

CAPITAL CITY BANK GROUP INC
Form 10-K
March 17, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007
OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

(Exact name of Registrant as specified in its charter)

Florida
(State of Incorporation)

0-13358
(Commission File Number)

59-2273542
(IRS Employer
Identification No.)

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

32301
(Zip Code)

(850) 402-7000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$0.01 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Exchange Act. Yes [] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the
Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was
required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X]

No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 definition 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

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

The aggregate market value of the registrant's common stock, \$0.01 par value per share, held by non-affiliates of the registrant on June 30, 2007, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$320,596,761 (based on the closing sales price of the registrant's common stock on that date). Shares of the registrant's common stock held by each officer and director and each person known to the registrant to own 10% or more of the outstanding voting power of the registrant have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not a determination for other purposes.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at February 29, 2008
Common Stock, \$0.01 par value per share	17,169,096 shares

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Proxy Statement for the Annual Meeting of Shareowners to be held on April 24, 2008, are incorporated by reference in Part III.

CAPITAL CITY BANK GROUP, INC.
ANNUAL REPORT FOR 2007 ON FORM 10-K

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INTRODUCTORY NOTE

This Annual Report on Form 10-K 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 words are intended 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.

In addition to those risks discussed in this Annual Report under Item 1A Risk Factors, factors that could cause our actual results to differ materially from those in the forward-looking statements, include, without limitation:

- § 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 accuracy of our financial statement estimates and assumptions, including the estimate for our loan loss provision;
- § our ability to integrate the business and operations of companies and banks that we have acquired, and those we may acquire in the future;
 - § our need and our ability to incur additional debt or equity financing;
- § the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
 - § the effects of harsh weather conditions, including hurricanes;
 - § inflation, interest rate, market and monetary fluctuations;
 - § effect of changes in the stock market and other capital markets;
 - § legislative or regulatory changes;
 - § our ability to comply with the extensive laws and regulations to which we are subject;
- § the willingness of clients to accept third-party products and services rather than our products and services and vice versa;
 - § changes in the securities and real estate markets;
 - § increased competition and its effect on pricing;
 - § technological changes;
 - § changes in monetary and fiscal policies of the U.S. Government;
- § the effects of security breaches and computer viruses that may affect our computer systems;
 - § 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 Annual Report 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.

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PART I

Item

1. Business

General

Capital City Bank Group, Inc. (“CCBG”) is a financial holding company registered under the Gramm-Leach-Bliley Act of 1999 (“Gramm-Leach-Bliley Act”). CCBG was incorporated under Florida law on December 13, 1982, to acquire five national banks and one state bank that all subsequently became part of CCBG’s bank subsidiary, Capital City Bank (“CCB” or the “Bank”). In this report, the terms “Company”, “we”, “us”, or “our” mean CCBG and all subsidiaries included in our consolidated financial statements.

We provide traditional deposit and credit services, asset management, trust, mortgage banking, merchant services, bank cards, data processing, and securities brokerage services through 70 full-service banking locations in Florida, Georgia, and Alabama. CCB operates these banking locations.

At December 31, 2007, we had total consolidated assets of approximately \$2.6 billion, total deposits of approximately \$2.1 billion and shareowners’ equity was approximately \$292.7 million. Our financial condition and results of operations are more fully discussed in our consolidated financial statements.

CCBG’s principal asset is the capital stock of the Bank. CCB accounted for approximately 100% of consolidated assets at December 31, 2007, and approximately 100% of consolidated net income for the year ended December 31, 2007. In addition to our banking subsidiary, we have seven indirect subsidiaries, Capital City Trust Company, Capital City Mortgage Company (inactive), Capital City Banc Investments, Inc., Capital City Services Company, First Insurance Agency of Grady County, Inc., Southern Oaks, Inc., and FNB Financial Services, Inc., all of which are wholly-owned subsidiaries of CCB, and two direct subsidiaries CCBG Capital Trust I and CCBG Capital Trust II, both wholly-owned subsidiaries of CCBG.

Dividends and management fees received from the Bank are our only source of income. Dividend payments by the Bank to us depend on the capitalization, earnings and projected growth of the Bank, and are limited by various regulatory restrictions. See the section entitled “Regulatory Considerations” in this Item 1 and Note 15 in the Notes to Consolidated Financial Statements for additional information. We had a total of 1,097 (full-time equivalent) associates at February 29, 2008. Page 22 contains other financial and statistical information about us.

We have one reportable segment with the following principal services: Banking Services, Data Processing Services, Trust and Asset Management Services, and Brokerage Services.

Banking Services

CCB is a Florida chartered full-service bank engaged in the commercial and retail banking business. Significant services offered by the Bank include:

§ Business Banking – The Bank provides banking services to corporations and other business clients. Credit products are available for a wide variety of general business purposes, including financing for commercial business properties, equipment, inventories and accounts receivable, as well as commercial leasing and letters of credit. Treasury management services and merchant credit card transaction processing services are also offered.

§ Commercial Real Estate Lending – The Bank provides a wide range of products to meet the financing needs of commercial developers and investors, residential builders and developers, and community development.

§ Residential Real Estate Lending – The Bank provides products to help meet the home financing needs of consumers, including conventional permanent and construction/permanent (fixed or adjustable rate) financing arrangements, and FHA/VA loan products. The bank offers both fixed-rate and adjustable rate residential mortgage (ARM) loans. As of December 31, 2007, approximately 16% of the Bank's loan portfolio consisted of residential ARM loans. A portion of our loans originated are sold into the secondary market.

The Bank offers these products through its existing network of branch offices. Geographical expansion of the delivery of this product line has occurred over the past three years through the opening of mortgage lending offices in Gainesville, Florida (Alachua County) and Thomasville, Georgia (Thomas County).

§ Retail Credit – The Bank provides a full range of loan products to meet the needs of consumers, including personal loans, automobile loans, boat/RV loans, home equity loans, and credit card programs.

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§ Institutional Banking – The Bank provides banking services to meet the needs of state and local governments, public schools and colleges, charities, membership and not-for-profit associations including customized checking and savings accounts, cash management systems, tax-exempt loans, lines of credit, and term loans.

§ Retail Banking - The Bank provides a full range of consumer banking services, including checking accounts, savings programs, automated teller machines (ATMs), debit/credit cards, night deposit services, safe deposit facilities, and PC/Internet banking. Clients can use the Capital City Bank Direct automated phone system to gain 24-hour access to their deposit and loan account information, and transfer funds between linked accounts. The Bank is a member of the “Star” ATM Network that permits banking clients to access cash at ATMs or point of sale merchants.

Data Processing Services

Capital City Services Company (the “Services Company”) provides data processing services to financial institutions (including CCB), government agencies and commercial clients located throughout North Florida and South Georgia. As of February 29, 2008, the Services Company is providing computer services to eight correspondent banks, which have relationships with CCB.

Trust Services and Asset Management

Capital City Trust Company (the “Trust Company”) is the investment management arm of CCB. The Trust Company provides asset management for individuals through agency, personal trust, IRAs and personal investment management accounts.

Administration of pension, profit sharing and 401(k) plans is a significant product line. Associations, endowments and other non-profit entities hire the Trust Company to manage their investment portfolios. A staff of well-trained professionals serves individuals requiring the services of a trustee, personal representative or a guardian. The market value of trust assets under discretionary management exceeded \$781.0 million as of December 31, 2007, with total assets under administration exceeding \$854.0 million.

Brokerage Services

We offer access to retail investment products through Capital City Banc Investments, Inc., a wholly-owned subsidiary of CCB. These products are offered through INVEST Financial Corporation, a member of FINRA and SIPC. Non-deposit investment and insurance products are: (1) not FDIC insured; (2) not deposits, obligations, or guaranteed by any bank; and (3) subject to investment risk, including the possible loss of principal amount invested. Capital City Banc Investments, Inc. offers a full line of retail securities products, including U.S. Government bonds, tax-free municipal bonds, stocks, mutual funds, unit investment trusts, annuities, life insurance and long-term health care. We are not an affiliate of INVEST Financial Corporation.

Expansion of Business

Since 1984, we have completed 15 acquisitions totaling approximately \$1.6 billion in deposits within existing and new markets. In addition, since 2003, we have opened 10 new offices to improve service and product delivery within our markets. Plans are currently being developed for two new office openings in 2008, including one on Macon, Georgia and one in Palatka, Florida (replacement office).

We plan to continue our expansion, emphasizing a combination of growth in existing markets and acquisitions. The restructuring in late 2007 of our community banking sales and service model will result in the more tactical focus on

certain higher growth metro markets, including Macon, Tallahassee, Gainesville, and Hernando/Pasco. Acquisitions will be focused on a three state area including Florida, Georgia, and Alabama with a particular focus on acquiring banks and banking offices, which are \$100 million to \$400 million in asset size, located on the outskirts of major metropolitan areas. We will evaluate de novo expansion opportunities in attractive new markets in the event that acquisition opportunities are not feasible. Other expansion opportunities that will be evaluated include asset management and mortgage banking.

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Competition

The banking business is rapidly changing. We operate in a highly competitive environment, especially with respect to services and pricing. The on-going consolidation of the banking industry has altered and continues to significantly alter the competitive environment within the Florida, Georgia, and Alabama markets. We believe this consolidation further enhances our competitive position and opportunities in many of our markets. Our primary market area is 20 counties in Florida, five counties in Georgia and one county in Alabama. In these markets, the Bank competes against a wide range of banking and nonbanking institutions including savings and loan associations, credit unions, money market funds, mutual fund advisory companies, mortgage banking companies, investment banking companies, finance companies and other types of financial institutions.

All of Florida's major banking concerns have a presence in Leon County. CCB's Leon County deposits totaled \$738.3 million, or 34.5%, of our consolidated deposits at December 31, 2007.

The following table depicts our market share percentage within each respective county, based on total commercial bank deposits within the county.

	Market Share as of June 30,(1)		
	2007	2006	2005
Florida			
Alachua County(2)	4.7%	5.6%	6.3%
Bradford County	47.6%	44.6%	42.6%
Citrus County	3.0%	3.3%	3.5%
Clay County	2.0%	2.0%	2.2%
Dixie County	22.9%	20.8%	17.3%
Gadsden County	61.0%	64.9%	68.0%
Gilchrist County	33.6%	47.1%	49.5%
Gulf County	11.7%	14.3%	19.8%
Hernando County	1.2%	1.5%	1.4%
Jefferson County	22.8%	24.6%	24.4%
Leon County	16.2%	18.0%	17.5%
Levy County	33.0%	34.4%	33.8%
Madison County	13.1%	14.9%	15.1%
Pasco County	0.2%	0.2%	0.3%
Putnam County	11.1%	12.3%	12.3%
St. Johns County(2)	1.2%	1.5 %	2.0 %
Suwannee County	7.7%	11.8%	7.5%
Taylor County	30.1%	28.6%	27.9%
Wakulla County(3)	2.6%	2.9%	--
Washington County	13.8%	17.4%	20.3%
Georgia(4)			
Bibb County	2.5%	2.9%	2.8%
Burke County	7.8%	9.2%	9.3%
Grady County	18.7%	20.0%	19.7%
Laurens County	19.2%	23.8%	33.1%
Troup County	6.2%	8.2%	7.5%
Alabama			
Chambers County	6.5%	4.7%	3.9%

- (1) Obtained from the June 30, 2007 FDIC/OTS Summary of Deposits Report.
- (2) CCB entered market in May 2005.
- (3) CCB entered market in December 2005.
- (4) Does not include Thomas County where Capital City Bank maintains a residential mortgage lending office only.

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The following table sets forth the number of commercial banks and offices, including our offices and our competitors' offices, within each of the respective counties.

County	Number of Commercial Banks	Number of Commercial Bank Offices
Florida		
Alachua	13	65
Bradford	3	3
Citrus	16	49
Clay	12	29
Dixie	3	4
Gadsden	4	6
Gilchrist	3	6
Gulf	6	9
Hernando	13	41
Jefferson	2	2
Leon	14	83
Levy	3	13
Madison	6	6
Pasco	25	114
Putnam	6	16
St. Johns	22	63
Suwannee	5	8
Taylor	3	4
Wakulla	4	9
Washington	5	5
Georgia		
Bibb	11	55
Burke	5	10
Grady	5	8
Laurens	10	19
Troup	10	24
Alabama		
Chambers	5	10

Data obtained from the June 30, 2007 FDIC/OTS Summary of Deposits Report.

Seasonality

We believe our commercial banking operations are not generally seasonal in nature. Public deposits tend to increase with tax collections in the second and fourth quarters and decline with spending thereafter.

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REGULATORY CONSIDERATIONS

We must comply with state and federal banking laws and regulations that control virtually all aspects of our operations. These laws and regulations generally aim to protect our depositors, not our shareowners or our creditors. Any changes in applicable laws or regulations may materially affect our business and prospects. Such legislative or regulatory changes may also affect our operations. The following description summarizes some of the laws and regulations to which we are subject. References to applicable statutes and regulations are brief summaries, do not purport to be complete, and are qualified in their entirety by reference to such statutes and regulations.

The Company

CCBG is registered with the Board of Governors of the Federal Reserve System (the “Federal Reserve”) as a financial holding company under the Gramm-Leach-Bliley Act and is registered with the Federal Reserve as a bank holding company under the Bank Holding Company Act of 1956. As a result, we are subject to supervisory regulation and examination by the Federal Reserve. The Gramm-Leach-Bliley Act, the Bank Holding Company Act, and other federal laws subject financial holding companies to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations.

Permitted Activities. The Gramm-Leach-Bliley Act, enacted on November 12, 1999, amended the Bank Holding Company Act by (i) allowing bank holding companies that qualify as “financial holding companies” to engage in a broad range of financial and related activities; (ii) allowing insurers and other financial service companies to acquire banks; (iii) removing restrictions that applied to bank holding company ownership of securities firms and mutual fund advisory companies; and (iv) establishing the overall regulatory scheme applicable to bank holding companies that also engage in insurance and securities operations. The general effect of the law was to establish a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms, and other financial service providers. Activities that are financial in nature are broadly defined to include not only banking, insurance, and securities activities, but also merchant banking and additional activities that the Federal Reserve, in consultation with the Secretary of the Treasury, determines to be financial in nature, incidental to such financial activities, or complementary activities that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

In contrast to financial holding companies, bank holding companies are limited to managing or controlling banks, furnishing services to or performing services for its subsidiaries, and engaging in other activities that the Federal Reserve determines by regulation or order to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Except for the activities relating to financial holding companies permissible under the Gramm-Leach-Bliley Act, these restrictions will apply to us. In determining whether a particular activity is permissible, the Federal Reserve must consider whether the performance of such an activity reasonably can be expected to produce benefits to the public that outweigh possible adverse effects. Possible benefits include greater convenience, increased competition, and gains in efficiency. Possible adverse effects include undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices. Despite prior approval, the Federal Reserve may order a bank holding company or its subsidiaries to terminate any activity or to terminate ownership or control of any subsidiary when the Federal Reserve has reasonable cause to believe that a serious risk to the financial safety, soundness or stability of any bank subsidiary of that bank holding company may result from such an activity.

Changes in Control. Subject to certain exceptions, the Bank Holding Company Act and the Change in Bank Control Act, together with the applicable regulations, require Federal Reserve approval (or, depending on the circumstances,

no notice of disapproval) prior to any person or company acquiring “control” of a bank or bank holding company. A conclusive presumption of control exists if an individual or company acquires the power, directly or indirectly, to direct the management or policies of an insured depository institution or to vote 25% or more of any class of voting securities of any insured depository institution. A rebuttable presumption of control exists if a person or company acquires 10% or more but less than 25% of any class of voting securities of an insured depository institution and either the institution has registered securities under Section 12 of the Securities Exchange Act of 1934 or as we will refer to as the Exchange Act, or no other person will own a greater percentage of that class of voting securities immediately after the acquisition.

As a bank holding company, we are required to obtain prior approval from the Federal Reserve before (i) acquiring all or substantially all of the assets of a bank or bank holding company, (ii) acquiring direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank or bank holding company (unless we own a majority of such bank’s voting shares), or (iii) merging or consolidating with any other bank or bank holding company. In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition, the public benefits expected to be received from the acquisition, the projected capital ratios and levels on a post-acquisition basis, and the acquiring institution’s record of addressing the credit needs of the communities it serves, including the needs of low and moderate income neighborhoods, consistent with the safe and sound operation of the bank, under the Community Reinvestment Act of 1977.

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Under Florida law, a person or entity proposing to directly or indirectly acquire control of a Florida bank must first obtain permission from the Florida Office of Financial Regulation. Florida statutes define “control” as either (a) indirectly or directly owning, controlling or having power to vote 25% or more of the voting securities of a bank; (b) controlling the election of a majority of directors of a bank; (c) owning, controlling, or having power to vote 10% or more of the voting securities as well as directly or indirectly exercising a controlling influence over management or policies of a bank; or (d) as determined by the Florida Office of Financial Regulation. These requirements will affect us because the Bank is chartered under Florida law and changes in control of us are indirect changes in control of the Bank.

Tying. Bank holding companies and their affiliates are prohibited from tying the provision of certain services, such as extending credit, to other services or products offered by the holding company or its affiliates, such as deposit products.

Capital; Dividends; Source of Strength. The Federal Reserve imposes certain capital requirements on bank holding companies under the Bank Holding Company Act, including a minimum leverage ratio and a minimum ratio of “qualifying” capital to risk-weighted assets. These requirements are described below under “Capital Regulations.” Subject to its capital requirements and certain other restrictions, we are able to borrow money to make a capital contribution to the Bank, and such loans may be repaid from dividends paid from the Bank to us.

The ability of the Bank to pay dividends, however, will be subject to regulatory restrictions that are described below under “Dividends.” We are also able to raise capital for contributions to the Bank by issuing securities without having to receive regulatory approval, subject to compliance with federal and state securities laws.

In accordance with Federal Reserve policy, we are expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances in which we might not otherwise do so. In furtherance of this policy, the Federal Reserve may require a financial holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve’s determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the bank holding company. Further, federal bank regulatory authorities have additional discretion to require a financial holding company to divest itself of any bank or nonbank subsidiary if the agency determines that divestiture may aid the depository institution’s financial condition.

Capital City Bank

CCB is a banking institution that is chartered by and headquartered in the State of Florida, and it is subject to supervision and regulation by the Florida Office of Financial Regulation. The Florida Office of Financial Regulation supervises and regulates all areas of the Bank’s operations including, without limitation, the making of loans, the issuance of securities, the conduct of the Bank’s corporate affairs, the satisfaction of capital adequacy requirements, the payment of dividends, and the establishment or closing of branches. The Bank is also a member bank of the Federal Reserve System, which makes the Bank’s operations subject to broad federal regulation and oversight by the Federal Reserve. In addition, the Bank’s deposit accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) to the maximum extent permitted by law, and the FDIC has certain enforcement powers over the Bank.

As a state chartered banking institution in the State of Florida, the Bank is empowered by statute, subject to the limitations contained in those statutes, to take and pay interest on savings and time deposits, to accept demand deposits, to make loans on residential and other real estate, to make consumer and commercial loans, to invest, with certain limitations, in equity securities and in debt obligations of banks and corporations and to provide various other banking services on behalf of the Bank’s clients. Various consumer laws and regulations also affect the operations of

the Bank, including state usury laws, laws relating to fiduciaries, consumer credit and equal credit opportunity laws, and fair credit reporting. In addition, the Federal Deposit Insurance Corporation Improvement Act of 1991 (“FDICIA”) prohibits insured state chartered institutions from conducting activities as principal that are not permitted for national banks. A bank, however, may engage in an otherwise prohibited activity if it meets its minimum capital requirements and the FDIC determines that the activity does not present a significant risk to the deposit insurance fund.

Reserves. The Federal Reserve requires all depository institutions to maintain reserves against some transaction accounts (primarily NOW and Super NOW checking accounts). The balances maintained to meet the reserve requirements imposed by the Federal Reserve may be used to satisfy liquidity requirements. An institution may borrow from the Federal Reserve Bank “discount window” as a secondary source of funds, provided that the institution meets the Federal Reserve Bank’s credit standards.

Dividends. The Bank is subject to legal limitations on the frequency and amount of dividends that can be paid to us. The Federal Reserve may restrict the ability of the Bank to pay dividends if such payments would constitute an unsafe or unsound banking practice. These regulations and restrictions may limit our ability to obtain funds from the Bank for our cash needs, including funds for acquisitions and the payment of dividends, interest, and operating expenses.

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In addition, Florida law also places certain restrictions on the declaration of dividends from state chartered banks to their holding companies. Pursuant to Section 658.37 of the Florida Banking Code, the board of directors of state chartered banks, after charging off bad debts, depreciation and other worthless assets, if any, and making provisions for reasonably anticipated future losses on loans and other assets, may quarterly, semi-annually or annually declare a dividend of up to the aggregate net profits of that period combined with the bank's retained net profits for the preceding two years and, with the approval of the Florida Office of Financial Regulation, declare a dividend from retained net profits which accrued prior to the preceding two years. Before declaring such dividends, 20% of the net profits for the preceding period as is covered by the dividend must be transferred to the surplus fund of the bank until this fund becomes equal to the amount of the bank's common stock then issued and outstanding. A state chartered bank may not declare any dividend if (i) its net income from the current year combined with the retained net income for the preceding two years is a loss or (ii) the payment of such dividend would cause the capital account of the bank to fall below the minimum amount required by law, regulation, order or any written agreement with the Florida Office of Financial Regulation or a federal regulatory agency.

Insurance of Accounts and Other Assessments. The FDIC merged the Bank Insurance Fund and the Savings Association Insurance Fund to form the Deposit Insurance Fund on March 31, 2006. The deposit accounts of the Bank are currently insured by the Deposit Insurance Fund generally up to a maximum of \$100,000 per separately insured depositor, except for retirement accounts, which are insured up to \$250,000. The Bank pays its deposit insurance assessments to the Deposit Insurance Fund.

Effective January 1, 2007, the FDIC established a risk-based assessment system for determining the deposit insurance assessments to be paid by insured depository institutions. Under the assessment system, the FDIC assigns an institution to one of four risk categories, with the first category having two sub-categories based on the institution's most recent supervisory and capital evaluations, designed to measure risk. Assessment rates currently range from 0.05% of deposits for an institution in the highest sub-category of the highest category to 0.43% of deposits for an institution in the lowest category. The FDIC is authorized to raise the assessment rates as necessary to maintain the minimum required 1.25% reserve ratio of premiums held to deposits insured. The FDIC allows the use of credits for assessments previously paid.

In addition, all FDIC insured institutions are required to pay assessments to the FDIC at an annual rate of approximately 0.0122% of insured deposits to fund interest payments on bonds issued by the Financing Corporation, an agency of the federal government established to recapitalize the predecessor to the Savings Association Insurance Fund. These assessments will continue until the Financing Corporation bonds mature in 2017 through 2019.

Transactions With Affiliates. Pursuant to Sections 23A and 23B of the Federal Reserve Act and Regulation W, the authority of the Bank to engage in transactions with related parties or "affiliates" or to make loans to insiders is limited. Loan transactions with an "affiliate" generally must be collateralized and certain transactions between the Bank and its "affiliates", including the sale of assets, the payment of money or the provision of services, must be on terms and conditions that are substantially the same, or at least as favorable to the Bank, as those prevailing for comparable nonaffiliated transactions. In addition, the Bank generally may not purchase securities issued or underwritten by affiliates.

Loans to executive officers, directors or to any person who directly or indirectly, or acting through or in concert with one or more persons, owns, controls or has the power to vote more than 10% of any class of voting securities of a bank, which we refer to as 10% Shareholders, or to any political or campaign committee the funds or services of which will benefit such executive officers, directors, or 10% Shareholders or which is controlled by such executive officers, directors or 10% Shareholders, are subject to Sections 22(g) and 22(h) of the Federal Reserve Act and its corresponding regulations (Regulation O) and Section 13(k) of the Exchange Act relating to the prohibition on

personal loans to executives which exempts financial institutions in compliance with the insider lending restrictions of Section 22(h) of the Federal Reserve Act. Among other things, these loans must be made on terms substantially the same as those prevailing on transactions made to unaffiliated individuals and certain extensions of credit to such persons must first be approved in advance by a disinterested majority of the entire board of directors. Section 22(h) of the Federal Reserve Act prohibits loans to any such individuals where the aggregate amount exceeds an amount equal to 15% of an institution's unimpaired capital and surplus plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral, or when the aggregate amount on all such extensions of credit outstanding to all such persons would exceed the bank's unimpaired capital and unimpaired surplus. Section 22(g) identifies limited circumstances in which the Bank is permitted to extend credit to executive officers.

Community Reinvestment Act. The Community Reinvestment Act and its corresponding regulations are intended to encourage banks to help meet the credit needs of their service area, including low and moderate income neighborhoods, consistent with the safe and sound operations of the banks. These regulations provide for regulatory assessment of a bank's record in meeting the needs of its service area. Federal banking agencies are required to make public a rating of a bank's performance under the Community Reinvestment Act. The Federal Reserve considers a bank's Community Reinvestment Act rating when the bank submits an application to establish branches, merge, or acquire the assets and assume the liabilities of another bank. In the case of a financial holding company, the Community Reinvestment Act performance record of all banks involved in the merger or acquisition are reviewed in connection with the filing of an application to acquire ownership or control of shares or assets of a bank or to merge with any other financial holding company. An unsatisfactory record can substantially delay or block the transaction. CCB received a satisfactory rating on its most recent Community Reinvestment Act assessment.

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Capital Regulations. The Federal Reserve has adopted risk-based, capital adequacy guidelines for financial holding companies and their subsidiary state-chartered banks that are members of the Federal Reserve System. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and financial holding companies, to account for off-balance sheet exposure, to minimize disincentives for holding liquid assets and to achieve greater consistency in evaluating the capital adequacy of major banks throughout the world. Under these guidelines, assets and off-balance sheet items are assigned to broad risk categories each with designated weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The current guidelines require all financial holding companies and federally regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier I Capital. Tier I Capital, which includes common stockholders' equity, noncumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock and trust preferred securities, less certain goodwill items and other intangible assets, is required to equal at least 4% of risk-weighted assets. The remainder ("Tier II Capital") may consist of (i) an allowance for loan losses of up to 1.25% of risk-weighted assets, (ii) excess of qualifying perpetual preferred stock, (iii) hybrid capital instruments, (iv) perpetual debt, (v) mandatory convertible securities, and (vi) subordinated debt and intermediate-term preferred stock up to 50% of Tier I Capital. Total capital is the sum of Tier I and Tier II Capital less reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the appropriate regulator (determined on a case by case basis or as a matter of policy after formal rule making).

In computing total risk-weighted assets, bank and financial holding company assets are given risk-weights of 0%, 20%, 50% and 100%. In addition, certain off-balance sheet items are given similar credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight will apply. Most loans will be assigned to the 100% risk category, except for performing first mortgage loans fully secured by 1- to 4-family and certain multi-family residential property, which carry a 50% risk rating. Most investment securities (including, primarily, general obligation claims on states or other political subdivisions of the United States) will be assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% risk-weight, and direct obligations of the U.S. Treasury or obligations backed by the full faith and credit of the U.S. Government, which have a 0% risk-weight. In covering off-balance sheet items, direct credit substitutes, including general guarantees and standby letters of credit backing financial obligations, are given a 100% conversion factor. Transaction-related contingencies such as bid bonds, standby letters of credit backing non-financial obligations, and undrawn commitments (including commercial credit lines with an initial maturity of more than one year) have a 50% conversion factor. Short-term commercial letters of credit are converted at 20% and certain short-term unconditionally cancelable commitments have a 0% factor.

The federal bank regulatory authorities have also adopted regulations that supplement the risk-based guidelines. These regulations generally require banks and financial holding companies to maintain a minimum level of Tier I Capital to total assets less goodwill of 4% (the "leverage ratio"). The Federal Reserve permits a bank to maintain a minimum 3% leverage ratio if the bank achieves a 1 rating under the CAMELS rating system in its most recent examination, as long as the bank is not experiencing or anticipating significant growth. The CAMELS rating is a non-public system used by bank regulators to rate the strength and weaknesses of financial institutions. The CAMELS rating is comprised of six categories: capital adequacy, asset quality, management, earnings, liquidity, and sensitivity to market risk.

Banking organizations experiencing or anticipating significant growth, as well as those organizations which do not satisfy the criteria described above, will be required to maintain a minimum leverage ratio ranging generally from 4% to 5%. The bank regulators also continue to consider a "tangible Tier I leverage ratio" in evaluating proposals for expansion or new activities. The tangible Tier I leverage ratio is the ratio of a banking organization's Tier I Capital,

less deductions for intangibles otherwise includable in Tier I Capital, to total tangible assets.

Federal law and regulations establish a capital-based regulatory scheme designed to promote early intervention for troubled banks and require the FDIC to choose the least expensive resolution of bank failures. The capital-based regulatory framework contains five categories of compliance with regulatory capital requirements, including “well capitalized,” “adequately capitalized,” “undercapitalized,” “significantly undercapitalized,” and “critically undercapitalized.” To qualify as a “well-capitalized” institution, a bank must have a leverage ratio of no less than 5%, a Tier I risk-based ratio of no less than 6%, and a total risk-based capital ratio of no less than 10%, and the bank must not be under any order or directive from the appropriate regulatory agency to meet and maintain a specific capital level. Generally, a financial institution must be “well capitalized” before the Federal Reserve will approve an application by a financial holding company to acquire or merge with a bank or bank holding company.

Under the regulations, the applicable agency can treat an institution as if it were in the next lower category if the agency determines (after notice and an opportunity for hearing) that the institution is in an unsafe or unsound condition or is engaging in an unsafe or unsound practice. The degree of regulatory scrutiny of a financial institution will increase, and the permissible activities of the institution will decrease, as it moves downward through the capital categories. Institutions that fall into one of the three undercapitalized categories may be required to (i) submit a capital restoration plan; (ii) raise additional capital; (iii) restrict their growth, deposit interest rates, and other activities; (iv) improve their management; (v) eliminate management fees; or (vi) divest themselves of all or a part of their operations. Financial holding companies controlling financial institutions can be called upon to boost the institutions’ capital and to partially guarantee the institutions’ performance under their capital restoration plans.

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It should be noted that the minimum ratios referred to above are merely guidelines and the bank regulators possess the discretionary authority to require higher ratios.

We currently exceed the requirements contained in the applicable regulations, policies and directives pertaining to capital adequacy, and are unaware of any material violation or alleged violation of these regulations, policies or directives.

Anti-money Laundering. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the “USA PATRIOT Act”) was enacted in response to the terrorist attacks occurring on September 11, 2001. The USA PATRIOT ACT is intended to strengthen the U.S. law enforcement and intelligence communities’ ability to work together to combat terrorism. Title III of the USA PATRIOT Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, amended the Bank Secrecy Act and adopted additional provisions that increased the obligations of financial institutions, including the Bank, to identify their clients, watch for and report upon suspicious transactions, respond to requests for information by federal banking and law enforcement agencies, and share information with other financial institutions. In addition, the collected client identification information must be verified within a reasonable time after a new account is opened through documentary or non-documentary methods. All new clients must be screened against any Section 326 government lists of known or suspected terrorists within a reasonable time after opening an account.

On July 19, 2007, the Federal Reserve and the other federal financial regulatory agencies issued an interagency policy on the application of section 8(s) of the Federal Deposit Insurance Act. This provision generally requires each federal banking agency to issue an order to cease and desist when a bank is in violation of the requirement to establish and maintain a Bank Secrecy Act/anti-money laundering (BSA/AML) compliance program. The policy statement provides that, in addition to the circumstances where the agencies will issue a cease and desist order in compliance with section 8(s), they may take other actions as appropriate for other types of BSA/AML program concerns or for violations of other BSA requirements. The policy statement also does not address the independent authority of the U.S. Department of the Treasury’s Financial Crimes Enforcement Network to take enforcement action for violations of the BSA.

Securities Activities. On September 19, 2007, the SEC adopted Regulation R, which implements the bank broker-dealer exceptions enacted in the Gramm-Leach-Bliley Act. Regulation R affects the way the Bank’s employees who are not registered with the SEC may be compensated for referrals to a third-party broker-dealer for which the Bank has entered into a networking arrangement. In addition, Regulation R broadens the ability of the Bank to effect securities transactions in a trustee or fiduciary capacity without registering as a broker, permit banks to effect certain sweep account transactions, and to accept orders for securities transactions from employee plan accounts, individual retirement plan accounts, and other similar accounts. Banks are expected to comply on the first day of their fiscal year beginning on or after September 1, 2008.

Privacy. Under the Gramm-Leach-Bliley Act, federal banking regulators adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties.

Fair and Accurate Credit Transaction Act of 2003. The Fair and Accurate Credit Transaction Act of 2003, which amended the Fair Credit Reporting Act, enhances consumers’ ability to combat identity theft, increases the accuracy of consumer reports, allows consumers to exercise greater control over the type and amount of marketing solicitations they receive, restricts the use and disclosure of sensitive medical information, and establishes uniform national

standards in the regulation of consumer reporting.

On October 31, 2007, the Federal Reserve and the other federal financial regulatory agencies together with the U.S. Department of the Treasury and the Federal Trade Commission issued final regulations (Red Flag Regulations) enacting Sections 114 and 315 of the Fair and Accurate Credit Transaction Act of 2003. The Red Flag Regulations require the Bank to have identity theft policies and programs in place by no later than November 1, 2008. The Red Flag Regulations require the surviving bank subsidiary to develop and implement an identity theft protection program for combating identity theft in connection with new and existing consumer accounts and other accounts for which there is a reasonably foreseeable risk of identity theft.

Consumer Laws and Regulations. The Bank is also subject to other federal and state consumer laws and regulations that are designed to protect consumers in transactions with banks. While the list set forth below is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Check Clearing for the 21st Century Act, the Fair Credit Reporting Act, the Equal Credit Opportunity Act, the Fair Housing Act, the Home Mortgage Disclosure Act, and the Real Estate Settlement Procedures Act, among others. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with clients when taking deposits or making loans to such clients. The Bank must comply with the applicable provisions of these consumer protection laws and regulations as part of its ongoing client relations.

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Future Legislative Developments

Various legislative acts are from time to time introduced in Congress and the Florida legislature. Such legislation may change banking statutes and the environment in which our banking subsidiary and we operate in substantial and unpredictable ways. We cannot determine the ultimate effect that potential legislation, if enacted, or implementing regulations with respect thereto, would have upon our financial condition or results of operations or that of our banking subsidiary.

Effect of Governmental Monetary Policies

The commercial banking business in which the Bank engages is affected not only by general economic conditions, but also by the monetary policies of the Federal Reserve. Changes in the discount rate on member bank borrowing, availability of borrowing at the "discount window," open market operations, the imposition of changes in reserve requirements against member banks' deposits and assets of foreign branches and the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates are some of the instruments of monetary policy available to the Federal Reserve. These monetary policies are used in varying combinations to influence overall growth and distributions of bank loans, investments and deposits, and this use may affect interest rates charged on loans or paid on deposits. The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks and are expected to do so in the future. The monetary policies of the Federal Reserve are influenced by various factors, including inflation, unemployment, and short-term and long-term changes in the international trade balance and in the fiscal policies of the U.S. Government. Future monetary policies and the effect of such policies on the future business and earnings of the Bank cannot be predicted.

Income Taxes

We are subject to income taxes at the federal level and subject to state taxation based on the laws of each state in which we operate. We file a consolidated federal tax return with a fiscal year ending on December 31. We have filed tax returns for each state jurisdiction affected in 2006 and will do the same for 2007.

Website Access to Company's Reports

Our Internet website is www.ccbg.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including any amendments to those reports filed or furnished pursuant to section 13(a) or 15(d), and reports filed pursuant to Section 16, 13(d), and 13(g) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. The information on our website is not incorporated by reference into this report.

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Item 1A. Risk Factors

You should consider carefully the following risk factors before deciding whether to invest in our common stock. Our business, including our operating results and financial condition, could be harmed by any of these risks. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks, you should also refer to the other information contained in our filings with the SEC, including our financial statements and related notes.

Risks Related to Our Business

The continuation of current market conditions could adversely impact our business.

Over the past 12 months, a combination of rising interest rates and softening real estate prices throughout the United States, but particularly Florida, culminated in an industry-wide increase in borrowers unable to make their mortgage payments and increased foreclosure rates. Lenders in certain sections of the housing and mortgage markets were forced to close or limit their operations. In response, financial institutions have tightened their underwriting standards, limiting the availability of sources of credit and liquidity. These conditions have already impacted the demand for our products by clients and by secondary market participants. If these negative market conditions become more widespread or continue for a prolonged period our earnings and capital could be negatively impacted.

An inadequate allowance for loan losses would reduce our earnings.

We are exposed to the risk that our clients will be unable to repay their loans according to their terms and that any collateral securing the payment of their loans will not be sufficient to assure full repayment. This will result in credit losses that are inherent in the lending business. We evaluate the collectability of our loan portfolio and provide an allowance for loan losses that we believe is adequate based upon such factors as:

- § the risk characteristics of various classifications of loans;
 - § previous loan loss experience;
 - § specific loans that have loss potential;
 - § delinquency trends;
 - § estimated fair market value of the collateral;
 - § current economic conditions; and

§ geographic and industry loan concentrations.

If our estimate of credit losses inherent in the loan portfolio is incorrect, our earnings could be significantly and adversely affected because our allowance may not be adequate. Additionally, we may experience losses in our loan portfolios or encounter adverse trends that require us to significantly increase our allowance for loan losses in the future, which could also have an adverse affect on our earnings.

Our concentration in loans secured by real estate may increase our credit losses, which would negatively affect our financial results.

Due to the lack of diversified industry within the markets served by the Bank and the relatively close proximity of our geographic markets, we have both geographic concentrations as well as concentrations in the types of loans funded. Specifically, due to the nature of our markets, a significant portion of the portfolio has historically been secured with real estate. As of December 31, 2007, approximately 33.1% and 35.5% of our \$1.9 billion loan portfolio

was secured by commercial real estate and residential real estate, respectively. As of this same date, approximately 7.4% was secured by property under construction.

A major change in the real estate market, such as deterioration in the value of collateral, or in the local or national economy, could adversely affect our clients' ability to repay their loans. In the event we are required to foreclose on a property securing one of our mortgage loans or otherwise pursue our remedies in order to protect our investment, we may be unable to recover funds in an amount equal to our projected return on our investment or in an amount sufficient to prevent a loss to us due to prevailing economic conditions, real estate values and other factors associated with the ownership of real property. As a result, the market value of the real estate or other collateral underlying our loans may not, at any given time, be sufficient to satisfy the outstanding principal amount of the loans, and consequently, we would sustain loan losses.

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Our loan portfolio includes loans with a higher risk of loss.

We originate commercial real estate loans, commercial loans, construction loans, consumer loans, and residential mortgage loans primarily within our market area. Commercial real estate, commercial, construction, and consumer loans may expose a lender to greater credit risk than loans secured by single-family residential real estate because the collateral securing these loans may not be sold as easily as single-family residential real estate. In addition, commercial real estate, commercial and construction/development loans tend to involve larger loan balances to a single borrower or groups of related borrowers and are more susceptible to a risk of loss during a downturn in the business cycle. These loans also have greater credit risk than residential real estate for the following reasons:

- § Commercial Real Estate Loans. Repayment is dependent on income being generated in amounts sufficient to cover operating expenses and debt service. These loans also involve greater risk because they are generally not fully amortizing over a loan period, but rather have a balloon payment due at maturity. A borrower's ability to make a balloon payment typically will depend on being able to either refinance the loan or timely sell the underlying property.
- § Commercial Loans. Repayment is generally dependent upon the successful operation of the borrower's business. In addition, the collateral securing the loans may depreciate over time, be difficult to appraise, be illiquid, or fluctuate in value based on the success of the business.
- § Construction Loans. The risk of loss is largely dependent on our initial estimate of whether the property's value at completion equals or exceeds the cost of property construction and the availability of take-out financing. During the construction phase, a number of factors can result in delays or cost overruns. If our estimate is inaccurate or if actual construction costs exceed estimates, the value of the property securing our loan may be insufficient to ensure full repayment when completed through a permanent loan or by seizure of collateral.
- § Consumer Loans. Consumer loans (such as personal lines of credit) are collateralized, if at all, with assets that may not provide an adequate source of payment of the loan due to depreciation, damage, or loss.

If our nonperforming loans continue to increase, our earnings will suffer.

At December 31, 2007, our non-performing loans (which consist of non-accrual loans) totaled \$25.1 million, or 1.31% of the total loan portfolio, which is an increase of \$17.1 million, or 212% over non-performing loans at December 31, 2006. At December 31, 2007, our nonperforming assets (which include foreclosed real estate) were \$28.2 million, or 1.08% of total assets. In addition, the Bank had approximately \$28.2 million in accruing loans that were 30-89 days delinquent as of December 31, 2007. Our non-performing assets adversely affect our net income in various ways. We do not record interest income on non-accrual loans or real estate owned. In addition, if our estimate for the recorded allowance for loan losses proves to be incorrect and our allowance is inadequate, we will have to increase the allowance accordingly. In addition, the resolution of non-performing assets requires the active involvement of management, which can distract them from more profitable activity.

We may incur losses if we are unable to successfully manage interest rate risk.

Our profitability depends largely on the Bank's net interest income, which is the difference between income on interest-earning assets such as loans and investment securities, and expense on interest-bearing liabilities such as deposits and our borrowings. We are unable to predict changes in market interest rates, which are affected by many factors beyond our control including inflation, recession, unemployment, money supply, domestic and international events and changes in the United States and other financial markets. Our net interest income may be reduced if:

(i) more interest-earning assets than interest-bearing liabilities reprice or mature during a time when interest rates are declining or (ii) more interest-bearing liabilities than interest-earning assets reprice or mature during a time when interest rates are rising.

Changes in the difference between short- and long-term interest rates may also harm our business. For example, short-term deposits may be used to fund longer-term loans. When differences between short-term and long-term interest rates shrink or disappear, the spread between rates paid on deposits and received on loans could narrow significantly, decreasing our net interest income.

If market interest rates rise rapidly, interest rate adjustment caps may limit increases in the interest rates on adjustable rate loans, thus reducing our net interest income because we may need to pay the higher rates on our deposits and borrowings while being limited on the re-pricing of these loans due to the interest rate caps.

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An economic downturn in Florida and Georgia could hinder our ability to operate profitably and have an adverse impact on our operations.

Our interest-earning assets are heavily concentrated in mortgage loans secured by properties located in Florida and Georgia. As of December 31, 2007, substantially all of our loans secured by real estate are secured by properties located in Florida and Georgia. The concentration of our loans in these areas subjects us to risk that a downturn in the economy or recession in those areas could result in a decrease in loan originations and increases in delinquencies and foreclosures, which would more greatly affect us than if our lending were more geographically diversified. In addition, since a large portion of our portfolio is secured by properties located in Florida, the occurrence of a natural disaster, such as a hurricane, could result in a decline in loan originations, a decline in the value or destruction of mortgaged properties and an increase in the risk of delinquencies, foreclosures or loss on loans originated by us in that state. We may suffer losses if there is a decline in the value of the properties underlying our mortgage loans that would have an adverse impact on our operations.

Since we engage in lending secured by real estate and may be forced to foreclose on the collateral property and own the underlying real estate, we may be subject to the increased costs associated with the ownership of real property, which could result in reduced net income.

Since we originate loans secured by real estate, we may have to foreclose on the collateral property to protect our investment and may thereafter own and operate such property, in which case we are exposed to the risks inherent in the ownership of real estate.

The amount that we, as a mortgagee, may realize after a default is dependent upon factors outside of our control, including, but not limited to:

- § general or local economic conditions;
- § neighborhood values;
- § interest rates;
- § real estate tax rates;
- § operating expenses of the mortgaged properties;
- § supply of and demand for rental units or properties;
- § ability to obtain and maintain adequate occupancy of the properties;
- § zoning laws;
- § governmental rules, regulations and fiscal policies; and

§ acts of God.

Certain expenditures associated with the ownership of real estate, principally real estate taxes and maintenance costs, may adversely affect the income from the real estate. Therefore, the cost of operating real property may exceed the rental income earned from such property, and we may have to advance funds in order to protect our investment or we may be required to dispose of the real property at a loss.

We may not be able to successfully manage our growth or implement our growth strategies, which may adversely affect our results of operations and financial condition.

During the last five years, we have experienced significant growth, and a key aspect of our business strategy is our continued growth and expansion. Our ability to manage our growth successfully will depend on whether we can maintain capital levels adequate to support our growth, maintain cost controls and asset quality and successfully integrate any businesses we acquire into our organization.

Our earnings growth relies, at least in part, on strategic acquisitions. Our ability to grow through selective acquisitions of financial institutions or branches will depend on successfully identifying, acquiring and integrating those institutions or branches. We may be unable to identify attractive acquisition candidates, make acquisitions on favorable terms or successfully integrate any acquired institutions or branches. In addition, we may fail to realize the growth opportunities and cost savings we anticipate to be derived from our acquisitions. Growth through acquisitions causes us to take on additional risks such as the risks of unknown or contingent liabilities, exposure to potential asset quality issues from acquired institutions, and the diversion of our management's time and attention from our existing business and operations. Finally, it is possible that during the integration process of our acquisitions, we could lose key associates or the ability to maintain relationships with clients.

As we continue to implement our growth strategy by opening new offices or through strategic acquisitions, we expect to incur increased personnel, occupancy and other operating expenses. In the case of new offices, we must absorb those higher expenses while we begin to generate new deposits, and there is a further time lag involved in redeploying new deposits into attractively priced loans and other higher yielding earning assets.

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We may need additional capital resources in the future and these capital resources may not be available when needed or at all.

We may need to incur additional debt or equity financing in the future to make strategic acquisitions or investments or for future growth. Such financing may not be available to us on acceptable terms or at all.

Confidential client information transmitted through our online banking service is vulnerable to security breaches and computer viruses, which could expose us to litigation and adversely affect our reputation and our ability to generate deposits.

We provide our clients the ability to bank online. The secure transmission of confidential information over the Internet is a critical element of banking online. Our network could be vulnerable to unauthorized access, computer viruses, phishing schemes and other security problems. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. To the extent that our activities or the activities of our clients involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing clients to lose confidence in our systems and could adversely affect our reputation and our ability to generate deposits.

We must comply with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

Since September 11, 2001, banking regulators have intensified their focus on anti-money laundering and Bank Secrecy Act compliance requirements, particularly the anti-money laundering provisions of the USA PATRIOT Act. There is also increased scrutiny of our compliance with the rules enforced by the Office of Foreign Assets Control. In order to comply with regulations, guidelines and examination procedures in this area, we have been required to adopt new policies and procedures and to install new systems. We cannot be certain that the policies, procedures and systems we have in place will permit us to fully comply with these laws. Furthermore, financial institutions that we have already acquired or may acquire in the future may or may not have had adequate policies, procedures and systems to fully comply with these laws. Whether our own policies, procedures and systems are deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and to obtain regulatory approvals necessary to proceed with certain aspects of our business plan, including our acquisition plans.

Our controls and procedures may fail or be circumvented.

We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition.

We are exposed to operational risk because of providing certain services, which could adversely affect our results of operations.

We are exposed to operational risk because of providing various fee-based services including electronic banking, item processing, data processing, correspondent banking, merchant services, and asset management. Operational risk is the risk of loss resulting from errors related to transaction processing, breaches of the internal control system and

compliance requirements, fraud by employees or persons outside the company or business interruption due to system failures or other events. We continually assess and monitor operational risk in our business lines and provide for disaster and business recovery planning including geographical diversification of our facilities; however, the occurrence of various events including unforeseeable and unpreventable events such as hurricanes or other natural disasters could still damage our physical facilities or our computer systems or software, cause delay or disruptions to operational functions, impair our clients, vendors and counterparties and negatively impact our results of operations. Operational risk also includes potential legal or regulatory actions that could arise because of noncompliance with applicable laws and regulatory requirements that could have an adverse affect on our reputation.

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Our future success is dependent on our ability to compete effectively in the highly competitive banking industry.

We face vigorous competition from other banks and other financial institutions, including savings and loan associations, savings banks, finance companies and credit unions for deposits, loans and other financial services in our market area. A number of these banks and other financial institutions are significantly larger than we are and have substantially greater access to capital and other resources, as well as larger lending limits and branch systems, and offer a wider array of banking services. To a limited extent, we also compete with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies, insurance companies and governmental organizations which may offer more favorable financing than we can. Many of our non-bank competitors are not subject to the same extensive regulations that govern us. As a result, these non-bank competitors have advantages over us in providing certain services. This competition may reduce or limit our margins and our market share and may adversely affect our results of operations and financial condition.

We are subject to extensive regulation that could restrict our activities and impose financial requirements or limitations on the conduct of our business and limit our ability to receive dividends from the Bank.

The Bank is subject to extensive regulation, supervision and examination by the Florida Office of Financial Regulation, the Federal Reserve, and the FDIC. As a member of the Federal Home Loan Bank, the Bank must also comply with applicable regulations of the Federal Housing Finance Board and the Federal Home Loan Bank. Regulation by these agencies is intended primarily for the protection of our depositors and the deposit insurance fund and not for the benefit of our shareowners. The Bank's activities are also regulated under consumer protection laws applicable to our lending, deposit and other activities. A sufficient claim against us under these laws could have a material adverse effect on our results. Please refer to the Section entitled "Business – Regulatory Considerations" of this Report.

Risks Related to an Investment in Our Common Stock

Limited trading activity for shares of our common stock may contribute to price volatility.

While our common stock is listed and traded on The NASDAQ Global Select Market, there has been limited trading activity in our common stock. The average daily trading volume of our common stock over the twelve-month period ending December 31, 2007 was approximately 39,385 shares. Due to the limited trading activity of our common stock, relatively small trades may have a significant impact on the price of our common stock.

Our insiders have substantial control over matters requiring shareowner approval, including changes of control.

Our insiders who own more than 5% of our common stock, directors, and executive officers, beneficially owned approximately 42.97% of the outstanding shares of our stock as of February 29, 2008. Accordingly, these principal shareowners, directors, and executive officers, if acting together, may be able to influence or control matters requiring approval by our shareowners, including the election of directors and the approval of mergers, acquisitions or other extraordinary transactions.

They may also have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. The concentration of ownership may have the effect of delaying, preventing or deterring a change of control of our company, could deprive our shareowners of an opportunity to receive a premium for their common stock as part of a sale of our company and might ultimately affect the market price of our common stock.

Our Articles of Incorporation, Bylaws, and certain laws and regulations may prevent or delay transactions you might favor, including a sale or merger of CCBG.

CCBG is registered with the Federal Reserve as a financial holding company under the Gramm-Leach-Bliley Act and is a bank holding company under the Bank Holding Company Act. As a result, we are subject to supervisory regulation and examination by the Federal Reserve. The Gramm-Leach-Bliley Act, the Bank Holding Company Act, and other federal laws subject financial holding companies to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations.

Provisions of our Articles of Incorporation, Bylaws, certain laws and regulations and various other factors may make it more difficult and expensive for companies or persons to acquire control of us without the consent of our Board of Directors. It is possible, however, that you would want a takeover attempt to succeed because, for example, a potential buyer could offer a premium over the then prevailing price of our common stock.

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For example, our Articles of Incorporation permit our Board of Directors to issue preferred stock without shareowner action. The ability to issue preferred stock could discourage a company from attempting to obtain control of us by means of a tender offer, merger, proxy contest or otherwise. Additionally, our Articles of Incorporation and Bylaws divide our Board of Directors into three classes, as nearly equal in size as possible, with staggered three-year terms. One class is elected each year. The classification of our Board of Directors could make it more difficult for a company to acquire control of us. We are also subject to certain provisions of the Florida Business Corporation Act and our Articles of Incorporation that relate to business combinations with interested shareowners. Other provisions in our Articles of Incorporation or Bylaws that may discourage takeover attempts or make them more difficult include:

§ Supermajority voting requirements to remove a director from office;

§ Provisions regarding the timing and content of shareowner proposals and nominations;

§ Supermajority voting requirements to amend Articles of Incorporation unless approval is received by a majority of “disinterested directors”;

§ Absence of cumulative voting; and

§ Inability for shareowners to take action by written consent.

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1B.

None.

Item 2. Properties

We are headquartered in Tallahassee, Florida. Our executive office is in the Capital City Bank building located on the corner of Tennessee and Monroe Streets in downtown Tallahassee. The building is owned by the Bank, but is located on land leased under a long-term agreement.

The Bank's Parkway Office is located on land leased from the Smith Interests General Partnership L.L.P. in which several directors and officers have an interest. The annual lease provides for payments of approximately \$118,000, to be adjusted for inflation in future years.

As of February 29, 2008, the Bank had 70 banking locations. Of the 70 locations, the Bank leases the land, buildings, or both at 14 locations and owns the land and buildings at the remaining 56.

Item 3. Legal Proceedings

We are party to lawsuits and claims arising out of the normal course of business. In management's opinion, there are no known pending claims or litigation, the outcome of which would, individually or in the aggregate, have a material effect on our consolidated results of operations, financial position, or cash flows.

Item 4. Submission of Matters to a Vote of Security Holders

None.

PART II

Item 5. Market for the Registrant's Common Equity, Related Shareowner Matters, and Issuer Purchases of Equity Securities

Common Stock Market Prices and Dividends

Our common stock trades on the NASDAQ Global Select Market under the symbol "CCBG."

The following table presents the range of high and low closing sales prices reported on the NASDAQ Global Select Market and cash dividends declared for each quarter during the past two years. We had a total of 1,750 shareowners of record as of February 29, 2008.

	2007				2006			
	Fourth Qtr.	Third Qtr.	Second Qtr.	First Qtr.	Fourth Qtr.	Third Qtr.	Second Qtr.	First Qtr.
Common stock price:								
High	\$ 34.00	\$ 36.40	\$ 33.69	\$ 35.91	\$ 35.98	\$ 33.25	\$ 35.39	\$ 37.97
Low	24.60	27.69	29.12	29.79	30.14	29.87	29.51	33.79

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Close	28.22	31.20	31.34	33.30	35.30	31.10	30.20	35.55
Cash dividends declared per share	.1850	.1750	.1750	.1750	.1750	.1625	.1625	.1625

Future payment of dividends will be subject to determination and declaration by our Board of Directors. Florida law limits our payment of dividends. There are also legal limits on the frequency and amount of dividends that CCB can pay us. See subsection entitled "Capital; Dividends; Sources of Strength" in the Business section on page 9, in the Management's Discussion and Analysis of Financial Condition and Operating Results on page 44 and Note 15 in the Notes to Consolidated Financial Statements. These restrictions may limit our ability to pay dividends to our shareowners. As of February 29, 2008, we do not believe these restrictions will impair our ability to declare and pay our routine and customary dividends.

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Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table contains information about all purchases made by or on behalf of us or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act) of shares or other units of any class of our equity securities that is registered pursuant to Section 12 of the Exchange Act.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of our share repurchase program(1)	Maximum Number of shares that may yet be purchased under our share repurchase program
October 1, 2007 to October 31, 2007	69,338	\$29.44	1,905,716	766,159
November 1, 2007 to November 30, 2007	222,004	26.86	2,119,720	552,155
December 1, 2007 to December 31, 2007	164,481	29.72	2,284,201	387,674
Total	455,823	\$28.28	2,284,201	387,674

(1) This balance represents the number of shares that were repurchased through the Capital City Bank Group, Inc. Share Repurchase Program (the "Program"), which was approved on March 30, 2000, and modified by our Board on January 24, 2002, March 22, 2007, and November 11, 2007 under which we were authorized to repurchase up to 2,671,875 shares of our common stock. The Program is flexible and shares are acquired from the public markets and other sources using free cash flow. There is no predetermined expiration date for the Program. No shares are repurchased outside of the Program. In November 2007, 8,000 shares were purchased by an affiliated purchaser that was outside of the Program.

Performance Graph

This performance graph compares the cumulative total shareholder return on our common stock with the cumulative total shareholder return of the NASDAQ Composite Index and the SNL Financial LC \$1B-\$5B Bank Index for the past five years. The graph assumes that \$100 was invested on December 31, 2002 in our common stock and each of the above indices, and that all dividends were reinvested. The shareholder return shown below represents past performance and should not be considered indicative of future performance.

Index	Period Ending					
	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
Capital City Bank Group, Inc.	\$ 100.00	\$ 149.36	\$ 138.15	\$ 144.18	\$ 151.39	\$ 123.89
NASDAQ Composite	100.00	150.01	162.89	165.13	180.85	198.60
SNL \$1B-\$5B Bank Index	100.00	135.99	167.83	164.97	190.90	139.06

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6. Selected
Financial
Data

For the Years Ended December 31,

(Dollars in Thousands, Except Per
Share Data)(1) (3)

	2007	2006	2005	2004	2003
Interest Income	\$ 165,323	\$ 165,893	\$ 140,053	\$ 101,525	\$ 94,830
Net Interest Income	112,241	119,136	109,990	86,084	79,991
Provision for Loan Losses	6,163	1,959	2,507	2,141	3,436
Net Income	29,683	33,265	30,281	29,371	25,193
Per Common Share:					
Basic Net Income	\$ 1.66	\$ 1.79	\$ 1.66	\$ 1.74	\$ 1.53
Diluted Net Income	1.66	1.79	1.66	1.74	1.52
Cash Dividends Declared	.710	.663	.619	.584	.525
Book Value	17.03	17.01	16.39	14.51	15.27
Key Performance Ratios:					
Return on Average Assets	1.18%	1.29%	1.22%	1.46%	1.40%
Return on Average Equity	9.68	10.48	10.56	13.31	12.82
Net Interest Margin (FTE)	5.25	5.35	5.09	4.88	5.01
Dividend Pay-Out Ratio	42.77	37.01	37.35	33.62	34.51
Equity to Assets Ratio	11.19	12.15	11.65	10.86	10.98
Asset Quality:					
Allowance for Loan Losses	\$ 18,066	\$ 17,217	\$ 17,410	\$ 16,037	\$ 12,429
Allowance for Loan Losses to Loans	0.95%	0.86%	0.84%	0.88%	0.93%
Nonperforming Assets	28,163	8,731	5,550	5,271	7,301
Nonperforming Assets to Loans + ORE	1.47	0.44	0.27	0.29	0.54
Allowance to Nonperforming Loans	71.92	214.09	331.11	345.18	529.80
Net Charge-Offs to Average Loans	0.27	0.11	0.13	0.22	0.27
Averages for the Year:					
Loans, Net	\$ 1,934,850	\$ 2,029,397	\$ 1,968,289	\$ 1,538,744	\$ 1,318,080
Earning Assets	2,183,528	2,258,277	2,187,672	1,789,843	1,624,680
Total Assets	2,507,217	2,581,078	2,486,733	2,006,745	1,804,895
Deposits	1,990,446	2,034,931	1,954,888	1,599,201	1,431,808
Subordinated Notes	62,887	62,887	50,717	5,155	-
Long-Term Borrowings	37,936	57,260	70,216	59,462	55,594
Shareowners' Equity	306,617	317,336	286,712	220,731	196,588
Year-End Balances:					
Loans, Net	\$ 1,915,850	\$ 1,999,721	\$ 2,067,494	\$ 1,828,825	\$ 1,341,632
Earning Assets	2,272,829	2,270,410	2,299,677	2,113,571	1,648,818

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Total Assets	2,616,327	2,597,910	2,625,462	2,364,013	1,846,502
Deposits	2,142,344	2,081,654	2,079,346	1,894,886	1,474,205
Subordinated Notes	62,887	62,887	62,887	30,928	-
Long-Term Borrowings	26,731	43,083	69,630	68,453	46,475
Shareowners' Equity	292,675	315,770	305,776	256,800	202,809

Other Data:

Basic Average Shares Outstanding	17,909,396	18,584,519	18,263,855	16,805,696	16,528,109
Diluted Average Shares Outstanding	17,911,587	18,609,839	18,281,243	16,810,926	16,563,986
Shareowners of Record(2)	1,750	1,805	1,716	1,598	1,512
Banking Locations(2)	70	69	69	60	57
Full-Time Equivalent Associates(2)	1,097	1,056	1,013	926	795

(1) All share and per share data have been adjusted to reflect the 5-for-4 stock split effective July 1, 2005, and the 5-for-4 stock split effective June 13, 2003.

(2) As of the record date. The record date is on or about March 1st of the following year.

(3) The consolidated financial statements reflect the acquisitions of Quincy State Bank on March 19, 2004, Farmers and Merchants Bank of Dublin on October 15, 2004, and First Alachua Banking Corporation on May 20, 2005.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Management's discussion and analysis ("MD&A") provides supplemental information, which sets forth the major factors that have affected our financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and related notes included in the Annual Report on Form 10-K. The MD&A is divided into subsections entitled "Business Overview," "Financial Overview," "Results of Operations," "Financial Condition," "Liquidity and Capital Resources," "Off-Balance Sheet Arrangements," and "Accounting Policies." The following information should provide a better understanding of the major factors and trends that affect our earnings performance and financial condition, and how our performance during 2007 compares with prior years. Throughout this section, Capital City Bank Group, Inc., and its subsidiary, collectively, are referred to as "CCBG," "Company," "we," "us," or "our."

In this MD&A, we present an operating efficiency ratio and an operating net noninterest expense as a percent of average assets ratio, both of which are not calculated based on accounting principles generally accepted in the United States ("GAAP"), but that we believe provide important information regarding our results of operations. Our calculation of the operating efficiency ratio is computed by dividing noninterest expense less intangible amortization and merger expenses, by the sum of tax equivalent net interest income and noninterest income. We calculate our operating net noninterest expense as a percent of average assets by subtracting noninterest expense excluding intangible amortization and merger expenses from noninterest income. Management uses these non-GAAP measures as part of its assessment of its performance in managing noninterest expenses. We believe that excluding intangible amortization and merger expenses in our calculations better reflect our periodic expenses and is more reflective of normalized operations.

Although we believe the above-mentioned non-GAAP financial measures enhance investors' understanding of our business and performance these non-GAAP financial measures should not be considered an alternative to GAAP. In addition, there are material limitations associated with the use of these non-GAAP financial measures such as the risks that readers of our financial statements may disagree as to the appropriateness of items included or excluded in these measures and that our measures may not be directly comparable to other companies that calculate these measures differently. Our management compensates for these limitations by providing detailed reconciliations between GAAP information and the non-GAAP financial measure as detailed below.

Reconciliation of operating efficiency ratio to efficiency ratio:

	For the Years Ended December 31,		
	2007	2006	2005
Efficiency ratio	70.13%	68.87%	68.46%
Effect of intangible amortization and merger expenses	(3.36)%	(3.45)%	(3.67)%
Operating efficiency ratio	66.77%	65.42%	64.79%

Reconciliation of operating net noninterest expense ratio:

	For the Years Ended December 31,		
	2007	2006	2005
Net noninterest expense as a percent of average assets	2.50%	2.56%	2.44%
Effect of intangible amortization and merger expenses	(0.13)%	(0.24)%	(0.24)%
Operating net noninterest expense as a percent of average assets	2.37%	2.32%	2.20%

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CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, including this MD&A section, 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 intended 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. Please see the Introductory Note and Item 1A Risk Factors of this Annual Report for a discussion of factors that could cause our actual results to differ materially from those in the forward-looking statements.

However, other factors besides those listed in Item 1A Risk Factors or discussed in this Annual Report 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.

BUSINESS OVERVIEW

We are a financial holding company headquartered in Tallahassee, Florida and we are the parent of our wholly-owned subsidiary, Capital City Bank (the "Bank" or "CCB"). The Bank offers a broad array of products and services through a total of 70 full-service offices located in Florida, Georgia, and Alabama. The Bank also has a two mortgage lending offices located in Florida and one additional Georgia community. The Bank offers commercial and retail banking services, as well as trust and asset management, merchant services, retail securities brokerage and data processing services.

Our profitability, like most financial institutions, is dependent to a large extent upon net interest income, which is the difference between the interest received on earning assets, such as loans and securities, and the interest paid on interest-bearing liabilities, principally deposits and borrowings. Results of operations are also affected by the provision for loan losses, operating expenses such as salaries and employee benefits, occupancy and other operating expenses including income taxes, and noninterest income such as service charges on deposit accounts, asset management and trust fees, retail securities brokerage fees, mortgage banking revenues, merchant service fees, and data processing revenues.

Our philosophy is to grow and prosper, building long-term relationships based on quality service, high ethical standards, and safe and sound banking practices. We maintain a locally oriented, community-based focus, which is augmented by experienced, centralized support in select specialized areas. Our local market orientation is reflected in our network of banking office locations, experienced community executives with a dedicated President for each market, and community boards which support our focus on responding to local banking needs. We strive to offer a broad array of sophisticated products and to provide quality service by empowering associates to make decisions in their local markets.

Our long-term vision is to continue our expansion, emphasizing a combination of growth in existing markets and acquisitions. Acquisitions will continue to be focused on a three state area including Florida, Georgia, and Alabama with a particular focus on financial institutions, which are \$100 million to \$400 million in asset size and generally located on the outskirts of major metropolitan areas. Five markets have been identified, four in Florida and one in

Georgia, in which management will proactively pursue expansion opportunities. These markets include Alachua, Marion, Hernando, and Pasco counties in Florida and the western panhandle in Florida and Bibb and surrounding counties in central Georgia. We continue to evaluate de novo expansion opportunities in attractive new markets in the event that acquisition opportunities are not feasible. Expansion opportunities that will be evaluated include asset management and mortgage banking.

Recent Acquisition. On May 20, 2005, we completed our merger with First Alachua Banking Corporation ("FABC"), headquartered in Alachua, Florida. We issued approximately 906,000 shares of common stock and paid approximately \$29.0 million in cash for a total purchase price of \$58.0 million. FABC's wholly-owned subsidiary, First National Bank of Alachua, had \$228.3 million in assets at closing with seven offices in Alachua County and an eighth office in Hastings, Florida, which is in St. Johns County.

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FINANCIAL OVERVIEW

A summary overview of our financial performance for 2007 versus 2006 is provided below.

2007 Financial Performance Highlights –

- § 2007 earnings of \$29.7 million, or \$1.66 per diluted share, decreases of 10.8% and 7.3%, respectively, over 2006.
- § Decline in earnings was attributable to lower net interest income and a higher loan loss provision, partially offset by an increase in noninterest income.
- § Tax equivalent net interest income fell 5.2% over 2006 due to higher interest expense driven by higher average rates and an unfavorable shift in deposit mix as clients sought higher yielding deposit products, and a \$75.0 million reduction in the level of average earning assets.
- § Net interest margin percentage declined 10 basis points from 2006 driven by both a higher cost of funds and an increase in foregone interest income associated with a higher level of nonperforming assets.
- § Noninterest income grew 6.7% over 2006 due primarily to higher deposit fees, data processing fees, and card fees.
- § Noninterest expense was very well controlled during the year and increased only .35% from 2006, including a litigation reserve accrual of \$1.9 million related to lawsuits filed against Visa U.S.A.
- § Loan loss provision increased \$4.2 million from 2006 due to a higher level of net charge-offs (\$5.3 million, or .27% of average loans in 2007) and a higher level of required reserves reflective of the current credit environment that has been impacted by a slowdown in housing and real estate markets. At year-end 2007, the allowance for loan losses was .95% of outstanding loans and provided coverage of 72% of nonperforming loans.
- § Share repurchase activity continued in 2007 with 1,404,364 shares being repurchased during the year. We remain well-capitalized with a risk based capital ratio of 14.05%.

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RESULTS OF OPERATIONS

Net income for 2007 totaled \$29.7 million (\$1.66 per diluted share) compared to \$33.3 million (\$1.79 per diluted share) in 2006 and \$30.3 million (\$1.66 per diluted share) in 2005. Earnings per share reflect the repurchase of 1,404,364 common shares during 2007 and 164,596 common shares during 2006.

The earnings decline in 2007 of \$3.6 million, or \$0.13 per diluted share, reflects lower operating revenues (defined as the total of net interest income and noninterest income) of \$3.2 million, an increase in the loan loss provision of \$4.2 million, and slightly higher noninterest expense of \$0.4 million, partially offset by lower income taxes of \$4.2 million.

The growth in earnings for 2006 of \$3.0 million, or \$0.13 per diluted share, was primarily attributable to growth in operating revenue of \$15.5 million and a reduction in the loan loss provision of \$0.5 million, partially offset by an increase in noninterest expense of \$11.8 million and income taxes of \$1.3 million. The increase in operating revenue was driven by an 8.3% increase in net interest income and a 13.0% increase in noninterest income. The increase in revenues and expenses is partially attributable to our acquisition of the First National Bank of Alachua in May 2005.

A condensed earnings summary for the last three years is presented in Table 1 below:

Table 1
CONDENSED SUMMARY OF EARNINGS

(Dollars in Thousands, Except Per Share Data)(1)	For the Years Ended December 31,		
	2007	2006	2005
Interest Income	\$ 165,323	\$ 165,893	\$ 140,053
Taxable Equivalent Adjustments	2,420	1,812	1,222
Total Interest Income (FTE)	167,743	167,705	141,275
Interest Expense	53,082	46,757	30,063
Net Interest Income (FTE)	114,661	120,948	111,212
Provision for Loan Losses	6,163	1,959	2,507
Taxable Equivalent Adjustments	2,420	1,812	1,222
Net Interest Income After Provision for Loan Losses	106,078	117,177	107,483
Noninterest Income	59,300	55,577	49,198
Noninterest Expense	121,992	121,568	109,814
Income Before Income Taxes	43,386	51,186	46,867
Income Taxes	13,703	17,921	16,586
Net Income	\$ 29,683	\$ 33,265	\$ 30,281
Basic Net Income Per Share	\$ 1.66	\$ 1.79	\$ 1.66
Diluted Net Income Per Share	\$ 1.66	\$ 1.79	\$ 1.66

(1) All share and per share data have been adjusted to reflect the 5-for-4 stock split effective July 1, 2005.

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Net Interest Income

Net interest income represents our single largest source of earnings and is equal to interest income and fees generated by earning assets, less interest expense paid on interest bearing liabilities. We provide an analysis of our net interest income, including average yields and rates in Tables 2 and 3. We provide this information on a "taxable equivalent" basis to reflect the tax-exempt status of income earned on certain loans and investments, the majority of which are state and local government debt obligations.

In 2007, our taxable equivalent net interest income decreased \$6.3 million, or 5.2%. This follows an increase of \$9.7 million, or 8.8%, in 2006, and an increase of \$23.9 million, or 27.4%, in 2005. The decrease in our taxable equivalent net interest income in 2007 resulted from an increase in interest expense driven by higher average rates, an unfavorable shift in our deposit mix as clients sought higher yielding deposit products, and a \$75 million reduction in the level of average earning assets.

For the year 2007, taxable equivalent interest income was constant compared to 2006 at \$167.7 million, and increased \$26.4 million, or 18.7%, in 2006 over 2005. Taxable equivalent interest income was favorably impacted by the higher rate environment in 2007 as compared to 2006, resulting in higher yields on our earning assets during 2007, but the higher yields were offset by a net decrease in average earning assets of \$74.7 million and an increase in foregone interest income attributable to the rising level of nonperforming assets, which increased from \$8.7 million at year-end 2006 to \$28.2 million at year-end 2007. The higher rate environment during 2007 produced a 26 basis point improvement in the yield on earning assets, which increased from 7.42% in 2006 to 7.68% for 2007. This compares to a 96 basis point improvement in 2006 over 2005. As shown in Table 3, increases to interest income in the investment securities portfolio and funds sold were offset by a decline in the loan portfolio attributable to a \$94.5 million decline in average loans during 2007. Interest income is expected to decline during 2008, reflecting the lower interest rate environment stemming from reductions in the Federal Reserve's target rate during the fourth quarter and the impact of foregone interest income associated with the current level of nonperforming assets.

Interest expense increased \$6.3 million, or 13.5%, over 2006, and \$16.7 million, or 55.5%, in 2006 over 2005. The increase was a result of higher average interest rates in 2007 and an unfavorable shift in the deposit mix as clients sought higher yielding deposit products. Interest expense on other long-term borrowings declined from the prior year attributable to maturing FHLB advances which were not renewed or replaced during the year. The average rate paid on interest bearing liabilities in 2007 increased 39 basis points compared to 2006, reflecting the factors mentioned above. Interest expense is expected to trend downward in 2008 driven by the lower rate environment, offset partially by a continued shift to higher yielding deposits.

Our interest rate spread (defined as the taxable equivalent yield on average earning assets less the average rate paid on interest bearing liabilities) decreased 13 basis points in 2007 compared to 2006 and increased 11 basis points in 2006 compared to 2005. The decrease in 2007 was primarily attributable to the higher rates paid on deposits.

Our net interest margin (defined as taxable equivalent interest income less interest expense divided by average earning assets) was 5.25% in 2007, compared to 5.35% in 2006 and 5.09% in 2005. In 2007, the decline was a result of a 36 basis point increase in our cost of funds, partially offset by a 26 basis point increase in the earning asset yield.

During the last four months of 2007, the Federal Reserve reduced the federal funds rate by 100 basis points. Additionally, Capital City Bank was the beneficiary of some large balance deposit transfers from the Florida State Board of Administration's Local Government Investment Pool. These new deposits took the form of negotiated public deposits and resulted in a significant increase (in excess of \$200 million) in the bank's NOW accounts late in the fourth quarter. Both of these events impacted net interest income and the net interest margin percentage during the

fourth quarter. Overall, by aggressively lowering deposit interest rates, management believes we have been fairly successful in neutralizing the impact of the Federal Reserve's interest rate reductions. While the higher cost public funds have been priced to produce a positive interest rate spread and will add to net interest income, the margin is thin, and therefore, due to the volume of these new deposits, there will be an adverse impact on our net interest margin percentage going forward. A further discussion of both of these events can be found in the sections entitled "Financial Condition" and "Results of Operations – Fourth Quarter 2007."

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AVERAGE BALANCES AND INTEREST RATES

(Taxable Equivalent Basis - Dollars in Thousands)	2007			2006			2005		
	Balance	Interest	Rate	Balance	Interest	Rate	Balance	Interest	Rate
ASSETS									
Loans, Net of Unearned Interest(1)(2)	\$ 1,934,850	\$ 155,434	8.03%	\$ 2,029,397	\$ 157,227	7.75%	\$ 1,968,289	\$ 133,665	6.79%
Taxable Investment Securities	103,840	4,949	4.76	112,392	4,851	4.31	142,406	4,250	2.98
Tax-Exempt Investment Securities(2)	84,849	4,447	5.24	74,634	3,588	4.81	49,252	2,369	4.81
Funds Sold	59,989	2,913	4.79	41,854	2,039	4.81	27,725	991	3.53
Total Earning Assets	2,183,528	167,743	7.68%	2,258,277	167,705	7.42%	2,187,672	141,275	6.46%
Cash & Due From Banks	86,692			100,237			105,787		
Allowance for Loan Losses	(17,535)			(17,486)			(17,081)		
Other Assets	254,532			240,050			210,355		
TOTAL ASSETS	\$ 2,507,217			\$ 2,581,078			\$ 2,486,733		
LIABILITIES									
NOW Accounts	\$ 557,060	\$ 10,748	1.93%	\$ 518,671	\$ 7,658	1.48%	\$ 430,601	\$ 2,868	.67%
Money Market Accounts	397,193	13,667	3.44	370,257	11,687	3.16	275,830	4,337	1.57
Savings Accounts	119,700	279	0.23	134,033	278	0.21	152,890	292	0.19
Other Time Deposits	474,728	19,993	4.21	507,283	17,630	3.48	550,821	13,637	2.48
Total Interest Bearing Deposits	1,548,681	44,687	2.89%	1,530,244	37,253	2.43%	1,410,142	21,134	1.50%
Short-Term Borrowings	66,397	2,871	4.31	78,700	3,074	3.89	97,863	2,854	2.92
Subordinated Notes Payable	62,887	3,730	5.93	62,887	3,725	5.92	50,717	2,981	5.88
Other Long-Term Borrowings	37,936	1,794	4.73	57,260	2,705	4.72	70,216	3,094	4.41
Total Interest Bearing Liabilities	1,715,901	53,082	3.09%	1,729,091	46,757	2.70%	1,628,938	30,063	1.85%
Noninterest Bearing Deposits	441,765			504,687			544,746		
Other Liabilities	42,934			29,964			26,337		
TOTAL LIABILITIES	2,200,600			2,263,742			2,200,021		

SHAREOWNERS' EQUITY				
TOTAL SHAREOWNERS' EQUITY				
	306,617	317,336	286,712	
TOTAL LIABILITIES & EQUITY				
	\$ 2,507,217	\$ 2,581,078	\$ 2,486,733	
Interest Rate Spread		4.59%	4.72%	4.61%
Net Interest Income	\$ 114,661	\$ 120,948	\$ 111,212	
Net Interest Margin(3)		5.25%	5.35%	5.09%

(1) Average balances include nonaccrual loans. Interest income includes loan fees of \$3.0 million, \$3.8 million, and \$3.1 million in 2007, 2006, and 2005, respectively.

(2) Interest income includes the effects of taxable equivalent adjustments using a 35% tax rate.

(3) Taxable equivalent net interest income divided by average earning assets.

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RATE/VOLUME ANALYSIS (1)

(Taxable Equivalent Basis - Dollars in Thousands)	2007 Changes From 2006 Due to Average			2006 Changes From 2005 Due to Average		
	Total	Volume	Rate	Total	Volume	Rate
Earning Assets:						
Loans, Net of Unearned Interest (2)	\$ (1,792)	\$ (7,465)	\$ 5,673	\$ 23,562	\$ 5,760	\$ 17,802
Investment Securities:						
Taxable	99	(350)	449	601	(689)	1,290
Tax-Exempt (2)	858	491	367	1,219	1,220	(1)
Funds Sold	873	883	(10)	1,048	444	604
Total	38	(6,441)	6,479	26,430	6,735	19,695
Interest Bearing Liabilities:						
NOW Accounts	3,090	567	2,523	4,790	586	4,204
Money Market Accounts	1,979	850	1,129	7,350	1,485	5,865
Savings Accounts	2	(29)	31	(14)	(36)	22
Time Deposits	2,364	(1,131)	3,495	3,993	(1,078)	5,071
Short-Term Borrowings	(204)	(424)	220	221	(586)	807
Subordinated Notes Payable	5	0	5	744	715	29
Long-Term Borrowings	(911)	(913)	2	(390)	(571)	181
Total	6,325	(1,080)	7,405	16,694	515	16,179
Changes in Net Interest Income	\$ (6,287)	\$ (5,361)	\$ (926)	\$ 9,736	\$ 6,220	\$ 3,516

(1) This table shows the change in taxable equivalent net interest income for comparative periods based on either changes in average volume or changes in average rates for earning assets and interest bearing liabilities. Changes which are not solely due to volume changes or solely due to rate changes have been attributed to rate changes.

(2) Interest income includes the effects of taxable equivalent adjustments using a 35% tax rate to adjust interest on tax-exempt loans and securities to a taxable equivalent basis.

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Provision for Loan Losses

The provision for loan losses was \$6.2 million in 2007, compared to \$2.0 million in 2006 and \$2.5 million in 2005. The increase for 2007 was attributable to an increase in net charge-offs and a higher level of required reserves reflective of the current credit environment that has been impacted by a slowdown in housing and real estate markets. The lower loan loss provision in 2006 generally reflected a lower level of net charge-offs. The loan loss provision in 2005 was positively impacted by a re-assessment of the allowance for loan losses to reflect the changing risk profile associated with the Bank's sale of its credit card portfolio during the third quarter of 2004 and the integration of acquisitions.

Net charge-offs for 2007 totaled \$5.3 million, or .27% of average loans for the year compared to \$2.1 million, or .11% for 2006 and \$2.5 million, or .13% for 2005. At December 31, 2007, the allowance for loan losses totaled \$18.1 million compared to \$17.2 million in 2006 and \$17.4 million in 2005. At year-end 2007, the allowance represented .95% of total loans and provided coverage of 72% of nonperforming loans. Management considers the allowance to be adequate based on the current level of nonperforming loans and the estimate of losses inherent in the portfolio at year-end. See the section entitled "Financial Condition" and Tables 7 and 8 for further information regarding the allowance for loan losses.

Noninterest Income

Noninterest income increased \$3.7 million, or 6.7% and \$6.4 million or 13.0%, in 2007 and 2006, respectively compared to the immediately preceding year. In both periods all categories enjoyed appreciable gains with the exception of mortgage banking, which has been adversely impacted by the slowdown in residential housing market.

The table below reflects the major components of noninterest income.

(Dollars in Thousands)	For the Years Ended December 31,		
	2007	2006	2005
Noninterest Income:			
Service Charges on Deposit Accounts	\$ 26,130	\$ 24,620	\$ 20,740
Data Processing	3,133	2,723	2,610
Asset Management Fees	4,700	4,600	4,419
Retail Brokerage Fees	2,510	2,091	1,322
Gain/(Loss) on Sale/Call of Investment Securities	14	(4)	9
Mortgage Banking Revenues	2,596	3,235	4,072
Merchant Fees(1)	7,257	6,978	6,174
Interchange Fees(1)	3,757	3,105	2,239
ATM/Debit Card Fees(1)	2,692	2,519	2,206
Other	6,511	5,710	5,407
Total Noninterest Income	\$ 59,300	\$ 55,577	\$ 49,198

(1) Together called "Bank Card Fees"

Various significant components of noninterest income are discussed in more detail below.

Service Charges on Deposit Accounts. Deposit service charge fees increased \$1.5 million, or 6.1%, in 2007, compared to an increase of \$3.9 million, or 18.7%, in 2006. Deposit service charge revenues in any one year are dependent on the number of accounts, primarily transaction accounts, the level of activity subject to service charges,

and the collection rate. The increase in deposit fees in both years was due to higher overdraft and nonsufficient funds ("NSF") fees reflecting higher activity levels, partially attributable to the growth in our "Absolutely Free" checking account product, and improved fee collection efforts. The improvement in fees for 2006 also reflects growth in deposit accounts attributable to the First National Bank of Alachua acquisition.

Asset Management Fees. In 2007, asset management fees increased \$100,000, or 2.2%, versus an increase of \$181,000, or 4.1%, in 2006. At year-end 2007, assets under management totaled \$781.3 million, reflecting net growth of \$27.8 million, or 3.7% over 2006. At year-end 2006, assets under management totaled \$753.5 million, reflecting net growth of \$60.5 million, or 8.7% over 2005. The increase in 2007 primarily reflects growth in new business, while the improvement in 2006 reflects both new business growth and improved asset returns.

Mortgage Banking Revenues. In 2007, mortgage banking revenues decreased \$639,000, or 19.8%, compared to a decrease of \$838,000, or 20.6% in 2006. The decline in both years reflects lower production due to the slower housing market. We generally sell all fixed rate residential loan production into the secondary market. Market conditions, the level of interest rates, and the percent of fixed rate production have significant impacts on our mortgage banking revenues.

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Bank Card Fees. Card fees (including merchant service fees, interchange fees, and ATM/debit card fees) increased \$1.1 million, or 8.7% in 2007, compared to an increase of \$2.0 million, or 18.7% in 2006. Merchant services fees increased \$279,000, or 4.0% in 2007 compared to \$805,000, or 13.0% in 2006. The improvement in both periods is directly related to growth in merchant card transaction volume primarily driven by growth in our client base. Interchange fees increased \$651,000, or 21.0% in 2007 compared to \$866,000, or 38.7% in 2006, and ATM/debit card fees improved \$173,000, or 6.8% in 2007 compared to \$313,000, or 14.2% in 2006. The higher interchange and ATM/debit card fees for both periods reflect an increase in our card base primarily associated with growth in transaction deposit accounts.

Noninterest income as a percent of average assets was 2.37% in 2007, compared to 2.15% in 2006, and 1.98% in 2005. Higher deposit fees and card fees drove the improvement in 2006 and 2007. Noninterest income as a percent of taxable equivalent operating revenues was 34.1% in 2007, up from 31.5% in 2006 reflecting growth in noninterest income and a slight reduction in the level of operating revenues.

Noninterest Expense

Noninterest expense grew by \$424,000, or 0.35%, over 2006, including a \$1.9 million litigation reserve recorded in the fourth quarter of 2007. Compensation expense reflects reduced expense levels for performance based incentive plans and lower pension expense. Lower expense for courier also contributed positively. A pre-tax charge of \$1.9 million was recorded during the fourth quarter of 2007 to establish a litigation reserve related to Visa U.S.A.'s "covered" litigation. The reserve is based on Capital City Bank's proportionate membership interest in Visa U.S.A. and represents a contingent liability to cover potential settlement costs associated with various lawsuits filed against Visa U.S.A. This litigation reserve is discussed in more detail below.

Noninterest expense increased \$11.8 million, or 10.7%, in 2006 due to higher expense for compensation, occupancy, intangible amortization, and interchange fees. The increase reflects a full twelve months of expenses for the operations of First National Bank of Alachua, which was acquired in May 2005.

The table below reflects the major components of noninterest expense.

(Dollars in Thousands)	For the Years Ended December 31,		
	2007	2006	2005
Noninterest Expense:			
Salaries	\$ 49,206	\$ 46,604	\$ 40,978
Associate Benefits	11,073	14,251	12,709
Total Compensation	60,279	60,855	53,687
Premises	9,347	9,395	8,293
Equipment	9,890	9,911	8,970
Total Occupancy	19,237	19,306	17,263
Legal Fees	1,739	1,734	1,827
Professional Fees	3,855	3,402	3,825
Processing Services	1,994	1,863	1,481
Advertising	3,742	4,285	4,275
Travel and Entertainment	1,470	1,664	1,414
Printing and Supplies	2,124	2,472	2,372
Telephone	2,373	2,323	2,493

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Postage	1,565	1,145	1,195
Intangible Amortization	5,834	6,085	5,440
Merger Expense	-	-	438
Interchange Fees	6,118	6,010	5,402
Courier Service	641	1,307	1,360
Miscellaneous	11,021	9,117	7,342
Total Other	42,476	41,407	38,864
Total Noninterest Expense	\$ 121,992	\$ 121,568	\$ 109,814

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Compensation. Salaries and associate benefits expense decreased \$577,000, or 0.95% from 2006 primarily attributable to lower expense for pension (\$1.4 million) and stock based compensation (\$2.0 million). A \$2.6 million, or 6.0% increase in associate salaries partially offset these declines. Pension expense declined as a result of large contributions and strong investment returns on pension plan assets over the past three years, and an increase in the weighted-average discount rate from 2006 to 2007. The lower expense for stock based compensation is reflective of performance goals not being met during 2007.

In 2006, salaries and benefits increased \$7.2 million, or 13.4%, over 2005. The increase in compensation was driven by higher expense for associate salaries (\$5.4 million), payroll taxes (\$300,000), associate insurance (\$329,000), pension plan (\$378,000), and stock-based compensation (\$705,000). The increase in associate salaries and payroll tax expense reflects the addition of First National Bank of Alachua associates in May 2005, annual merit/market based raises for associates, and lower realized loan cost. Realized loan cost reflects the impact of Statement of Financial Accounting Standards ("SFAS") No. 91 "Accounting for Nonrefundable Fees and Costs Associated with Acquiring Loans", which requires deferral and amortization of loan costs that are accounted for as a credit offset to salary expense. The decrease in the number of loans originated in 2006 reduced the amount of this offset. The increase in expense for insurance and pension benefits is reflective of an increase in eligible participants. The higher pension expense is also due to a lower discount rate used for the 2006 expense projection. Higher stock based compensation reflects an increase in plan participants and higher target awards due to the adoption of our new Stock-based Incentive Compensation Plan, which rewards our senior management team for meeting certain earnings performance milestones.

Occupancy. Occupancy expense (including furniture, fixtures and equipment) decreased by \$69,000, or 0.36% in 2007, compared to a \$2.0 million, or 11.8% increase in 2006. For 2007, we realized a decrease in depreciation (furniture, fixtures, and equipment) expense of \$472,000 and maintenance and repairs (buildings) expense of \$254,000. Partially offsetting these declines were increases in maintenance and repairs (furniture, fixtures, and equipment) expense of \$273,000 and software license expense of \$230,000. The reduction in depreciation (furniture, fixtures, and equipment) was due to several large capital assets that became fully depreciated during 2007. The lower expense for maintenance and repairs (buildings) reflects management's efforts to better manage this expense. The increase in expense for maintenance and repairs (furniture, fixtures, and equipment) primarily reflects the cost of new/replacement telecommunications and network cabling associated with the implementation of voice over IP and remote office capture technology during 2007. The increase in software license expense primarily reflects the purchase of certain technology aimed at improving our sales monitoring, operational procedures, and budgeting/planning efforts.

The increase in 2006 was due to higher expense for depreciation (\$895,000), maintenance and repairs - for our buildings as well as furniture, fixtures, and equipment (\$276,000), utilities (\$343,000), maintenance agreements (\$364,000), and building insurance (\$143,000). The increase in depreciation is due to the addition of First National Bank of Alachua offices as well as renovations. An increase in our general maintenance expense associated with banking offices, core processing/networking systems and ATMs drove the increase in maintenance and repairs. Utility expense increased due to a mid-year rate hike and the addition of First National Bank of Alachua in May 2005. The increase in expense for maintenance agreements is primarily due to an increase in core processing and networking costs partially attributable to enhancement of our back-up and recovery capabilities. The addition of new/replacement offices, office renovations, and an insurance premium increase drove the increase in building insurance.

Other. Other noninterest expense increased \$1.3 million, or 3.7%, in 2007, compared to \$2.5 million, or 6.5% in 2006. The increase in 2007 was primarily attributable to a pre-tax charge of \$1.9 million, which was recorded in the fourth quarter of 2007 to establish a litigation reserve. The Bank is a member of Visa U.S.A. and this reserve was

established in connection with lawsuits filed against Visa U.S.A., which is generally referred to as the “Covered” litigation. We currently anticipate that our proportional share of the proceeds of Visa’s planned IPO will more than offset any liabilities related to our pro-rata share of the “Covered” litigation. The nature and circumstances regarding this charge, which is expected to be reversed upon consummation of Visa Inc.’s planned IPO, is explained in Form 8-Ks filed with the SEC on January 10, 2008 and January 22, 2008.

The increase in 2006 was attributable primarily to higher expense for: (1) processing services - \$382,000, (2) travel and entertainment - \$250,000, (3) intangible amortization - \$645,000, (4) interchange fees - \$608,000, and (5) miscellaneous - \$1.4 million. The increase in processing services is due to the addition of core processing system applications and system upgrade and enhancements. The higher expense for travel and entertainment is due primarily to an increase in associate training and company events during the year. The increase in intangible amortization reflects new core deposit amortization from the First National Bank of Alachua acquisition. The increase in interchange fees is due to increased merchant card transaction volume. Miscellaneous expense grew due to increases in other losses, ATM/debit card production, associate hiring and training expense.

The operating net noninterest expense ratio (defined as noninterest income minus noninterest expense, net of intangible amortization and merger expenses, as a percent of average assets) was 2.27% in 2007 compared to 2.32% in 2006, and 2.20% in 2005. Our operating efficiency ratio (expressed as noninterest expense, net of intangible amortization and merger expenses, as a percent of taxable equivalent net interest income plus noninterest income) was 66.8%, 65.4%, and 64.8% in 2007, 2006 and 2005, respectively. During 2007, we took steps to strengthen our expense control procedures, including enhancement of current expense policies, creation of an expense control committee to focus on identifying cost savings strategies, and improve accountability for expense management across our various divisions – these efforts will continue and are now part of our strategic planning process. The increase in the operating efficiency ratio during 2007 is reflective of a lower level of operating revenues (tax equivalent net interest income plus noninterest income).

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Income Taxes

The consolidated provision for federal and state income taxes was \$13.7 million in 2007, compared to \$17.9 million in 2006, and \$16.6 million in 2005. Lower taxable income drove the decline in the tax provision for 2007. The increases in 2006 and 2005 were due to higher taxable income driven by earnings growth. Lower tax-exempt income also contributed to the increase in 2005.

The effective tax rate was 31.6% in 2007, 35.0% in 2006, and 35.4% in 2005. These rates differ from the combined federal and state statutory tax rates due primarily to tax-exempt income on loans and securities. The 2007 effective tax rate was positively impacted by a higher level of tax-free loan income and a fourth quarter true-up of our deferred tax liabilities which resulted in a net reduction in our income tax provision of \$937,000.

FINANCIAL CONDITION

Average assets totaled \$2.5 billion, a decrease of \$73.9 million, or 2.9%, in 2007 versus the comparable period in 2006. Average earning assets for 2007 were \$2.2 billion, representing a decrease of \$74.7 million, or 3.3%, over 2006. A decline in average loans of \$94.5 million, or 4.7%, partially offset by an increase to average funds sold of \$8.1 million, or 43.3% were the reasons for the earning asset decrease in 2007. We discuss these variances in more detail below.

Table 2 provides information on average balances and rates, Table 3 provides an analysis of rate and volume variances, and Table 4 highlights the changing mix of our earning assets over the last three years.

Loans

Average loans decreased \$94.5 million, or 4.7%, over the comparable period in 2006. Loans as a percent of average earning assets declined to 88.6% in 2007, down from the 2006 level of 90.0%. Our loan has declined due to a high level of principal pay-downs and loan pay-offs, including the pay-off of several larger commercial loans, and a slowing of lending activity. Minimal growth during 2007 was experienced in the consumer portfolio, primarily in auto finance and home equity lines of credit. Average loans during the fourth quarter of 2007 increased slightly from the linked quarter attributable to a slowing in loan pay-offs.

Although management is continually evaluating alternative sources of revenue, lending is a major component of our business and is key to our profitability. While we strive to identify opportunities to increase loans outstanding and enhance the portfolio's overall contribution to earnings, we will only do so by adhering to sound lending principles applied in a prudent and consistent manner. Thus, we will not relax our underwriting standards in order to achieve designated growth goals.

Table 4
SOURCES OF EARNING ASSET GROWTH

(Average Balances – Dollars In Thousands)	2006 to 2007 Change	Percentage Of Total Change	Components of Average Earning Assets		
			2007	2006	2005
Loans:					
Commercial, Financial, and Agricultural	(12,244)	(16.0)%	9.5%	9.7%	9.5%
Real Estate – Construction	(15,711)	(21.0)%	7.3%	7.8%	6.9%

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Real Estate – Commercial	(29,417)	(39.0)%	29.2%	29.5%	31.4%
Real Estate – Residential	(38,282)	(51.0)%	31.5%	32.2%	31.3%
Consumer	1,107	1.0%	11.2%	10.7%	10.9%
Total Loans	(94,547)	(126.00)%	88.7%	89.9%	90.0%
Investment Securities:					
Taxable	(8,552)	(12.0)%	4.8%	5.0%	6.5%
Tax-Exempt	10,215	14.0%	3.8%	3.2%	2.3%
Total Securities	1,663	2.0%	8.6%	8.2%	8.8%
Funds Sold	18,135	24.0%	2.7%	1.9%	1.2%
Total Earning Assets	\$ (74,749)	100.0%	100.0%	100.0%	100.0%

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Our average loan-to-deposit ratio decreased to 97.2% in 2007 from 99.7% in 2006. This compares to an average loan-to-deposit ratio in 2005 of 100.7%. The lower loan-to-deposit ratios reflect declining loan balances, which until the fourth quarter of 2007, have declined for seven straight quarters.

The composition of our loan portfolio at December 31, for each of the past five years is shown in Table 5. Table 6 arrays our total loan portfolio as of December 31, 2007, based upon maturities. As a percent of the total portfolio, loans with fixed interest rates represent 36.4% as of December 31, 2007, versus 35.7% at December 31, 2006.

Table 5
LOANS BY CATEGORY

(Dollars in Thousands)	As of December 31,				
	2007	2006	2005	2004	2003
Commercial, Financial and Agricultural	\$ 208,864	\$ 229,327	\$ 218,434	\$ 206,474	\$ 160,048
Real Estate - Construction	142,248	179,072	160,914	140,190	89,149
Real Estate - Commercial	634,920	643,885	718,741	655,426	391,250
Real Estate - Residential	680,800	709,735	723,336	600,375	467,790
Consumer	249,018	237,702	246,069	226,360	233,395
Total Loans, Net of Unearned Interest	\$ 1,915,850	\$ 1,999,721	\$ 2,067,494	\$ 1,828,825	\$ 1,341,632

Table 6
LOAN MATURITIES

(Dollars in Thousands)	Maturity Periods				Total
	One Year or Less	Over One Through Five Years	Over Five Years		
Commercial, Financial and Agricultural	\$ 83,469	\$ 93,283	\$ 32,112	\$ 208,864	
Real Estate	377,077	224,994	855,897	1,457,968	
Consumer(1)	31,134	208,611	9,273	249,018	
Total	\$ 491,680	\$ 526,888	\$ 897,282	\$ 1,915,850	
Loans with Fixed Rates	\$ 321,011	\$ 346,198	\$ 31,206	\$ 698,415	
Loans with Floating or Adjustable Rates	170,669	180,690	866,076	1,217,435	
Total	\$ 491,680	\$ 526,888	\$ 897,282	\$ 1,915,850	

(1) Demand loans and overdrafts are reported in the category of one year or less.

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Allowance for Loan Losses

Management believes it maintains the allowance for loan losses at a level sufficient to provide for the estimated credit losses inherent in the loan portfolio as of the balance sheet date. Credit losses arise from the borrowers' inability or unwillingness to repay, and from other risks inherent in the lending process including collateral risk, operations risk, concentration risk, and economic risk. As such, all related risks of lending are considered when assessing the adequacy of the allowance. The allowance for loan losses is established through a provision charged to expense. Loans are charged against the allowance when management believes collection of the principal is unlikely. The allowance for loan losses is based on management's judgment of overall credit quality. This is a significant estimate based on a detailed analysis of the loan portfolio. The balance can and will change based on changes in the assessment of the portfolio's overall credit quality and other risk factors both internal and external to us.

Management evaluates the adequacy of the allowance for loan losses on a quarterly basis. Loans that have been identified as impaired are reviewed for adequacy of collateral, with a specific reserve assigned to those loans when necessary. A loan is deemed impaired when, based on current information and events, it is probable that the company will not be able to collect all amounts due (principal and interest payments), according to the contractual terms of the loan agreement. All loan relationships that exceed \$100,000 are reviewed for impairment. The evaluation is based on current financial condition of the borrower or current payment status of the loan.

The method used to assign a specific reserve depends on whether repayment of the loan is dependent on liquidation of collateral. If repayment is dependent on the sale of collateral, the reserve is equivalent to the recorded investment in the loan less the fair value of the collateral after estimated sales expenses. If repayment is not dependent on the sale of collateral, the reserve is equivalent to the recorded investment in the loan less the estimated cash flows discounted using the loan's effective interest rate. The discounted value of the cash flows is based on the anticipated timing of the receipt of cash payments from the borrower. The reserve allocations assigned to impaired loans are sensitive to the extent market conditions or the actual timing of cash receipts change.

Once specific reserves have been assigned to impaired loans, general reserves are assigned to the remaining portfolio. General reserves are assigned to various homogenous loan pools, including commercial, commercial real estate, construction, residential 1-4 family, home equity, and consumer. General reserves are assigned based on historical loan loss ratios (by pool) and are adjusted for various internal and external environmental factors unique to each loan pool.

The allowance for loan losses is compared against the sum of the specific reserves assigned to impaired loans plus the general reserves assigned to the remaining portfolio. The unallocated portion of the allowance is monitored on a regular basis and adjusted based on management's determination of estimation risk. Table 7 analyzes the activity in the allowance over the past five years.

The allowance for loan losses was \$18.1 million at December 31, 2007 and \$17.2 million at December 31, 2006. As a percent of total loans (net of overdrafts), the allowance was 0.95% in 2007 and 0.86% in 2006. The allowance for loan losses reflects management's current estimate of the credit quality of our loan portfolio. While there can be no assurance that we will not sustain loan losses in a particular period that are substantial in relation to the size of the allowance, management's assessment of the loan portfolio does not indicate a likelihood of this occurrence. It is management's opinion that the allowance at December 31, 2007 is adequate to absorb losses inherent in the loan portfolio at year-end.

Table 8 provides an allocation of the allowance for loan losses to specific loan types for each of the past five years. The reserve allocations, as calculated using the above methodology, are assigned to specific loan categories

corresponding to the type represented within the components discussed. There was a significant change in the reserve allocation in 2004 as noted by reserves held for the consumer loan, commercial real estate, and commercial portfolios. The Bank's credit card portfolio, which previously accounted for up to one-third of net loan losses annually, was sold in August 2004, thus reducing the reserves required to support consumer loans. The large increase in 2004 for reserves held for commercial real estate and commercial loans was due to the acquisition of loans from Farmers and Merchants Bank of Dublin in late 2004. Additionally, First National Bank of Alachua was acquired during 2005, which pushed total reserves higher.

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Table 7
ANALYSIS OF ALLOWANCE FOR LOAN LOSSES

(Dollars in Thousands)	For the Years Ended December 31,				
	2007	2006	2005	2004	2003
Balance at Beginning of Year	\$ 17,217	\$ 17,410	\$ 16,037	\$ 12,429	\$ 12,495
Acquired Reserves	-	-	1,385	5,713	-
Reserve Reversal(1)	-	-	-	(800)	-
Charge-Offs:					
Commercial, Financial and Agricultural	1,462	841	1,287	873	426
Real Estate - Construction	166	-	-	-	-
Real Estate - Commercial	709	346	255	48	91
Real Estate - Residential	1,429	280	321	191	228
Consumer	3,451	2,516	2,380	3,946	3,794
Total Charge-Offs	7,217	3,983	4,243	5,058	4,539
Recoveries:					
Commercial, Financial and Agricultural	174	246	180	81	142
Real Estate - Construction	-	-	-	-	-
Real Estate - Commercial	14	17	3	14	-
Real Estate - Residential	36	11	37	188	18
Consumer	1,679	1,557	1,504	1,329	877
Total Recoveries	1,903	1,831	1,724	1,612	1,037
Net Charge-Offs	5,314	2,152	2,519	3,446	3,502
Provision for Loan Losses	6,163	1,959	2,507	2,141	3,436
Balance at End of Year	\$ 18,066	\$ 17,217	\$ 17,410	\$ 16,037	\$ 12,429
Ratio of Net Charge-Offs to Average Loans Outstanding	.27%	.11%	.13%	.22%	.27%
Allowance for Loan Losses as a Percent of Loans at End of Year	.94%	.86%	.84%	.88%	.93%
Allowance for Loan Losses as a Multiple of Net Charge-Offs	3.40x	8.00x	6.91x	4.65x	3.55x

(1) Reflects recapture of reserves allocated to the credit card portfolio sold in August 2004.

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Table 8
ALLOCATION OF ALLOWANCE FOR LOAN LOSSES

	2007		2006		2005		2004		2003	
	Percent of Loans in Each Category	Allowance To Total Amount Loans	Percent of Loans in Each Category	Allowance To Total Amount Loans	Percent of Loans in Each Category	Allowance To Total Amount Loans	Percent of Loans in Each Category	Allowance To Total Amount Loans	Percent of Loans in Each Category	Allowance To Total Amount Loans
(Dollars in Thousands)										
Commercial, Financial and Agricultural	\$ 3,106	10.9%	\$ 3,900	11.5%	\$ 3,663	10.6%	\$ 4,341	11.3%	\$ 2,824	11.9%
Real Estate:										
Construction	3,117	7.4	745	9.0	762	7.8	578	7.7	313	6.6
Commercial	4,372	33.1	5,996	32.2	6,352	34.7	6,296	35.8	2,831	29.2
Residential	3,733	35.6	1,050	35.5	1,019	35.0	705	32.8	853	34.9
Consumer	2,790	13.0	3,081	11.8	3,105	11.9	2,966	12.4	4,169	17.4
Not Allocated	948	-	2,445	-	2,509	-	1,151	-	1,439	-
Total	\$ \$18,066	100.0%	\$ 17,217	100.0%	\$ 17,410	100.0%	\$ 16,037	100.0%	\$ 12,429	100.0%

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Risk Element Assets

Risk element assets consist of nonaccrual loans, renegotiated loans, other real estate, loans past due 90 days or more, potential problem loans and loan concentrations. Table 9 depicts certain categories of our risk element assets as of December 31 for each of the last five years. We discuss potential problem loans and loan concentrations within the narrative portion of this section.

Our nonperforming loans increased \$17.1 million, or 212%, from a level of \$8.0 million at December 31, 2006. During 2007, we added loans totaling approximately \$39.8 million to non-accruing status, while removing loans totaling \$22.7 million. Of the \$22.7 million removed, \$2.3 million consisted of principal reductions and loan payoffs, \$4.6 million represented loans transferred to other real estate, \$14.3 million consisted of loans brought current and returned to an accrual status, and \$1.5 million was charged off. The increase in nonaccrual loans is partly attributable to the addition of three large loan relationships to nonaccrual status during the fourth quarter of 2007. Two of the aforementioned loans totaling \$4.8 million are to borrowers employed in the real estate market and the other loan relationship totaling \$5.9 million consists of loans to a commercial business. The make-up of nonaccrual loans (by loan type) at year-end was as follows (in millions): commercial - \$0.6, construction - \$6.5, commercial real estate - \$11.4, and residential real estate - \$6.6. Management has allocated specific reserves to absorb anticipated losses on these nonperforming loans.

We review loans for potential impairment on a quarterly basis. A loan is deemed impaired when, based on current information and events, it is probable that the company will not be able to collect all amounts due (principal and interest payments), according to the contractual terms of the loan agreement. When a loan is considered impaired, we review our exposure to credit loss. If credit loss is probable, a specific reserve is allocated to absorb the anticipated loss. We had \$36.6 million in loans considered impaired at December 31, 2007. We have established specific reserves for these loans in the amount of \$4.7 million.

Table 9
RISK ELEMENT ASSETS

(Dollars in Thousands)	As of December 31,				
	2007	2006	2005	2004	2003
Nonaccruing Loans	\$ 25,119	\$ 8,042	\$ 5,258	\$ 4,646	\$ 2,346
Restructured	-	-	-	-	-
Total Nonperforming Loans	25,119	8,042	5,258	4,646	2,346
Other Real Estate Owned	3,043	689	292	625	4,955
Total Nonperforming Assets	\$ 28,162	\$ 8,731	\$ 5,550	\$ 5,271	\$ 7,301
Past Due 90 Days or More	416	135	309	\$ 605	\$ 328
Nonperforming Loans/Loans	1.31%	.40%	.25%	.25%	.17%
Nonperforming Assets/Loans Plus Other Real Estate	1.47%	.44%	.27%	.29%	.54%
Nonperforming Assets/Capital(1)	9.06%	2.62%	1.72%	1.93%	3.39%
Allowance/Nonperforming Loans	71.92%	214.09%	331.11%	345.18%	529.80%

(1) For computation of this percentage, "Capital" refers to shareowners' equity plus the allowance for loan losses.

We recognize interest on non-accrual loans only when payments are received. We apply cash payments collected on non-accrual loans against the principal balance or recognize it as interest income based upon management's expectations as to the ultimate collectability of principal and interest in full. If interest on non-accruing loans had been recognized on a fully accruing basis, we would have recorded an additional \$922,000 of interest income for the year ended December 31, 2007.

Other real estate totaled \$3.0 million at December 31, 2007, versus \$689,000 at December 31, 2006. This category includes property owned by the Bank that was acquired either through foreclosure procedures or by receiving a deed in lieu of foreclosure. During 2007, we added properties totaling \$3.5 million, and partially or completely liquidated properties totaling \$1.1 million, resulting in a net increase in other real estate of approximately \$2.4 million.

Potential problem loans are defined as those loans which are now current but where management has doubt as to the borrower's ability to comply with present loan repayment terms. Potential problem loans totaled \$10.2 million at December 31, 2007, compared to \$11.8 million at year-end 2006.

Loans past due 90 days or more and still on accrual status totaled \$416,000 at year-end, up from \$135,000 at the previous year-end.

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Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which cause them to be similarly impacted by economic or other conditions and such amount exceeds 10% of total loans. Due to the lack of diversified industry within the markets served by the Bank and the relatively close proximity of the markets, we have both geographic concentrations as well as concentrations in the types of loans funded. Specifically, due to the nature of our markets, a significant portion of the portfolio has historically been secured with real estate.

While we have a majority of our loans (76.1%) secured by real estate, the primary types of real estate collateral are commercial properties and 1-4 family residential properties. At December 31, 2007, commercial real estate mortgage loans and residential real estate mortgage loans accounted for 33.1% and 35.5%, respectively, of the loan portfolio.

Our real estate loan portfolio, while subject to cyclical pressures, is not unusually speculative in nature and is originated at amounts that are within or exceed regulatory guidelines for collateral values. Management anticipates no significant reduction in the percentage of real estate loans to total loans outstanding.

Management is continually analyzing its loan portfolio in an effort to identify and resolve problem assets as quickly and efficiently as possible. As of December 31, 2007, management believes it has identified and adequately reserved for such problem assets. However, management recognizes that many factors can adversely impact various segments of our markets, creating financial difficulties for certain borrowers. As such, management continues to focus its attention on promptly identifying and providing for potential losses as they arise.

Investment Securities

In 2007, our average investment portfolio increased \$1.7 million, or 0.9%, from 2006 and decreased \$4.6 million, or 2.4%, from 2005 to 2006. As a percentage of average earning assets, the investment portfolio represented 8.6% in 2007, compared to 8.3% in 2006. In 2007, the increase in the average balance of the investment portfolio was primarily due to the reinvestment of a portion of the interest earned on these investments. In 2006, the decline in the average balance of the investment portfolio was primarily due to the timing of reinvesting maturities. In 2008, we will closely monitor liquidity levels to assess the need to purchase additional investments.

In 2007, average taxable investments decreased \$8.6 million, or 7.6%, while tax-exempt investments increased \$10.2 million, or 13.7%. We changed the mix because tax-exempt securities offered a more attractive spread compared to taxable securities during the year. Management will continue to purchase "bank qualified" municipal issues when it considers the yield to be attractive and we can do so without adversely impacting our tax position. As of December 31, 2007, we have the ability to purchase additional tax-exempt securities without adverse tax consequences.

The investment portfolio is a significant component of our operations and, as such, it functions as a key element of liquidity and asset/liability management. As of December 31, 2007, all securities are classified as available-for-sale. The classification of securities as available-for-sale offers management full flexibility in managing our liquidity and interest rate sensitivity without adversely impacting our regulatory capital levels. Securities in the available-for-sale portfolio are recorded at fair value with unrealized gains and losses associated with these securities recorded net of tax, in the accumulated other comprehensive loss component of shareowners' equity. At December 31, 2007, shareowners' equity included a net unrealized gain in the investment portfolio of \$0.4 million, compared to a net unrealized loss of \$0.8 million at December 31, 2006. It is neither management's intent nor practice to participate in the trading of investment securities for the purpose of recognizing gains and therefore we do not maintain a trading portfolio.

The average maturity of the total portfolio at December 31, 2007 and 2006 was 1.63 and 1.75 years, respectively. See Table 10 for a breakdown of maturities by investment type.

The weighted average taxable equivalent yield of the investment portfolio at December 31, 2007 was 5.08%, versus 4.72% in 2006. The higher rates for the first three quarters allowed purchases of securities with yields higher than those of maturing bonds. The fed rate cuts will have an unfavorable impact on investment income in 2008. The quality of the municipal portfolio at year-end is depicted on page 41. There were no investments in obligations, other than U.S. Governments, of any one state, municipality, political subdivision or any other issuer that exceeded 10% of our shareowners' equity at December 31, 2007. Due diligence is continually performed on the investment portfolio, namely the municipal bonds. Special attention is given to municipal bond insurers to ensure diversification, and the strength of the bonds' underlying rating is being considered in any new purchases. Our mortgage bank security portfolio is high quality and has no subprime market exposure.

Table 10 and Note 2 in the Notes to Consolidated Financial Statements present a detailed analysis of our investment securities as to type, maturity and yield.

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Table 10
MATURITY DISTRIBUTION OF INVESTMENT SECURITIES

(Dollars in Thousands)	2007			As of December 31, 2006			2005		
	Amortized Cost	Market Value	Weighted(1) Average Yield	Amortized Cost	Market Value	Weighted(1) Average Yield	Amortized Cost	Market Value	Weighted(1) Average Yield
U.S. GOVERNMENTS									
Due in 1 year or less	\$ 36,441	\$ 36,570	4.62%	\$ 17,329	\$ 17,150	3.45%	\$ 58,032	\$ 57,621	2.30%
Due over 1 year through 5 years	25,264	25,493	4.46	56,388	55,978	4.64	24,296	23,662	3.52
Due over 5 years through 10 years	-	-	-	-	-	-	1,970	1,948	3.57
Due over 10 years	-	-	-	-	-	-	-	-	-
TOTAL	61,705	62,063	4.56%	73,717	73,128	4.36	84,298	83,231	2.68
STATES & POLITICAL SUBDIVISIONS									
Due in 1 year or less	25,675	25,697	5.19	31,438	31,300	4.21	21,097	21,048	4.66
Due over 1 year through 5 years	64,339	64,304	5.38	52,183	51,922	5.25	32,130	31,702	4.11
Due over 5 years through 10 years	-	-	-	-	-	-	384	393	6.53
Due over 10 years	-	-	-	-	-	-	-	-	-
TOTAL	90,014	90,001	5.32%	83,621	83,222	4.86	53,611	53,143	4.34
MORTGAGE-BACKED SECURITIES(2)									
Due in 1 year or less	4,125	4,117	4.23	3,568	3,571	5.37	339	337	3.97
Due over 1 year through 5 years	15,043	15,070	4.89	14,942	14,732	4.58	14,958	14,685	4.12
Due over 5 years through 10 years	7,166	7,100	5.21	4,734	4,593	5.02	5,651	5,509	5.09
Due over 10 years	-	-	-	-	-	-	-	-	-
TOTAL	26,334	26,287	4.87%	23,244	22,896	4.79	20,948	20,531	4.38
OTHER SECURITIES									
Due in 1 year or less	-	-	-	-	-	-	-	-	-
Due over 1 year through 5 years	-	-	-	-	-	-	-	-	-
Due over 5 years through 10 years	1,000	1,061	5.00	-	-	-	-	-	-
Due over 10 years(3)	11,307	11,307	5.90	12,648	12,648	5.78	-	-	-