

CAPITAL CITY BANK GROUP INC
Form 10-Q
August 03, 2018

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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2018

OR

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

For the transition period from _____ to _____

Commission File Number: 0-13358

(Exact name of registrant as specified in its charter)

Florida

59-2273542

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

217 North Monroe Street, Tallahassee, Florida
(Address of principal executive office)

32301
(Zip Code)

(850) 402-7821

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if smaller reporting company) Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 13(a) of The Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At July 31, 2018, 17,055,664 shares of the Registrant's Common Stock, \$.01 par value, were outstanding.

CAPITAL CITY BANK GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2018

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INTRODUCTORY NOTE

Caution Concerning Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, among others, statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. The words “may,” “could,” “should,” “would,” “believe,” “anticipate,” “estimate,” “expect,” “intend,” “plan,” “target,” “goal,” and similar expressions are used to identify forward-looking statements.

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements.

Our ability to achieve our financial objectives could be adversely affected by the factors discussed in detail in Part I, Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q and the following sections of our Annual Report on Form 10-K for the year ended December 31, 2017 (the “2017 Form 10-K”): (a) “Introductory Note” in Part I, Item 1. “Business”; (b) “Risk Factors” in Part I, Item 1A, as updated in our subsequent quarterly reports filed on Form 10-Q; and (c) “Introduction” in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in Part II, Item 7, as well as:

- our ability to successfully manage interest rate risk, liquidity risk, and other risks inherent to our industry;
- legislative or regulatory changes, the ability to repay and qualified mortgage standards;
- the effects of security breaches and computer viruses that may affect our computer systems or fraud related to debit card products;
- the accuracy of our financial statement estimates and assumptions, including the estimates used for our loan loss provision, deferred tax asset valuation and pension plan;
- the frequency and magnitude of foreclosure of our loans;
- the effects of our lack of a diversified loan portfolio, including the risks of geographic and industry concentrations;
- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- our ability to declare and pay dividends, the payment of which is now subject to our compliance with heightened capital requirements;

- changes in the securities and real estate markets;
- changes in monetary and fiscal policies of the U.S. Government;
- inflation, interest rate, market and monetary fluctuations;
- the effects of harsh weather conditions, including hurricanes, and man-made disasters;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- the willingness of clients to accept third-party products and services rather than our products and services and vice versa;
- increased competition and its effect on pricing;
- technological changes;
- negative publicity and the impact on our reputation;
- changes in consumer spending and saving habits;
- growth and profitability of our noninterest income;
- changes in accounting principles, policies, practices or guidelines;
- the limited trading activity of our common stock;
- the concentration of ownership of our common stock;
- anti-takeover provisions under federal and state law as well as our Articles of Incorporation and our Bylaws;
- other risks described from time to time in our filings with the Securities and Exchange Commission; and
- our ability to manage the risks involved in the foregoing.

However, other factors besides those listed in *Item 1A Risk Factors* or discussed in this Form 10-Q also could adversely affect our results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by us or on our behalf speak only as of the date they are made. We do not undertake to update any forward-looking statement, except as required by applicable law.

PART I. FINANCIAL INFORMATION**Item 1.**

**CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

<i>(Dollars in Thousands)</i>	(Unaudited) June 30, 2018	December 31, 2017
ASSETS		
Cash and Due From Banks	\$ 56,573	\$ 58,419
Federal Funds Sold and Interest Bearing Deposits	107,066	227,023
Total Cash and Cash Equivalents	163,639	285,442
Investment Securities, Available for Sale, at fair value	493,662	480,911
Investment Securities, Held to Maturity, at amortized cost (fair value of \$233,179 and \$215,007)	236,764	216,679
Total Investment Securities	730,426	697,590
Loans Held For Sale	8,246	4,817
Loans, Net of Unearned Income	1,724,475	1,653,492
Allowance for Loan Losses	(13,563)	(13,307)
Loans, Net	1,710,912	1,640,185
Premises and Equipment, net	90,000	91,698
Goodwill	84,811	84,811
Other Real Estate Owned	3,373	3,941
Other Assets	88,871	90,310
Total Assets	\$ 2,880,278	\$ 2,898,794
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	\$ 937,241	\$ 874,583
Interest Bearing Deposits	1,521,949	1,595,294
Total Deposits	2,459,190	2,469,877
Short-Term Borrowings	7,021	7,480
Subordinated Notes Payable	52,887	52,887
Other Long-Term Borrowings	12,897	13,967
Other Liabilities	54,712	70,373
Total Liabilities	2,586,707	2,614,584
SHAREOWNERS' EQUITY		
Preferred Stock, \$.01 par value; 3,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, \$.01 par value; 90,000,000 shares authorized; 17,055,664 and 16,988,951 shares	171	170

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issued and outstanding at June 30, 2018 and December 31, 2017,
respectively

Additional Paid-In Capital	37,932	36,674
Retained Earnings	288,800	279,410
Accumulated Other Comprehensive Loss, net of tax	(33,332)	(32,044)
Total Shareowners' Equity	293,571	284,210
Total Liabilities and Shareowners' Equity	\$ 2,880,278	\$ 2,898,794

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

<i>(Dollars in Thousands, Except Per Share Data)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
INTEREST INCOME				
Loans, including Fees	\$ 20,533	\$ 18,720	\$ 40,068	\$ 36,725
Investment Securities:				
Taxable	2,944	1,899	5,467	3,682
Tax Exempt	212	270	451	529
Federal Funds Sold and Interest Bearing Deposits	730	533	1,647	1,026
Total Interest Income	24,419	21,422	47,633	41,962
INTEREST EXPENSE				
Deposits	995	388	1,863	669
Short-Term Borrowings	8	17	16	62
Subordinated Notes Payable	552	404	1,027	783
Other Long-Term Borrowings	94	117	194	216
Total Interest Expense	1,649	926	3,100	1,730
NET INTEREST INCOME	22,770	20,496	44,533	40,232
Provision for Loan Losses	815	589	1,560	899
Net Interest Income After Provision For Loan Losses	21,955	19,907	42,973	39,333
NONINTEREST INCOME				
Deposit Fees	4,842	5,052	9,714	10,142
Bank Card Fees	2,909	2,870	5,720	5,673
Wealth Management Fees	2,037	2,073	4,210	3,915
Mortgage Banking Fees	1,206	1,556	2,263	2,864
Other	1,548	1,584	3,112	3,259
Total Noninterest Income	12,542	13,135	25,019	25,853
NONINTEREST EXPENSE				
Compensation	15,797	15,641	31,708	31,500
Occupancy, net	4,503	4,555	9,054	8,936
Other Real Estate Owned, net	248	315	874	898
Other	7,845	7,410	14,663	14,509
Total Noninterest Expense	28,393	27,921	56,299	55,843
INCOME BEFORE INCOME TAXES	6,104	5,121	11,693	9,343
Income Tax Expense (Benefit)	101	1,560	(83)	3,038
NET INCOME	\$ 6,003	\$ 3,561	\$ 11,776	\$ 6,305

BASIC NET INCOME PER SHARE	\$ 0.35	\$ 0.21	\$ 0.69	\$ 0.37
DILUTED NET INCOME PER SHARE	\$ 0.35	\$ 0.21	\$ 0.69	\$ 0.37
Average Common Basic Shares Outstanding	17,045	16,955	17,037	16,937
Average Common Diluted Shares Outstanding	17,104	17,016	17,089	16,993

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
<i>(Dollars in Thousands)</i>	2018	2017	2018	2017
NET INCOME	\$ 6,003	\$ 3,561	\$ 11,776	\$ 6,305
Other comprehensive income, before tax:				
Change in net unrealized gain/loss on securities available for sale	(265)	110	(1,752)	615
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	14	18	28	38
Total Investment Securities	(251)	128	(1,724)	653
Other comprehensive (loss) income, before tax	(251)	128	(1,724)	653
Deferred tax (benefit) expense related to other comprehensive income	(63)	49	(436)	253
Other comprehensive (loss) income, net of tax	(188)	79	(1,288)	400
TOTAL COMPREHENSIVE INCOME	\$ 5,815	\$ 3,640	\$ 10,488	\$ 6,705

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY
(Unaudited)

	Shares	Common	Additional	Retained	Accumulated Other Comprehensive Loss, Net of Taxes	Total
	Outstanding	Stock	Paid-In Capital	Earnings		
<i>(Dollars In Thousands, Except Share Data)</i>						
Balance, January 1, 2017	16,844,698	\$ 168	\$ 34,188	\$ 267,037	\$ (26,225)	\$ 275,168
Net Income	-	-	-	6,305	-	6,305
Other Comprehensive Income, net of tax	-	-	-	-	400	400
Cash Dividends (\$0.1000 per share)	-	-	-	(1,696)	-	(1,696)
Stock Based Compensation	-	-	869	-	-	869
Impact of Transactions Under Compensation Plans, net	119,317	2	465	-	-	467
Balance, June 30, 2017	16,964,015	\$ 170	\$ 35,522	\$ 271,646	\$ (25,825)	\$ 281,513
Balance, January 1, 2018	16,988,951	\$ 170	\$ 36,674	\$ 279,410	\$ (32,044)	\$ 284,210
Net Income	-	-	-	11,776	-	11,776
Other Comprehensive Income, net of tax	-	-	-	-	(1,288)	(1,288)
Cash Dividends (\$0.1400 per share)	-	-	-	(2,386)	-	(2,386)
Stock Based Compensation	-	-	655	-	-	655
Impact of Transactions Under Compensation Plans, net	66,713	1	603	-	-	604
Balance, June 30, 2018	17,055,664	\$ 171	\$ 37,932	\$ 288,800	\$ (33,332)	\$ 293,571

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

<i>(Dollars in Thousands)</i>	Six Months Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 11,776	\$ 6,305
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:		
Provision for Loan Losses	1,560	899
Depreciation	3,218	3,352
Amortization of Premiums, Discounts, and Fees, net	3,495	3,279
Net (Increase) Decrease in Loans Held-for-Sale	(3,429)	2,673
Stock Compensation	655	869
Net Tax Benefit From Stock-Based Compensation	(41)	(223)
Deferred Income Taxes	2,156	944
Net Loss on Sales and Write-Downs of Other Real Estate Owned	693	695
Loss on Disposal of Premises and Equipment	-	