GRAFTECH INTERNATIONAL LTD
Form S-3/A
July 19, 2002

As filed with the Securities and Exchange Commission on July 19, 2002
Registration No. 333-90370

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

AMENDMENT NO. 1
TO
FORM S-3
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GRAFTECH INTERNATIONAL LTD.
(Exact name of registrant as specified in its charter)

DELAWARE	06-1385548
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

BRANDYWINE WEST
1521 CONCORD PIKE
SUITE 301
WILMINGTON, DELAWARE 19803
(302) 778-8227
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

KAREN G. NARWOLD
VICE PRESIDENT, GENERAL COUNSEL, HUMAN RESOURCES & SECRETARY
GRAFTECH INTERNATIONAL LTD.
BRANDYWINE WEST
1521 CONCORD PIKE
SUITE 301
WILMINGTON, DELAWARE 19803
(302) 778-8214
(Name, address, including zip code, and telephone number, including area code, of agent for service)

WITH A COPY TO:
M. RIDGWAY BARKER, ESQ.
KELLEY DRYE & WARREN LLP
TWO STAMFORD PLAZA
281 TRESSER BOULEVARD
STAMFORD, CONNECTICUT 06901
(203) 324-1400

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this form are to be offered pursuant to dividend or interest reinvestment plans, please check the following box. [_]

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box. [_]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [_]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [_]

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 19, 2002

PROSPECTUS

426,400 SHARES

GRAFTECH INTERNATIONAL LTD.

COMMON STOCK

We have issued and contributed 426,400 shares of our common stock to a benefits protection trust which we adopted to assist us in providing for payment of certain benefit plan obligations to management. We have instructed the trust to sell these shares promptly and in an orderly fashion. We have authorized the trust to use its discretion as to the specific timing, process and other terms of sale of the shares. The trust may sell the shares offered hereby on any stock exchange, market or trading facility on which the shares are traded, in block trades or in private transactions. These sales may be at fixed or negotiated prices. Because we may withdraw from the trust the shares contributed to the trust and/or the proceeds received from any sales of such shares prior to a change of control of us, sales of these shares are deemed to be sales by us for purposes of Federal securities laws. Regardless of whether such sales are deemed to be by the trust or by us, we expect all net proceeds from the sale of the shares offered hereby will be used to pay benefit plan obligations to management.

Our common stock is traded on the New York Stock Exchange, or NYSE, under the symbol "GTI." On July 18, 2002, the closing sale price of our common stock, as reported by the NYSE, was $9.40 per share.

INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK.
SEE "RISK FACTORS" BEGINNING ON PAGE 11.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is   , 2002

WHERE YOU CAN FIND MORE INFORMATION

We are required to file periodic reports, proxy statements and other information relating to our business, financial statements and other matters with the SEC. Our SEC filings are available to the public over the Internet at the SEC's web site at HTTP://WWW.SEC.GOV. You may also read and copy any document we file at the SEC's public reference room located at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and its copy charges. Our reports and proxy statements and other information relating to us can also be inspected at the NYSE located at 20 Broad Street, New York, New York 10005.

We have filed with the SEC a registration statement on Form S-3 under the Securities Act of 1933 with respect to our common stock being offered by this prospectus. The term "registration statement," of which this prospectus is a part, means the original registration statement and all amendments, including all schedules and exhibits. This prospectus does not contain all of the information in the registration statement because we have omitted parts of the registration statement in accordance with the rules of the SEC. Please refer to the registration statement for any information in the registration statement that is not included in this prospectus. The registration statement can be inspected and copied at the locations described above. In addition, each statement made in this prospectus concerning a document filed as an exhibit to the registration statement is qualified in its entirety by reference to that exhibit for a complete statement of its provisions.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows us to "incorporate by reference" the information we file with them, which means that we can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that we file later with the SEC will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made by us with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 until all of the shares offered are sold.

- Annual Report on Form 10-K for the year ended December 31, 2001 except for Items 6, 7 and 8 therein;
- Quarterly Report on Item 10-Q for the quarter ended March 31, 2002 except for Items 1, 2 and 3 therein;
- Proxy Statement on Schedule 14A, dated March 29, 2002;
- Current Report on Form 8-K, filed on January 28, 2002;
- Current Report on Form 8-K, filed on February 11, 2002;
- Current Report on Form 8-K, filed on February 19, 2002;
- Current Report on Form 8-K, filed on April 23, 2002;
- Current Report on Form 8-K, filed on May 1, 2002;
- Current Report on Form 8-K, filed on May 1, 2002;
- Current Report on Form 8-K, filed on May 2, 2002;

- Current Report on Form 8-K, filed on May 7, 2002;
- Current Report on Form 8-K, filed on May 7, 2002;
- Current Report on Form 8-K, filed on May 9, 2002;
- Current Report on Form 8-K, filed on May 24, 2002;
- Our registration statement on Form S-4, as amended (Registration No. 333-87302);
- The description of our common stock contained in our registration statement on Form 8-A (File No. 1-13888) dated July 28, 1995, filed with the SEC under Section 12 of the Exchange Act; and
- The description of our preferred stock purchase rights contained in our registration statement on Form 8-A (File No. 1-13888) dated September 10, 1998, filed with the SEC under Section 12 of the Exchange Act.

Any statement contained in a previously filed document incorporated by reference in this prospectus is modified or superseded to the extent that a statement contained in this prospectus modifies or supersedes such statement. Any statement contained in this prospectus or in a document incorporated by reference in this prospectus is modified or superseded to the extent that a statement contained in any subsequently filed document which is or is deemed to be incorporated by reference in this prospectus modifies or supersedes such statement. Only the modified or superseded statement shall constitute a part of this prospectus.

You may request a copy of these filings, other than their exhibits, at no cost, by oral or written request to: GrafTech International Ltd., Brandywine West, 1521 Concord Pike, Suite 301, Wilmington, Delaware 19803, Attention: Elise A. Garofalo, Director of Investor Relations, Telephone (302) 778-8227.

FORWARD LOOKING STATEMENTS

This prospectus contains forward looking statements. In addition, from time to time, we or our representatives have made or may make forward looking statements orally or in writing. These include statements about such matters as: future production and sales of steel, aluminum, fuel cells, electronic devices and other products that incorporate our products or that are produced using our products; future prices and sales of and demand for graphite electrodes and our other products; future operational and financial performance of various businesses; strategic plans and programs; impacts of regional and global economic conditions; restructuring, realignment, strategic alliance, supply chain, technology development and collaboration, investment, acquisition, joint venture, operating, integration, tax planning, rationalization, financial and capital projects; legal matters and related costs; consulting fees and related projects; potential offerings, sales and other actions regarding debt or equity securities of us or our subsidiaries; and future costs, working capital, revenue, business opportunities, values, debt levels, cash flow, cost savings and reductions, margins, earnings and growth. The words "will," "may," "plan," "estimate," "project," "believe," "anticipate," "intend," "expect," "should," "target," "goal" and similar expressions identify some of these statements.

Actual future events and circumstances (including future performance, results and trends) could differ materially from those set forth in these statements due to various factors. These factors include:

- the possibility that global or regional economic conditions affecting our products may not improve or may worsen;

- the possibility that announced or anticipated additions to capacity for producing steel in electric arc furnaces, or announced or anticipated reductions in graphite electrode manufacturing capacity, may not occur;

- the possibility that increased production of steel in electric arc furnaces or reductions in graphite electrode manufacturing capacity may not result in stable or increased demand for or prices or sales volume of graphite electrodes;

- the possibility that economic or technological developments may adversely affect growth in the use of graphite cathodes in lieu of carbon cathodes in the aluminum smelting process;

- the possibility of delays in or failure to achieve widespread commercialization of proton exchange membrane fuel cells which use natural graphite materials and components and the possibility that manufacturers of proton exchange membrane fuel cells using those materials or components may obtain those materials or components or the natural graphite used in them from other sources;

- the possibility of delays in or failure to achieve successful development and commercialization of new or improved electronic thermal management or other products;

- the possibility of delays in meeting or failure to meet contractually specified development objectives and the possible inability to fund and successfully complete expansion of manufacturing capacity to meet growth in demand for new or improved products, if any;

- the possibility that we may not be able to protect our intellectual property or that intellectual property used by us infringes the rights of others;

- the occurrence of unanticipated events or circumstances relating to pending antitrust investigations, lawsuits or claims;

- the commencement of new investigations, lawsuits or claims relating to the same subject matter as the pending investigations, lawsuits or claims;

- the possibility that the lawsuit against our former parents initiated by us could be dismissed or settled, our theories of liabilities or damages could be rejected, material counterclaims could be asserted against us, legal expenses and distraction of management could be greater than anticipated, or unanticipated events or circumstances may occur;

- the possibility that expected cost savings from our 2002 new major cost savings plan, including our POWER OF ONE initiative and the shutdown of certain of our facilities or other cost savings efforts, will not be fully realized;

- the possibility that anticipated benefits from the realignment of our businesses into two new divisions may be delayed or may not occur;

- the possibility that the corporate realignment of our subsidiaries may not be completed when anticipated or at all and that, as a result, the anticipated benefits therefrom may not be achieved when anticipated or at all;

- the possibility that we may incur unanticipated health, safety or environmental compliance, remediation or other costs or experience unanticipated raw material or energy supply, manufacturing operation or labor difficulties;

- the occurrence of unanticipated events or circumstances relating to strategic plans or programs or relating to corporate realignment, restructuring, strategic alliance, supply chain, technology development, investment, acquisition, joint venture, operating, integration, tax planning, rationalization, financial or capital projects;

- changes in interest or currency exchange rates, changes in competitive conditions, changes in inflation affecting our raw material, energy or other costs, development by others of substitutes for some of our products and other technological developments;

- o the possibility that changes in financial performance may affect our compliance with financial covenants or the amount of funds available for borrowing under our senior secured bank credit facilities (the "SENIOR FACILITIES"); and

- o other risks and uncertainties, including those described elsewhere or incorporated by reference in this prospectus.

Occurrence of any of the events or circumstances described above could also have a material adverse effect on our business, financial condition, results of operations or cash flows.

We can give you no assurance that any future transaction about which forward looking statements may be made will be completed or as to the timing or terms of any such transaction.

All subsequent written and oral forward looking statements by or attributable to us or persons acting on our behalf are expressly qualified in their entirety by these factors. Except as otherwise required to be disclosed in periodic reports required to be filed by public companies with the SEC pursuant to the SEC's rules, we have no duty to update these statements.

THE COMPANY

We are one of the world's largest manufacturers and providers of high quality natural and synthetic graphite- and carbon-based products and services, offering energy solutions to industry-leading customers worldwide. We manufacture graphite and carbon electrodes and cathodes, used primarily in electric arc furnace steel production and aluminum smelting. We also manufacture other natural and synthetic graphite and carbon products used in, and provide services to, the fuel cell power generation, electronics, semiconductor and transportation markets. We believe that we have the leading market share in all of our major product lines. We have over 100 years of experience in the research and development of graphite and carbon technology, and currently hold numerous patents related to this technology.

We are a global business, selling our products and engineering and technical services in more than 70 countries. We have 13 manufacturing facilities strategically located in Brazil, Mexico, South Africa, France, Spain, Russia and the U.S., and a planned joint venture manufacturing facility located in China, which, subject to receipt of required Chinese governmental approvals and satisfaction of other conditions, is expected to commence operations in 2003. Our customers include industry leaders such as Nucor Corporation and Arcelor in steel, Alcoa Inc. and Pechiney in aluminum, Ballard Power Systems in fuel cells, Intel Corporation in electronics, MEMC Electronic Materials, Inc. in semiconductors and The Boeing Company in transportation. In 2001, our net sales were $654 million and our as adjusted EBITDA was $130 million. EBITDA, for this purpose, means operating profit (loss), plus depreciation,

amortization, impairment losses on long-lived and other assets, impairment losses on investments, inventory write-downs and that portion of restructuring charges (credits) applicable to non-cash asset write-offs. Adjusted EBITDA, for this purpose, means EBITDA plus the cash portion of restructuring charges (credits), charges (credits) for estimated potential liabilities and expenses in connection with antitrust investigations and related lawsuits and claims, securities class actions and stockholder derivative lawsuits, the charge related to the withdrawn public offering by Graftech and the charges in connection with the corporate realignment of our subsidiaries. We believe that EBITDA and Adjusted EBITDA are generally accepted as providing useful information regarding a company's ability to incur and service debt. EBITDA and Adjusted EBITDA should not be considered in isolation or as a substitute for net income, cash flows from continuing operations or other consolidated income or cash flow data prepared in accordance with generally accepted accounting principles or as a measure of a company's profitability or liquidity. Our method for calculating EBITDA or Adjusted EBITDA may not be comparable to methods used by other companies.

In June 1998, we began to implement management changes, which resulted in a new senior management team. Since then, this management team has:

LOWERED COSTS. We have delivered total recurring annualized run rate cost savings of $132 million by the end of 2001 under a global restructuring and rationalization plan originally announced in September 1998 and completed at the end of 2001. Cost saving achievements include a 15% reduction in our average graphite electrode production cost per metric ton since the 1998 fourth quarter and a 20% reduction in overhead since 1998. Cost of sales and overhead savings represent about 70% of the $132 million, with the balance being interest savings. In January 2002, we announced a new major cost savings plan that targets more than $80 million of further total recurring annual cost savings by 2004 (for a three-year cumulative total of $200 million in cost savings under the 2002 plan).

REDUCED DEBT. From the end of 1998 through 2001, we reduced total debt and other long term obligations by over $200 million, $91 million of which represents the net proceeds from our public offering of common stock in July 2001.

REALIGNED OUR BUSINESSES TO MAXIMIZE VALUE. In 2001, we realigned our businesses into two new operating divisions, our Graphite Power Systems Division and our Advanced Energy Technology Division. We believe that the realignment will allow each division to develop and implement strategies uniquely designed to maximize the value of its businesses, enter into strategic alliances and identify and implement manufacturing and sales rationalization and cost savings initiatives. We also believe that the realignment will allow us to identify opportunities to improve efficiencies in intellectual property management, global cash management and other corporate services. To reflect our new emphasis on graphite and carbon technology, our new competitive strategy and our new corporate vision, we requested and our stockholders approved a change in the name of UCAR International Inc. to GrafTech International Ltd.

OUR DIVISIONS

GRAPHITE POWER SYSTEMS DIVISION

Our Graphite Power Systems Division manufactures and delivers high quality graphite and carbon electrodes and cathodes and related services that are key components of the conductive power systems used to produce steel, aluminum and other non-ferrous metals. Graphite electrodes are consumed in the production of steel in electric arc furnaces, the steel making technology used by all "mini-mills." Graphite electrodes are also consumed in refining steel in ladle furnaces and in other smelting processes. Carbon electrodes are used in the production of silicon metal, a raw material primarily used in the manufacture of aluminum. Graphite and carbon cathodes are used in aluminum smelting.

During 2001, net sales of this division, which represented 80% of our total net sales, were $525 million, with gross profit of $147 million. Despite difficult economic conditions during 2001, this division maintained a gross profit margin of about 28%.

Because of its strong competitive position, we believe that this division is well positioned to benefit from the expected cyclical recovery in the production of steel and other metals.

LOW COST SUPPLIER. We believe that our graphite electrode production cost structure is and will continue to be the lowest of all major producers. We believe that our network of state-of-the-art manufacturing facilities in diverse geographic regions, including Brazil, Mexico, South Africa, France, Spain and Russia, coupled with our planned joint venture manufacturing facility located in China, provides us with significant operational flexibility and an important cost advantage. We have aggressively reduced our graphite electrode production costs by closing higher cost facilities and redeploying much of that capacity to our larger, lower cost, strategically located facilities. Completed actions include the shutdown of graphite electrode manufacturing capacity in Canada, Germany and the U.S., coupled with incremental expansion of graphite electrode manufacturing capacity in Mexico, South Africa and Spain.

LEADING MARKET SHARE. We are one of only two global producers of graphite and carbon electrodes and cathodes. We believe that this division has the leading market share in all of its major product lines.

SIGNIFICANT BARRIERS TO ENTRY. We believe that the barriers to entrants in the graphite and carbon electrode industries are high. There have been no significant entrants since 1950. We estimate that our average capital investment to incrementally increase our annual graphite electrode manufacturing capacity would be less than 10% of the initial investment for "greenfield" capacity. We also believe that production of these materials requires a significant amount of expertise and know-how, which we believe is difficult for entrants to replicate in order to compete effectively.

GRAPHITE ELECTRODES ARE USED IN THE HIGHER LONG TERM GROWTH SECTOR OF THE STEEL INDUSTRY. Graphite electrodes accounted for about 79% of this division's net sales during 2001. Graphite electrodes are consumed in the production of steel in "mini-mills." "Mini-mills" constitute the higher long term growth sector of the steel industry. Worldwide electric arc furnace steel production grew from about 14% of total steel production in 1970 to about 33% of total steel production in 2001.

To maintain our strong competitive position, we have instituted a number of strategic initiatives to improve the cost structure, increase the revenues and maximize the cash flow generated by this division. These strategic initiatives include:

PURSUING COST SAVINGS. We are focused on continuous cost improvement. We believe that key actions identified under our new major cost savings plan will enable us to reduce our average graphite electrode production cost by an additional 15% by 2004 as compared to 2001. These actions include:

- the mothballing of our graphite electrode manufacturing capacity in

Caserta, Italy, completed during the 2002 first quarter, ahead of schedule, combined with the redeployment of much of that capacity to our larger, lower cost graphite electrode manufacturing facilities in Mexico, France and Spain; and

- the delivery of the balance of the full benefits from the completed closure of our U.S. graphite electrode manufacturing operations.

LEVERAGING OUR GLOBAL PRESENCE WITH INDUSTRY LEADING CUSTOMERS. Capitalizing on our global leadership position and the continuing consolidation within the steel and other metals industries, we are prioritizing our sales and marketing efforts toward the world's larger global steel and other metals producers. These efforts focus on offering consistently high quality electrodes and technical services on a global basis at competitive prices.

We believe that, as a result of these efforts and our diverse geographic locations, we are the producer of graphite electrodes best positioned to serve the global graphite electrode purchasing requirements of these steel producers. We believe that we have increased our market share of graphite electrodes sold to the ten largest electric arc furnace steel producers by about 4 percentage points in 2001 as compared to 2000. In 2001, six of our top ten graphite electrode customers were among the ten largest purchasers of graphite electrodes worldwide. To further strengthen our competitive advantage and expand our global manufacturing presence, we have entered into and begun performance under an agreement with Jilin Carbon Joint Stock Company, Ltd. ("JILIN") to form a joint venture, which, subject to receipt of required Chinese governmental approval and satisfaction of other conditions, is expected to produce and sell high quality graphite electrodes in China.

We have a strategic alliance with Pechiney in the cathode business, which has allied us with the recognized world leader in aluminum smelting technology and which we believe positions us as the quality leader in the low cost production of high quality graphite cathodes. We believe that our graphite cathode technology will enable us to incrementally increase our market share of graphite cathodes sold upon the commencement of operation of the new, more efficient aluminum smelting furnaces that are being built, even as older furnaces are being shut down. Our cathode capacity is sold out for balance of 2002 and into the beginning of 2003.

DELIVERING EXCEPTIONAL AND CONSISTENT QUALITY AND SERVICE. We believe that our products are among the highest quality available. We continue to work diligently to improve the quality and uniformity of our products on a worldwide basis, providing significant production efficiencies for our customers and the flexibility to source most orders from the facility that optimizes our profitability. We have a strong commitment to provide a high level of technical service to our customers, with more technical service engineers located in more countries than any of our competitors. We believe that we have the most extensive technical and customer service organization in our industry, which we use strategically to service key customers to our competitive advantage.

ADVANCED ENERGY TECHNOLOGY DIVISION

Our Advanced Energy Technology Division develops, manufactures and sells high quality, highly engineered natural and synthetic graphite- and carbon-based energy technologies, products and services for both established and high-growth-potential markets. We currently sell these products primarily to the transportation, chemical, petrochemical, fuel cell power generation and electronic thermal management markets. In addition, we provide cost effective technical services for a broad range of markets and license our proprietary technology in markets where we do not anticipate engaging in manufacturing ourselves. During 2001, net sales of this division were $129 million, with gross profit of $38 million and gross profit margin of 29.6%.

We are the world's leading manufacturer of natural graphite-based products, including flexible graphite. Flexible graphite is an excellent gasket and sealing material that to date has been used primarily in high temperature and corrosive environments in the automotive, chemical and

petrochemical markets. Advanced flexible graphite can be used in the production of materials, components and products for proton exchange membrane fuel cells and fuel cell systems, electronic thermal management applications, industrial thermal management applications and battery and supercapacitor power storage applications. Our synthetic graphite- and carbon-based products range from established products, such as graphite and carbon refractories, graphite molds and rocket nozzles and cones, to new carbon composites used in the fuel cell power generation and electronic thermal management markets.

We believe that the strengths of this division include:

- developing intellectual property;
- developing and commercializing prototype and next generation products and services; and
- establishing strategic alliances with leading customers and suppliers as well as key technology focused companies.

We are leveraging our strengths to build the value of this division through the development and commercialization of proprietary technologies into high-growth-potential markets. We believe that our two largest growth opportunities are in the fuel cell power generation and electronic thermal management markets.

Since December 2000, this division has entered into strategic alliances with Ballard Power Systems, the world's leader in fuel cell development, and two leading chip makers in electronic thermal management. This division has also entered into a strategic alliance with Conoco Inc. for carbon fiber technology and manufacturing services.

RECENT DEVELOPMENTS

NEW MAJOR COST SAVINGS PLAN. In January 2002, we announced a new major cost savings plan designed to generate cost savings to strengthen our balance sheet. The key elements of the 2002 plan include:

- the rationalization of graphite electrode manufacturing capacity at our higher cost facilities and the incremental expansion of capacity at our lower cost facilities;
- the redesign and implementation of changes in our U.S. benefit plans for active and retired employees, which has been completed;
- the implementation of work process changes, including consolidating

and streamlining order fulfillment, purchasing, finance and accounting, and human resource processes, along with the identification and implementation of outsourcing opportunities;

- additional plant and corporate overhead cost reductions; and

- the corporate realignment of our subsidiaries, consistent with the operational realignment of our divisions, to generate significant tax savings.

We estimate that the 2002 plan will generate cumulative cost savings of about $45 million by the end of 2002, $120 million by the end of 2003 and $200 million by the end of 2004, and recurring annual cost savings of $80 million by the end of 2004. We expect that cost of sales and overhead savings will

account for about 75% of the $80 million, with the balance being interest and tax savings. These savings are additive to those which we achieved by the end of 2001 under the global restructuring and rationalization plan that we originally announced in September 1998 and that is now completed. We delivered total recurring annualized run rate cost savings of $132 million by the end of 2001 under the 1998 plan. We estimate that the aggregate cash cost to implement the cost savings initiatives of the 2002 plan will be about $20 million. We estimate that the capacity expansion will cost an additional $15 million.

ANNOUNCED ASSET SALES. We intend to sell real estate, non-strategic businesses and certain other non-strategic assets over the next two years. We estimate that the pre-tax, cash proceeds from these sales will total $75 million by the end of 2003. The non-strategic businesses contributed net sales of about $25 million in 2001.

ISSUANCE OF INITIAL SENIOR NOTES. In February 2002, UCAR Finance Inc., our wholly owned special purpose finance subsidiary, issued $400 million aggregate principal amount of its 10 1/4% Senior Notes due 2012 (the "SENIOR NOTES"). We used $314 million of the net proceeds to repay term loans under the Senior Facilities and the balance of the net proceeds to reduce the outstanding balance under our revolving credit facility. After such repayment, the aggregate principal amount due on the term loans are: no payments in 2002, 2003 or 2004, $26 million in 2005, $26 million in 2006 and $164 million in 2007.

ISSUANCE OF ADDITIONAL SENIOR NOTES. On May 6, 2002, UCAR Finance issued $150 million of additional Senior Notes. $75 million of the net proceeds from the offering of the additional Senior Notes was used to reduce the outstanding balance under our revolving credit facility and the balance was used to repay term loans under the Senior Facilities. After such repayment, the aggregate principal payments due on the term loans are: no payments in 2002, 2003, 2004, 2005, 2006 and $131 million in 2007.

RECENT BANK AMENDMENTS. In connection with the February 2002 issuance of the Senior Notes, the Senior Facilities were amended to, among other things, permit us to issue the Senior Notes and use the net proceeds as described above.

In connection with this amendment, our maximum permitted leverage ratio substantially increased, our minimum required interest coverage ratio substantially decreased and the manner in which those ratios are calculated was changed to provide us more flexibility (with full availability of our revolving credit facility) with respect to, among other things, the lawsuit initiated by us against our former parents and the provision of security for antitrust fines.

In connection with the issuance of the additional Senior Notes in May 2002, the Senior Facilities were amended to, among other things, permit us to issue the additional Senior Notes and use the net proceeds as described above. In connection with this amendment, our financial covenants were changed to provide us with more flexibility and the maximum amount available under our revolving credit facility will be reduced from (euro)250 million to (euro)200 million. At March 31, 2002, on an as adjusted basis after giving effect to the offering of the additional Senior Notes and the application of the estimated net proceeds, the outstanding balance under our revolving credit facility would have been nil.

OTHER MATTERS. We believe that satisfactory progress is being made on the planned asset sales, which are part of the 2002 plan, and that successful completion of those asset sales would strengthen our balance sheet. We maintain our aggressive net debt (total debt less cash, cash equivalents and short-term investments) goal of $500 million by the end of 2004 and have a nearer term target of $600 million by the end of 2003 or earlier, pending planned asset sales.

In addition, as previously announced, we are implementing interest rate management initiatives to seek to minimize our interest expense and optimize our portfolio of fixed and variable interest rate obligations. In connection with those initiatives, we recently entered into a ten year interest rate swap for a notional amount of $200 million to effectively convert that amount of fixed rate debt to variable rate debt. We are targeting interest expense of $60 million for 2002, essentially the same as 2001.

In January 2002, we finalized discussions with the U.S. Department of Justice to restructure the payment schedule for the remaining amount due on our 1998 antitrust fine (an aggregate of $57.5 million at April 30, 2002). Previously, we were scheduled to make payments of $18 million in the 2002 second quarter and $21 million in both the 2003 and 2004 second quarters. The revised payment schedule requires a $2.5 million payment in 2002 (which has been timely made), a $5.0 million payment in 2003 and, beginning with the 2004 second quarter, quarterly payments ranging from $3.25 million to $5.375 million through the 2007 first quarter. Interest will begin to accrue on the unpaid balance, commencing with the 2004 second quarter, at the statutory rate of interest then in effect. In January 2002, the statutory rate of interest was 2.13% per annum.

We are a Delaware corporation. Our principal executive offices are located at Brandywine West, 1521 Concord Pike, Suite 301, Wilmington, Delaware 19803, and our telephone number at that location is (302) 778-8227. We maintain a web site at http://www.graftechinternational.com, our subsidiary, Graftech, maintains a web site at http://www.graftech.com and our High Tech High Temp business unit maintains a web site at http://www.HT2.com. The information contained on these web sites is not part of this prospectus.

On May 7, 2002, we changed our name from UCAR International Inc. to GrafTech International Ltd.

RISK FACTORS

AN INVESTMENT IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND UNCERTAINTIES DESCRIBED BELOW, IN ADDITION TO THE OTHER INFORMATION SET FORTH IN THIS PROSPECTUS, BEFORE

PURCHASING OUR COMMON STOCK. THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE NOT THE ONLY ONES FACING US. ADDITIONAL RISKS AND UNCERTAINTIES NOT PRESENTLY KNOWN TO US OR THAT WE CURRENTLY DEEM IMMATERIAL MAY ALSO IMPAIR OUR FINANCIAL CONDITION, RESULTS OF OPERATIONS, CASH FLOWS OR BUSINESS. IF ANY OF THE FOLLOWING RISKS OR UNCERTAINTIES ACTUALLY OCCUR, OUR FINANCIAL CONDITION, RESULTS OF OPERATIONS, CASH FLOWS OR BUSINESS COULD BE HARMED. IN THAT CASE, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.

WE ARE DEPENDENT ON THE GLOBAL STEEL AND OTHER METALS INDUSTRIES. OUR RESULTS OF OPERATIONS MAY DETERIORATE DURING GLOBAL AND REGIONAL ECONOMIC DOWNTURNS.

Our principal product, graphite electrodes, which accounted for about 63% of our total net sales in 2001, is sold primarily to the electric arc furnace steel production industry. Many of our other products are sold primarily to other metals industries and the transportation industry. These are global basic industries, and customers in these industries are located in every major geographic market. As a result, our customers are affected by changes in global and regional economic conditions. This, in turn, affects demand for, and prices of, our products sold to these industries. Accordingly, we are directly affected by changes in global and regional economic conditions.

In addition, demand for our products sold to these industries may be adversely affected by improvements in those products as well as in the manufacturing operations of customers, which reduce the rate of consumption or use of our products for a given level of production by our customers. We

estimate that the average rate of consumption of graphite electrodes per metric ton of steel produced (called "SPECIFIC CONSUMPTION") declined from about 4.3 kilograms of graphite electrodes per metric ton of steel produced in 1990 to about 2.4 kilograms per metric ton in 2001. While we believe that the rate of decline of specific consumption over the long term has become lower, we believe that there was a slightly more significant decline in 2001 than would otherwise have been the case due to the shutdown of older, less efficient electric arc furnaces due to the severe downturn affecting the steel industry.

As a result of global and regional economic conditions, reductions in rates of consumption and other factors, demand for our graphite electrodes and some of our other products sold to these industries has fluctuated significantly and prices have declined since 1998. These circumstances reduced our net sales and net income.

Throughout 1998 and the 1999 first quarter, electric arc furnace steel production declined as a result of adverse global and regional economic conditions. A recovery began in the 1999 second quarter that lasted through mid-2000. Beginning in mid-2000, economic conditions began to weaken in North America, becoming more severe in the 2000 fourth quarter.

The economic weakening in North America became more severe in 2001. In addition, the impact of the economic weakness in North America on other regional economies became more severe during 2001. This global economic weakness was exacerbated by the impact on economic conditions of the terrorist acts in the U.S. in September 2001. We believe that worldwide electric arc furnace steel production declined in 2001 by 2% as compared to 2000 (to a total of 275 million metric tons, about 33% of total steel production). This weakness continued into the 2002 second quarter.

These fluctuations in electric arc furnace steel production resulted in corresponding fluctuations in demand for graphite electrodes. Overall pricing worldwide was weak. Although we implemented increases in local currency selling prices of our graphite electrodes in 2000 and early 2001 in Europe, the Asia Pacific region, the Middle East and South Africa, we have not been able to maintain all of these price increases. We continue to face pricing pressures worldwide.

Demand and prices for most of our other products sold to other metals and the transportation industries were adversely affected by the same global and regional economic conditions that affected graphite electrodes.

We believe that business conditions for most of our products (other than cathodes) will remain challenging through 2002 and that a recovery in the metals and transportation industries will not occur until the 2002 second half, at the earliest.

We cannot assure you that the electric arc furnace steel production industry will continue to be the higher long term growth sector of the steel industry or that the other metals or transportation industries served by us will experience stability, growth or recovery from current economic conditions affecting them. Accordingly, we cannot assure you that there will be stability or growth in demand for or prices of graphite electrodes or our other products sold to these industries. An adverse change in global or certain regional economic conditions could materially adversely affect us.

ANY SUBSTANTIAL GROWTH IN NET SALES, CASH FLOW FROM OPERATIONS OR NET INCOME OF OUR ADVANCED ENERGY TECHNOLOGY DIVISION DEPENDS PRIMARILY ON SUCCESSFULLY DEVELOPING, INTRODUCING AND SELLING GRAPHITE AND CARBON TECHNOLOGY AND PRODUCTS FOR EMERGING APPLICATIONS ON A PROFITABLE BASIS. IF WE ARE NOT SUCCESSFUL, WE WILL NOT ACHIEVE OUR PLANNED GROWTH.

Our planned growth depends on successful and profitable development and sale of:

- materials and components for proton exchange membrane fuel cells and fuel cell systems;
- electronic thermal management products, including thermal interface products, heat spreaders, heat sinks and heat pipes, for computer, communications, industrial, military, office equipment and automotive electronic applications;
- fire retardant products for transportation applications and building and construction materials applications;
- industrial thermal management products for high temperature process applications; and
- conductive products for battery and supercapacitor power storage applications.

Successful and profitable commercialization of technology and products is subject to various risks, including risks beyond our control, such as:

- the possibility that we may not be able to develop viable products or, even if we develop viable products, that our products may not gain commercial acceptance;

- the possibility that our commercially accepted products could be subsequently displaced by other technologies or products;
- the possibility that, even if our products are incorporated in new products of our customers, our customers' new products may not become viable or commercially accepted or may be subsequently displaced;
- the possibility that a mass market for commercially accepted products, or for our customers' products which incorporate our products, may not develop;
- restrictions under our agreement with Ballard Power Systems on sales of our fuel cell materials and components to, and collaboration with, others; and
- failure of our customers, including Ballard Power Systems, to purchase our products in the quantities that we expect.

These risks could be impacted by adoption of new laws and regulations, changes in governmental programs, failure of necessary supporting systems (such as a fuel delivery infrastructure for fuel cells) to be developed, and consumer perceptions about costs, benefits and safety.

OUR FINANCIAL CONDITION COULD SUFFER IF WE EXPERIENCE UNANTICIPATED COSTS AS A RESULT OF ANTITRUST INVESTIGATIONS, LAWSUITS AND CLAIMS.

Since 1997, we have been subject to antitrust investigations, lawsuits and claims. We recorded a pre-tax charge of $340 million against results of operations for 1997 and an additional pre-tax charge

of $10 million against results of operations for the 2001 second quarter as a reserve for estimated potential liabilities and expenses in connection with antitrust investigations and related lawsuits and claims. We cannot assure you that remaining liabilities and expenses in connection with antitrust investigations, lawsuits and claims will not materially exceed the remaining uncommitted balance of the reserve or that the timing of payment thereof will not be sooner than anticipated. At March 31, 2002, $101 million remained in this unfunded reserve. The balance of this reserve is available for the remaining balance of the fine payable by us to the U.S. Department of Justice that was imposed in 1998 (excluding imputed interest thereon), the fines assessed against us by the antitrust authorities of the European Union and Korea and other matters. The aggregate amount of remaining committed payments payable to the U.S. Department of Justice for imputed interest at March 31, 2002 was about $9 million. Our insurance has not and will not materially cover liabilities that have or may become due in connection with antitrust investigations or related lawsuits or claims.

If such liabilities or expenses materially exceed the remaining uncommitted balance of this reserve or if the timing of payment thereof is sooner than anticipated, we may not be able to comply with the financial covenants under the Senior Facilities. A failure to so comply, unless waived by the lenders thereunder, would be a default thereunder. This would permit the lenders to accelerate the maturity of the Senior Facilities. It would also permit the lenders to terminate their commitments to extend credit under our revolving credit facility. This would have an immediate material adverse effect on our liquidity. An acceleration of maturity of the Senior Facilities would permit the holders of our Senior Notes to accelerate the maturity of the Senior Notes. If we were unable to repay our debt to the lenders and holders or otherwise obtain a waiver from the lenders and holders, we could experience the consequences or be forced to take the actions described in the two following risk factors and the lenders and holders could proceed against the collateral securing the Senior Facilities and the Senior Notes, respectively, and exercise all other rights available to them. We cannot assure you that we would be able to obtain any such waiver on acceptable terms or at all.

WE ARE HIGHLY LEVERAGED AND OUR SUBSTANTIAL DEBT AND OTHER OBLIGATIONS COULD LIMIT OUR FINANCIAL RESOURCES, OPERATIONS AND ABILITY TO COMPETE AND MAY MAKE US MORE VULNERABLE TO ADVERSE ECONOMIC EVENTS.

We are highly leveraged, and we have substantial obligations in connection with antitrust investigations, lawsuits and claims. At December 31, 2001, we had total debt of $638 million and a stockholders' deficit of $332 million. At March 31, 2002, we had a total debt of $696 million and a stockholders deficit of $343 million. A substantial portion of our debt has variable interest rates. In addition, we typically discount or factor a substantial portion of our accounts receivable. During 2001, certain of our subsidiaries sold receivables totaling $223 million, of which we estimate that $45 million was outstanding at December 31, 2001. During the 2002 first three months, certain of our subsidiaries sold receivables totaling $42 million, of which we estimate that $38 million was outstanding at March 31, 2002. We are dependent on our revolving credit facility, the availability of which depends on continued compliance with the financial covenants under the Senior Facilities, for liquidity.

Our high leverage and our antitrust related obligations could have important consequences, including the following:

- our ability to restructure or refinance our debt or obtain additional debt or equity financing for payment of these obligations, or for working capital, capital expenditures, acquisitions, strategic alliances or other general corporate purposes, may be impaired in the future;

- a substantial portion of our cash flow from operations must be dedicated to debt service and payment of these antitrust related obligations, thereby reducing the funds available to us for other purposes;

- an increase in interest rates could result in an increase in the portion of our cash flow from operations dedicated to servicing our debt, in lieu of other purposes;

- we may have substantially more leverage and antitrust related obligations than certain of our competitors, which may place us at a competitive disadvantage; and

- our leverage and our antitrust related obligations may hinder our ability to adjust rapidly to changing market conditions or other events and make us more vulnerable to insolvency, bankruptcy or other adverse consequences in the event of a downturn in general or certain regional economic conditions or in our business or in the event that these obligations are greater, or the timing of payment is sooner, than expected.

OUR ABILITY TO SERVICE OUR DEBT AND MEET OUR OTHER OBLIGATIONS DEPENDS ON CERTAIN FACTORS BEYOND OUR CONTROL.

Our ability to service our debt and meet our other obligations as they come due is dependent on our future financial and operating performance. This performance is subject to various factors, including certain factors beyond our control such as, among other things, changes in global and regional economic conditions, developments in antitrust investigations, lawsuits and claims involving us, changes in our industry, changes in interest or currency exchange rates and inflation in raw materials, energy and other costs.

If our cash flow and capital resources are insufficient to enable us to service our debt and meet these obligations as they become due, we could be forced to:

- reduce or delay capital expenditures;
- sell assets or businesses;
- limit or discontinue, temporarily or permanently, business plans, activities or operations;
- obtain additional debt or equity financing; or
- restructure or refinance debt.

We cannot assure you as to the timing of such actions or the amount of proceeds that could be realized from such actions. Accordingly, we cannot assure you that we will be able to meet our debt service and other obligations as they become due or otherwise.

WE ARE SUBJECT TO RESTRICTIVE COVENANTS UNDER OUR SENIOR FACILITIES AND THE INDENTURE RELATING TO OUR SENIOR NOTES. THESE COVENANTS COULD SIGNIFICANTLY AFFECT THE WAY IN WHICH WE CONDUCT OUR BUSINESS. OUR FAILURE TO COMPLY WITH THESE COVENANTS COULD LEAD TO AN ACCELERATION OF OUR DEBT.

The Senior Facilities and the indenture relating to our Senior Notes (the "INDENTURE") contain a number of covenants that, among other things, significantly restrict our ability to:

- dispose of assets;
- incur additional indebtedness;
- repay or refinance other indebtedness or amend other debt instruments;
- create liens on assets;

- enter into leases or sale/leaseback transactions;
- make investments or acquisitions;
- engage in mergers or consolidations;
- make certain payments and investments, including dividend payments; and
- make capital expenditures or engage in certain transactions with subsidiaries and affiliates.

The Senior Facilities also require us to comply with specified financial covenants, including minimum interest coverage and maximum leverage ratios. In addition, pursuant to the Senior Facilities, we cannot borrow under our revolving credit facility:

- if the aggregate amount of our payments made (excluding certain imputed interest) and additional reserves created in connection with antitrust, securities and stockholder derivative investigations, lawsuits and claims exceed $340 million by more than $75 million (which $75 million is reduced by the amount of certain debt, other than the Senior Notes, incurred by us that is not incurred under the Senior Facilities, $24 million of which debt was outstanding at March 31, 2002); or
- if the additional borrowings would cause us to breach the financial covenants contained therein.

Further, substantially all of our assets in the U.S. are pledged to secure guarantees of the Senior Facilities by our domestic subsidiaries. In addition, our principal foreign operating subsidiaries are obligors under intercompany term notes and guarantees of those notes issued to UCAR Finance that are pledged to secure the Senior Notes. Our Swiss subsidiary is an obligor under an intercompany revolving note and our principal foreign subsidiaries are guarantors of that note. Such note and guarantees are pledged to secure the Senior Facilities. Most of the assets of the obligors under that intercompany revolving note and the related guarantees, which constitute a majority of our assets outside the U.S., are pledged to secure that note and those guarantees.

We are currently in compliance with the covenants contained in the Senior Facilities and the Indenture. However, our ability to continue to comply may be affected by events beyond our control. The breach of any of the covenants contained in the Senior Facilities, unless waived by the lenders, would be a default under the Senior Facilities. This would permit the lenders to accelerate the maturity of the Senior Facilities. It would also permit the lenders to terminate their commitments to extend credit under our revolving credit facility. This would have an immediate material adverse effect on our liquidity. An acceleration of maturity of the Senior Facilities would permit the holders of the Senior Notes to accelerate the maturity of the Senior Notes. A breach of the covenants contained in the Indenture would also permit the holders of the Senior Notes to accelerate the maturity of the Senior Notes. Acceleration of maturity of the Senior Notes would permit the lenders to accelerate the maturity

of the Senior Facilities and terminate their commitments to extend credit under our revolving credit facility. If we were unable to repay our debt to the lenders and holders or otherwise obtain a waiver from the lenders and holders, we could be forced to take the actions described in the preceding risk factor and the lenders and holders could proceed against the collateral securing the Senior Facilities and the Senior Notes, respectively, and exercise all other rights available to them. We cannot assure you that we would have sufficient funds to make these accelerated payments or that we would be able to obtain any such waiver on acceptable terms or at all.

WE ARE SUBJECT TO RISKS ASSOCIATED WITH OPERATIONS IN MULTIPLE COUNTRIES.

We have significant international operations. In 2001, about 70% of our net sales was derived from sales outside of the U.S., and, at December 31, 2001, about 74% of our total property, plant and equipment and other long-lived assets was located outside the U.S. In addition, we have entered into and begun performance under an agreement with Jilin to form a joint venture which, subject to receipt of Chinese governmental approval and satisfaction of other conditions, is expected to produce and sell high quality graphite electrodes. As a result, we are subject to risks associated with operating in multiple countries, including:

- currency devaluations and fluctuations in currency exchange rates, including impacts of transactions in various currencies, translation of various currencies into dollars for U.S. reporting purposes, and impacts on results of operations due to the fact that costs of our foreign subsidiaries for our principal raw material, petroleum coke, are incurred in dollars even though their products are primarily sold in other currencies;

- imposition of or increases in customs duties and other tariffs;

- imposition of or increases in currency exchange controls, including imposition of or increases in limitations on conversion of various currencies into dollars or euros, making of intercompany loans by subsidiaries or remittance of dividends, interest or principal payments or other payments by subsidiaries;

- imposition of or increases in revenue, income or earnings taxes and withholding and other taxes on remittances and other payments by subsidiaries;

- imposition or increases in investment restrictions and other restrictions or requirements by non-U.S. governments;

- inability to definitively determine or satisfy legal requirements, inability to effectively enforce contract or legal rights and inability to obtain complete financial or other information under local legal, judicial, regulatory, disclosure and other systems; and

- nationalization and other risks which could result from a change in government or other political, social or economic instability.

We cannot assure you that such risks will not have a material adverse effect on us in the future.

In general, our results of operations and financial condition are affected by inflation in each country in which we have a manufacturing facility. We maintain operations in Brazil, Russia and Mexico, countries which have had in the past, and may have now or in the future, highly inflationary economies, defined as cumulative inflation of about 100% or more over a three calendar year period.

We cannot assure you that future increases in our costs will not exceed the rate of inflation or the amounts, if any, by which we may be able to increase prices for our products.

OUR ABILITY TO GROW AND COMPETE EFFECTIVELY DEPENDS ON PROTECTING OUR INTELLECTUAL PROPERTY, INCLUDING THAT RELATING TO FUEL CELL POWER GENERATION, ELECTRONIC THERMAL MANAGEMENT AND OTHER IDENTIFIED OPPORTUNITIES. FAILURE TO PROTECT OUR INTELLECTUAL PROPERTY COULD ADVERSELY AFFECT OUR PLANNED GROWTH.

Failure to protect our intellectual property may result in the loss of the exclusive right to use our technologies. We rely on patent, trademark and trade secret law to protect our intellectual property. Our issued patents relating to fuel cell power generation and electronic thermal management applications, which we believe are particularly important to our planned growth, will expire at various times between 2004 and 2018. Some of our intellectual property is not covered by any patent or patent application. Our patents are subject to complex factual and legal considerations, and there can be uncertainty as to the validity, scope and enforceability of any particular patent. Accordingly, we cannot assure you that:

- any of the U.S. or foreign patents now or hereafter owned by us, or that third parties have licensed to us or may in the future license to us, will not be circumvented, challenged or invalidated;

- any of the U.S. or foreign patents that third parties have licensed to us or may license to us in the future will not be licensed to others; or

- any of our pending or future patent applications will be issued at all or with the breadth of claim coverage sought by us.

In addition, effective patent, trademark and trade secret protection may be unavailable, limited or not applied for in some foreign countries in which we operate.

Our ability to maintain our proprietary intellectual property may be achieved in part by prosecuting claims against others whom we believe are infringing upon our rights and by defending against claims of intellectual property infringement brought by others against us. Our involvement in intellectual property litigation could result in significant expense to us, adversely affecting development of sales of the related products and diverting the efforts of our technical and management personnel, regardless of the outcome of such litigation.

We also seek to protect our proprietary intellectual property, including intellectual property that may not be patented or patentable, in part by confidentiality agreements and, if applicable, inventors' rights agreements with our strategic partners and employees. We cannot assure you that these agreements will not be breached, that we will have adequate remedies for any such breach or that such partners or employees will not assert rights to intellectual property arising out of these relationships.

If necessary or desirable, we may seek licenses to intellectual property of others. However, we can give no assurance that we will obtain such licenses or that the terms of any such licenses will be acceptable to us.

The failure to obtain a license from a third party for its intellectual property that is necessary to make or sell any of our products could cause us to incur substantial liabilities and to suspend the manufacture or shipment of products or our use of processes requiring the use of such intellectual property.

OUR CURRENT AND FORMER MANUFACTURING OPERATIONS ARE SUBJECT TO INCREASINGLY STRINGENT HEALTH, SAFETY AND ENVIRONMENTAL REQUIREMENTS.

We use and generate hazardous substances in our manufacturing operations. In addition, both the properties on which we currently operate and those on which we have ceased operations are and have been used for industrial purposes. Further, our manufacturing operations involve risks of personal injury or death. We are subject to increasingly stringent environmental, health and safety laws and regulations relating to our current and former properties and neighboring properties and our current operations. These laws and regulations provide for substantial fines and criminal sanctions for violations and sometimes require the installation of costly pollution control or safety equipment or costly changes in operations to limit pollution and decrease the likelihood of injuries. In addition, we may become subject to potentially material liabilities for the investigation and cleanup of contaminated properties and to claims alleging personal injury or property damage resulting from exposure to or releases of hazardous substances or personal injury as a result of an unsafe workplace. In addition, noncompliance with or stricter enforcement of existing laws and regulations, adoption of more stringent new laws and regulations, discovery of previously unknown contamination or imposition of new or increased requirements could require us to incur costs or become the basis of new or increased liabilities that could be material.

WE ARE DEPENDENT ON SUPPLIES OF RAW MATERIALS AND ENERGY AT AFFORDABLE PRICES. OUR RESULTS OF OPERATIONS COULD DETERIORATE IF THAT SUPPLY IS SUBSTANTIALLY DISRUPTED FOR AN EXTENDED PERIOD.

We purchase raw materials and energy from a variety of sources. In many cases, we purchase them under short term contracts or on the spot market, in each case at fluctuating prices. The availability and price of raw materials and energy may be subject to curtailment or change due to:

- limitations which may be imposed under new legislation or governmental regulations;
- suppliers' allocations to meet demand of other purchasers during periods of shortage (or, in the case of energy suppliers, extended cold weather);
- interruptions in production by suppliers; and
- market and other events and conditions.

Petroleum products, including petroleum coke, our principal raw material, and energy, particularly natural gas, have been subject to significant price fluctuations. Over the past several years, we have mitigated the effect of price increases on our results of operations through our cost reduction efforts. We cannot assure you that such efforts will successfully mitigate future increases in the price of petroleum coke or other raw materials or energy. A substantial increase in raw material or energy prices which cannot be mitigated or passed on to customers or a continued interruption in supply, particularly in the supply of petroleum coke or energy, would have a material adverse effect on us.

OUR RESULTS OF OPERATIONS COULD DETERIORATE IF OUR MANUFACTURING OPERATIONS WERE SUBSTANTIALLY DISRUPTED FOR AN EXTENDED PERIOD.

Our manufacturing operations are subject to disruption due to extreme weather conditions, floods and similar events, major industrial accidents, strikes and lockouts, and other events. We cannot assure you that no such events will occur. If such an event occurs, it could have a material adverse effect on us.

OUR RESULTS OF OPERATIONS FOR ANY QUARTER ARE NOT NECESSARILY INDICATIVE OF OUR RESULTS OF OPERATIONS FOR A FULL YEAR.

Sales of graphite electrodes and other products fluctuate from quarter to quarter due to such factors as changes in global and regional economic conditions, changes in competitive conditions, scheduled plant shutdowns by customers, national vacation practices, changes in customer production schedules in response to seasonal changes in energy costs, weather conditions, strikes and work stoppages at customer plants and changes in customer order patterns in response to the announcement of price increases. We have experienced, and expect to continue to experience, volatility with respect to demand for and prices of graphite electrodes and other products, both globally and regionally.

We have also experienced volatility with respect to prices of raw materials and energy, and it has frequently required several quarters of cost reduction efforts to mitigate increases in those prices. We expect to experience volatility in such prices in the future.

Accordingly, results of operations for any quarter are not necessarily indicative of the results of operations for a full year.

THE GRAPHITE AND CARBON INDUSTRY IS HIGHLY COMPETITIVE. OUR MARKET SHARE, NET SALES OR NET INCOME COULD DECLINE DUE TO VIGOROUS PRICE AND OTHER COMPETITION.

Competition in the graphite and carbon products industry (other than with respect to new products) is based primarily on price, product quality and customer service. Graphite electrodes, in particular, are subject to rigorous price competition. Price increases by us or price reductions by our competitors, decisions by us with respect to maintaining profit margins rather than market share, technological developments, changes in the desirability or necessity of entering into long term fixed price supply contracts with customers, or other competitive or market factors or strategies could adversely affect our market share, net sales or net income.

Competition with respect to new products is, and is expected to be, based primarily on product innovation, performance and cost effectiveness as well as customer service.

Competition could prevent implementation of price increases, require price reductions or require increased spending on research and development, marketing and sales that could adversely affect our results of operations, cash flows or financial condition.

WE CANNOT ASSURE YOU THAT WE WILL SUCCESSFULLY IMPLEMENT ANY STRATEGIC ALLIANCES FOR ANY OF OUR BUSINESSES.

One of our key strategies is establishment and expansion of strategic alliances to reduce our average cost of sales, expand our share of various geographic markets, expand our product lines or technology, or strengthen our businesses. We cannot assure you that any alliance will be completed or as to the timing, terms or benefits of any alliance that may be completed.

WE MAY NOT BE ABLE TO COMPLETE OUR PLANNED ASSET SALES.

We intend to sell real estate, non-strategic businesses and certain other non-strategic assets over the next two years. We cannot assure you if or when we will be able to complete these sales or that we will realize proceeds therefrom that meet our current expectations.

WE CANNOT ASSURE YOU THAT THE CORPORATE REALIGNMENT OF OUR SUBSIDIARIES WILL BE COMPLETED IN THE 2002 FIRST HALF.

We are currently in the process of realigning the corporate organizational structure of our subsidiaries, which we expect to be substantially completed in the 2002 first half. We cannot assure you that the realignment will be completed on a timely basis or at all. If completion is delayed or the realignment is not completed, we may not achieve some of our targeted cost savings when anticipated or at all.

WE MAY NOT ACHIEVE THE COST SAVINGS TARGETED UNDER THE 2002 PLAN.

Our targeted cost savings under the 2002 plan are based on assumptions regarding the costs and savings associated with the activities undertaken and to be undertaken as part of the 2002 plan. We cannot assure you that these assumptions are correct or that we will be able to implement these activities at the anticipated costs, if at all. If the costs associated with these activities are higher than anticipated or if we are unable to implement the activities as and when we have assumed, we may not be able to meet our cost savings targets.

THERE ARE PROVISIONS IN SOME OF OUR IMPORTANT DOCUMENTS THAT COULD HAVE THE EFFECT OF PREVENTING A CHANGE IN CONTROL OF US.

Our Certificate of Incorporation and By-Laws contain provisions concerning voting, issuance of preferred stock, removal of officers and directors and other matters that may have the effect of discouraging, delaying or preventing a change in control of us. In addition, our board of directors has adopted a stockholder rights plan that may have the same affect. Further, the Senior Facilities restrict certain events that would constitute a change in control and provide that certain events which would constitute a change in control would also constitute an event of default. We cannot assure you that we will have the financial resources necessary to repay the Senior Facilities upon the occurrence of such an event of default.

OUR STOCK PRICE MAY BE VOLATILE DUE TO THE NATURE OF OUR BUSINESS, WHICH COULD AFFECT THE SHORT-TERM VALUE OF YOUR INVESTMENT.

The stock market has from time to time experienced extreme price and volume fluctuations. Many factors may cause the market price for our common stock to decline or fluctuate, perhaps substantially, following this offering, including:

- failure to meet product development and commercialization goals;
- quarterly fluctuations in our results of operations;
- net sales and results of operations failing to meet the expectations of securities analysts or investors;
- downward revisions in securities analysts' revenue or earnings estimates or changes in general market conditions;
- technological innovations or strategic actions by our competitors;
- speculation in the press or investor perception concerning our industry or our prospects; or

- general economic factors unrelated to our performance.

The stock markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the market price of our common stock.

In the past, companies that have experienced volatility in the market price of their stock have been the subject of securities class action litigation. We could be involved in a securities class action litigation in the future. Such litigation could result in substantial costs and a diversion of management's attention and resources.

USE OF PROCEEDS AND SELLING HOLDER

We have adopted a grantor trust to assist us in providing for payment of certain benefit plan obligations to management which are otherwise payable out of our general assets. These obligations include accrued benefits under nonqualified retirement plans and severance obligations under employment and other agreements. The trust contains a benefits protection account which makes funds available to assist plan participants and their beneficiaries in enforcing their claims with respect to those obligations upon a change of control. We may from time to time contribute assets to or, with the approval of a majority of our board of directors, withdraw assets from the trust (other than from a benefits protection account established within the trust, to which $250,000 has been contributed), except that no withdrawal can be made after a change of control until all such obligations are paid or discharged.

We have issued and contributed the 426,400 shares of common stock offered hereby to an account within the trust maintained with respect to our obligations under our nonqualified benefit plans. We have instructed the trust to sell these shares promptly and in an orderly fashion. The net proceeds from such sales are expected to be used to discharge and pay these obligations; however, prior to a change of control, we may withdraw a portion or all of these net proceeds from the trust and use them for general corporate or other purposes. Because we may withdraw from the trust the shares contributed to the trust and/or the proceeds received from any sales of such shares prior to a change of control, sales of these shares are deemed to be sales by us for purposes of Federal securities laws.

Our board of directors may amend or terminate the trust at any time prior to a change of control. Upon a change of control, the trust becomes irrevocable, and we are required to make contributions to the trust sufficient to discharge and pay such obligations. Upon a change of control, no amendment of the trust may be adopted without the written consent of a majority of the participants and the beneficiaries who are receiving benefits thereunder. Consistent with the requirements of applicable law, the assets of the trust are subject to the claims of our creditors in the event of our insolvency or bankruptcy.

PLAN OF DISTRIBUTION

We have instructed the trust to sell the shares offered hereby promptly and in an orderly fashion. We have authorized the trust to use its discretion as to the specific timing, process and other terms of sale of the shares. The trust may sell the shares offered hereby on any stock exchange, market or trading facility on which the shares are traded, in block trades or in private transactions. These sales may be at fixed or negotiated prices. The trust may offer the shares:

- directly to purchasers;

- to or through underwriters;
- through dealers, agents or institutional investors; or
- through a combination of such methods.

The trustee will receive no compensation or commissions in connection with the sale of the shares offered hereby other than normal fees and expenses for administering the trust. The trust will not make any direct or indirect investment in the shares offered hereby nor induce any prospective purchaser to make such an investment.

LEGAL MATTERS

The legality of our common stock offered hereby and certain other legal matters will be passed upon for us by Kelley Drye & Warren LLP, New York, New York, and Stamford, Connecticut.

EXPERTS

The consolidated financial statements of GrafTech International Ltd. (formerly known as UCAR International Inc.) and subsidiaries as of and for the year ended December 31, 2001 incorporated by reference in this registration statement from our Registration Statement No. 333-87302 on Form S-4 have been audited by Deloitte & Touche LLP, independent auditors, as stated in their report incorporated by reference herein and are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements of GrafTech International Ltd. (formerly known as UCAR International Inc.) and subsidiaries as of December 31, 2000, and for each of the years in the two-year period ended December 31, 2000, have been incorporated by reference herein in reliance upon the report of KPMG LLP, independent accountants, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS. WE HAVE NOT AUTHORIZED ANYONE TO PROVIDE YOU WITH INFORMATION THAT IS DIFFERENT. WE ARE OFFERING TO SELL, AND SEEKING OFFERS TO BUY, THESE SECURITIES ONLY, AND THIS PROSPECTUS MAY BE USED ONLY, IN JURISDICTIONS WHERE OFFERS AND SALES OF THESE SECURITIES ARE PERMITTED. THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS MAY BE ACCURATE ONLY ON THE DATE OF THE DOCUMENT CONTAINING THE INFORMATION.

GRAFTECH INTERNATIONAL LTD.

426,400 Shares
Common Stock

PROSPECTUS

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth the estimated expenses to be incurred in connection with the issuance and distribution of the securities being registered. The expenses shall be paid by the registrant.

SEC registration fee..............................	$ 500
Legal fees and expenses...........................	10,000
Accounting fees and expenses......................	5,000
Miscellaneous.....................................	4,500
Total.....................................	$20,000

ITEM 15. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 145 of the General Corporation Law of the State of Delaware (the "Law") provides as follows:

"(a) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) A corporation shall have the power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and

(b) of this section, or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (3) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the board of directors deems appropriate.

(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has

ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees)."

Section 102(b)(7) of the Law provides as follows:

"(b) In addition to the matters required to be set forth in the certificate of incorporation by subsection (a) of this section, the certificate of incorporation may also contain any or all of the following matters:

(7) A provision eliminating or limiting the personal liability of a director to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, provided that such provision shall not eliminate or limit the liability of a director: (i) for any breach of the director's duty of loyalty to the corporation or its stockholders; (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) under section 174 of this title; or (iv) for any transaction from which the director derived an improper personal benefit. No such provision shall eliminate or limit the liability of a director for any act or omission occurring prior to the date when such provision becomes effective. All references in this paragraph to a director shall also be deemed to refer (x) to a member of the governing body of a corporation which is not authorized to issue capital stock, and (y) to such other person or persons, if any, who, pursuant to a provision of the certificate of incorporation in accordance with Section 141(a) of this title, exercise or perform any of the powers or duties otherwise conferred or imposed upon the board of directors by this title."

The registrant maintains a director's and officer's liability insurance policy which indemnifies directors and officers for certain losses arising from claims by reason of a wrongful act, as defined therein, under certain circumstances.

In addition, in response to this Item 15, the following information is incorporated by reference: the information included in the description of the registrant's capital stock contained in the registrant's Registration Statement on Form 8-A dated July 28, 1995, as updated by any amendment or report filed for the purpose of updating such description; the description of the rights contained in the registrant's Registration Statement on Form 8-A dated September 10, 1998, as updated by any amendment or report filed for the purpose of updating such description; Articles Tenth and Eleventh of the Amended and Restated Certificate of Incorporation of the registrant incorporated by reference as Exhibit 4.1 to this registration statement; and Article V of the

Amended and Restated By-Laws of the registrant incorporated by reference as Exhibit 4.2 to this registration statement.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The exhibits listed in the following table have been filed as part of this registration statement.

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
4.1(1)	Amended and Restated Certificate of Incorporation of the registrant.
4.1(a)(2)	Certificate of Designations of Series A Junior Participating Preferred Stock.
4.1(b)(3)	Certificate of Amendment to Amended and Restated Certificate of Incorporation of the registrant.
4.2(1)	Amended and Restated By-Laws of the registrant.
4.2(a)(2)	Amendment to By-Laws of the registrant.
4.3(2)	Rights Agreement dated as of August 7, 1998 between the registrant and The Bank of New York, as Rights Agent.
4.3(a)(4)	Amendment No. 1 to such Rights Agreement dated as of November 1, 2000.
5.1*	Opinion of Kelley Drye & Warren LLP regarding the validity of the securities registered hereby.
23.1*	Consent of Kelley Drye & Warren LLP (included in Exhibit 5.1).
23.2**	Consent of KPMG LLP.
23.3**	Consent of Deloitte & Touche LLP.
24.1*	Powers of Attorney.

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* Previously filed
** Filed herewith

(1) Incorporated by reference to the registrant's Registration Statement on Form S-1 (Registration No. 33-94698).
(2) Incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 1998 (File No. 1-13888).
(3) Incorporated by reference to the registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2002 (File No. 1-13888).
(4) Incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-13888).

(b) Financial Statement Schedules

All schedules are omitted as the required information is inapplicable or the information is presented in the Consolidated Financial Statements or related notes thereto.

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Exchange Act) that is incorporated by reference in this Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial BONA FIDE offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the

Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Wilmington, State of Delaware on this 19th day of July 2002.

GRAFTECH INTERNATIONAL LTD.

By: /S/ CORRADO F. DE GASPERIS

Name: Corrado F. De Gasperis
Title: Vice President, Chief Financial Officer and Chief Information Officer

Pursuant to the requirements of the Securities Act of 1933, this amendment to the Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURES	TITLE	DATE
* -- Gilbert E. Playford	Chief Executive Officer and Director (Principal Executive Officer)	July 19, 2002
/S/ CORRADO F. DE GASPERIS -- Corrado F. De Gasperis	Vice President, Chief Financial Officer and Chief Information Officer (Principal Financial and Accounting Officer)	July 19, 2002
* -- R. Eugene Cartledge	Director	July 19, 2002
* -- Mary B. Cranston	Director	July 19, 2002
* -- John R. Hall	Director	July 19, 2002
* -- Thomas Marshall	Director	July 19, 2002
* -- Ferrell P. McClean	Director	July 19, 2002

SIGNATURES	TITLE	DATE
* Michael C. Nahl	Director	July 19, 2002

*By /S/ CORRADO F. DE GASPERIS
Corrado F. De Gasperis
Attorney-in-Fact

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EXHIBIT INDEX

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(4) Incorporated by reference to the registrant's Annual Report on Form 10-K for the year ended December 31, 2001 (File No. 1-13888).

Community Trust Bancorp, Inc.
Condensed Consolidated Statements of Income and Other Comprehensive Income
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(in thousands except per share data)	2009	2008	2009	2008
Interest income:				
Interest and fees on loans, including loans held for sale	$ 34,435	$ 37,308	$ 68,622	$ 77,063
Interest and dividends on securities				
Taxable	2,499	3,226	5,098	6,638
Tax exempt	498	471	928	945
Interest and dividends on Federal Reserve and Federal	339	285	684	794
Home Loan Bank stock				
Other, including interest on federal funds sold	154	380	269	910
Total interest income	37,925	41,670	75,601	86,350
Interest expense:				
Interest on deposits	10,436	13,522	21,489	29,049
Interest on repurchase agreements and other short-term				
Borrowings	598	1,090	1,271	2,558
Interest on advances from Federal Home Loan Bank	482	376	958	753
Interest on long-term debt	1,000	1,000	2,000	2,000
Total interest expense	12,516	15,988	25,718	34,360
Net interest income	25,409	25,682	49,883	51,990
Provision for loan losses	4,522	2,648	6,503	5,017
Net interest income after provision for loan losses	20,887	23,034	43,380	46,973
Noninterest income:				
Service charges on deposit accounts	5,517	5,503	10,466	10,602
Gains on sales of loans, net	1,309	494	3,240	1,040
Trust income	1,249	1,298	2,411	2,489
Loan related fees	1,494	1,079	2,242	1,378
Bank owned life insurance	287	269	543	532
Securities gains (losses)	(4)	0	515	(50)
Other	1,103	1,038	2,291	2,433
Total noninterest income	10,955	9,681	21,708	18,424
Noninterest expense:				
Salaries and employee benefits	10,650	10,600	21,918	21,311
Occupancy, net	1,714	1,708	3,518	3,334
Equipment	1,269	1,114	2,388	2,167

Data processing	1,514	1,426	3,001	2,807
Bank franchise tax	918	914	1,828	1,804
Legal and professional fees	924	724	1,994	1,437
FDIC Insurance	2,250	65	3,746	132
Other	4,339	3,892	8,982	7,452
Total noninterest expense	23,578	20,443	47,375	40,444
Income before income taxes	8,264	12,272	17,713	24,953
Income taxes	2,327	3,652	5,196	7,788
Net income	5,937	8,620	12,517	17,165
Other comprehensive income, net of tax:				
Unrealized holding gains (losses) on securities available-for-sale	56	(3,618)	1,142	(587)
Comprehensive income	$ 5,993	$ 5,002	$ 13,659	$ 16,578

See notes to condensed consolidated financial statements.

Community Trust Bancorp, Inc.
Condensed Consolidated Statements of Income and Other Comprehensive Income
(continued)
(unaudited)

	Three Months Ended June 30		Six Months Ended June 30	
(in thousands except per share data)	2009	2008	2009	2008
Basic earnings per share	$ 0.39	$ 0.58	$ 0.83	$ 1.14
Diluted earnings per share	0.39	0.57	0.82	1.13
Weighted average shares outstanding-basic	15,127	14,989	15,101	14,995
Weighted average shares outstanding-diluted	15,219	15,152	15,194	15,145
Dividends declared per share	$ 0.30	$ 0.29	$ 0.60	$ 0.58

See notes to condensed consolidated financial statements.

Community Trust Bancorp, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	Six months ended June 30	
(in thousands)	2009	2008
Cash flows from operating activities:		
Net income	$ 12,517	$ 17,165
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,712	2,567
Deferred taxes	581	(222)
Stock based compensation	283	368
Excess tax benefits of stock-based compensation	596	421
Provision for loan and other real estate losses	7,030	5,142
Securities (gains)/losses	(515)	50
Gains on sale of mortgage loans held for sale	(3,240)	(1,040)
Gains on sale of assets, net	(11)	(70)
Proceeds from sale of mortgage loans held for sale	162,972	52,933
Funding of mortgage loans held for sale	(159,708)	(51,053)
Amortization of securities premiums, net	929	(96)
Change in cash surrender value of bank owned life insurance	(444)	(451)
Fair value adjustments of mortgage servicing rights	(237)	2
Changes in:		
Other liabilities	8,786	1,826
Other assets	(535)	4,137
Net cash provided by operating activities	31,715	31,679
Cash flows from investing activities:		
Securities available-for-sale:		
Proceeds from sales	37,451	29,950
Proceeds from prepayments and maturities	51,744	41,076
Purchase of securities	(118,454)	(54,648)
Securities held-to-maturity:		
Proceeds from prepayments and maturities	6,179	3,684
Purchase of securities	(480)	(53,073)
Other short term investments		
Purchase of securities	(29,400)	0
Change in loans, net	(49,582)	(1,314)
Purchase of premises, equipment, and other real estate	(1,900)	(643)
Proceeds from sale of premises and equipment	24	0
Additional investment in equity securities	(8)	0
Proceeds from sale of other real estate and other repossessed assets	2,155	2,422
Additional investment in other real estate owned	(508)	(104)
Additional investment in bank owned life insurance	(945)	0
Net cash used in investing activities	$ (103,724)	$ (32,650)

See notes to condensed consolidated financial statements.

Community Trust Bancorp, Inc.
Condensed Consolidated Statements of Cash Flows (continued)
(unaudited)

	Six months ended June 30	
(in thousands)	2009	2008
Cash flows from financing activities:		
Change in deposits, net	$ 62,119	$ (15,041)
Change in repurchase agreements and other short-term borrowings, net	3,088	(17,011)
Payments on advances from Federal Home Loan Bank	(31)	(97)
Issuance of common stock	1,375	932
Purchase of common stock	0	(2,630)
Excess tax benefits of stock-based compensation	(596)	(421)
Dividends paid	(9,045)	(8,699)
Net cash provided by (used in) financing activities	56,910	(42,967)
Net increase in cash and cash equivalents	(15,099)	(43,938)
Cash and cash equivalents at beginning of period	140,878	137,250
Cash and cash equivalents at end of period	$ 125,779	$ 93,212
Supplemental disclosures:		
Income taxes paid	$ 3,468	$ 9,529
Interest paid	23,353	31,430
Non-cash activities		
Loans to facilitate the sale of other real estate and other repossessed assets	281	885
Common stock dividends accrued, paid in subsequent quarter	4,540	8,686
Real estate acquired in settlement of loans	12,357	4,234

See notes to condensed consolidated financial statements.

Community Trust Bancorp, Inc.
Notes to Condensed Consolidated Financial Statements (unaudited)

Note 1 - Summary of Significant Accounting Policies

In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (which consist of normal recurring accruals) necessary, to present fairly the condensed consolidated financial position as of June 30, 2009, the results of operations for the three and six months ended June 30, 2009 and 2008, and the cash flows for the six months ended June 30, 2009 and 2008. In accordance with accounting principles generally accepted in the United States of America for interim financial information, these statements do not include certain information and footnote disclosures required by accounting principles generally accepted in the United States of America for complete annual financial statements. The condensed consolidated balance sheet as of December 31, 2008 has been derived from the audited consolidated financial statements of Community Trust Bancorp, Inc. ("CTBI") for that period. The results of operations for the three and six months ended June 30, 2009 and 2008, and the cash flows for the six months ended June 30, 2009 and 2008, are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto for the year ended December 31, 2008, included in CTBI's Annual Report on Form 10-K.

Principles of Consolidation – The unaudited condensed consolidated financial statements include the accounts of CTBI and its separate and distinct, wholly owned subsidiaries Community Trust Bank, Inc. (the "Bank") and Community Trust and Investment Company. All significant intercompany transactions have been eliminated in consolidation.

Reclassifications – Certain reclassifications considered to be immaterial have been made in the prior year consolidated financial statements to conform to current year classifications. These reclassifications had no effect on net income.

These financial statements consider events that occurred through August 10, 2009, the date the financial statements were issued.

New Accounting Standards –

Ø Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities – This FASB Staff Position No. EITF 03-6-1 addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two-class method described in paragraphs 60 and 61 of FASB Statement No. 128, Earnings Per Share. This FSP was effective January 1, 2009, and did not have a significant impact on our consolidated financial statements.

Ø Business Combinations (Revised 2007) – The FASB recently issued SFAS 141(R), which replaces FAS 141, Business Combinations, and applies to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141R requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities, and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under SFAS 141 whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. SFAS 141R requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed as was previously the case under SFAS 141. Under SFAS 141R, the requirements of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities, would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in purchase accounting, and instead, that contingency would be subject to the probable and estimable recognition criteria of SFAS 5, Accounting for Contingencies. This Statement defines a bargain purchase as a business combination in which the total acquisition date fair value of the identifiable net assets acquired exceeds the fair value of the consideration transferred plus any noncontrolling interest in the acquiree, and it requires the acquirer to recognize that excess in earnings as a gain attributable to the acquirer. In contrast, Statement 141 required the "negative goodwill" amount to be allocated as a pro rata reduction of the amounts that otherwise would have been assigned to particular assets acquired. SFAS 141R is effective for business combinations occurring after January 1, 2009.

Ø Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly –FSP SFAS 157-4 affirms that the objective of fair value when the market for an asset is not active is the price that would be received to sell the asset in an orderly transaction and clarifies and includes additional factors for determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active. FSP SFAS 157-4 requires an entity to base its conclusion about whether a transaction was not orderly on the weight of the evidence. FSP SFAS 157-4 also amended SFAS 157, Fair Value Measurements, to expand certain disclosure requirements. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. CTBI did not elect to early adopt. This FSP did not have a significant impact on our consolidated financial statements.

Ø Recognition and Presentation of Other-Than-Temporary Impairments – FSP SFAS 115-2 and SFAS 124-2 (i) changes existing guidance for determining whether an impairment is other than temporary to debt securities and (ii) replaces the existing requirement that the entity's management assert it has both the intent and ability to hold an impaired security until recovery with a requirement that management assert: (a) it does not have the intent to sell the security; and (b) it is more likely than not it will not have to sell the security before recovery of its cost basis. Under FSP SFAS 115-2 and SFAS 124-2, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. This FSP is effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. CTBI did not elect to early adopt. This FSP did not have a significant impact on our consolidated financial statements.

Ø Interim Disclosures about Fair Value of Financial Instruments – FSP SFAS 107-1 and APB 28-1 amends SFAS 107, Disclosures about Fair Value of Financial Instruments, to require an entity to provide disclosures about fair value of financial instruments in interim financial information and amends Accounting Principles Board (APB) Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information at interim reporting periods. Under FSP SFAS 107-1 and APB 28-1, a publicly traded company shall include disclosures about the fair value of its financial instruments whenever it issues summarized financial information for interim reporting periods. In addition, entities must disclose, in the body or in the accompanying notes of its summarized financial information for interim reporting periods and in its financial statements for annual reporting periods, the fair value of all financial instruments for which it is practicable to estimate that value, whether recognized or not recognized in the statement of financial position, as required by SFAS 107. This FSP did not have a significant impact on our consolidated financial statements.

Ø Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies – FSP SFAS 141R-1 amends the guidance in SFAS 141R to require that assets acquired and liabilities assumed in a business combination that arise from contingencies be recognized at fair value if fair value can be reasonably estimated. If fair value of such an asset or liability cannot be reasonably estimated, the asset or liability would generally be recognized in accordance with SFAS 5, Accounting for Contingencies, and FASB Interpretation (FIN)

No. 14, Reasonable Estimation of the Amount of a Loss. FSP SFAS 141R-1 removes subsequent accounting guidance for assets and liabilities arising from contingencies from SFAS 141R and requires entities to develop a systematic and rational basis for subsequently measuring and accounting for assets and liabilities arising from contingencies. FSP SFAS 141R-1 eliminates the requirement to disclose an estimate of the range of outcomes of recognized contingencies at the acquisition date. For unrecognized contingencies, entities are required to include only the disclosures required by SFAS 5. FSP SFAS 141R-1 also requires that contingent consideration arrangements of an acquiree assumed by the acquirer in a business combination be treated as contingent consideration of the acquirer and should be initially and subsequently measured at fair value in accordance with SFAS 141R. FSP SFAS 141R-1 is effective for assets or liabilities arising from contingencies CTBI acquires in business combinations occurring after January 1, 2009.

Ø Disclosure of Subsequent Events - SFAS No. 165 — In May 2009, the FASB issued Statement No. 165 — Subsequent Events. SFAS No. 165 establishes the period after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements and the circumstances under which an entity shall recognize events or transactions that occur after the balance sheet date. SFAS No. 165 also requires disclosure of the date through which subsequent events have been evaluated. The new standard becomes effective for interim and annual periods ending after June 15, 2009. The Company adopted this standard for the interim reporting period ending June 30, 2009. The adoption of this statement did not have a material impact on the Company’s consolidated financial position or results of operations.

Ø Accounting for transfers of Financial Assets - SFAS No. 166 — In June 2009, the FASB issued Statement No. 166 — Accounting for Transfers of Financial Assets — an amendment of FASB Statement No. 140. SFAS No. 166 amends SFAS No. 140 and removes the concept of a qualifying special-purpose entity and limits the circumstances in which a financial asset, or portion of a financial asset, should be derecognized when the transferor has not transferred the entire financial asset to an entity that is not consolidated with the transferor in the financial statements being presented and/or when the transferor has continuing involvement with the transferred financial asset. The new standard will become effective for the Company on January 1, 2010. The Company is currently evaluating the impact of adopting SFAS No. 166 on the consolidated financial statements.

Ø Determining when to consolidate variable purpose entities - SFAS No. 167 — In June 2009, the FASB issued Statement No. 167 — Amendments to FASB Interpretation No. 46(R). SFAS No. 167 amends tests under Interpretation No. 46(R) for variable interest entities to determine whether a variable interest entity must be consolidated. SFAS No. 167 requires an entity to perform an analysis to determine whether an entity's variable interest or interests give it a controlling financial interest in a variable interest entity. This statement requires ongoing reassessments of whether an entity is the primary beneficiary of a variable interest entity and enhanced disclosures that provide more transparent information about an entity's involvement with a variable interest entity. The new standard will become effective for the Company on January 1, 2010. The Company is currently evaluating the impact of adopting SFAS No. 167 on the consolidated financial statements.

Ø Codification of authoritative accounting principles - SFAS No. 168 — In June 2009, the FASB issued Statement No. 168 — The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles. SFAS No. 168 replaces SFAS No. 162 and establishes the FASB Accounting Standards Codification as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles ("GAAP"). Rules and interpretative releases of the Securities and Exchange Commission under federal securities laws are also sources of authoritative GAAP for SEC registrants. The new standard becomes effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this statement is not expected to have a material impact on the Company's consolidated financial position or results of operations.

Ø Disclosures regarding postretirement benefit plan assets - FSP FAS 132(R)-1 — In December 2008, the FASB issued FASB Staff Position No. 132(R)-1, Employers' Disclosures about Postretirement Benefit Plan Assets. This FASB staff position amends FASB Statement No. 132 to provide guidance on an employer's disclosures about plan assets of a defined benefit pension or other postretirement plan. FSP FAS 132(R)-1 requires disclosure of the fair value of each major category of plan assets for pension plans and other postretirement benefit plans. This FASB staff position becomes effective for the Company on January 1, 2010. The Company is currently evaluating the impact of adopting FSP FAS 132(R)-1 on the consolidated financial statements, but it is not expected to have a material impact.

Note 2 – Stock-Based Compensation

CTBI's compensation expense related to stock option grants was $238 thousand and $343 thousand, respectively, for the six months ended June 30, 2009 and 2008, respectively. Restricted stock expense for the first six months of 2009 and 2008 was $45 thousand and $25 thousand, respectively. As of June 30, 2009, there was a total of $0.7 million of unrecognized compensation expense related to unvested stock option awards that will be recognized as expense as the awards vest over a weighted average period of 1.1 years.

There were options to purchase 9,000 shares of CTBI common stock and 5,710 shares of restricted stock granted during the six months ended June 30, 2009. The options were granted pursuant to the terms of the 2006 Stock Ownership Incentive Plan, with an exercise price per share of $29.82 (equal to fair market value on date of grant), a term of 10 years, and vesting in five years. The restrictions on the restricted stock will lapse at the end of five years. However, in the event of a change in control of CTBI or the death of the participant, the restrictions will lapse. In the event of the disability of the participant, the restrictions will lapse on a pro rata basis (with respect to 20% of the participant's restricted stock for each year since the date of award). The Compensation Committee of the Board of Directors will have discretion to review and revise restrictions applicable to a participant's restricted stock in the event of the participant's retirement. There were options to purchase 63,700 shares of CTBI common stock and 11,076 shares of restricted stock granted during the six months ended June 30, 2008.

The fair values of options granted during the six months ended June 30, 2009 and 2008, were established at the date of grant using a Black-Scholes option pricing model with the weighted average assumptions as follows:

	Six Months Ended June 30	
	2009	2008
Expected dividend yield	4.02%	4.10%
Risk-free interest rate	2.23%	3.23%
Expected volatility	37.12%	31.01%
Expected term (in years)	7.5	7.5
Weighted average fair value of options	$ 7.69	$ 6.41

Note 3 – Securities

Securities are classified into held-to-maturity and available-for-sale categories. Held-to-maturity securities are those that CTBI has the positive intent and ability to hold to maturity and are reported at amortized cost. Available-for-sale securities are those that CTBI may decide to sell if needed for liquidity, asset-liability management or other reasons. Available-for-sale securities are reported at fair value, with unrealized gains or losses included as a separate component of equity, net of tax.

The amortized cost and fair value of securities at June 30, 2009 are summarized as follows:

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government agencies	$ 2,002	$ 0	$ (23)	$ 1,979
State and political subdivisions	48,147	784	(503)	48,428
U.S. government sponsored agencies and mortgage-backed pass through certificates	224,182	3,546	(68)	227,660
Collateralized mortgage obligations	1	0	0	1
Total debt securities	274,332	4,330	(594)	278,068
Marketable equity securities	20,540	0	(602)	19,938
Total available-for-sale securities	$ 294,872	$ 4,330	$ (1,196)	$ 298,006

Held-to-Maturity

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	$ 1,576	$ 9	$ 0	$ 1,585
U.S. government sponsored agencies and mortgage-backed pass through certificates	17,819	525	0	18,344
Other debt securities	480	0	0	480
Total held-to-maturity securities	$ 19,875	$ 534	$ 0	$ 20,409

The amortized cost and fair value of securities as of December 31, 2008 are summarized as follows:

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury and government agencies	$ 18,330	$ 576	$ 0	$ 18,906
State and political subdivisions	39,738	757	(651)	39,844
U.S. government sponsored agencies and mortgage-backed pass through certificates	187,390	1,305	(390)	188,305
Collateralized mortgage obligations	1	0	0	1
Total debt securities	245,459	2,638	(1,041)	247,056
Marketable equity securities	20,540	0	(220)	20,320
Total available-for-sale securities	$ 265,999	$ 2,638	$ (1,261)	$ 267,376

Held-to-Maturity

(in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
State and political subdivisions	$ 1,576	$ 9	$ 0	$ 1,585
U.S. government sponsored agencies and mortgage-backed pass through certificates	24,021	0	(110)	23,911
Total held-to-maturity securities	$ 25,597	$ 9	$ (110)	$ 25,496

The amortized cost and fair value of securities at June 30, 2009 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Available-for-Sale		Held-to-Maturity	
(in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 8,094	$ 8,167	$ 0	$ 0
Due after one through five years	21,812	22,402	395	404
Due after five through ten years	5,194	5,101	0	0
Due after ten years	15,049	14,737	1,181	1,181
Mortgage-backed securities and collateralized mortgage obligations	224,183	227,661	17,819	18,344
Other securities	0	0	480	480
Total debt securities	274,332	278,068	19,875	20,409
Marketable equity securities	20,540	19,938	0	0
	$ 294,872	$ 298,006	$ 19,875	$ 20,409

Pre-tax gains on the sale of available for sale securities for the six months ended June 30, 2009 totaled $519 thousand and pre-tax losses for the same period were $4 thousand. For the six months ended June 30, 2008 there were no realized gains on sales of available for sale securities while pre-tax realized losses were $50 thousand.

Securities in the amount of $258 million and $276 million at June 30, 2009 and December 31, 2008, respectively, were pledged to secure public deposits, trust funds, repurchase agreements, and advances from the Federal Home Loan Bank.

CTBI evaluates its investment portfolio on a quarterly basis for impairment. The analysis performed as of June 30, 2009 indicates that all impairment is considered temporary, market driven, and not credit-related. The following tables provide the amortized cost, gross unrealized losses, and fair market value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position as of June 30, 2009.

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
Less Than 12 Months			
U.S. Treasury and government agencies	$ 2,002	$ (23)	$ 1,979
State and political subdivisions	13,521	(260)	13,261
U.S. government sponsored agencies and mortgage-backed pass through certificates	29,093	(68)	29,025
Total debt securities	44,616	(351)	44,265
Marketable equity securities	540	(234)	306
Total securities	$ 45,156	$ (585)	$ 44,571
12 Months or More			
U.S. Treasury and government agencies	$ 0	$ 0	$ 0
State and political subdivisions	4,023	(243)	3,780
U.S. government sponsored agencies and mortgage-backed pass through certificates	0	0	0
Total debt securities	4,023	(243)	3,780
Marketable equity securities	20,000	(368)	19,632
Total securities	$ 24,023	$ (611)	$ 23,412
Total			
U.S. Treasury and government agencies	$ 2,002	$ (23)	$ 1,979
State and political subdivisions	17,544	(503)	17,041
U.S. government sponsored agencies and mortgage-backed pass through certificates	29,093	(68)	29,025
Total debt securities	48,639	(594)	48,045
Marketable equity securities	20,540	(602)	19,938
Total securities	$ 69,179	$ (1,196)	$ 67,983

As of June 30, 2009, there were no held-to-maturity securities with unrealized losses.

The analysis performed as of December 31, 2008 indicated that all impairment was considered temporary, due to fluctuations in interest rates, and not credit-related. The following tables provide the amortized cost, gross unrealized losses, and fair value, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position as of December 31, 2008.

Available-for-Sale

(in thousands)	Amortized Cost	Gross Unrealized Losses	Fair Value
Less Than 12 Months			

State and political subdivisions	$	8,929	$	(453)	$	8,476
U.S. government sponsored agencies and mortgage-backed pass through certificates		76,984		(321)		76,663
Total debt securities		85,913		(774)		85,139
Marketable equity securities		20,000		(220)		19,780
Total securities	$	105,913	$	(994)	$	104,919
12 Months or More						
State and political subdivisions	$	1,385	$	(198)	$	1,187
U.S. government sponsored agencies and mortgage-backed pass through certificates		22,299		(69)		22,230
Total debt securities		23,684		(267)		23,417
Marketable equity securities		0		0		0
Total securities	$	23,684	$	(267)	$	23,417
Total						
State and political subdivisions	$	10,314	$	(651)	$	9,663
U.S. government sponsored agencies and mortgage-backed pass through certificates		99,283		(390)		98,893
Total debt securities		109,597		(1,041)		108,556
Marketable equity securities		20,000		(220)		19,780
Total securities	$	129,597	$	(1,261)	$	128,336

Held-to-Maturity

(in thousands)		Amortized Cost		Gross Unrealized Losses		Fair Value
Less Than 12 Months						
State and political subdivisions	$	0	$	0	$	0
U.S. government sponsored agencies and mortgage-backed pass through certificates		24,021		(110)		23,911
Total securities	$	24,021	$	(110)	$	23,911

Note 4 – Loans

Major classifications of loans, net of unearned income and deferred loan origination costs, are summarized as follows:

(in thousands)	June 30 2009	December 31 2008
Commercial construction	$ 143,224	$ 156,425
Commercial secured by real estate	702,892	663,663
Commercial other	365,415	365,685
Real estate construction	48,763	56,298
Real estate mortgage	589,639	609,394
Consumer	511,541	484,843
Equipment lease financing	18,781	12,343
Total loans	$ 2,380,255	$ 2,348,651

Activity in the allowance for loan and lease losses was as follows:

	Six Months Ended June 30	
(in thousands)	2009	2008
Allowance balance at January 1	$ 30,821	$ 28,054
Additions to allowance charged against operations	6,503	5,017
Recoveries credited to allowance	1,668	1,253
Losses charged against allowance	(7,570)	(5,228)
Allowance balance at June 30	$ 31,422	$ 29,096

Note 5 – Mortgage Servicing Rights

The following table presents the components of mortgage banking income:

	Six Months Ended June 30	
(in thousands)	2009	2008
Net gain on sale of loans held for sale	$ 3,240	$ 1,040
Net loan servicing income		
Servicing fees	500	431
Late fees	33	31
Ancillary fees	388	114
Fair value adjustments	237	(245)
Net loan servicing income (loss)	1,158	331
Mortgage banking income	$ 4,398	$ 1,371

Mortgage loans serviced for others are not included in the accompanying balance sheets. Loans serviced for the benefit of others (primarily FHLMC) were $425 million at June 30, 2009 and $349 million at December 31, 2008. Servicing loans for others generally consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors, and processing foreclosures. Custodial escrow balances maintained in connection with the foregoing loan servicing, and included in demand deposits, were approximately $1.2 million at June 30, 2009 compared to $0.4 million at December 31, 2008.

Activity for capitalized mortgage servicing rights using the fair value method was as follows:

	Six Months Ended June 30	
(in thousands)	2009	2008
Fair value, beginning of period	$ 2,168	$ 3,258
New servicing assets created	1,002	243
Change in fair value during the period due to:		
Time decay (1)	(76)	(91)
Payoffs (2)	(392)	(186)
Changes in valuation inputs or assumptions (3)	705	32
Fair value, end of period	$ 3,407	$ 3,256

(1) Represents decrease in value due to regularly scheduled loan principal payments and partial loan paydowns.
(2) Represents decrease in value due to loans that paid off during the period.
(3) Represents change in value resulting from market-driven changes in interest rates and prepayment speeds.

The fair value of capitalized mortgage servicing rights was $3.4 million at June 30, 2009 compared to $2.2 million at December 31, 2008 and $3.3 million at June 30, 2008. Fair values were determined by third-party valuations using a discount rate of 10.0% for the quarters ended June 30, 2009 and December 31, 2008, and 10.06% for the quarter ended June 30, 2008 and weighted average default rates of 1.5%, 1.7% and 1.3% respectively. Prepayment speeds generated using the Andrew Davidson Prepayment Model averaged 13.3% at June 30, 2009 compared to 20.7% at December 31, 2008 and 12.5% at June 30, 2008. MSR values are very sensitive to movement in interest rates as expected future net servicing income depends on the projected balance of the underlying loans, which can be greatly impacted by the level of prepayments. CTBI does not currently hedge against changes in the fair value of its MSR portfolio.

Note 6 – Borrowings

Short-term debt consists of the following:

(in thousands)	June 30 2009	December 31 2008
Subsidiaries:		
Repurchase agreements	$ 152,290	$ 157,422
Federal funds purchased	19,712	11,492
Total short-term debt	$ 172,002	$ 168,914

On July 28, 2009, Community Trust Bancorp, Inc. was notified by Fifth Third Bank of the extension of the expiration date of our $12 million line of credit from July 29, 2009 to October 29, 2009. Currently, all $12 million remain available for general corporate purposes.

All federal funds purchased and the majority of repurchase agreements mature and reprice daily. The average rates paid for federal funds purchased and repurchase agreements on June 30, 2009 were 0.20% and 1.32%, respectively.

Federal Home Loan Bank advances consisted of the following monthly amortizing and term borrowings:

(in thousands)	June 30

	2009	December 31 2008
Monthly amortizing	$ 696	$ 727
Term	60,000	60,000
	$ 60,696	$ 60,727

The advances from the Federal Home Loan Bank that require monthly principal payments were due for repayment as follows:

	Principal Payments Due by Period at June 30, 2009					
(in thousands)	Total	Within 1 Year	2 Years	3 Years	4 Years	5 Years	After 5 Years
Outstanding advances, weighted average interest rate – 3.75%	$ 696	$ 638	$ 8	$ 8	$ 8	$ 8	$ 26

The term advances that require the total payment to be made at maturity follow:

(in thousands)	June 30 2009	December 31 2008
Advance #154, 3.17%, due 8/04/09	$ 20,000	$ 20,000
Advance #155, 3.18%, due 9/02/09	40,000	40,000
Total Term Advances	$ 60,000	$ 60,000

Advances totaling $60.7 million at June 30, 2009 were collateralized by FHLB stock of $24.7 million and a blanket lien on qualifying first mortgage loans. As of June 30, 2009, CTBI had a $393 million FHLB borrowing capacity, leaving $241 million available for additional advances. The advances had fixed interest rates ranging from 1.00% to 4.00% with a weighted average rate of 3.18%. The advances are subject to restrictions or penalties in the event of prepayment. Advance #154 matured on August 4, 2009 and was renewed into a short term six month Advance #156 at 0.43% maturing on January, 29, 2010.

Long-term debt consists of the following:

(in thousands)	June 30 2009	December 31 2008
Junior subordinated debentures, 6.52%, due 6/1/37	$ 61,341	$ 61,341

CTBI has outstanding $61.3 million in junior subordinated debentures with an unconsolidated Delaware statutory trust subsidiary which in turn issued $59.5 million of capital securities in a private placement to institutional investors. The debentures, which mature 30 years from the date of issuance, are redeemable at par at CTBI's option after five years, were issued at a rate of 6.52% until June 1, 2012, and thereafter at a floating rate based on the three-month LIBOR plus 1.59%. The underlying capital securities were issued at the equivalent rates and terms. The proceeds of the debentures were used to fund the redemption on April 2, 2007 of all CTBI's outstanding 9.0% and 8.25% junior subordinated debentures in the total amount of $61.3 million.

Note 7 – Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30		Six Months Ended June 30	
(in thousands)	2009	2008	2009	2008
Numerator:				
Net income	$ 5,937	$ 8,620	$ 12,517	$ 17,165
Denominator:				
Basic earnings per share:				
Weighted average shares	15,127	14,989	15,101	14,995
Diluted earnings per share:				
Effect of dilutive stock options	92	163	93	150
Adjusted weighted average shares	15,219	15,152	15,194	15,145
Earnings per share:				
Basic earnings per share	$ 0.39	$ 0.58	$ 0.83	$ 1.14
Diluted earnings per share	0.39	0.57	0.82	1.13

Options to purchase 405 thousand common shares were excluded from the diluted calculations above for the three and six months ended June 30, 2009 because the exercise prices on the options were greater than the average market price for the period. Options to purchase 295 thousand common shares were excluded from the calculations for the three months ended June 30, 2008.

Note 8 – Fair Value of Financial Assets and Liabilities

Effective January 1, 2008, CTBI adopted SFAS No. 157, Fair Value Measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value but does not expand the use of fair value in any new circumstances. In this standard, the FASB clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability. In support of this principle, SFAS 157 establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. The fair value hierarchy is as follows:

Level 1 Inputs – Unadjusted quoted process in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The application of SFAS No. 157 in situations where the market for a financial asset is not active was clarified by the issuance of FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is

Not Active," in October 2008. FSP No. FAS 157-3 was effective for financial statements issued as of September 30, 2008 and thereafter. FSP No. FAS 157-3 did not have a material impact on the methods by which the Company determines the fair values of its financial assets. FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly," was issued in April 2009 and became effective for the second quarter of 2009. This FSP clarifies factors that determine whether transactions are orderly or not in evaluating the reliability of market transactions for fair value estimates. FSP No. FAS 157-2 deferred the application of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities that are measured at fair value on a nonrecurring basis to fiscal years beginning after November 15, 2008. The Company adopted the provisions of SFAS No. 157 with respect to nonfinancial assets and nonfinancial liabilities beginning on January 1, 2009.

Assets Measured on a Recurring Basis

The following tables presents information about CTBI's assets measured at fair value on a recurring basis as of June 30, 2009 and December 31, 2008, and indicates the fair value hierarchy of the valuation techniques utilized by CTBI to determine such fair value.

(in thousands)	Fair Value June 30 2009	Fair Value Measurements at June 30, 2009 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
U.S. Treasury and government agencies	$ 1,979	$ 0	$ 1,979	$ 0
State and political subdivisions	48,428	0	48,428	0
U.S. government sponsored agencies and mortgage-backed pass through certificates	227,660	0	227,660	0
Collateralized mortgage obligations	1	0	1	0
Marketable equity securities	19,938	0	19,727	211
Mortgage servicing rights	3,407	0	0	3,407
Total recurring assets measured at fair value	$ 301,413	$ 0	$ 297,795	$ 3,618

(in thousands)	Fair Value December 31 2008	Fair Value Measurements at December 31, 2008 Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities:				
U.S. Treasury and government agencies	$ 18,906	$ 0	$ 18,906	$ 0
State and political subdivisions	39,844	0	39,844	0
U.S. government sponsored agencies and mortgage-backed pass through certificates	188,305	0	188,305	0
Collateralized mortgage obligations	1	0	1	0
Marketable equity securities	20,320	0	19,780	540
Mortgage servicing rights	2,168	0	0	2,168
Total recurring assets measured at fair value	$ 269,544	$ 0	$ 266,836	$ 2,708

U.S. Treasury and government agencies, State and political subdivision, U.S. government sponsored agencies and mortgage-backed pass through certificates, Collateralized mortgage obligations, Marketable equity securities – Level 2

Inputs. For these securities, CTBI obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Marketable equity securities – Level 3 Inputs. The securities owned by CTBI that were measured using Level 3 criteria are auction rate securities issued by FNMA. These securities were valued using an independent third party. For these securities, the valuation methods used were (1) a discounted cash flow model valuation, where the expected cash flows of the securities are discounted to the present using a yield that incorporates compensation for illiquidity and (2) a market comparables method, where the securities are valued based on indications, from the secondary market, of what discounts buyers demand when purchasing similar securities. Using these methods, the auction rate securities are classified as Level 3.

Mortgage Servicing Rights – Level 3 Inputs. CTBI records MSRs at fair value on a recurring basis with subsequent remeasurement of MSRs based on change in fair value. In determining fair value, CTBI utilizes the expertise of an independent third party. An estimate of the fair value of CTBI's MSRs is determined by the independent third party utilizing assumptions about factors such as mortgage interest rates, discount rates, mortgage loan prepayment speeds, market trends and industry demand. All of CTBI's MSRs are classified as Level 3.

Following is a reconciliation of the beginning and ending balances of recurring fair value measurements using significant unobservable (Level 3) inputs:

Marketable Equity Securities (in thousands)	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Beginning balance	$ 211	$ 540
Total realized and unrealized gains and losses included in net income	0	0
Transfer of Securities from Level 3 to Level 2	0	(329)
Purchases, issuances, and settlements	0	0
Ending balance, June 30, 2009	$ 211	$ 211

Mortgage Servicing Rights (in thousands)	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Beginning balance	$ 2,475	$ 2,168
Total realized and unrealized gains and losses included in net income	744	705
Transfer of Securities from Level 3 to Level 2	0	0
Purchases, issuances, and settlements	188	534
Ending balance, June 30, 2009	$ 3,407	$ 3,407

Assets Measured on a Non-Recurring Basis

Assets measured at fair value on a non-recurring basis as of June 30, 2009 and December 31, 2008 are summarized below:

(in thousands)		Fair Value Measurements at June 30, 2009 Using		
	Fair Value June 30 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 8,652	$ 0	$ 0	$ 8,652
Other real estate/assets owned	$ 14,232	$ 0	$ 0	$ 14,232

(in thousands)		Fair Value Measurements at December 31, 2008 Using		
	Fair Value December 31 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 10,285	$ 0	$ 0	$ 10,285

Impaired Loans – Level 3 Inputs. Loans considered impaired under SFAS No. 114, Accounting by Creditors for Impairment of a Loan, as amended by SFAS No. 118, Accounting by Creditors for Impairment of a Loan — Income Recognition and Disclosure, are loans for which, based on current information and events, it is probable that the creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Impaired loans are subject to nonrecurring fair value adjustments to reflect (1) partial write-downs that are based on the observable market price or current appraised value of the collateral or (2) the full charge-off of the loan carrying value. Quarter-to-date losses on impaired loans were $2.4 million and year-to-date losses on impaired loans totaled $3.1 million at June 30, 2009.

Other real estate/assets owned – Level 3 Inputs. In accordance with the provisions of Statement 144, long-lived assets held for sale with a carrying amount of $8.4 million were written down to their fair value less costs to sale during the quarter. Long-lived assets are nonfinancial assets subject to nonrecurring fair value adjustments to reflect partial write-downs that are based on the observable market price or current appraised value of the collateral. Losses on other real estate/assets owned for the quarter were $0.2 million and $0.5 million year-to-date at June 30, 2009.

The following table presents the carrying amounts and estimated fair values of financial instruments at June 30, 2009 and December 31, 2008:

(in thousands)	June 30, 2009		December 31, 2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial assets				
Cash and cash equivalents	$ 125,779	$ 125,779	$ 140,878	$ 140,878
Other short-term investments	29,500	29,470	100	100
Securities available-for-sale	298,006	298,006	267,376	267,376
Securities held-to-maturity	19,875	20,409	25,597	25,496
Loans, net (including impaired loans)	2,348,833	2,362,426	2,317,830	2,329,044
Loans held for sale	600	624	623	638
Federal Reserve Bank stock	4,348	4,348	4,340	4,340
Federal Home Loan Bank stock	24,700	24,700	24,700	24,700
Accrued interest receivable	11,965	11,965	12,926	12,926
Capitalized mortgage servicing rights	3,407	3,407	2,168	2,168
	$ 2,867,013	$ 2,881,134	$ 2,796,538	$ 2,807,666
Financial liabilities				
Deposits	$ 2,393,953	$ 2,401,768	$ 2,331,834	$ 2,342,136
Short-term borrowings	172,002	172,278	168,914	168,866
Advances from Federal Home Loan Bank	60,696	60,842	60,727	61,245
Long-term debt	61,341	29,471	61,341	29,424
Accrued interest payable	9,994	9,994	5,570	5,570
	$ 2,697,986	$ 2,674,353	$ 2,628,386	$ 2,607,241

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Cash Equivalents – The carrying amount approximates fair value.

Other Short-term Investments – Fair values are based on quoted market prices or dealer quotes.

Held-to-Maturity Securities – Fair values are based on quoted market prices or dealer quotes.

Loans (net of the allowance for loan and lease losses and including impaired loans) – The fair value of fixed rate loans and variable rate mortgage loans is estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. For other variable rate loans, the carrying amount approximates fair value.

Loans Held for Sale – The fair value is predetermined based on sale price.

Federal Reserve Bank Stock – The carrying value of Federal Reserve Bank stock approximates fair value based on the redemption provisions of the Federal Reserve Bank.

Federal Home Loan Bank Stock – The carrying value of Federal Home Loan Bank stock approximates fair value based on the redemption provisions of the Federal Home Loan Bank.

Accrued Interest Receivable – The carrying amount approximates fair value.

Deposits – The fair value of deposits is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Short-term Borrowings – The carrying amount approximates fair value.

Advances from Federal Home Loan Bank – The fair value of these fixed-maturity advances is estimated by discounting future cash flows using rates currently offered for advances of similar remaining maturities.

Long-term Debt – The fair value is estimated by discounting future cash flows using current rates.

Accrued Interest Payable – The carrying amount approximates fair value.

Other Financial Instruments – The estimated fair value for other financial instruments and off-balance sheet loan commitments approximates cost at June 30, 2009 and December 31, 2008. Off-balance sheet loan commitments at June 30, 2009 and December 31, 2008 were $461.0 million and $481.8 million, respectively.

Commitments to Extend Credit – The fair value of commitments to extend credit is based upon the difference between the interest rate at which we are committed to make the loans and the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities, adjusted for the estimated volume of loan commitments actually expected to close. The fair value of such commitments is not material.

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

Overview

Community Trust Bancorp, Inc. ("CTBI") is a bank holding company headquartered in Pikeville, Kentucky. At June 30, 2009, CTBI owned one commercial bank and one trust company. Through its subsidiaries, CTBI has seventy-six banking locations in eastern, northeastern, central, and south central Kentucky and southern West Virginia, and five trust offices across Kentucky. At June 30, 2009, CTBI had total consolidated assets of $3.0 billion and total consolidated deposits, including repurchase agreements, of $2.5 billion, making it the largest depository of Kentucky based deposits of any bank holding company headquartered in the Commonwealth of Kentucky. Total shareholders' equity at June 30, 2009 was $314.8 million.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in our consolidated financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the consolidated financial statements.

We believe the application of our accounting policies and the estimates required therein are reasonable. These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, we have found our application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

See note 1 to the condensed consolidated financial statements for further information regarding our accounting policies. We have identified the following critical accounting policies:

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, amounts due from banks, interest bearing deposits in other financial institutions, and federal funds sold. Generally, federal funds are sold for one-day periods.

Investments – Management determines the classification of securities at purchase. We classify securities into held-to-maturity, trading, or available-for-sale categories. Held-to-maturity securities are those which we have the positive intent and ability to hold to maturity and are reported at amortized cost. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 115, Accounting for Certain Investments in Debt and Equity Securities, investments in debt securities that are not classified as held-to-maturity and equity securities that have readily determinable fair values shall be classified in one of the following categories and measured at fair value in the statement of financial position:

a. Trading securities. Securities that are bought and held principally for the purpose of selling them in the near term (thus held for only a short period of time) shall be classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price.

b. Available-for-sale securities. Investments not classified as trading securities (nor as held-to-maturity securities) shall be classified as available-for-sale securities.
We do not have any securities that are classified as trading securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses included as a separate component of shareholders' equity, net of tax. If declines in fair value are not temporary, the carrying value of the securities is written down to fair value as a realized loss.

Gains or losses on disposition of securities are computed by specific identification for all securities except for shares in mutual funds, which are computed by average cost. Interest and dividend income, adjusted by amortization of purchase premium or discount, is included in earnings.

Available-for-Sale Securities – Available-for-sale securities are valued using the following valuation techniques:

Securities Available-for-Sale – Level 2 Inputs. For these securities, CTBI obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things.

Securities Available-for-Sale – Level 3 Inputs. The securities owned by CTBI that were measured using Level 3 criteria are auction rate securities issued by FNMA. These securities were valued using an independent third party. For these securities, the valuation methods used were (1) a discounted cash flow model valuation, where the expected cash flows of the securities are discounted to the present using a yield that incorporates compensation for illiquidity and (2) a market comparables method, where the securities are valued based on indications, from the secondary market, of what discounts buyers demand when purchasing similar securities. Using these methods, the auction rate securities are classified as Level 3.

Loans – Loans with the ability and the intent to be held until maturity and/or payoff are reported at the carrying value of unpaid principal reduced by unearned interest and an allowance for loan and lease losses. Income is recorded on the level yield basis. Interest accrual is discontinued when management believes, after considering economic and business conditions, collateral value, and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. Any loan greater than 90 days past due must be well secured and in the process of collection to continue accruing interest. Cash payments received on nonaccrual loans generally are applied against principal, and interest income is only recorded once principal recovery is reasonably assured. Loans are not reclassified as accruing until principal and interest payments are brought current and future payments appear reasonably certain.

Loan origination and commitment fees and certain direct loan origination costs are deferred and the net amount amortized over the estimated life of the related loans, leases, or commitments as a yield adjustment.

Allowance for Loan and Lease Losses – We maintain an allowance for loan and lease losses ("ALLL") at a level that is appropriate to cover estimated credit losses on individually evaluated loans determined to be impaired, as well as estimated credit losses inherent in the remainder of the loan and lease portfolio. Since arriving at an appropriate ALLL involves a high degree of management judgment, we use an ongoing quarterly analysis to develop a range of estimated losses. In accordance with accounting principles generally accepted in the United States, we use our best estimate within the range of potential credit loss to determine the appropriate ALLL. Credit losses are charged and recoveries are credited to the ALLL.

We utilize an internal risk grading system for commercial credits. Those larger commercial credits that exhibit probable or observed credit weaknesses are subject to individual review. The borrower's cash flow, adequacy of collateral coverage, and other options available to CTBI, including legal remedies, are evaluated. The review of individual loans includes those loans that are impaired as SFAS 114, Accounting by Creditors for Impairment of a

Loan. We evaluate the collectibility of both principal and interest when assessing the need for loss provision. Historical loss rates are applied to other commercial loans not subject to specific allocations. The ALLL allocation for this pool of commercial loans is established based on the historical average, maximum, minimum, and median loss ratios.

Homogenous loans, such as consumer installment, residential mortgages, and home equity lines are not individually risk graded. The associated ALLL for these loans is measured under SFAS 5, Accounting for Contingencies. The ALLL allocation for these pools of loans is established based on the average, maximum, minimum, and median loss ratios over the previous eight quarters.

Historical loss rates for commercial and retail loans are adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions on loss recognition. Factors that we consider include delinquency trends, current economic conditions and trends, strength of supervision and administration of the loan portfolio, levels of underperforming loans, level of recoveries to prior year's charge offs, trend in loan losses, industry concentrations and their relative strengths, amount of unsecured loans and underwriting exceptions. These factors are reviewed quarterly and a weighted range developed with a "most likely" scenario determined. The total of each of these weighted factors is then applied against the applicable portion of the portfolio and the ALLL is adjusted accordingly.

Loans Held for Sale – Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated market value in the aggregate. Net unrealized losses, if any, are recognized in a valuation allowance by charges to income.

Premises and Equipment – Premises and equipment are stated at cost less accumulated depreciation and amortization. Capital leases are included in premises and equipment at the capitalized amount less accumulated amortization. Premises and equipment are evaluated for impairment on a quarterly basis.

Depreciation and amortization are computed primarily using the straight-line method. Estimated useful lives range up to 40 years for buildings, 2 to 10 years for furniture, fixtures, and equipment, and up to the lease term for leasehold improvements. Capitalized leased assets are amortized on a straight-line basis over the lives of the respective leases.

Other Real Estate – Real estate acquired by foreclosure is carried at the lower of the investment in the property or its fair value. Other real estate owned by CTBI included in other assets at June 30, 2009 and December 31, 2008 was $20.4 million and $10.4 million, respectively.

Goodwill and Core Deposit Intangible – We evaluate total goodwill and core deposit intangible for impairment, based upon SFAS 142, Goodwill and Other Intangible Assets and SFAS 147, Acquisitions of Certain Financial Institutions, using fair value techniques including multiples of price/equity. Goodwill and core deposit intangible are evaluated for impairment on an annual basis or as other events may warrant.

Amortization of core deposit intangible is estimated at approximately $0.6 million annually for year one, approximately $0.4 million in year two, and approximately $0.1 million in years three and four.

Income Taxes – Income tax expense is based on the taxes due on the consolidated tax return plus deferred taxes based on the expected future tax consequences of temporary differences between carrying amounts and tax bases of assets and liabilities, using enacted tax rates.

Earnings Per Share ("EPS") – Basic EPS is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding, excluding restricted shares.

Diluted EPS adjusts the number of weighted average shares of common stock outstanding by the dilutive effect of stock options, including restricted shares, as prescribed in SFAS 123R.

Segments – Management analyzes the operation of CTBI assuming one operating segment, community banking services. CTBI, through its operating subsidiaries, offers a wide range of consumer and commercial community banking services. These services include: (i) residential and commercial real estate loans; (ii) checking accounts; (iii) regular and term savings accounts and savings certificates; (iv) full service securities brokerage services; (v) consumer loans; (vi) debit cards; (vii) annuity and life insurance products; (viii) Individual Retirement Accounts and Keogh plans; (ix) commercial loans; (x) trust services; and (xi) commercial demand deposit accounts.

Bank Owned Life Insurance – CTBI's bank owned life insurance policies are carried at their cash surrender value. We recognize tax-free income from the periodic increases in cash surrender value of these policies and from death benefits.

Mortgage Servicing Rights – Mortgage servicing rights ("MSRs") are carried at fair market value with the implementation of SFAS 156 in January 2007. MSRs are valued using Level 3 inputs as defined in SFAS 157. The fair value is determined quarterly based on an independent third-party valuation using a discounted cash flow analysis and calculated using a computer pricing model. The computer valuation is based on key economic assumptions including the prepayment speeds of the underlying loans, the weighted-average life of the loan, the discount rate, the weighted-average coupon, and the weighted-average default rate, as applicable. Along with the gains received from the sale of loans, fees are received for servicing loans. These fees include late fees, which are recorded in interest income, and ancillary fees and monthly servicing fees, which are recorded in noninterest income. Costs of servicing loans are charged to expense as incurred. Changes in fair market value of the MSRs are reported in mortgage banking income.

Stock Options – At June 30, 2009 and December 31, 2008, CTBI had a share-based employee compensation plan, which is described more fully in note 13 to the consolidated financial statements for the year ended December 31, 2008, included in CTBI's Annual Report on Form 10-K. CTBI accounts for this plan under the recognition and measurement principles of SFAS 123R, Share-Based Payment.

Reclassifications – Certain reclassifications considered to be immaterial have been made in the prior year condensed consolidated financial statements to conform to current year classifications. These reclassifications had no effect on net income.

Dividends

The following schedule shows the quarterly cash dividends paid for the past six quarters:

Pay Date	Record Date	Amount Per Share
July 1, 2009	June 15, 2009	$ 0.30
April 1, 2009	March 15, 2009	$ 0.30
January 1, 2009	December 15, 2008	$ 0.30
October 1, 2008	September 15, 2008	$ 0.29
July 1, 2008	June 15, 2008	$ 0.29
April 1, 2008	March 15, 2008	$ 0.29

Statement of Income Review

CTBI reported earnings for the quarter ended June 30, 2009 of $5.9` million or $0.39 per basic share compared to $6.6 million or $0.44 per basic share earned during the quarter ended March 31, 2009 and $8.6 million or $0.58 per basic share earned during the second quarter of 2008. YTD June 30, 2009 earnings per basic share are $0.83 compared to $1.14 for the same period in 2008.

Earnings Summary (unaudited)					
(in thousands except per share data)	2Q 2009	1Q 2009	2Q 2008	6 Months 2009	6 Months 2008
Net income	$ 5,937	$ 6,580	$ 8,620	$ 12,517	$ 17,165
Earnings per share	$ 0.39	$ 0.44	$ 0.58	$ 0.83	$ 1.14
Earnings per share (diluted)	$ 0.39	$ 0.43	$ 0.57	$ 0.82	$ 1.13
Return on average assets	0.78%	0.89%	1.19%	0.83%	1.19%
Return on average equity	7.52%	8.51%	11.21%	8.01%	11.20%
Efficiency ratio	64.25%	67.99%	57.25%	66.08%	56.82%
Tangible Common Equity	8.38%	8.31%	8.52%	8.38%	8.52%
Dividends declared per share	$ 0.30	$ 0.30	$ 0.29	$ 0.60	$ 0.58
Book value per share	$ 20.80	$ 20.68	$ 20.43	$ 20.80	$ 20.43
Weighted average shares	15,127	15,076	14,989	15,101	14,995
Weighted average shares (diluted)	15,219	15,193	15,152	15,194	15,145

Second Quarter 2009 Highlights

- v CTBI continues to maintain a significantly higher level of capital than required by regulatory authorities to be designated as well-capitalized. On June 30, 2009, our Tangible Common Equity/Tangible Assets Ratio remained significantly higher than our peer institutions at 8.38%, our Tier 1 Leverage Ratio of 10.22% was 522 basis points higher than the 5.00% required, our Tier 1 Risk-Based Capital Ratio of 12.92% was 692 basis points higher than the required 6.00%, and our Total Risk-Based Capital Ratio of 14.17% was 417 basis points higher than the 10.00% regulatory requirement for this designation.

- v Net income for the quarter ended June 30, 2009 was $5.9 million compared to $6.6 million for the quarter ended March 31, 2009 and $8.6 million earned during the second quarter 2008. YTD net income as of June 30, 2009 was $12.5 million compared to $17.2 million earned during the same period in 2008.

- v CTBI's basic earnings per share decreased 11.4% from prior quarter and 32.8% from prior year second quarter as the FDIC special assessment and regular FDIC premiums impacted earnings by $2.3 million and allocations to the loan loss reserves increased by $2.5 million. The increase in loan loss reserves supports loan growth of $44.6 million and increased charge offs as problem commercial real estate loans with specific reserves are working through a slow legal process.

- v Our tangible common equity/tangible assets ratio remains strong at 8.38%.

- v While the net interest margin increased by 2 basis points during the quarter ended June 30, 2009, pressure continues on our net interest margin due to the current interest rate environment and economic conditions. Our net interest margin for the quarter decreased 25 basis points from the same quarter prior year.

- v Noninterest income for the second quarter 2009 increased 1.9% over prior quarter and 13.2% over prior year second quarter.

- v Noninterest expense decreased 0.9% from prior quarter and increased 15.3% from prior year second quarter primarily due to an increase in FDIC premiums to $2.3 million for the quarter ended June 30, 2009, a $0.8 million increase from prior quarter and a $2.2 million increase from same quarter last year.

- v During the quarter, two of our branches were consolidated for efficiency and accessibility resulting in a $0.2 million charge for additional depreciation.

v Expenses associated with group medical and life insurance decreased $0.3 million at June 30, 2009 to $0.5 million, YTD 2009 expense is $1.3 million compared to $2.1 million for the same period in 2008.

v Nonperforming loans increased $7.4 million at June 30, 2009 to $59.6 million compared to $52.2 million at prior quarter end and $44.2 million for prior year quarter ended June 30, 2008. The increase in nonperforming loans was in the 90 day and accruing classification and is primarily attributed to two loans totaling $6.0 million which have been determined to be well secured and in the process of collection. Nonperforming assets (nonperforming loans plus OREO) increased $12.6 million from prior quarter-end, March 31, 2009, and $26.7 million from prior year quarter-end, June 30, 2008.

v Loan loss provision for the quarter ended June 30, 2009 was $4.5 million compared to $2.0 million for the quarter ended March 31, 2009. YTD loan loss provision of $6.5 million is a $1.5 million increase from the $5.0 million for the same period in 2008.

v Our loan portfolio grew $44.6 million, an annualized rate of 7.7%, during the quarter with growth in all major categories. Year over year loan growth is $106.6 million or 4.7%.

v Our investment portfolio increased $27.1 million for the quarter but declined $17.9 million year over year.

CTBI had basic weighted average shares outstanding of 15.1 million for both the three and six months ended June 30, 2009 compared to 15.0 million for both the three and six months ended June 30, 2008. The following table sets forth on an annualized basis the return on average assets and return on average shareholders’ equity for the three months and six months ended June 30, 2009 and 2008:

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Return on average shareholders' equity	7.52%	11.21%	8.01%	11.20%
Return on average assets	0.78%	1.19%	0.83%	1.19%

Net Interest Income

The Company saw modest improvement in its net interest margin of 2 basis points from prior quarter and experienced a decrease of 25 basis points compared to the quarter ended June 30, 2008. Net interest income for the quarter increased 3.8% from prior quarter and decreased 1.1% from prior year second quarter, although average earning assets increased 2.3% and 5.5%, respectively, for the same periods. The Company’s balance sheet is asset sensitive in the short time period but liability sensitive at the one year time period. Deposit repricing is occurring more slowly than loan repricing placing pressure on the margin; however, current margin improvement from repricing is evidenced as the yield on average earnings assets decreased 14 basis points from prior quarter in comparison to the 19 basis point decrease in the cost of interest bearing funds during the same period. Net interest income increased $0.9 million from prior quarter. YTD 2009 net interest income was $49.9 million compared to $52.0 million for the same period in 2008. Average earnings assets for the quarter ending June 30, 2009 increased $63.0 million from prior quarter and 2009 YTD average earning assets increased $127.5 million from the six months ended June 30, 2008.

The following table summarizes the annualized net interest spread and net interest margin for the three and six months ended June 30, 2009 and 2008.

	Three Months Ended June 30		Six Months Ended June 30	
	2009	2008	2009	2008
Yield on interest earning assets	5.39%	6.26%	5.46%	6.51%
Cost of interest bearing funds	2.25%	3.01%	2.34%	3.23%
Net interest spread	3.14%	3.25%	3.12%	3.28%
Net interest margin	3.63%	3.88%	3.62%	3.94%

Provision for Loan Losses

The analysis of the changes in the allowance for loan losses and selected ratios is set forth below:

	Six Months Ended June 30	
(in thousands)	2009	2008
Allowance balance at January 1	$ 30,821	$ 28,054
Additions to allowance charged against operations	6,503	5,017
Recoveries credited to allowance	1,668	1,253
Losses charged against allowance	(7,570)	(5,228)
Allowance balance at June 30	$ 31,422	$ 29,096
Allowance for loan losses to period-end loans	1.32%	1.28%
Average loans, net of unearned income	$ 2,352,664	$ 2,251,892
Provision for loan losses to average loans, annualized	0.56%	0.45%
Loan charge-offs net of recoveries, to average loans, annualized	0.51%	0.35%

Net loan charge-offs for the quarter of $3.7 million, or 0.63% of average loans annualized, was an increase from prior quarter's and from the prior year second quarter’s 0.38%. Of the total net charge offs of $3.7 million, $2.6 million was charged off in commercial loans with specific reserve allocations for these loans of $2.1 million or 81% of total commercial loan charge offs. Residential real estate and other consumer loans are not generally provided a specific allocation during the credit review process. Allocations to loan loss reserves were $4.5 million for the quarter ended June 30, 2009 compared to $2.0 million for the quarter ended March 31, 2009 and $2.6 million for the quarter ended June 30, 2008. Our loan loss reserves as a percentage of total loans outstanding at June 30, 2009 increased to 1.32% from the 1.31% at March 31, 2009 and from the 1.28% at June 30, 2008. The adequacy of our loan loss reserves is analyzed quarterly and adjusted as necessary with a focus on maintaining appropriate reserves for potential losses.

Noninterest Income

Noninterest income for the second quarter 2009 increased 1.9% over prior quarter and 13.2% over prior year second quarter. The quarter over quarter increase included a $0.6 million increase in deposit service charges and a $0.7 million increase in loan related fees driven primarily by a $0.5 million increase in the fair value of our mortgage servicing rights. The increase from prior year second quarter included a $0.8 million increase in gains on sales of loans and a $0.4 million increase in loan related fees related to the fair value adjustment of mortgage servicing rights. Losses on sales of securities for the 2nd quarter 2009 were $4 thousand compared to a securities gain for the 1st quarter 2009 of $0.5 million. Noninterest income for the six months ended June 30, 2009 increased 17.8% over the same period in 2008. The year to date increase was driven by a $2.2 million increase in gains on sales of loans and a $0.9 million increase in loan related fees related to the fair value adjustment of mortgage servicing rights.

Noninterest Expense

Noninterest expense for the quarter decreased 0.9% from prior quarter and increased 15.3% from prior year second quarter. FDIC premium costs of $2.3 million during the second quarter were a $0.8 million increase quarter over quarter and a $2.2 million increase from the same quarter last year. The increase quarter over quarter was driven by a one time assessment imposed by the Federal Deposit Insurance Corporation to be paid during September 2009 but assessed as of June 30, 2009. The Company continues to experience higher legal fees, repossession expenses and other real estate owned expenses as it continues to work through problem loans associated with the decline in the real estate market in Central Kentucky. Personnel costs decreased by $0.6 million quarter over quarter as the Company experienced reduced health care costs and increased capitalization of loan related personnel costs.

Balance Sheet Review

The Company's total assets at $3.0 billion increased 0.5% from prior quarter and 5.5% from prior year. Loans outstanding at June 30, 2009 were $2.4 billion reflecting an annualized 7.7% growth during the quarter and a 4.7% growth from June 30, 2008. The growth occurred in all segments of the portfolio with consumer loans increasing by $22.8 million, commercial loans increasing by $14.1 million and residential real estate increasing by $7.7 million. CTBI's investment portfolio increased an annualized 37.4% from prior quarter and decreased 5.4% from prior year. Federal funds sold and deposits in other banks decreased $56.7 million quarter over quarter and increased $61.8 million year over year. Deposits, including repurchase agreements, at $2.5 billion increased an annualized 2.2% from prior quarter and 5.2% from prior year.

Shareholders' equity at June 30, 2009 was $314.8 million compared to $311.8 million at March 31, 2009 and $306.2 million at June 30, 2008. CTBI's annualized dividend yield to shareholders as of June 30, 2009 was 4.49%.

Loans

Loan growth occurred in all three major loan categories—commercial, residential, and consumer— during the first six months of 2009. The commercial loan portfolio increased $14.1 million, the consumer portfolio increased $22.8 million, and residential real estate loans increased $7.7 million.

The following tables summarize CTBI's nonperforming loans as of June 30, 2009 and December 31, 2008.

(in thousands)	Nonaccrual Loans	As a % of Loan Balances by Category	Restructured Loans	As a % of Loan Balances by Category	Accruing Loans Past Due 90 Days or More	As a % of Loan Balances by Category	Total Loan Balances
June 30, 2009							
Commercial construction	$ 13,435	9.38%	$ 0	0.00%	$ 4,270	2.98%	$ 143,224
Commercial secured by real estate	16,938	2.41	0	0.00	9,966	1.42	702,892
Commercial other	5,142	1.41	0	0.00	1,937	0.53	365,415
	107	0.22	0	0.00	139	0.29	48,763

Consumer real estate construction							
Consumer real estate secured	3,889	0.66	0	0.00	3,104	0.53	589,639
Consumer other	0	0.00	0	0.00	648	0.13	511,541
Equipment lease financing	0	0.00	0	0.00	0	0.00	18,781
Total	$ 39,511	1.66%	$ 0	0.00%	$ 20,064	0.84%	$ 2,380,255

(in thousands)	Nonaccrual Loans	As a % of Loan Balances by Category	Restructured Loans	As a % of Loan Balances by Category	Accruing Loans Past Due 90 Days or More	As a % of Loan Balances by Category	Total Loan Balances
December 31, 2008							
Commercial construction	$ 21,602	13.81%	$ 0	0.00%	$ 3,741	2.39%	$ 156,425
Commercial secured by real estate	10,780	1.62	0	0.00	3,319	0.50	663,663
Commercial other	4,471	1.22	0	0.00	634	0.17	365,685
Consumer real estate construction	1,255	2.23	0	0.00	55	0.10	56,298
Consumer real estate secured	2,837	0.47	0	0.00	3,008	0.49	609,394
Consumer other	0	0.00	0	0.00	488	0.10	484,843
Equipment lease financing	0	0.00	0	0.00	0	0.00	12,343
Total	$ 40,945	1.74%	$ 0	0.00%	$ 11,245	0.48%	$ 2,348,651

CTBI's total nonperforming loans were $59.6 million at June 30, 2009 compared to $52.2 million at March 31, 2009 and $44.2 million at June 30, 2008. Our loan portfolio management processes focus on the immediate identification, management, and resolution of problem loans to maximize recovery and minimize loss. Total impaired loans at June 30, 2009 were $35.4 million compared to $36.6 million at December 31, 2008.

Foreclosed properties increased during the second quarter 2009 to $20.4 million from the $15.2 million at March 31, 2009 and the $9.1 million at June 30, 2008, as problem real estate loans are slowly moving through the legal system, which remains strained due to current economic conditions and CTBI continues working through a prolonged foreclosure process. Sales of foreclosed properties during the second quarter 2009 totaled $1.9 million while new foreclosed properties totaled $7.3 million. Our nonperforming loans and foreclosed properties remain primarily concentrated in our Central Kentucky Region.

Allowance for Loan Losses

The allowance for loan and lease losses balance is maintained by management at a level considered adequate to cover anticipated probable losses based on past loss experience, general economic conditions, information about specific borrower situations including their financial position and collateral values, and other factors and estimates which are subject to change over time. This analysis is completed quarterly and forms the basis for allocation of the loan loss reserve and what charges to the provision may be required. For further discussion of the allowance for loan losses, see the Critical Accounting Policies and Estimates section presented earlier in Item 2.

Securities

CTBI uses its securities held-to-maturity for production of income and to manage cash flow needs through expected maturities. CTBI uses its securities available-for-sale for income and balance sheet liquidity management. Securities available-for-sale reported at fair value increased from $267.4 million as of December 31, 2008 to $298.0 million at June 30, 2009. The excess of market over cost increased from $1.4 million at December 31, 2008 to $3.1 million at June 30, 2009. Securities held-to-maturity decreased from $25.6 million to $19.9 million during the same period. Total securities as a percentage of total assets were 10.0% as of December 31, 2008 and 10.5% as of June 30, 2009.

Liquidity and Capital Resources

CTBI's liquidity objectives are to ensure that funds are available for the subsidiary bank to meet deposit withdrawals and credit demands without unduly penalizing profitability. Additionally, CTBI's objectives ensure that funding is available for CTBI to meet ongoing cash needs while maximizing profitability. CTBI continues to identify ways to provide for liquidity on both a current and long-term basis. The subsidiary bank relies mainly on core deposits, certificates of deposits of $100,000 or more, repayment of principal and interest on loans and securities and federal funds sold and purchased to create long-term liquidity. The subsidiary bank also has available the sale of securities under repurchase agreements, securities available-for-sale, and Federal Home Loan Bank ("FHLB") borrowings as secondary sources of liquidity.

Due to the nature of the markets served by the subsidiary bank, management believes that the majority of its certificates of deposit of $100,000 or more and its repurchase agreements are no more volatile than its core deposits. During periods of interest rate volatility, these deposit balances have remained stable as a percentage of total deposits. In addition, arrangements have been made with correspondent banks for the purchase of federal funds on an unsecured basis, up to $20 million, if necessary, to meet CTBI's liquidity needs.

CTBI owns securities with an estimated fair value of $298.0 million that are designated as available-for-sale and available to meet liquidity needs on a continuing basis. In addition, CTBI has $29.5 million in short term investments consisting of certificates of deposits in other banks that will mature prior to December 31, 2009. All investments in other banks are made at or below the FDIC insured maximum of $250 thousand. CTBI also has available Federal Home Loan Bank advances for both liquidity and management of its asset/liability position. FHLB advances remained at $60.7 million from December 31, 2008 to June 30, 2009. FHLB borrowing capacity at June 30, 2009 was $241.0 million. Long-term debt remained at $61.3 million from December 31, 2008 to June 30, 2009. The parent company has a $12 million line of credit. The line of credit was scheduled to mature on July 29, 2009. On July 28, 2009, Community Trust Bancorp, Inc. was notified by Fifth Third Bank of the extension of the expiration date of our $12 million line of credit from July 29, 2009 to October 29, 2009. Currently, all $12 million remain available for general corporate purposes. We believe that we will be able to obtain a one year renewal of a similar line of credit and expect to finalize such renewal in the near future. At June 30, 2009, federal funds sold were $34.1 million compared to $45.9 million at December 31, 2008. Additionally, management projects cash flows from CTBI's investment portfolio to generate additional liquidity over the next 90 days.

CTBI generally relies upon net inflows of cash from financing activities, supplemented by net inflows of cash from operating activities, to provide cash for its investing activities. As is typical of many financial institutions, significant financing activities include deposit gathering, use of short-term borrowing facilities such as federal funds purchased and securities sold under repurchase agreements, and issuance of long-term debt. CTBI's primary investing activities include purchases of securities and loan originations.

The investment portfolio consists of investment grade short-term issues suitable for bank investments. The majority of the investment portfolio is in U.S. government and government sponsored agency issuances. The average life of the portfolio is 3.84 years. At the end of the second quarter 2009, available-for-sale ("AFS") securities comprised approximately 86% of the total investment portfolio. The AFS portfolio was approximately 94% of equity capital, and seventy-four percent of the pledge eligible portfolio was pledged.

CTBI's stock repurchase program began in December 1998 with the authorization to acquire up to 500,000 shares and was increased by an additional 1,000,000 shares in July 2000 and in May 2005. CTBI did not repurchase any shares of its common stock during the first six months of 2009. There are currently 288,519 shares remaining under CTBI's current repurchase authorization. As of June 30, 2009, a total of 2,211,481 shares have been repurchased through this program.

In conjunction with maintaining a satisfactory level of liquidity, management monitors the degree of interest rate risk assumed on the consolidated balance sheet. CTBI monitors its interest rate risk by use of the static gap model and dynamic gap model at the one-year interval. CTBI uses the Sendero system to monitor its interest rate risk. The static gap model monitors the difference in interest rate sensitive assets and interest rate sensitive liabilities as a percentage of total assets that mature within the specified time frame. The dynamic gap model goes further in that it assumes that interest rate sensitive assets and liabilities will be reinvested. CTBI desires an interest sensitivity gap of not more than fifteen percent of total assets at the one-year interval.

CTBI's principal source of funds used to pay dividends to shareholders and service long-term debt is the dividends it receives from the subsidiary bank. Various federal statutory provisions, in addition to regulatory policies and directives, limit the amount of dividends that subsidiary banks can pay without prior regulatory approval. These restrictions have had no major impact on CTBI's dividend policy or its ability to service long-term debt, nor is it anticipated that they would have any major impact in the foreseeable future. During the remainder of 2009, approximately $24.0 million plus any remaining 2009 net profits can be paid by CTBI's banking subsidiary without prior regulatory approval.

The primary source of capital for CTBI is the retention of earnings. CTBI paid cash dividends of $0.60 per share during the first six months of 2009. Basic earnings per share for the same period were $0.83. CTBI retained 27.7% of earnings for the first six months of 2009.

Under guidelines issued by banking regulators, CTBI and its subsidiary bank are required to maintain a minimum Tier 1 risk-based capital ratio of 4% and a minimum total risk-based ratio of 8%. In order to be considered "well-capitalized" CTBI must maintain ratios of 6% and 10%, respectively. Risk-based capital ratios weight the relative risk factors of all assets and consider the risk associated with off-balance sheet items. CTBI must also maintain a minimum Tier 1 leverage ratio of 4%. The well-capitalized ratio for Tier 1 leverage is 5%. CTBI's Tier 1 leverage, Tier 1 risk-based, and total risk-based ratios were 10.22%, 12.92%, and 14.17%, respectively, as of June 30, 2009, all exceeding the threshold for meeting the definition of well-capitalized.

As of June 30, 2009, management is not aware of any conditions or current recommendations by banking regulatory authorities which, if they were to be implemented, would have, or would be reasonably likely to have, a material adverse impact on CTBI's liquidity, capital resources, or operations.

Impact of Inflation and Changing Prices

The majority of CTBI's assets and liabilities are monetary in nature. Therefore, CTBI differs greatly from most commercial and industrial companies that have significant investment in nonmonetary assets, such as fixed assets and inventories. However, inflation does have an important impact on the growth of assets in the banking industry and on the resulting need to increase equity capital at higher than normal rates in order to maintain an appropriate equity to assets ratio. Inflation also affects other expenses, which tend to rise during periods of general inflation.

Management believes one of the most significant impacts on financial and operating results is CTBI's ability to react to changes in interest rates. Management seeks to maintain an essentially balanced position between interest rate sensitive assets and liabilities in order to protect against the effects of wide interest rate fluctuations.

FORWARD-LOOKING STATEMENTS

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk management focuses on maintaining consistent growth in net interest income within Board-approved policy limits. CTBI uses an earnings simulation model to analyze net interest income sensitivity to movements in interest rates. Given a 200 basis point increase to the yield curve used in the simulation model, it is estimated net interest income for CTBI would increase by 1.94 percent over one year and by 2.61 percent over two years. A 25 basis point decrease in the yield curve would decrease net interest income by an estimated 0.32 percent over one year and by 0.48 percent over two years. For further discussion of CTBI's market risk, see the Management's Discussion and Analysis of Financial Condition and Results of Operations--Liquidity and Market Risk included in the Annual Report on Form 10-K for the year ended December 31, 2008.

Item 4. Controls and Procedures

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

As of the end of the period covered by this report, an evaluation was carried out by Community Trust Bancorp's Management, with the participation of our Chief Executive Officer and the Executive Vice President / Treasurer, of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934).

Disclosure controls and procedures are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and completely and accurately reported within the time periods specified in the Securities and Exchange Commission's rules and forms. The Company previously identified a material weakness in controls related to the review and approval of accounting conclusions and calculations relating to new and recurring accounting and reporting issues resulting in an error in the recognition of assessable FDIC premiums in the proper periods. On August 10, 2009 the Company filed an amended Form 10-Q/A for the first quarter ended March 31, 2009. Please see the amended Form

10-Q/A for additional information. As a result, our Chief Executive Officer and Executive Vice President / Treasurer have concluded that our disclosure controls and procedures were not effective as of June 30, 2009.

REMEDIATION PLAN OF MATERIAL WEAKNESS IN INTERNAL CONTROL

Management will make modifications to the internal control procedures for identifying, calculating and recording transactions to remediate this material weakness. The Company's remediation action will include expansion of the review process to include the Executive Vice President / Treasurer's review of all significant transactions including any balance sheet entries associated with these transactions to ensure that all such transactions are identified and recorded properly. We will expand procedures for analyzing and documenting new and recurring accounting and reporting issues, to ensure decisions are properly documented, reviewed and approved. We will expand the documentation process when questions arise regarding the proper accounting treatment of particular transactions to include in the documentation the nature of the issue, the resolution of the issue and the supporting documentation to support the position taken. Additionally, the Accounting Department within the Company will develop an emerging issues committee consisting of all senior level accounting managers that will be charged with meeting monthly to identify new accounting pronouncements and developments and determining the appropriate application to the Company's financial reporting. This committee will communicate monthly to executive management and to the accounting staff the results of these meetings and any required changes in accounting policy or procedure. The status of remediation of the material weakness will be periodically reviewed with the Audit Committee, which will be advised of the progress, issues encountered and key decisions reached by Management relating to the ongoing remediation activities.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

Except as described above, there were no changes in CTBI's internal control over financial reporting that occurred during the quarter ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, CTBI's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1.	Legal Proceedings	None
Item 1A.	Risk Factors	None
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	None
Item 3.	Defaults Upon Senior Securities	None
Item 4.	Submission of Matters to a Vote of Security Holders	None

CTBI's Annual Meeting of Shareholders was held on April 28, 2009. The following items were approved:

1) Election of the following members to CTBI's Board of Directors for the ensuing year.

Nominee	In Favor	Withheld
Charles J. Baird	12,722,001	314,697
Nick Carter	12,974,209	62,490
Nick A. Cooley	12,974,593	62,105
Jean R. Hale	12,895,040	141,659
James McGhee II	12,991,167	45,531
M. Lynn Parrish	12,962,634	74,064
Paul E. Patton	12,954,022	82,676
Dr. James R. Ramsey	12,986,101	59,508

2) Ratification of CTBI's independent registered public accounting firm for 2009.

The votes of the shareholders on this item were as follows:

In Favor	Against	Abstained
12,903,095	45,283	69,619

Item 5.	Other Information: CTBI's Principal Executive Officer and Principal Financial Officer have furnished to the SEC the certifications with respect to this Form 10-Q that are required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002	
Item 6.	a. Exhibits:	
	(1) Certifications Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Exhibit 31.1 Exhibit 31.2
	(2) Certifications Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Exhibit 32.1 Exhibit 32.2

SIGNATURES

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

	COMMUNITY TRUST BANCORP, INC.	
Date: August 10, 2009	By:	/s/ Jean R. Hale
		Jean R. Hale
		Chairman, President, and
		Chief Executive Officer
	By:	/s/ Kevin J. Stumbo
		Kevin J. Stumbo
		Executive Vice President and Treasurer
		(Principal Financial Officer)