

CAPITAL CITY BANK GROUP INC
Form 10-Q
August 07, 2015

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, 2015

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

(State or other jurisdiction of incorporation or organization)

59-2273542

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

217 North Monroe Street, Tallahassee, Florida 32301

(Address of principal executive office)

(Zip Code)

(850) 402-7000

(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, or a smaller reporting company. See definitions of “large accelerated filer”, “accelerated filer”, and “smaller reporting 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)

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, 2015, 17,154,236 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, 2015

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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, 2014 (the “2014 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:

- § legislative or regulatory changes, including the Dodd-Frank Act, Basel III, and the ability to repay and qualified mortgage standards;
- § our ability to successfully manage interest rate risk, liquidity risk, and other risks inherent to our industry;
- § 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 and deferred tax asset valuation;
- § 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 need and our ability to incur additional debt or equity financing;
- § our ability to declare and pay dividends;
- § 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;
- § our ability to comply with the laws of 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. CONSOLIDATED FINANCIAL STATEMENTS****CAPITAL CITY BANK GROUP, INC.****CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**

	(Unaudited)	
	June 30,	December 31,
(Dollars in Thousands)	2015	2014
ASSETS		
Cash and Due From Banks	\$61,484	\$ 55,467
Federal Funds Sold and Interest Bearing Deposits	185,572	329,589
Total Cash and Cash Equivalents	247,056	385,056
Investment Securities, Available for Sale, at fair value	433,688	341,548
Investment Securities, Held to Maturity, at amortized cost (fair value of \$201,929 and \$163,412)	201,805	163,581
Total Investment Securities	635,493	505,129
Loans Held For Sale	10,991	10,688
Loans, Net of Unearned Income	1,474,265	1,431,374
Allowance for Loan Losses	(15,236)	(17,539)
Loans, Net	1,459,029	1,413,835
Premises and Equipment, Net	99,108	101,899
Goodwill	84,811	84,811
Other Real Estate Owned	30,167	35,680
Other Assets	87,489	90,071
Total Assets	\$2,654,144	\$ 2,627,169
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	\$723,866	\$ 659,115
Interest Bearing Deposits	1,440,778	1,487,679
Total Deposits	2,164,644	2,146,794
Short-Term Borrowings	53,698	49,425
Subordinated Notes Payable	62,887	62,887
Other Long-Term Borrowings	29,733	31,097
Other Liabilities	71,144	64,426
Total Liabilities	2,382,106	2,354,629

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; 17,154,233 and 17,447,223 shares issued and outstanding at June 30, 2015 and December 31, 2014, respectively	172	174
Additional Paid-In Capital	37,625	42,569
Retained Earnings	255,096	251,306
Accumulated Other Comprehensive Loss, Net of Tax	(20,855)	(21,509)
Total Shareowners' Equity	272,038	272,540
Total Liabilities and Shareowners' Equity	\$2,654,144	\$ 2,627,169

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

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(Dollars in Thousands, Except Per Share Data)	2015	2014	2015	2014
INTEREST INCOME				
Loans, including Fees	\$ 18,231	\$ 18,152	\$ 36,094	\$ 36,250
Investment Securities:				
Taxable Securities	1,299	815	2,484	1,519
Tax Exempt Securities	152	124	261	267
Federal Funds Sold and Interest Bearing Deposits	151	257	340	548
Total Interest Income	19,833	19,348	39,179	38,584
INTEREST EXPENSE				
Deposits	259	293	505	601
Short-Term Borrowings	15	17	36	37
Subordinated Notes Payable	338	331	670	662
Other Long-Term Borrowings	237	269	477	560
Total Interest Expense	849	910	1,688	1,860
NET INTEREST INCOME	18,984	18,438	37,491	36,724
Provision for Loan Losses	375	499	668	858
Net Interest Income After Provision For Loan Losses	18,609	17,939	36,823	35,866
NONINTEREST INCOME				
Deposit Fees	5,682	6,213	11,223	12,082
Bank Card Fees	2,844	2,820	5,586	5,527
Wealth Management Fees	1,776	1,852	3,822	3,770
Mortgage Banking Fees	1,203	738	2,190	1,363
Data Processing Fees	364	388	737	929
Other	2,925	1,336	4,084	2,461
Total Noninterest Income	14,794	13,347	27,642	26,132
NONINTEREST EXPENSE				
Compensation	16,404	15,206	32,928	30,987
Occupancy, net	4,258	4,505	8,654	8,803
Other Real Estate Owned, net	931	2,276	2,428	3,675
Other	6,846	7,089	13,819	13,977
Total Noninterest Expense	28,439	29,076	57,829	57,442
INCOME BEFORE INCOME TAXES	4,964	2,210	6,636	4,556
Income Tax Expense (Benefit)	1,119	737	1,805	(668)
NET INCOME	\$ 3,845	\$ 1,473	\$ 4,831	\$ 5,224

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BASIC NET INCOME PER SHARE	\$0.22	\$0.08	\$0.28	\$0.30
DILUTED NET INCOME PER SHARE	\$0.22	\$0.08	\$0.28	\$0.30
Average Basic Shares Outstanding	17,296	17,427	17,402	17,413
Average Diluted Shares Outstanding	17,358	17,488	17,456	17,463

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,	
(Dollars in Thousands)	2015	2014	2015	2014
NET INCOME	\$3,845	\$1,473	\$4,831	\$5,224
Other comprehensive (loss) income, before tax:				
Change in net unrealized gain/loss on securities available for sale	(117)	257	1,029	252
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	19	16	36	36
Other comprehensive (loss) income, before tax	(98)	273	1,065	288
Deferred tax expense (benefit) related to other comprehensive income	37	105	(411)	112
Other comprehensive (loss) income, net of tax	(61)	168	654	176
TOTAL COMPREHENSIVE INCOME	\$3,784	\$1,641	\$5,485	\$5,400

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 Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss, Net of Taxes	Total
<i>(Dollars In Thousands, Except Share Data)</i>						
Balance, January 1, 2014	17,360,960	\$ 174	\$ 41,152	\$ 243,614	\$ (8,540)	\$ 276,400
Net Income		—	—	5,224	—	5,224
Other Comprehensive Income, Net of Tax		—	—	—	176	176
Cash Dividends (\$0.0400 per share)		—	—	(696)	—	(696)
Stock Based Compensation		—	526	—	—	526
Impact of Transactions Under Compensation Plans, net	88,497	—	(50)	—	—	(50)
Balance, June 30, 2014	17,449,457	\$ 174	\$ 41,628	\$ 248,142	\$ (8,364)	\$ 281,580
	17,447,223	\$ 174	\$ 42,569	\$ 251,306	\$ (21,509)	\$ 272,540
Balance, January 1, 2015						
Net Income		—	—	4,831	—	4,831
Other Comprehensive Income, Net of Tax		—	—	—	654	654
Cash Dividends (\$0.0600 per share)		—	—	(1,041)	—	(1,041)
Repurchase of Common Stock	(392,981)	(3)	(5,795)	—	—	(5,798)
Stock Based Compensation		—	522	—	—	522
Impact of Transactions Under Compensation Plans, net	99,991	1	329	—	—	330
Balance, June 30, 2015	17,154,233	\$ 172				