

CAPITAL CITY BANK GROUP, INC.

FORM 8-K
CURRENT REPORT

Item 2.02. Results of Operations and Financial Condition.

On January 29, 2019, Capital City Bank Group, Inc. (“CCBG”) issued an earnings press release reporting CCBG’s financial results for the fiscal year ended December 31, 2018. A copy of the press release is attached as Exhibit 99.1 hereto and incorporated herein by reference.

The information furnished under Item 2.02 of this Current Report, including the Exhibit attached hereto, shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

Item 9.01. Financial Statements and Exhibits.

(d) *Exhibits.*

Item No. Description of Exhibit

99.1 Press release, dated January 29, 2019.

SIGNATURES

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

CAPITAL CITY BANK GROUP, INC.

Date: January 29, 2019

By: /s/ J Kimbrough Davis

J. Kimbrough Davis,
Executive Vice President and Chief Financial Officer

Exhibit

| Number | Description |
|--------|---|
| 99.1 | Press release, dated January 29, 2019 |

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Section 2: EX-99.1 (EXHIBIT 99.1)

Capital City Bank Group, Inc. Reports Fourth Quarter and Full Year 2018 Results

TALLAHASSEE, Fla. (January 29, 2019) – Capital City Bank Group, Inc. (NASDAQ: CCBG) today reported net income of \$8.5 million, or \$0.50 per diluted share for the fourth quarter of 2018 compared to net income of \$6.0 million, or \$0.35 per diluted share for the third quarter of 2018, and \$3,000, or \$0.00 per diluted share for the fourth quarter of 2017. Earnings for the fourth quarter of 2017 included a \$4.1 million, or \$0.24 per diluted share, income tax expense related to the Tax Cuts and Jobs Act.

For the full year 2018, net income totaled \$26.2 million, or \$1.54 per diluted share, compared to net income of \$10.9 million, or \$0.64 per diluted share for 2017. Net income for 2018 included tax benefits totaling \$3.3 million, or \$0.19 per diluted share related to 2017 plan year pension plan contributions made during 2018.

Fourth Quarter 2018 HIGHLIGHTS

- Earnings per diluted share of \$0.50, included other real estate gain of \$0.09 per share
- Continued growth in net interest income, up \$0.7 million, or 3.1 % sequentially
- Continued reduction in classified assets, 16% sequentially
- Tangible capital ratio of 7.58%
- Repurchased 324,000 shares of common stock

Full Year 2018 HIGHLIGHTS

- Earnings per diluted share of \$1.54, included tax benefits of \$0.19 per share and higher other real estate gains of \$0.05 per share
- Continued improvement in operating leverage driven by margin expansion
 - Net interest income up \$9.5 million, or 11.5%
 - Net interest margin up 27 basis points to 3.64%
 - Average loan growth of \$100 million, or 6.2%
- Continued reduction in classified assets, 28%

“2018 produced marked improvement and continues to move us closer to our historical performance levels,” said William G. Smith, Jr., Chairman, President and CEO. “Record loan growth, a rising rate environment and tax reform were all major contributors to our earnings growth. Asset sensitivity and a strong core deposit base produced a net interest margin of 3.64%, up 27 basis points year over year. Lowering our efficiency ratio is a top priority and we have multiple strategies in place to grow revenues and reduce expenses. Florida is growing and we are once again on offense following a number of years playing defense after the crisis. We appreciate our shareowners’ confidence in our management team and will remain focused on implementing strategies that produce long-term value for our shareowners.”

Compared to the third quarter of 2018, the \$3.3 million increase in operating profit reflected a \$2.2 million decrease in noninterest expense, a \$0.7 million increase in net interest income, and a \$0.5 million reduction in the loan loss provision, partially offset by lower noninterest income of \$0.1 million. During the fourth quarter of 2018, we sold a banking office and realized a \$2.0 million gain, which was reflected in noninterest expense (other real estate).

Compared to the fourth quarter of 2017, the \$4.0 million increase in operating profit reflected a \$2.9 million increase in net interest income, a \$0.4 million decrease in noninterest expense, a \$0.4 million reduction in the loan loss provision, and higher noninterest income of \$0.3 million.

For the full year 2018, the \$6.6 million increase in operating profit compared to 2017 was attributable to a \$9.5 million increase in net interest income, partially offset by a \$2.0 million increase in noninterest expense, a \$0.7 million increase in the loan loss provision, and lower noninterest income of \$0.2 million.

Our return on average assets (“ROA”) was 1.18% and our return on average equity (“ROE”) was 11.10% for the fourth quarter of 2018. These metrics were 0.84% and 7.98% for the third quarter of 2018, respectively, and 0.00% and 0.00% for the fourth quarter of 2017, respectively. For the full year 2018, our ROA was 0.92% and our ROE was 8.89% compared to 0.39% and 3.83%, respectively, for 2017.

Discussion of Operating Results

Tax-equivalent net interest income for the fourth quarter of 2018 was \$24.5 million compared to \$23.8 million for the third quarter of 2018 and \$21.8 million for the fourth quarter of 2017. For the full year 2018, tax-equivalent net interest income totaled \$93.2 million compared to \$84.2 million for 2017. The increase in tax-equivalent net interest income compared to all prior periods reflected higher interest rates and a favorable shift in the earning asset mix. Higher rates were earned on overnight funds, investment securities and loans, partially offset by a higher cost on our negotiated rate deposits.

The federal funds target rate ended the year at a range of 2.25%-2.50%. This was the result of four rates increases in 2018, which positively affected our net interest income due to favorable repricing of our variable and adjustable rate earning assets. Although these increases resulted in higher rates paid on our negotiated rate deposit products, we continue to prudently manage our overall cost of funds, which was 31 basis points for the fourth quarter of 2018 compared to 28 basis points for the third quarter of 2018 and 27 basis points for the full year 2018. In conjunction with our overall balance sheet management, we continue to review our deposit board rates to determine whether rate increases are appropriate. We have developed several new deposit products designed to attract new clients or help maintain existing relationships for clients seeking higher returns on their deposit balances. While rising rates and client expectations will generally result in a higher cost of funds, we will continue to prudently manage the mix and costs of our deposit base as we have done in the past.

Our net interest margin for the fourth quarter of 2018 was 3.81%, an increase of nine basis points over the third quarter of 2018 and an increase of 36 basis points over the fourth quarter of 2017. For the full year 2018, our net interest margin increased 27 basis points to 3.64%. The increase in our margin compared to all prior periods noted above reflected rising interest rates and a favorable shift in our earning asset mix, which resulted in higher net interest income in each period.

Our provision for loan losses for the fourth quarter of 2018 was \$0.5 million compared to \$0.9 million for the third quarter of 2018 and \$0.8 million for the fourth quarter of 2017. The reduction in our provision compared to the third quarter of 2018 was primarily attributable to a decrease in impaired loan reserves. For the full year 2018, our loan loss provision was \$2.9 million compared to \$2.2 million for 2017 with the increase driven by growth in the loan portfolio. At December 31, 2018, our allowance for loan losses of \$14.2 million represented 0.80% of outstanding loans (net of overdrafts) and provided coverage of 207% of nonperforming loans compared to 0.80% and 207%, respectively, at September 30, 2018 and 0.80% and 186%, respectively, at December 31, 2017.

Noninterest income for the fourth quarter of 2018 totaled \$13.2 million, a decrease of \$0.1 million, or 0.5%, from the third quarter of 2018 and a \$0.3 million, or 2.6%, increase over the fourth quarter of 2017. Compared to the fourth quarter of 2017, the increase was attributable to higher deposit fees, wealth management fees, and other income. For the full year 2018, noninterest income totaled \$51.6 million, a \$0.2 million, or 0.3%, decrease from 2017, and reflected lower mortgage banking fees of \$1.0 million, partially offset by higher other income of \$0.5 million and wealth management fees of \$0.4 million. The lower level of mortgage banking fees was due to a reduction in the volume of loans sold in secondary market as adjustable rate loan production has picked up momentum and is being retained in our loan portfolio instead of sold on the secondary market. Total residential loan production (secondary market sales and portfolio) during 2018 was comparable to the prior year. The increase in other income reflected higher signing bonus income from processing contracts and miscellaneous income. The increase in wealth management was attributable to higher trust fees and reflected growth in assets under management.

Noninterest expense for the fourth quarter of 2018 totaled \$26.5 million, a decrease of \$2.2 million, or 7.6%, from the third quarter of 2018 and \$0.4 million, or 1.5%, from the fourth quarter of 2017. The decrease from the third quarter of 2018 was primarily attributable to lower other real estate owned ("OREO") expense of \$2.0 million and other expense of \$0.7 million, partially offset by higher compensation expense of \$0.4 million. The lower OREO expense reflected a \$2.0 million gain from the sale of a banking office in the fourth quarter of 2018. The reduction in other expense was attributable to a decline in other losses, and lower professional fees and processing fees. Higher cash incentive expense drove the increase in compensation expense. For the full year 2018, noninterest expense totaled \$111.5 million, an increase of \$2.0 million, or 1.9%, over 2017 attributable to an increase in other expense of \$1.4 million, compensation expense of \$1.6 million, and occupancy expense of \$0.7 million, partially offset by lower OREO expense of \$1.6 million. The increase in other expense was attributable to higher professional fees of \$1.3 million. The increase in professional fees reflected costs associated with several consulting projects, including both profit enhancements projects and the upgrading of ancillary systems, all of which were essentially complete at the end of the third quarter. Higher salary expense, primarily cash incentives, drove the increase in compensation expense. Slightly higher base salaries and contractual employment also contributed to the increase, but to a lesser extent. Occupancy expense increased due to higher equipment/software maintenance agreement expense and to a lesser extent an increase in building maintenance costs (partly related to Hurricane Michael). The aforementioned \$2.0 million gain from the sale of a banking office drove the improvement in OREO expense. The same factors drove the variances for the fourth quarter of 2018 versus fourth quarter of 2017.

For 2018, we realized income tax expense of \$3.4 million, which reflected four discrete tax benefit items totaling \$3.6 million resulting from the effect of federal tax reform enacted in December 2017. Three items totaling \$3.3 million related to pension plan contributions made in 2018 for the plan year 2017. These pension related items were \$1.5 million for the first quarter, \$1.4 million for the second quarter and \$0.4 million for the third quarter. In addition, we realized a discrete tax item in the fourth quarter of 2018 for \$0.3 million related to a cost segregation analysis for various properties we own that also benefited from the effects of federal tax reform. Absent these discrete items, our effective tax rate would have been approximately 24%. Income tax expense for the fourth quarter of 2017 included a \$4.1 million discrete tax expense related to the Tax Cuts and Jobs Act.

Discussion of Financial Condition

Average earning assets were \$2.554 billion for the fourth quarter of 2018, an increase of \$19.2 million, or 0.8%, over the third quarter of 2018, and an increase of \$42.5 million, or 1.7%, over the fourth quarter of 2017. The increase in average earning assets compared to both prior periods reflects a higher level of deposits.

We maintained an average net overnight funds (deposits with banks plus fed funds sold less fed funds purchased) sold position of \$80.8 million during the fourth quarter of 2018 compared to an average net overnight funds sold position of \$63.6 million in the third quarter of 2018 and \$174.6 million in the fourth quarter of 2017. Compared to the third quarter of 2018, the increase in average net overnight funds primarily reflected an increase in noninterest bearing deposits and a decrease in our investment portfolio. The decrease compared to the fourth quarter 2017 was primarily attributable to growth in our loan portfolio.

Average loans increased \$38.5 million, or 2.2% compared to the third quarter of 2018, and have grown \$144.8 million, or 8.8% compared to the fourth quarter of 2017. The increase compared to the third quarter 2018 reflected growth in all loan types except home equity loans and construction loans. The increase compared to the fourth quarter 2017 reflected growth in all loan types except home equity loans. Over the course of 2018, we purchased both adjustable rate residential loans and fixed and adjustable rate commercial real estate loan pools totaling \$26.1 million based on principal balances at the time of purchase.

We continue to make minor modifications on some of our lending programs to try to mitigate the impact that consumer and business deleveraging has had on our portfolio. These programs, coupled with economic improvements in our anchor markets and strategic loan purchases, have helped to increase overall loan growth. In the current rising rate environment, our fixed rate offerings are reviewed frequently and rate increases are implemented as appropriate.

Nonperforming assets (nonaccrual loans and OREO) totaled \$9.1 million at December 31, 2018, representing a decrease of \$0.5 million, or 5.1%, from September 30, 2018, and a decrease of \$2.0 million, or 18.0%, from December 31, 2017. Nonaccrual loans totaled \$6.9 million at December 31, 2018, comparable to September 30, 2018 and a \$0.3 million decrease from December 31, 2017. The balance of OREO totaled \$2.2 million at December 31, 2018, a decrease of \$0.5 million from September 30, 2018 and a decrease of \$1.7 million from December 31, 2017. For 2018, we added properties totaling \$2.1 million, sold properties totaling \$2.8 million and recorded valuation adjustments totaling \$1.0 million. Nonperforming assets represented 0.31% of total assets at December 31, 2018 compared to 0.34% at September 30, 2018 and 0.38% at December 31, 2017.

Average total deposits were \$2.412 billion for the fourth quarter of 2018, an increase of \$20.1 million, or 0.8%, over the third quarter of 2018, and an increase of \$34.0 million, or 1.4%, over the fourth quarter of 2017. The increase in deposits compared to the third quarter of 2018 reflected higher noninterest bearing deposit and savings accounts, partially offset by lower money market accounts and certificates of deposit balances. The increase in deposits compared to the fourth quarter of 2017 reflected growth in noninterest bearing accounts, public fund deposits, and savings accounts, partially offset by declines in certificates of deposit. Average public fund balances typically peak in the first quarter and trend downward through the middle of the fourth quarter due to the cycle of tax receipts.

Deposit levels continue to be closely monitored and managed in conjunction with runoff from the investment portfolio. We monitor deposit rates on an ongoing basis as prudent pricing discipline remains the key to managing our mix of deposits.

Shareowners' equity was \$302.6 million at December 31, 2018, compared to \$298.0 million at September 30, 2018 and \$284.2 million at December 31, 2017. At December 31, 2018, our common stock had a book value of \$18.00 per diluted share compared to \$17.40 at September 30, 2018 and \$16.65 at December 31, 2017. During the fourth quarter of 2018, we repurchased 324,441 shares of our stock at \$24.75 per share. Book value is impacted through other comprehensive income by the net unrealized gains and losses in our available for sale investment portfolio. At December 31, 2018, the net after tax unrealized loss was \$2.0 million compared to \$3.4 million at September 30, 2018 and \$1.7 million at December 31, 2017. Book value is also impacted by the recording of our unfunded pension liability through other comprehensive income during the fourth quarter. At December 31, 2018, the net after tax pension liability reflected in accumulated other comprehensive loss was \$26.8 million compared to \$30.3 million at December 31, 2017.

At December 31, 2018, our leverage ratio was 10.89% compared to 10.99% and 10.47% at September 30, 2018 and December 31, 2017, respectively. Further, our risk-adjusted capital ratio was 17.13%, 16.94%, and 17.10% on these respective dates. Our common equity tier 1 ratio was 13.58% at December 31, 2018, compared to 13.43% at September 30, 2018 and 13.42% at December 31, 2017. At December 31, 2018, all of our capital ratios exceeded the threshold to be designated as "well-capitalized" under the Basel III capital standards.

About Capital City Bank Group, Inc.

Capital City Bank Group, Inc. (NASDAQ: CCBG) is one of the largest publicly traded financial holding companies headquartered in Florida and has approximately \$3.0 billion in assets. We provide a full range of banking services, including traditional deposit and credit services, mortgage banking, asset management, trust, merchant services, bankcards, and securities brokerage services. Our bank subsidiary, Capital City Bank, was founded in 1895 and now has 59 banking offices and 82 ATMs in Florida, Georgia and Alabama. For more information about Capital City Bank Group, Inc., visit www.ccbg.com.

FORWARD-LOOKING STATEMENTS

Forward-looking statements in this Press Release are based on current plans and expectations that are subject to uncertainties and risks, which could cause our future results to differ materially. The following factors, among others, could cause our actual results to differ: the accuracy of our financial statement estimates and assumptions; legislative or regulatory changes, and the ability to repay and qualified mortgage standards; fluctuations in inflation, interest rates, or monetary policies; the effects of security breaches and computer viruses that may affect our computer systems or fraud related to debit card products; changes in consumer spending and savings habits; our growth and profitability; the strength of the U.S. economy and the local economies where we conduct operations; the effects of a non-diversified loan portfolio, including the risks of geographic and industry concentrations; harsh weather conditions and man-made disasters; changes in the stock market and other capital and real estate markets; customer acceptance of third-party products and services; increased competition and its effect on pricing, including the long-term impact on our net interest margin from the repeal of Regulation Q; negative publicity and the impact on our reputation; technological changes, especially changes that allow out of market competitors to compete in our markets; changes in accounting; and our ability to manage the risks involved in the foregoing. Additional factors can be found in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and our other filings with the SEC, which are available at the SEC's internet site (<http://www.sec.gov>). Forward-looking statements in this Press Release speak only as of the date of the Press Release, and we assume no obligation to update forward-looking statements or the reasons why actual results could differ.

USE OF NON-GAAP FINANCIAL MEASURES

We present a tangible common equity ratio and a tangible book value per diluted share that removes the effect of goodwill resulting from merger and acquisition activity. We believe these measures are useful to investors because it allows investors to more easily compare our capital adequacy to other companies in the industry. The GAAP to non-GAAP reconciliation is provided below.

| <i>(Dollars in Thousands)</i> | | Dec 31, 2018 | Sep 30, 2018 | Jun 30, 2018 | Mar 31, 2018 | Dec 31, 2017 |
|---|-----|-----------------|-----------------|-----------------|-----------------|-----------------|
| Shareowners' Equity (GAAP) | \$ | 302,587 | \$ 298,016 | \$ 293,571 | \$ 288,360 | \$ 284,210 |
| Less: Goodwill (GAAP) | | 84,811 | 84,811 | 84,811 | 84,811 | 84,811 |
| Tangible Shareowners' Equity (non-GAAP) | A | 217,776 | 213,205 | 208,760 | 203,549 | 199,399 |
| Total Assets (GAAP) | | 2,959,183 | 2,819,190 | 2,880,278 | 2,924,832 | 2,898,794 |
| Less: Goodwill (GAAP) | | 84,811 | 84,811 | 84,811 | 84,811 | 84,811 |
| Tangible Assets (non-GAAP) | B | 2,874,372 | 2,734,379 | 2,795,467 | 2,840,021 | 2,813,983 |
| Tangible Common Equity Ratio (non-GAAP) | A/B | 7.58% | 7.80% | 7.47% | 7.17% | 7.09% |
| Actual Diluted Shares Outstanding (GAAP) | C | 16,808,542 | 17,127,846 | 17,114,380 | 17,088,419 | 17,071,107 |
| Tangible Book Value per Diluted Share (non-GAAP) | A/C | \$ 12.96 | \$ 12.45 | \$ 12.20 | \$ 11.91 | \$ 11.68 |

CAPITAL CITY BANK GROUP, INC.

EARNINGS HIGHLIGHTS

Unaudited

| | Three Months Ended | | | Twelve Months Ended | |
|--|--------------------|--------------|--------------|---------------------|--------------|
| | Dec 31, 2018 | Sep 30, 2018 | Dec 31, 2017 | Dec 31, 2018 | Dec 31, 2017 |
| <i>(Dollars in thousands, except per share data)</i> | | | | | |
| EARNINGS | | | | | |
| Net Income | \$ 8,458 | \$ 5,990 | \$ 3 | \$ 26,224 | \$ 10,863 |
| Net Income Per Common Share | \$ 0.50 | \$ 0.35 | \$ 0.00 | \$ 1.54 | \$ 0.64 |
| PERFORMANCE | | | | | |
| Return on Average Assets | 1.18% | 0.84% | 0.00% | 0.92% | 0.39% |
| Return on Average Equity | 11.10% | 7.98% | 0.00% | 8.89% | 3.83% |
| Net Interest Margin | 3.81% | 3.72% | 3.45% | 3.64% | 3.37% |
| Noninterest Income as % of Operating Revenue | 35.22% | 36.04% | 37.51% | 35.79% | 38.41% |
| Efficiency Ratio | 70.21% | 77.37% | 77.50% | 77.05% | 80.50% |
| CAPITAL ADEQUACY | | | | | |
| Tier 1 Capital Ratio | 16.36% | 16.17% | 16.33% | 16.36% | 16.33% |
| Total Capital Ratio | 17.13% | 16.94% | 17.10% | 17.13% | 17.10% |
| Tangible Common Equity Ratio | 7.58% | 7.80% | 7.09% | 7.58% | 7.09% |
| Leverage Ratio | 10.89% | 10.99% | 10.47% | 10.89% | 10.47% |
| Common Equity Tier 1 Ratio | 13.58% | 13.43% | 13.42% | 13.58% | 13.42% |
| Equity to Assets | 10.23% | 10.57% | 9.80% | 10.23% | 9.80% |
| ASSET QUALITY | | | | | |
| Allowance as % of Non-Performing Loans | 206.79% | 207.06% | 185.87% | 206.79% | 185.87% |
| Allowance as a % of Loans | 0.80% | 0.80% | 0.80% | 0.80% | 0.80% |
| Net Charge-Offs as % of Average Loans | 0.10% | 0.06% | 0.21% | 0.12% | 0.14% |
| Nonperforming Assets as % of Loans and ORE | 0.51% | 0.54% | 0.67% | 0.51% | 0.67% |
| Nonperforming Assets as % of Total Assets | 0.31% | 0.34% | 0.38% | 0.31% | 0.38% |
| STOCK PERFORMANCE | | | | | |
| High | \$ 26.95 | \$ 25.91 | \$ 26.01 | \$ 26.95 | \$ 26.01 |
| Low | 19.92 | 23.19 | 22.21 | 19.92 | 17.68 |
| Close | \$ 23.21 | \$ 23.34 | \$ 22.94 | \$ 23.21 | \$ 22.94 |
| Average Daily Trading Volume | 21,455 | 16,500 | 19,112 | 21,082 | 23,793 |

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
Unaudited

| (Dollars in thousands, except per share data) | 2018 | | | | 2017 | |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | Fourth Quarter | Third Quarter | Second Quarter | First Quarter | Fourth Quarter | |
| ASSETS | | | | | | |
| Cash and Due From Banks | \$ 62,032 | \$ 48,423 | \$ 56,573 | \$ 47,804 | \$ 58,419 | \$ 58,419 |
| Funds Sold and Interest Bearing Deposits | 213,968 | 26,839 | 107,066 | 250,821 | 227,023 | 227,023 |
| Total Cash and Cash Equivalents | 276,000 | 75,262 | 163,639 | 298,625 | 285,442 | 285,442 |
| Investment Securities Available for Sale | 446,157 | 484,243 | 493,662 | 471,836 | 480,911 | 480,911 |
| Investment Securities Held to Maturity | 217,320 | 227,923 | 236,764 | 225,552 | 216,679 | 216,679 |
| Total Investment Securities | 663,477 | 712,166 | 730,426 | 697,388 | 697,590 | 697,590 |
| Loans Held for Sale | 6,869 | 8,297 | 8,246 | 4,845 | 4,817 | 4,817 |
| Loans, Net of Unearned Interest | | | | | | |
| Commercial, Financial, & Agricultural | 233,689 | 239,044 | 222,406 | 198,775 | 218,166 | 218,166 |
| Real Estate - Construction | 89,527 | 87,672 | 88,169 | 80,236 | 77,966 | 77,966 |
| Real Estate - Commercial | 602,061 | 596,391 | 575,993 | 551,309 | 535,707 | 535,707 |
| Real Estate - Residential | 334,197 | 333,896 | 320,296 | 307,050 | 308,159 | 308,159 |
| Real Estate - Home Equity | 210,111 | 212,942 | 218,851 | 223,994 | 229,513 | 229,513 |
| Consumer | 295,040 | 294,040 | 285,599 | 284,356 | 278,622 | 278,622 |
| Other Loans | 8,018 | 8,167 | 11,648 | 14,988 | 3,747 | 3,747 |
| Overdrafts | 1,582 | 1,602 | 1,513 | 1,187 | 1,612 | 1,612 |
| Total Loans, Net of Unearned Interest | 1,774,225 | 1,773,754 | 1,724,475 | 1,661,895 | 1,653,492 | 1,653,492 |
| Allowance for Loan Losses | (14,210) | (14,219) | (13,563) | (13,258) | (13,307) | (13,307) |
| Loans, Net | 1,760,015 | 1,759,535 | 1,710,912 | 1,648,637 | 1,640,185 | 1,640,185 |
| Premises and Equipment, Net | 87,190 | 89,567 | 90,000 | 90,939 | 91,698 | 91,698 |
| Goodwill | 84,811 | 84,811 | 84,811 | 84,811 | 84,811 | 84,811 |
| Other Real Estate Owned | 2,229 | 2,720 | 3,373 | 3,330 | 3,941 | 3,941 |
| Other Assets | 78,592 | 86,832 | 88,871 | 96,257 | 90,310 | 90,310 |
| Total Other Assets | 252,822 | 263,930 | 267,055 | 275,337 | 270,760 | 270,760 |
| Total Assets | \$ 2,959,183 | \$ 2,819,190 | \$ 2,880,278 | \$ 2,924,832 | \$ 2,898,794 | \$ 2,898,794 |
| LIABILITIES | | | | | | |
| Deposits: | | | | | | |
| Noninterest Bearing Deposits | \$ 947,858 | \$ 934,146 | \$ 937,241 | \$ 890,482 | \$ 874,583 | \$ 874,583 |
| NOW Accounts | 867,209 | 713,967 | 778,131 | 859,704 | 877,820 | 877,820 |
| Money Market Accounts | 237,739 | 254,099 | 257,965 | 257,422 | 239,212 | 239,212 |
| Regular Savings Accounts | 358,306 | 352,508 | 354,156 | 353,996 | 335,140 | 335,140 |
| Certificates of Deposit | 120,744 | 126,496 | 131,697 | 137,280 | 143,122 | 143,122 |
| Total Deposits | 2,531,856 | 2,381,216 | 2,459,190 | 2,498,884 | 2,469,877 | 2,469,877 |
| Short-Term Borrowings | 13,541 | 16,644 | 7,021 | 4,893 | 7,480 | 7,480 |
| Subordinated Notes Payable | 52,887 | 52,887 | 52,887 | 52,887 | 52,887 | 52,887 |
| Other Long-Term Borrowings | 8,568 | 12,456 | 12,897 | 13,333 | 13,967 | 13,967 |
| Other Liabilities | 49,744 | 57,971 | 54,712 | 66,475 | 70,373 | 70,373 |
| Total Liabilities | 2,656,596 | 2,521,174 | 2,586,707 | 2,636,472 | 2,614,584 | 2,614,584 |
| SHAREOWNERS' EQUITY | | | | | | |
| Common Stock | 167 | 171 | 171 | 171 | 170 | 170 |
| Additional Paid-In Capital | 31,058 | 38,325 | 37,932 | 37,343 | 36,674 | 36,674 |
| Retained Earnings | 300,177 | 293,254 | 288,800 | 283,990 | 279,410 | 279,410 |
| Accumulated Other Comprehensive Loss, Net of Tax | (28,815) | (33,734) | (33,332) | (33,144) | (32,044) | (32,044) |
| Total Shareowners' Equity | 302,587 | 298,016 | 293,571 | 288,360 | 284,210 | 284,210 |
| Total Liabilities and Shareowners' Equity | \$ 2,959,183 | \$ 2,819,190 | \$ 2,880,278 | \$ 2,924,832 | \$ 2,898,794 | \$ 2,898,794 |
| OTHER BALANCE SHEET DATA | | | | | | |
| Earning Assets | \$ 2,658,539 | \$ 2,521,056 | \$ 2,570,213 | \$ 2,614,949 | \$ 2,582,922 | \$ 2,582,922 |
| Interest Bearing Liabilities | 1,658,994 | 1,529,057 | 1,594,754 | 1,679,515 | 1,669,628 | 1,669,628 |
| Book Value Per Diluted Share | \$ 18.00 | \$ 17.40 | \$ 17.15 | \$ 16.87 | \$ 16.65 | \$ 16.65 |
| Tangible Book Value Per Diluted Share | 12.96 | 12.45 | 12.20 | 11.91 | 11.68 | 11.68 |
| Actual Basic Shares Outstanding | 16,748 | 17,059 | 17,056 | 17,044 | 16,989 | 16,989 |
| Actual Diluted Shares Outstanding | 16,809 | 17,128 | 17,114 | 17,088 | 17,071 | 17,071 |

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENT OF OPERATIONS

Unaudited

| | 2018 | | | | 2017 | | Twelve Months Ended | |
|--|----------------|---------------|----------------|---------------|----------------|--------------|---------------------|------|
| | Fourth Quarter | Third Quarter | Second Quarter | First Quarter | Fourth Quarter | December 31, | | |
| | | | | | | | 2018 | 2017 |
| <i>(Dollars in thousands, except per share data)</i> | | | | | | | | |
| INTEREST INCOME | | | | | | | | |
| Interest and Fees on Loans | \$ 22,431 | \$ 21,618 | \$ 20,533 | \$ 19,535 | \$ 19,513 | \$ 84,117 | \$ 75,717 | |
| Investment Securities | 3,478 | 3,472 | 3,156 | 2,762 | 2,520 | 12,868 | 9,147 | |
| Funds Sold | 461 | 302 | 730 | 917 | 594 | 2,410 | 2,066 | |
| Total Interest Income | 26,370 | 25,392 | 24,419 | 23,214 | 22,627 | 99,395 | 86,930 | |
| INTEREST EXPENSE | | | | | | | | |
| Deposits | 1,312 | 1,068 | 995 | 868 | 590 | 4,243 | 1,789 | |
| Short-Term Borrowings | 53 | 41 | 8 | 8 | 5 | 110 | 82 | |
| Subordinated Notes Payable | 572 | 568 | 552 | 475 | 431 | 2,167 | 1,634 | |
| Other Long-Term Borrowings | 85 | 92 | 94 | 100 | 112 | 371 | 443 | |
| Total Interest Expense | 2,022 | 1,769 | 1,649 | 1,451 | 1,138 | 6,891 | 3,948 | |
| Net Interest Income | 24,348 | 23,623 | 22,770 | 21,763 | 21,489 | 92,504 | 82,982 | |
| Provision for Loan Losses | 457 | 904 | 815 | 745 | 826 | 2,921 | 2,215 | |
| Net Interest Income after Provision for Loan Losses | 23,891 | 22,719 | 21,955 | 21,018 | 20,663 | 89,583 | 80,767 | |
| NONINTEREST INCOME | | | | | | | | |
| Deposit Fees | 5,172 | 5,207 | 4,842 | 4,872 | 5,040 | 20,093 | 20,335 | |
| Bank Card Fees | 2,830 | 2,828 | 2,909 | 2,811 | 2,830 | 11,378 | 11,191 | |
| Wealth Management Fees | 2,320 | 2,181 | 2,037 | 2,173 | 2,172 | 8,711 | 8,284 | |
| Mortgage Banking Fees | 1,129 | 1,343 | 1,206 | 1,057 | 1,410 | 4,735 | 5,754 | |
| Other | 1,787 | 1,749 | 1,548 | 1,564 | 1,445 | 6,648 | 6,182 | |
| Total Noninterest Income | 13,238 | 13,308 | 12,542 | 12,477 | 12,897 | 51,565 | 51,746 | |
| NONINTEREST EXPENSE | | | | | | | | |
| Compensation | 16,322 | 15,891 | 15,797 | 15,911 | 15,102 | 63,921 | 62,312 | |
| Occupancy, Net | 4,804 | 4,645 | 4,503 | 4,551 | 4,400 | 18,503 | 17,837 | |
| Other Real Estate, Net | (1,663) | 347 | 248 | 626 | 355 | (442) | 1,135 | |
| Other | 7,042 | 7,816 | 7,845 | 6,818 | 7,040 | 29,521 | 28,163 | |
| Total Noninterest Expense | 26,505 | 28,699 | 28,393 | 27,906 | 26,897 | 111,503 | 109,447 | |
| OPERATING PROFIT | | | | | | | | |
| | 10,624 | 7,328 | 6,104 | 5,589 | 6,663 | 29,645 | 23,066 | |
| Income Tax Expense (Benefit) | 2,166 | 1,338 | 101 | (184) | 6,660 | 3,421 | 12,203 | |
| NET INCOME | \$ 8,458 | \$ 5,990 | \$ 6,003 | \$ 5,773 | \$ 3 | \$ 26,224 | \$ 10,863 | |
| PER SHARE DATA | | | | | | | | |
| Basic Net Income | \$ 0.50 | \$ 0.35 | \$ 0.35 | \$ 0.34 | \$ 0.00 | \$ 1.54 | \$ 0.64 | |
| Diluted Net Income | 0.50 | 0.35 | 0.35 | 0.34 | 0.00 | 1.54 | 0.64 | |
| Cash Dividend | \$ 0.09 | \$ 0.09 | \$ 0.07 | \$ 0.07 | \$ 0.07 | \$ 0.32 | \$ 0.24 | |
| AVERAGE SHARES | | | | | | | | |
| Basic | 16,989 | 17,056 | 17,045 | 17,028 | 16,967 | 17,029 | 16,952 | |
| Diluted | 17,050 | 17,125 | 17,104 | 17,073 | 17,050 | 17,072 | 17,013 | |

CAPITAL CITY BANK GROUP, INC.
ALLOWANCE FOR LOAN LOSSES
AND RISK ELEMENT ASSETS

Unaudited

| | 2018 | | | | 2017 | | Twelve Months Ended December 31, | |
|---|----------------|---------------|----------------|---------------|----------------|-----------|-------------------------------------|--|
| | Fourth Quarter | Third Quarter | Second Quarter | First Quarter | Fourth Quarter | 2018 | 2017 | |
| <i>(Dollars in thousands, except per share data)</i> | | | | | | | | |
| ALLOWANCE FOR LOAN LOSSES | | | | | | | | |
| Balance at Beginning of Period | \$ 14,219 | \$ 13,563 | \$ 13,258 | \$ 13,307 | \$ 13,339 | \$ 13,307 | \$ 13,431 | |
| Provision for Loan Losses | 457 | 904 | 815 | 745 | 826 | 2,921 | 2,215 | |
| Net Charge-Offs | 466 | 248 | 510 | 794 | 858 | 2,018 | 2,339 | |
| Balance at End of Period | \$ 14,210 | \$ 14,219 | \$ 13,563 | \$ 13,258 | \$ 13,307 | \$ 14,210 | \$ 13,307 | |
| As a % of Loans | 0.80% | 0.80% | 0.78% | 0.80% | 0.80% | 0.80% | 0.80% | |
| As a % of Nonperforming Loans | 206.79% | 207.06% | 236.25% | 181.26% | 185.87% | 206.79% | 185.87% | |
| CHARGE-OFFS | | | | | | | | |
| Commercial, Financial and Agricultural | \$ 53 | \$ 268 | \$ 141 | \$ 182 | \$ 664 | \$ 644 | \$ 1,357 | |
| Real Estate - Construction | - | - | - | 7 | - | 7 | - | |
| Real Estate - Commercial | - | 25 | - | 290 | 42 | 315 | 685 | |
| Real Estate - Residential | 111 | 106 | 456 | 107 | 126 | 780 | 411 | |
| Real Estate - Home Equity | 106 | 112 | 157 | 158 | 48.00 | 533 | 190 | |
| Consumer | 728 | 463 | 509 | 695 | 577 | 2,395 | 2,193 | |
| Total Charge-Offs | \$ 998 | \$ 974 | \$ 1,263 | \$ 1,439 | \$ 1,457 | \$ 4,674 | \$ 4,836 | |
| RECOVERIES | | | | | | | | |
| Commercial, Financial and Agricultural | \$ 128 | \$ 78 | \$ 87 | \$ 166 | \$ 113 | \$ 459 | \$ 313 | |
| Real Estate - Construction | 25 | - | - | 1 | - | 26 | 50 | |
| Real Estate - Commercial | 13 | 222 | 15 | 123 | 24 | 373 | 174 | |
| Real Estate - Residential | 106 | 107 | 346 | 84 | 141 | 643 | 616 | |
| Real Estate - Home Equity | 61 | 47 | 22 | 61 | 67 | 191 | 219 | |
| Consumer | 199 | 272 | 283 | 210 | 254 | 964 | 1,125 | |
| Total Recoveries | \$ 532 | \$ 726 | \$ 753 | \$ 645 | \$ 599 | \$ 2,656 | \$ 2,497 | |
| NET CHARGE-OFFS | \$ 466 | \$ 248 | \$ 510 | \$ 794 | \$ 858 | \$ 2,018 | \$ 2,339 | |
| Net Charge-Offs as a % of Average Loans ⁽¹⁾ | 0.10% | 0.06% | 0.12% | 0.20% | 0.21% | 0.12% | 0.14% | |
| RISK ELEMENT ASSETS | | | | | | | | |
| Nonaccruing Loans | \$ 6,872 | \$ 6,867 | \$ 5,741 | \$ 7,314 | \$ 7,159 | | | |
| Other Real Estate Owned | 2,229 | 2,720 | 3,373 | 3,330 | 3,941 | | | |
| Total Nonperforming Assets | \$ 9,101 | \$ 9,587 | \$ 9,114 | \$ 10,644 | \$ 11,100 | | | |
| Past Due Loans 30-89 Days | \$ 4,757 | \$ 3,684 | \$ 3,472 | \$ 4,268 | \$ 4,543 | | | |
| Past Due Loans 90 Days or More (accruing) | - | 126 | - | - | 36 | | | |
| Classified Loans | 22,888 | 27,039 | 29,583 | 31,709 | 31,002 | | | |
| Performing Troubled Debt Restructuring's | \$ 22,084 | \$ 28,661 | \$ 29,981 | \$ 31,472 | \$ 32,164 | | | |
| Nonperforming Loans as a % of Loans | 0.39% | 0.39% | 0.33% | 0.44% | 0.43% | | | |
| Nonperforming Assets as a % of Loans and Other Real Estate | 0.51% | 0.54% | 0.52% | 0.64% | 0.67% | | | |
| Nonperforming Assets as a % of Total Assets | 0.31% | 0.34% | 0.32% | 0.36% | 0.38% | | | |

⁽¹⁾ Annualized

CAPITAL CITY BANK GROUP, INC.

AVERAGE BALANCE AND INTEREST RATES⁽¹⁾

Unaudited

| (Dollars in thousands) | Fourth Quarter 2018 | | | Third Quarter 2018 | | | Second Quarter 2018 | | | First Quarter 2018 | | | Fourth Quarter 2017 | | | Dec 2018 YTD | | | Dec 2017 YTD | | |
|--|---------------------|-----------|--------------|--------------------|-----------|--------------|---------------------|-----------|--------------|--------------------|-----------|--------------|---------------------|-----------|--------------|-----------------|------------|--------------|-----------------|-----------|--------------|
| | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate | Average Balance | Interest | Average Rate |
| ASSETS: | | | | | | | | | | | | | | | | | | | | | |
| Loans, Net of Unearned Interest | \$ 1,785,570 | 22,556 | 5.01% | \$ 1,747,093 | 21,733 | 4.94% | \$ 1,691,287 | 20,625 | 4.89% | \$ 1,647,612 | 19,636 | 4.83% | \$ 1,640,738 | 19,696 | 4.76% | \$ 1,718,348 | 84,550 | 4.92% | \$ 1,618,583 | 76,385 | 4.72% |
| Investment Securities | | | | | | | | | | | | | | | | | | | | | |
| Taxable Investment Securities | 637,735 | 3,325 | 2.08 | 663,639 | 3,290 | 1.98 | 643,516 | 2,945 | 1.83 | 619,137 | 2,523 | 1.64 | 602,353 | 2,263 | 1.50 | 641,120 | 12,083 | 1.88 | 595,790 | 8,095 | 1.36 |
| Tax-Exempt Investment Securities | 50,362 | 193 | 1.54 | 60,952 | 229 | 1.50 | 72,478 | 266 | 1.47 | 84,800 | 318 | 1.50 | 94,329 | 393 | 1.67 | 67,037 | 1,006 | 1.50 | 97,867 | 1,610 | 1.65 |
| Total Investment Securities | 688,097 | 3,518 | 2.04 | 724,591 | 3,519 | 1.94 | 715,994 | 3,211 | 1.79 | 703,937 | 2,841 | 1.62 | 696,682 | 2,656 | 1.52 | 708,157 | 13,089 | 1.85 | 693,657 | 9,705 | 1.40 |
| Funds Sold | 80,815 | 461 | 2.26 | 63,608 | 302 | 1.88 | 158,725 | 730 | 1.84 | 240,916 | 917 | 1.54 | 174,565 | 594 | 1.35 | 135,379 | 2,410 | 1.78 | 189,991 | 2,066 | 1.09 |
| Total Earning Assets | 2,554,482 | \$ 26,535 | 4.12% | 2,535,292 | \$ 25,554 | 4.00% | 2,566,006 | \$ 24,566 | 3.84% | 2,592,465 | \$ 23,394 | 3.66% | 2,511,985 | \$ 22,946 | 3.63% | 2,561,884 | \$ 100,049 | 3.91% | 2,502,231 | \$ 88,156 | 3.52% |
| Cash and Due From Banks | 52,344 | | | 49,493 | | | 50,364 | | | 52,711 | | | 51,235 | | | 51,222 | | | 51,091 | | |
| Allowance for Loan Losses | (14,642) | | | (14,146) | | | (13,521) | | | (13,651) | | | (13,524) | | | (13,993) | | | (13,541) | | |
| Other Assets | 257,061 | | | 256,285 | | | 258,255 | | | 260,595 | | | 272,755 | | | 258,035 | | | 276,315 | | |
| Total Assets | \$ 2,849,245 | | | \$ 2,826,924 | | | \$ 2,861,104 | | | \$ 2,892,120 | | | \$ 2,822,451 | | | \$ 2,857,148 | | | \$ 2,816,096 | | |
| LIABILITIES: | | | | | | | | | | | | | | | | | | | | | |
| Interest Bearing Deposits | | | | | | | | | | | | | | | | | | | | | |
| NOW Accounts | \$ 739,225 | \$ 995 | 0.53% | \$ 733,255 | 773 | 0.42% | \$ 790,335 | 725 | 0.37% | \$ 863,175 | 659 | 0.31% | \$ 782,133 | 400 | 0.20% | \$ 781,026 | 3,152 | 0.40% | \$ 805,861 | 1,094 | 0.14% |
| Money Market Accounts | 248,486 | 216 | 0.34 | 254,440 | 190 | 0.30 | 255,143 | 166 | 0.26 | 246,576 | 103 | 0.17 | 249,953 | 80 | 0.13 | 251,175 | 675 | 0.27 | 258,304 | 252 | 0.10 |
| Savings Accounts | 356,723 | 44 | 0.05 | 352,833 | 43 | 0.05 | 351,664 | 43 | 0.05 | 343,987 | 42 | 0.05 | 333,703 | 41 | 0.05 | 351,341 | 172 | 0.05 | 323,928 | 159 | 0.05 |
| Time Deposits | 123,193 | 57 | 0.18 | 129,927 | 62 | 0.19 | 134,171 | 61 | 0.18 | 140,359 | 64 | 0.18 | 145,622 | 69 | 0.19 | 131,860 | 244 | 0.18 | 151,301 | 284 | 0.19 |
| Total Interest Bearing Deposits | 1,467,627 | 1,312 | 0.37% | 1,470,455 | 1,068 | 0.30% | 1,531,313 | 995 | 0.27% | 1,594,097 | 868 | 0.23% | 1,511,411 | 590 | 0.16% | 1,515,402 | 4,243 | 0.29% | 1,539,394 | 1,789 | 0.12% |
| Short-Term Borrowings | 15,424 | 53 | 1.36% | 12,949 | 41 | 1.24% | 6,633 | 8 | 0.49% | 8,869 | 8 | 0.37% | 8,074 | 5 | 0.25% | 10,992 | 110 | 0.99% | 9,927 | 82 | 0.82% |
| Subordinated Notes Payable | 52,887 | 572 | 4.23 | 52,887 | 568 | 4.20 | 52,887 | 552 | 4.13 | 52,887 | 475 | 3.60 | 52,887 | 431 | 3.19 | 52,887 | 2,167 | 4.04 | 52,887 | 1,634 | 3.05 |
| Other Long-Term Borrowings | 9,918 | 85 | 3.40 | 12,729 | 92 | 2.87 | 13,151 | 94 | 2.88 | 13,787 | 100 | 2.93 | 14,726 | 112 | 3.01 | 12,387 | 371 | 3.00 | 15,174 | 443 | 2.92 |
| Total Interest Bearing Liabilities | 1,545,856 | \$ 2,022 | 0.54% | 1,549,020 | \$ 1,769 | 0.47% | 1,603,984 | \$ 1,649 | 0.43% | 1,669,640 | \$ 1,451 | 0.37% | 1,587,098 | \$ 1,138 | 0.29% | 1,591,668 | \$ 6,891 | 0.45% | 1,617,382 | \$ 3,948 | 0.25% |
| Noninterest Bearing Deposits | 944,748 | | | 921,817 | | | 900,643 | | | 862,009 | | | 867,000 | | | 907,571 | | | 832,477 | | |
| Other Liabilities | 56,445 | | | 58,330 | | | 64,671 | | | 72,969 | | | 80,309 | | | 63,045 | | | 82,833 | | |
| Total Liabilities | 2,547,049 | | | 2,529,167 | | | 2,569,298 | | | 2,604,618 | | | 2,534,407 | | | 2,562,284 | | | 2,532,692 | | |
| SHAREOWNERS' EQUITY: | 302,196 | | | 297,757 | | | 291,806 | | | 287,502 | | | 288,044 | | | 294,864 | | | 283,404 | | |
| Total Liabilities and Shareowners' Equity | \$ 2,849,245 | | | \$ 2,826,924 | | | \$ 2,861,104 | | | \$ 2,892,120 | | | \$ 2,822,451 | | | \$ 2,857,148 | | | \$ 2,816,096 | | |
| Interest Rate Spread | \$ 24,513 | 3.58% | | \$ 23,785 | 3.53% | | \$ 22,917 | 3.41% | | \$ 21,943 | 3.29% | | \$ 21,808 | 3.33% | | \$ 93,158 | 3.46% | | \$ 84,208 | 3.27% | |
| Interest Income and Rate Earned ⁽¹⁾ | | 26,535 | 4.12 | | 25,554 | 4.00 | | 24,566 | 3.84 | | 23,394 | 3.66 | | 22,946 | 3.63 | | 100,049 | 3.91 | | 88,156 | 3.52 |
| Interest Expense and Rate Paid ⁽²⁾ | | 2,022 | 0.31 | | 1,769 | 0.28 | | 1,649 | 0.26 | | 1,451 | 0.23 | | 1,138 | 0.18 | | 6,891 | 0.27 | | 3,948 | 0.16 |
| Net Interest Margin | \$ 24,513 | 3.81% | | \$ 23,785 | 3.72% | | \$ 22,917 | 3.58% | | \$ 21,943 | 3.43% | | \$ 21,808 | 3.45% | | \$ 93,158 | 3.64% | | \$ 84,208 | 3.37% | |

⁽¹⁾ Interest and average rates are calculated on a tax-equivalent basis using a 21% Federal tax rate for 2018 and a 35% Federal tax rate for 2017.

⁽²⁾ Rate calculated based on average earning assets.

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