans to total deposits was 68.9%, compared with 65.9% as of December 31, 2006. Deposits as of June 30, 2007 were $328,185,000, an increase of $20,228,000 or 6.6% 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 $1,304,000 since December 31, 2006 as the result of net income of $1,896,000 for the first six months of 2007, less a $668,000 change in unrealized gains and losses on available-for-sale securities, net of deferred income tax effects and $76,000 received from the exercise of employee stock options. Unrealized losses on available-for-sale securities are not considered to be other than temporary. The Company's available-for-sale securities consist of debt issuances of government-sponsored enterprises. While not directly guaranteed by the U. S. Government, these issues are generally considered to be of high quality and default risk is believed to be remote. Therefore, the changes in market values are believed to be the result only of changes in market interest rates. In addition, the Company currently has both the intent and the ability to hold such securities until the market value recovers, including until maturity.

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 June 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	15.1%	16.1%	9.7%
Community First Bank	14.6%	15.5%	9.3%
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:

	June 30, 2007 (Dollars in thousands)
Loan commitments	$ 44,874
Standby letters of credit	1,114

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 the three months or six months ended June 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 June 30 2007, the model indicates that net interest income would decrease $59,000 and net income would decrease $38,000 in the next twelve months if interest rates rose by 100 basis points. Conversely, net interest income would increase $83,000 and net income would increase $53,000 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 June 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 issuer's disclosure controls and procedures (as defined in 17 C.F.R. Sections 240.13a-15(e) and 240.15d-15(e)), the issuer'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 4. - Submission of Matters to a Vote of Security Holders.

On Tuesday, April 24, 2007, the shareholders of Community First Bancorporation held their regular annual meeting. At the meeting, one matter was submitted to a vote with results as follows:

1. Election of three directors to hold office for three-year terms:

	SHARES VOTED		
DIRECTORS	FOR	AUTHORITY WITHHELD	BROKER NON-VOTES
Blake L. Griffith	1,931,920	0	0
Robert H. Edwards	1,931,920	0	0
Gary V. Thrift	1,931,920	0	0

The following directors continue to serve until the expiration of their terms at the annual meetings to be held in the years indicated and were not voted on at the 2007 annual meeting: James E. McCoy - 2008, James E. Turner - 2008, Charles L. Winchester - 2008, Larry S. Bowman, MD - 2009, William M. Brown - 2009, John R. Hamrick - 2009, and Frederick D. Shepherd, Jr. - 2009.

Item 6. - Exhibits

Exhibits 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

August 9, 2007	/s/ Frederick D. Shepherd, Jr.
Date	Frederick D. Shepherd, Jr., Chief Executive Officer and Chief Financial Officer

EXHIBIT INDEX

31. Rule 13a-14(a)/15d-14(a) Certifications

32. Certifications Pursuant to 18 U.S.C. Section 1350