LIBERTY ALL STAR GROWTH FUND INC.
Form 4
September 12, 2016

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
DST SYSTEMS INC

(Last) (First) (Middle)

333 WEST 11TH STREET, 5TH FL

(Street)

KANSAS CITY, MO 64105-1594

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
LIBERTY ALL STAR GROWTH FUND INC. [ASG]

3. Date of Earliest Transaction (Month/Day/Year)
09/09/2016

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
_____ Officer (give title below) __X__ Other (specify below)
Affiliate of the Inv Adviser

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Shares of Common Stock	09/09/2016		G		116,550	D	$ 0 (1)	2,643,739	I	By West Side Investment Management, Inc. (2)

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
DST SYSTEMS INC 333 WEST 11TH STREET 5TH FL KANSAS CITY, MO 64105-1594				Affiliate of the Inv Adviser

Signatures

/s/ Gregg William Givens, SVP, CFO, Treasurer on behalf of DST Systems, Inc.	09/09/2016
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) On September 9th, 2016, the reporting shareholder made a gift of 116,550 shares to a charitable organization.

(2) Shares owned by DST Systems, Inc. are held by West Side Investment Management, Inc. a Nevada corporation and a wholly owned subsidiary of DST Systems, Inc.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. >$1,618,184 $330,074 $197,590 $52,203 $31,839 $42,378 $2,272,268 $2,357,165

Average Interest Rate

4.27% 7.31% 7.21% 8.06% 8.23% 7.21% 5.16%

Deposits(4)

Fixed Rate Deposits

$409,537 $43,005 $11,476 $2,619 $2,073 $158 $468,868 $420,251

Average Interest Rate

4.31% 4.22% 3.99% 4.05% 3.96% 4.91% 4.29%

Floating Rate Deposits	1,240,914	-	-	-	-	-	1,240,914	1,240,914
Average Interest Rate	2.25%	-	-	-	-	-	2.25%	
Other Interest Bearing								
Liabilities								
Fixed Rate Debt	2,977	3,368	3,120	3,077	3,233	10,956	26,731	28,284
Average Interest Rate	4.82%	4.84%	4.89%	4.97%	4.97%	4.90%	4.90%	
Floating Rate Debt	52,553	31,506	31,959		-	-	116,018	116,393
Average Interest Rate	3.71%	2.99%	6.07%	6.07%	-	-	3.35%	
Total Financial Liabilities	$1,705,981	$77,879	$46,555	$5,696	$5,306	$11,114	$1,852,531	$1,805,842
Average interest Rate	2.80%	2.54%	5.48%	4.55%	4.57%	4.90%	2.88%	

(1) Based upon expected cash flows unless otherwise indicated.

(2) Based upon a combination of expected maturities and re-pricing opportunities.

(3) Based upon contractual maturity, except for callable and floating rate securities, which are based on expected maturity and weighted average life, respectively.

(4) Savings, NOW and money market accounts can be re-priced at any time, therefore, all such balances are included as floating rate deposits. Time deposit balances are classified according to maturity.

(5) Fair value of loans does not include a reduction for the allowance for loan losses.

Explanation of Responses:

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Item 8. Financial Statements and Supplementary Data

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QUARTERLY FINANCIAL DATA (Unaudited)

	2007				2006			
(Dollars in Thousands, Except Per Share Data)	Fourth	Third	Second	First	Fourth	Third	Second	First
Summary of Operations:								
Interest Income	$ 40,786	$ 41,299	$ 41,724	$ 41,514	$ 42,600	$ 42,512	$ 41,369	$ 39,4
Interest Expense	13,241	13,389	13,263	13,189	13,003	12,289	11,182	10,2
Net Interest Income	27,545	27,910	28,461	28,325	29,597	30,223	30,187	29,1
Provision for Loan Losses	1,699	1,552	1,675	1,237	460	711	121	6
Net Interest Income After Provision for Loan Losses	25,846	26,358	26,786	27,088	29,137	29,512	30,066	28,4
Noninterest Income	15,823	14,431	15,084	13,962	14,385	14,144	14,003	13,0
Noninterest Expense	31,614	29,919	29,897	30,562	29,984	30,422	31,070	30,0
Income Before Provision for Income Taxes	10,055	10,870	11,973	10,488	13,538	13,234	12,999	11,4
Provision for Income Taxes	2,391	3,699	4,082	3,531	4,688	4,554	4,684	3,9
Net Income	$ 7,664	$ 7,171	$ 7,891	$ 6,957	$ 8,850	$ 8,680	$ 8,315	$ 7,4
Net Interest Income (FTE)	$ 28,196	$ 28,517	$ 29,050	$ 28,898	$ 30,152	$ 30,745	$ 30,591	$ 29,4
Per Common Share:								
	$ 0.44	$ 0.41	$ 0.43	$ 0.38	$ 0.48	$ 0.47	$ 0.44	$ 0.

Net Income Basic								
Net Income Diluted	0.44	0.41	0.43	0.38	0.48	0.47	0.44	0.
Dividends Declared	0.185	0.175	0.175	0.175	0.175	0.163	0.163	0.1
Diluted Book Value	17.03	16.95	16.87	16.97	17.01	17.18	16.81	16.
Market Price:								
High	34.00	36.40	33.69	35.91	35.98	33.25	35.39	37.
Low	24.60	27.69	29.12	29.79	30.14	29.87	29.51	33.
Close	28.22	31.20	31.34	33.30	35.30	31.10	30.20	35.
Selected Average Balances:								
Loans	$ 1,908,069	$ 1,907,235	$ 1,944,969	$ 1,980,224	$ 2,003,719	$ 2,025,112	$ 2,040,656	$ 2,048,6
Earning Assets	2,191,230	2,144,737	2,187,236	2,211,560	2,238,066	2,241,158	2,278,817	2,275,6
Assets	2,519,682	2,467,703	2,511,252	2,530,790	2,557,357	2,560,155	2,603,090	2,604,4
Deposits	2,016,736	1,954,160	1,987,418	2,003,726	2,028,453	2,023,523	2,047,755	2,040,2
Shareowners’ Equity	299,342	301,536	309,352	316,484	323,903	318,041	315,794	311,4
Common Equivalent Average Shares:								
Basic	17,444	17,709	18,089	18,409	18,525	18,530	18,633	18,6
Diluted	17,445	17,719	18,089	18,420	18,569	18,565	18,653	18,6
Ratios:								
Return on Assets	1.21%	1.15%	1.26%	1.11%	1.37%	1.35%	1.28%	1.
Return on Equity	10.16%	9.44%	10.23%	8.91%	10.84%	10.83%	10.56%	9.
Net Interest Margin (FTE)	5.10%	5.27%	5.33%	5.29%	5.35%	5.45%	5.38%	5.
Efficiency Ratio	68.51%	66.27%	64.44%	67.90%	63.99%	64.35%	66.23%	67.

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CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED FINANCIAL STATEMENTS

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Capital City Bank Group, Inc.

We have audited the accompanying consolidated statement of financial condition of Capital City Bank Group, Inc. and subsidiary as of December 31, 2007, and the related consolidated statements of income, changes in shareowners' equity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Capital City Bank Group, Inc. and subsidiary at December 31, 2007 and the consolidated results of their operations and their cash flows for the year ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Capital City Bank Group, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Birmingham, Alabama
March 13, 2008

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Report of Independent Registered Public Accounting Firm

The Board of Directors
Capital City Bank Group, Inc.:

We have audited the accompanying consolidated statement of financial condition of Capital City Bank Group, Inc. and subsidiary (the Company) as of December 31, 2006 and the related consolidated statements of income, changes in shareowners' equity and cash flows for the years ended December 31, 2006 and 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital City Bank Group, Inc. and subsidiary as of December 31, 2006 and the results of their operations and their cash flows for the years ended December 31, 2006 and 2005, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the consolidated financial statements, the Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 123R, Share Based Payment, as of January 1, 2006, SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132R, as of December 31, 2006 and Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, as of January 1, 2006.

/s/ KPMG LLP

Orlando, Florida
March 14, 2007
Certified Public Accountants

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

(Dollars in Thousands)	As of December 31, 2007	2006
ASSETS		
Cash and Due From Banks	$ 93,437	$ 98,769
Federal Funds Sold and Interest Bearing Deposits	166,260	78,795
Total Cash and Cash Equivalents	259,697	177,564
Investment Securities, Available-for-Sale	190,719	191,894
Loans, Net of Unearned Interest	1,915,850	1,999,721
Allowance for Loan Losses	(18,066)	(17,217)
Loans, Net	1,897,784	1,982,504
Premises and Equipment, Net	98,612	86,538
Goodwill	84,811	84,811
Other Intangible Assets	13,757	19,591
Other Assets	70,947	55,008
Total Assets	$ 2,616,327	$ 2,597,910
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$ 432,659	$ 490,014
Interest Bearing Deposits	1,709,685	1,591,640
Total Deposits	2,142,344	2,081,654
Short-Term Borrowings	53,131	65,023
Subordinated Notes Payable	62,887	62,887
Other Long-Term Borrowings	26,731	43,083
Other Liabilities	38,559	29,493
Total Liabilities	2,323,652	2,282,140
SHAREOWNERS' EQUITY		
Preferred Stock, $.01 par value; 3,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, $.01 par value; 90,000,000 shares authorized; 17,182,553 and 18,518,398 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively	172	185
Additional Paid-In Capital	38,243	80,654
Retained Earnings	260,325	243,242
Accumulated Other Comprehensive Loss, Net of Tax	(6,065)	(8,311)
Total Shareowners' Equity	292,675	315,770
Total Liabilities and Shareowners' Equity	$ 2,616,327	$ 2,597,910

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

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Explanation of Responses:

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CAPITAL CITY BANK GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in Thousands, Except Per Share Data)(1)	For the Years Ended December 31, 2007	2006	2005
INTEREST INCOME			
Interest and Fees on Loans	$ 154,567	$ 156,666	$ 133,268
Investment Securities:			
U.S. Treasury	574	453	412
U.S. Government Agencies and Corporations	3,628	3,605	3,223
States and Political Subdivisions	2,894	2,337	1,545
Other Securities	747	793	614
Funds Sold	2,913	2,039	991
Total Interest Income	165,323	165,893	140,053
INTEREST EXPENSE			
Deposits	44,687	37,253	21,134
Short-Term Borrowings	2,871	3,075	2,854
Subordinated Notes Payable	3,730	3,725	2,981
Other Long-Term Borrowings	1,794	2,704	3,094
Total Interest Expense	53,082	46,757	30,063
NET INTEREST INCOME	112,241	119,136	109,990
Provision for Loan Losses	6,163	1,959	2,507
Net Interest Income After Provision for Loan Losses	106,078	117,177	107,483
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
Securities Transactions	14	(4)	9
Mortgage Banking Revenues	2,596	3,235	4,072
Bank Card Fees	13,706	12,602	10,619
Other	9,021	7,801	6,729
Total Noninterest Income	59,300	55,577	49,198
NONINTEREST EXPENSE			
Salaries and Associate Benefits	60,279	60,855	53,687
Occupancy, Net	9,347	9,395	8,293
Furniture and Equipment	9,890	9,911	8,970
Intangible Amortization	5,834	6,085	5,440
Merger Expense	-	-	438
Other	36,642	35,322	32,986
Total 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
Average Basic Common Shares Outstanding		17,909		18,585		18,264
Average Diluted Common Shares Outstanding		17,912		18,610		18,281

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

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

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

(Dollars in Thousands, Except Per Share Data)(1)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net of Taxes	Total
Balance, December 31, 2004	$ 177	$ 52,328	$ 204,648	$ (353	$ 256,800
Comprehensive Income:					
Net Income	-	-	30,281	-	-
Net Change in Unrealized Loss On Available-for-Sale Securities (net of tax)	-	-	-	(893)	-
Total Comprehensive Income	-	-	-	-	29,388
Cash Dividends ($.584 per share)	-	-	(11,397)	-	(11,397)
Stock Performance Plan Compensation	-	968	-	-	968
Issuance of Common Stock	9	30,008	-	-	30,017
Balance, December 31, 2005	186	83,304	223,532	(1,246)	305,776
Cumulative Effect Adjustment upon adoption of SAB No. 108 (net of tax)	-	-	(1,233)	-	(1,233)
Balance (adjusted), December 31, 2005	186	83,304	222,299	(1,246)	304,543
Comprehensive Income:					
Net Income	-	-	33,265	-	-
Net Change in Unrealized Loss On Available-for-Sale Securities (net of tax)	-	-	-	412	-
Total Comprehensive Income	-	-	-	-	33,677
Establish Pension Liability upon adoption of SFAS No. 158 (net of tax)	-	-	-	(7,477)	(7,477)
Cash Dividends ($.663 per share)	-	-	(12,322)	-	(12,322)
Stock Performance Plan Compensation	-	1,673	-	-	1,673
Issuance of Common Stock	1	1,035	-	-	1,036
Repurchase of Common Stock	(2)	(5,358)	-	-	(5,360)
Balance, December 31, 2006	185	80,654	243,242	(8,311)	315,770
Comprehensive Income:					
Net Income	-	-	29,683	-	-
Net Change in Unrealized Loss On Available-for-Sale Securities (net of tax)	-	-	-	1,080	
Net Change in Funded Status of Defined Pension Plan and SERP Plan (net of tax)	-	-	-	1,166	
Total Comprehensive Income	-	-	-	-	31,929
Miscellaneous – Other	-	-	223	-	223
Cash Dividends ($.710 per share)	-	-	(12,823)	-	(12,823)
Stock Performance Plan Compensation	-	265	-	-	265
Issuance of Common Stock	1	571	-	-	572
Repurchase of Common Stock	(14)	(43,247)	-	-	(43,261)

Balance, December 31, 2007	$	172	$	38,243	$	260,325	$	(6,065)	$	292,675

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

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

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

(Dollars in Thousands)	For the Years Ended December 31, 2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 29,683	$ 33,265	$ 30,281
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:			
Provision for Loan Losses	6,163	1,959	2,507
Depreciation	6,338	6,795	5,899
Net Securities Amortization	279	582	1,454
Amortization of Intangible Assets	5,834	6,085	5,440
(Gain)Loss on Securities Transactions	(14)	4	(9)
Origination of Loans Held-for-Sale	(158,390)	(190,945)	(219,171)
Proceeds From Sales of Loans Held-for-Sale	162,835	194,569	227,853
Net Gain From Sales of Loans Held-for Sale	(2,596)	(3,235)	(4,072)
Non-Cash Compensation	265	1,673	968
Deferred Income Taxes	1,328	1,614	182
Net Increase in Other Assets	(12,894)	(11,327)	(11,839)
Net Increase in Other Liabilities	8,115	5,148	9,264
Net Cash Provided by Operating Activities	46,946	46,187	48,757
CASH FLOWS FROM INVESTING ACTIVITIES:			
Securities Available-for-Sale:			
Purchases	(56,289)	(102,628)	(45,717)
Sales	-	283	35,142
Payments, Maturities, and Calls	58,894	81,500	81,783
Net Decrease (Increase) in Loans	74,058	64,213	(127,715)
Net Cash Acquired From Acquisitions	-	-	37,412
Purchase of Premises & Equipment	(18,613)	(20,145)	(18,336)
Proceeds From Sales of Premises & Equipment	203	630	897
Net Cash Provided By (Used In) Investing Activities	58,253	23,853	(36,534)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Increase (Decrease) in Deposits	60,690	2,308	(17,125)
Net Decrease in Short-Term Borrowings	(12,263)	(31,412)	(33,085)
Proceeds from Subordinated Notes Payable	-	-	31,959
(Decrease) Increase in Other Long-Term Borrowings	(10,618)	3,250	23,600
Repayment of Other Long-Term Borrowings	(5,363)	(16,335)	(2,380)
Dividends Paid	(12,823)	(12,322)	(11,397)
Repurchase of Common Stock	(43,261)	(5,360)	-
Issuance of Common Stock	572	1,036	1,019
Net Cash Used In Financing Activities	(23,066)	(58,835)	(7,409)
NET CHANGE IN CASH AND CASH EQUIVALENTS	82,133	11,205	4,814
Cash and Cash Equivalents at Beginning of Year	177,564	166,359	161,545

Cash and Cash Equivalents at End of Year	$	259,697	$	177,564	$	166,359
SUPPLEMENTAL DISCLOSURES:						
Interest Paid on Deposits	$	44,510	$	36,509	$	19,964
Interest Paid on Debt	$	8,463	$	9,688	$	8,754
Taxes Paid	$	12,431	$	16,797	$	15,923
Loans Transferred to Other Real Estate	$	3,494	$	1,018	$	2,689
Cumulative Effect Adjustment to Beginning Retained Earnings – SAB 108	$	-	$	1,233	$	-
Cumulative Effect Adjustment to Other Comprehensive Income to Record Minimum Pension Liability – SFAS 158	$	-	$	7,477	$	-
Issuance of Common Stock as Non-Cash Compensation	$	1,160	$	711	$	339
Transfer of Current Portion of Long-Term Borrowings to Short-Term Borrowings	$	12,318	$	13,061	$	20,043

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

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Notes to Consolidated Financial Statements

Note 1
SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Capital City Bank Group, Inc. ("CCBG"), and its wholly-owned subsidiary, Capital City Bank ("CCB" or the "Bank" and together with CCBG, the "Company"). All material inter-company transactions and accounts have been eliminated.

The Company, which operates in a single reportable business segment comprised of commercial banking within the states of Florida, Georgia, and Alabama, follows accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. The principles which materially affect the financial position, results of operations and cash flows are summarized below.

The Company determines whether it has a controlling financial interest in an entity by first evaluating whether the entity is a voting interest entity or a variable interest entity under accounting principles generally accepted in the United States of America. Voting interest entities are entities in which the total equity investment at risk is sufficient to enable the entity to finance itself independently and provide the equity holders with the obligation to absorb losses, the right to receive residual returns and the right to make decisions about the entity’s activities. The Company consolidates voting interest entities in which it has all, or at least a majority of, the voting interest. As defined in applicable accounting standards, variable interest entities (VIEs) are entities that lack one or more of the characteristics of a voting interest entity. A controlling financial interest in an entity is present when an enterprise has a variable interest, or a combination of variable interests, that will absorb a majority of the entity’s expected losses, receive a majority of the entity’s expected residual returns, or both. The enterprise with a controlling financial interest, known as the primary beneficiary, consolidates the VIE. CCBG's wholly-owned subsidiaries, CCBG Capital Trust I (established November 1, 2004) and CCBG Capital Trust II (established May 24, 2005) are VIEs for which the Company is not the primary beneficiary. Accordingly, the accounts of these entities are not included in the Company’s consolidated financial statements.

Certain items in prior financial statements have been reclassified to conform to the current presentation. All acquisitions during the reported periods were accounted for using the purchase method. Accordingly, the operating results of the acquired companies are included with the Company’s results of operations since their respective dates of acquisition.

On July 1, 2005, the Company executed a five-for-four stock split in the form of a 25% stock dividend, payable to shareowners of record as of the close of business on June 17, 2005. All share, per share, and shareowners' equity data have been adjusted to reflect the stock split.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from these estimates. Material estimates that are particularly susceptible to significant changes in the near-term relate to the determination of the allowance for loan losses, income taxes, loss contingencies, and valuation of goodwill and other

intangibles and their respective analysis of impairment.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods and all other cash equivalents have a maturity of 90 days or less. The Company is required to maintain average reserve balances with the Federal Reserve Bank based upon a percentage of deposits. The average amounts of these reserve balances for the years ended December 31, 2007 and 2006 were $25.8 million and $18.7 million, respectively.

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Investment Securities

Investment securities available-for-sale is carried at fair value and represents securities that are available to meet liquidity and/or other needs of the Company. Gains and losses are recognized and reported separately in the Consolidated Statements of Income upon realization or when impairment of values is deemed to be other than temporary. In estimating other-than-temporary impairment losses, management considers, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer, and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for anticipated recovery in fair value. Gains or losses are recognized using the specific identification method. Unrealized holding gains and losses for securities available-for-sale are excluded from the Consolidated Statements of Income and reported net of taxes in the accumulated other comprehensive income component of shareowners' equity until realized. Accretion and amortization are recognized on the effective yield method over the life of the securities.

Loans

Loans are stated at the principal amount outstanding, net of unearned income. Interest income is accrued on the effective yield method based on outstanding balances. Fees charged to originate loans and direct loan origination costs are deferred and amortized over the life of the loan as a yield adjustment. The Company defines loans as past due when one full payment is past due or a contractual maturity is over 30 days late. The accrual of interest is generally suspended on loans more than 90 days past due with respect to principal or interest. When a loan is placed on nonaccrual status, all previously accrued and uncollected interest is reversed against current income. Interest income on nonaccrual loans is recognized on a cash basis when the ultimate collectability is no longer considered doubtful. Loans are returned to accrual status when the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Loans are charged-off (if unsecured) or written-down (if secured) when losses are probable and reasonably quantifiable.

Loans Held For Sale

Certain residential mortgage loans are originated for sale in the secondary mortgage loan market. Additionally, certain other loans are periodically identified to be sold. The Company has the ability and intent to sell these loans and they are classified as loans held for sale and carried at the lower of cost or estimated fair value. At December 31, 2007 and December 31, 2006, the Company had $2.8 million and $4.2 million, respectively, in loans classified as held for sale which were committed to be purchased by third party investors. Fair value is determined on the basis of rates quoted in the respective secondary market for the type of loan held for sale. Loans are generally sold with servicing released at a premium or discount from the carrying amount of the loans. Such premium or discount is recognized as mortgage banking revenue at the date of sale. Fixed commitments may be used at the time loans are originated or identified for sale to mitigate interest rate risk. The fair value of fixed commitments to originate and sell loans held for sale is not material.

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance is that amount considered adequate to absorb losses inherent in the loan portfolio based on management's evaluation of credit risk as of the balance sheet date.

The allowance for loan losses includes allowance allocations calculated in accordance with Statement of Financial Accounting Standards ("SFAS") No. 114, "Accounting by Creditors for Impairment of a Loan," as amended by SFAS 118, and allowance allocations calculated in accordance with SFAS 5, "Accounting for Contingencies." The level of the allowance reflects management's continuing evaluation of specific credit risks, loan loss experience, current loan portfolio quality, present economic conditions and unidentified losses inherent in the current loan portfolio, as well as trends in the foregoing. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

The Company's allowance for loan losses consists of three components: (i) specific valuation allowances established for probable losses on specific loans deemed impaired; (ii) valuation allowances calculated for specific homogenous loan pools based on, but not limited to, historical loan loss experience, current economic conditions, levels of past due loans, and levels of problem loans; (iv) an unallocated allowance that reflects management's determination of estimation risk.

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Long-Lived Assets

Premises and equipment is stated at cost less accumulated depreciation, computed on the straight-line method over the estimated useful lives for each type of asset with premises being depreciated over a range of 10 to 40 years, and equipment being depreciated over a range of 3 to 10 years. Additions, renovations and leasehold improvements to premises are capitalized and depreciated over the lesser of the useful life or the remaining lease term. Repairs and maintenance are charged to noninterest expense as incurred.

Intangible assets, other than goodwill, consist of core deposit intangible assets, and client relationship and non-compete assets that were recognized in connection with various acquisitions. Core deposit intangible assets are amortized on the straight-line method over various periods, with the majority being amortized over an average of 5 to 10 years. Other identifiable intangibles are amortized on the straight-line method over their estimated useful lives.

Long-lived assets are evaluated for impairment if circumstances suggest that their carrying value may not be recoverable, by comparing the carrying value to estimated undiscounted cash flows. If the asset is deemed impaired, an impairment charge is recorded equal to the carrying value less the fair value.

Goodwill

Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") prohibits the Company from amortizing goodwill and requires the Company to identify reporting units to which the goodwill relates for purposes of assessing potential impairment of goodwill on an annual basis, or more frequently, if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. In accordance with the guidelines in SFAS 142, the Company determined it has one goodwill reporting unit. As of December 31, 2007, the Company performed its annual impairment review and concluded that no impairment adjustment was necessary.

Foreclosed Assets

Assets acquired through or instead of loan foreclosure are held for sale and are initially recorded at the lower of cost or fair value less estimated selling costs when acquired. Costs after acquisition are generally expensed. If the fair value of the asset declines, a write-down is recorded through expense. The valuation of foreclosed assets is subjective in nature and may be adjusted in the future because of changes in economic conditions. Foreclosed assets are included in other assets in the accompanying consolidated balance sheets and totaled $3.0 million and $0.7 million at December 31, 2007 and 2006.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated.

Income Taxes

The Company files a consolidated federal income tax return and each subsidiary files a separate state income tax return.

Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax amounts for the temporary differences

between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount that is expected to be realized. Deferred tax assets are recognized for net operating losses that expires beginning in 2022 because the benefit is more likely than not to be realized.

The Company adopted FASB Interpretation 48, Accounting for Uncertainty in Income Taxes (“FIN 48”), as of January 1, 2007. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no material affect on the Company’s financial statements.

The Company recognizes interest and/or penalties related to income tax matters in income tax expense.

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Earnings Per Common Share

Basic earnings per common share is based on net income divided by the weighted-average number of common shares outstanding during the period excluding non-vested stock. Diluted earnings per common share include the dilutive effect of stock options and non-vested stock awards granted using the treasury stock method. A reconciliation of the weighted-average shares used in calculating basic earnings per common share and the weighted average common shares used in calculating diluted earnings per common share for the reported periods is provided in Note 13 — Earnings Per Share.

Comprehensive Income

Comprehensive income includes all changes in shareowners' equity during a period, except those resulting from transactions with shareholders. Besides net income, other components of the Company's comprehensive income include the after tax effect of changes in the net unrealized gain/loss on securities available for sale and changes in the funded status of defined benefit and SERP plans. Comprehensive income is reported in the accompanying consolidated statements of changes in shareowners' equity.

In the Company's 2006 Form 10-K, a SFAS 158 transition adjustment in the amount of $(7,477), net of tax, was recognized as a component of 2006 Comprehensive Income in the Consolidated Statements of Changes in Shareowners' Equity and in Note 21 – Comprehensive Income. This adjustment was misapplied as a component of 2006 Comprehensive Income. The table below reflects the misapplication of this adjustment at December 31, 2006.

	As Reported	Misapplied	As Revised
Statements of Changes in Stockholders' Equity - Comprehensive Income	$ 26,200	$ 7,477	$ 33,677
Note 21 – Comprehensive Income – Net Other Comprehensive Gain (Loss)	$ (7,065)	$ 7,477	$ 412

The Company has corrected the Comprehensive Income presentation in the appropriate schedules within the 2007 Form 10-K. These corrections did not have an affect on the Consolidated Statements of Financial Condition or Consolidated Statements of Income.

Stock Based Compensation

On January 1, 2006, the Company changed its accounting policy related to stock-based compensation in connection with the adoption of Statement of Financial Accounting Standards No. 123R, "Share-Based Payment (Revised 2004)" ("SFAS 123R"). See Note 11 – Stock-Based Compensation for additional information.

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Recent Accounting Pronouncements

Statement of Financial Accounting Standards (“SFAS’)

SFAS No. 141, “Business Combinations (Revised 2007).” SFAS 141R replaces SFAS 141, “Business Combinations,” and applies to all transactions and other events in which one entity obtains control over one or more other businesses. SFAS 141R requires an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration is required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under SFAS 141 whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value. SFAS 141R requires acquirers to expense acquisition-related costs as incurred rather than allocating such costs to the assets acquired and liabilities assumed, as was previously the case under SFAS 141. Under SFAS 141R, the requirements of SFAS 146, Accounting for Costs Associated with Exit or Disposal Activities,” would have to be met in order to accrue for a restructuring plan in purchase accounting. Pre-acquisition contingencies are to be recognized at fair value, unless it is a non-contractual contingency that is not likely to materialize, in which case, nothing should be recognized in purchase accounting and, instead, that contingency would be subject to the probable and estimable recognition criteria of SFAS 5, “Accounting for Contingencies.” SFAS 141R is effective for business combinations closing on or after January 1, 2009. The Company is in the process of reviewing the impact of SFAS 141R.

SFAS No. 154, “Accounting Changes and Error Corrections, a Replacement of APB Opinion No. 20 and FASB Statement No. 3.” SFAS 154 establishes, unless impracticable, retrospective application as the required method for reporting a change in accounting principle in the absence of explicit transition requirements specific to a newly adopted accounting principle. Previously, most changes in accounting principle were recognized by including the cumulative effect of changing to the new accounting principle in net income of the period of the change. SFAS 154 carries forward the guidance in APB Opinion 20 “Accounting Changes,” requiring justification of a change in accounting principle on the basis of preferability. SFAS 154 also carries forward without change the guidance contained in APB Opinion 20, for reporting the correction of an error in previously issued financial statements and for a change in an accounting estimate. The adoption of SFAS 154 on January 1, 2006 did not significantly impact the Company’s financial statements.

SFAS No. 157, "Fair Value Measurements." SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective on January 1, 2008 and is not expected to have a significant impact on the Company’s financial statements.

SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of Financial Accounting Standards Board (“FASB”) Statements No. 87, 88 106, and 132(R)." SFAS 158 requires an employer to recognize the over-funded or under-funded status of defined benefit postretirement plans as an asset or a liability in its statement of financial position. The funded status is measured as the difference between plan assets at fair value and the benefit obligation (the projected benefit obligation for pension plans or the accumulated benefit obligation for other postretirement benefit plans). An employer is also required to measure the funded status of a plan as of the date of its year-end statement of financial position with changes in the funded status recognized through comprehensive income. SFAS 158 also requires certain disclosures regarding the effects on net periodic benefit cost for the next fiscal year that arise from delayed recognition of gains or losses, prior service costs or credits, and the transition asset or obligation. The Company recognized the funded status of their defined benefit pension plan in the financial statements for the year ended December 31, 2006.

SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities-Including an amendment of FASB Statement No. 115." SFAS 159 permits entities to choose to measure eligible items at fair value at specified election dates. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings at each subsequent reporting date. The fair value option (i) may be applied instrument by instrument, with certain exceptions, (ii) is irrevocable (unless a new election date occurs) and (iii) is applied only to entire instruments and not to portions of instruments. SFAS 159 is effective January 1, 2008 and is not expected to have a significant impact on the Company's financial statements.

SFAS No. 160, "Noncontrolling Interest in Consolidated Financial Statements, an amendment of ARB Statement No. 51." SFAS 160 amends Accounting Research Bulletin (ARB) No. 51, "Consolidated Financial Statements," to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. SFAS 160 clarifies that a non-controlling interest in a subsidiary, which is sometimes referred to as minority interest, is an ownership interest in the consolidated entity that should be reported as a component of equity in the consolidated financial statements. Among other requirements, SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the non-controlling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the non-controlling interest. SFAS 160 is effective on January 1, 2009 and is not expected to have a significant impact on the Company's financial statements.

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Financial Accounting Standards Board Interpretations

In July 2006, the FASB issued FIN 48 which defines the threshold for recognizing the benefits of tax return positions in the financial statements as "more-likely-than-not" to be sustained by the taxing authority. The recently issued literature also provides guidance on the de-recognition, measurement and classification of income tax uncertainties, along with any related interest and penalties. FIN 48 also includes guidance concerning accounting for income tax uncertainties in interim periods and increases the level of disclosures associated with any recorded income tax uncertainties. The differences between the amounts recognized in the statements of financial position prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. FIN 48 became effective in the first quarter of 2007 and did not have a material impact on the Company's financial statements.

Emerging Issues Task Force

In March 2007, the FASB ratified the consensus the Emerging Issues Task Force ("EITF") reached regarding EITF Issue No. 06-10, "Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements" ("Issue 06-10"), which provides accounting guidance for postretirement benefits related to collateral assignment split-dollar life insurance arrangements, whereby the employee owns and controls the insurance policies. The consensus concludes that an employer should recognize a liability for the postretirement benefit in accordance with SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions" ("Statement 106") or Accounting Principles Board Opinion No. 12 ("APB 12"), as well as recognize an asset based on the substance of the arrangement with the employee. Issue 06-10 is effective for fiscal years beginning after December 15, 2007 with early application permitted. The Company is in the process of reviewing the potential impact of Issue 06-10.

In September 2006, the FASB ratified the consensus the EITF reached regarding EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements" ("Issue 06-4"), which provides accounting guidance for postretirement benefits related to endorsement split-dollar life insurance arrangements, whereby the employer owns and controls the insurance policies. The consensus concludes that an employer should recognize a liability for the postretirement benefit in accordance with Statement 106 or APB 12. In addition, the consensus states that an employer should also recognize an asset based on the substance of the arrangement with the employee. Issue 06-4 is effective for fiscal years beginning after December 15, 2007 with early application permitted. The Company is in the process of reviewing the potential impact of Issue 06-4.

In September 2006, the FASB ratified the consensus the EITF reached regarding EITF Issue No. 06-5, "Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4, Accounting for Purchases of Life Insurance." FASB Technical Bulletin No. 85-4 requires that the amount that could be realized under the insurance contract as of the date of the statement of financial position should be reported as an asset. Since the issuance of FASB Technical Bulletin No. 85-4, there has been diversity in practice in the calculation of the amount that could be realized under insurance contracts. Issue No. 06-5 concludes that the Company should consider any additional amounts (e.g., cash stabilization reserves and deferred acquisition cost taxes) included in the contractual terms of the insurance policy other than the cash surrender value in determining the amount that could be realized in accordance with FASB Technical Bulletin No. 85-4. The Company adopted this standard in the first quarter of 2007 with no significant impact on their financial statements.

SEC Staff Accounting Bulletin

Staff Accounting Bulletin (“SAB”) No. 108, "Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements." SAB 108 addresses how the effects of prior year uncorrected errors must be considered in quantifying misstatements in the current year financial statements. The effects of prior year uncorrected errors include the potential accumulation of improper amounts that may result in a material misstatement on the balance sheet or the reversal of prior period errors in the current period that result in a material misstatement of the current period income statement amounts. Adjustments to current or prior period financial statements would be required in the event that after application of various approaches for assessing materiality of a misstatement in current period financial statements and consideration of all relevant quantitative and qualitative factors, a misstatement is determined to be material. The Company adopted SAB 108 in December 2006 and analyzed the impact of prior uncorrected misstatements under the guidance set forth in the pronouncement.

Two techniques are used by companies in practice to accumulate and quantify misstatements — the “rollover” approach and the “iron curtain” approach. The rollover approach, which is the approach the Company previously used, quantifies a misstatement based on the amount of the error originating in the current year income statement. Thus, this approach ignores the effects of correcting the portion of the current year balance sheet misstatement that originated in prior years. The iron curtain approach quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement’s year(s) of origination. Subsequent to adoption, SAB No. 108 requires registrant’s to begin using both approaches to evaluate prior year misstatements.

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Use of the rollover approach by the Company resulted in an accumulation of misstatements to the Company's statements of financial condition that were deemed immaterial to the financial statements because the amounts that originated in each year were quantitatively and qualitatively immaterial. Under the iron curtain approach, the accumulation of misstatements, when aggregated, were deemed to be material to the Company's financial statements in the current reporting period.

The Company elected, as allowed under SAB 108, to reflect the effect of initially applying this guidance by adjusting the carrying amount of the impacted accounts as of the beginning of 2006 and recording an offsetting adjustment to the opening balance of retained earnings in 2006. The Company recorded a cumulative effect adjustment to decrease retained earnings by $1.2 million (after-tax) for the adoption of SAB 108. The Company evaluated the impact of these adjustments on previous periods presented in the consolidated financial statements, individually and in the aggregate, under the rollover method and concluded that they were immaterial to those periods' consolidated financial statements.

The following table presents a description of the two adjustments included in the cumulative adjustment to retained earnings. These adjustments were identified by management in the normal course of performing their internal control activities:

	Adjustment	Description	Years Impacted
Operating Leases	$ 715,000	Establish deferred rent payable due to difference in using straight-line accounting for operating leases (required per SFAS 13) versus cash-basis accounting	1990 - 2006
Supplies	$ 518,000	Overstatement of prepaid supply account due to improper recognition of sales tax and freight charges when supplies were used	1998 - 2006
Total	$ 1,233,000		

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Note 2
INVESTMENT SECURITIES

Investment Portfolio Composition. The amortized cost and related market value of investment securities available-for-sale at December 31, were as follows:

	2007			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 16,216	$ 97	$ -	$ 16,313
U.S. Government Agencies and Corporations	45,489	295	34	45,750
States and Political Subdivisions	90,014	164	177	90,001
Mortgage-Backed Securities	26,334	85	132	26,287
Other Securities(1)	12,307	61	0	12,368
Total Investment Securities	$ 190,360	$ 702	$ 343	$ 190,719

	2006			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 12,098	$ 16	$ 49	$ 12,065
U.S. Government Agencies and Corporations	61,619	37	593	61,063
States and Political Subdivisions	83,621	16	415	83,222
Mortgage-Backed Securities	23,244	23	371	22,896
Other Securities(1)	12,648	-	-	12,648
Total Investment Securities	$ 193,230	$ 92	$ 1,428	$ 191,894

(1) Includes FHLB and FRB stock recorded at cost of $6.5 million and $4.8 million, respectively, at December 31, 2007 and $7.8 million and $4.8 million, respectively, at December 31, 2006.

Securities with an amortized cost of $77.2 million and $87.6 million at December 31, 2007 and 2006, respectively, were pledged to secure public deposits and for other purposes.

The Company's subsidiary, Capital City Bank, as a member of the Federal Home Loan Bank ("FHLB") of Atlanta, is required to own capital stock in the FHLB of Atlanta based generally upon the balances of residential and commercial real estate loans, and FHLB advances. FHLB stock of $6.5 million which is included in other securities, is pledged to secure FHLB advances. No ready market exists for this stock, and it has no quoted market value. However, redemption of this stock has historically been at par value.

Investment Sales. The total proceeds from the sale or call of investment securities and the gross realized gains and losses from the sale or call of such securities for each of the last three years are as follows:

(Dollars in Thousands)	Year	Total Proceeds	Gross Realized Gains	Gross Realized Losses
	2007	$ 53,011	$ 14	$ -
	2006	$ 283	$ -	$ 4
	2005	$ 35,142	$ 9	$ -

Maturity Distribution. As of December 31, 2007, the Company's investment securities had the following maturity distribution based on contractual maturities:

(Dollars in Thousands)	Amortized Cost	Market Value
Due in one year or less	$ 66,240	$ 66,384
Due after one through five years	104,647	104,867
Due after five through ten years	8,166	8,161
No Maturity	11,307	11,307
Total Investment Securities	$ 190,360	$ 190,719

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

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Other Than Temporarily Impaired Securities. Securities with unrealized losses at year-end not recognized in income by period of time unrealized losses have existed are as follows:

	December 31, 2007					
	Less Than 12 months		Greater Than 12 Months		Total	
(Dollars in Thousands)	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
U.S. Treasury	$ 12,258	$ -	$ -	$ -	$ 12,258	$ -
U.S. Government Agencies and Corporations	39,278	16	6,471	18	45,749	34
States and Political Subdivisions	70,701	147	13,924	30	84,625	177
Mortgage-Backed Securities	14,058	4	10,376	128	24,434	132
Total Investment Securities	$ 136,295	$ 167	$ 30,771	$ 176	$ 167,066	$ 343

	December 31, 2006					
	Less Than 12 months		Greater Than 12 Months		Total	
(Dollars in Thousands)	Market Value	Unrealized Losses	Market Value	Unrealized Losses	Market Value	Unrealized Losses
U.S. Treasury	$ 12,065	$ 49	$ -	$ -	$ 12,065	$ 49
U.S. Government Agencies and Corporations	29,308	172	30,242	421	59,550	593
States and Political Subdivisions	46,576	219	30,087	196	76,663	415
Mortgage-Backed Securities	9,156	1	13,560	370	22,716	371
Total Investment Securities	$ 97,105	$ 441	$ 73,889	$ 987	$ 170,994	$ 1,428

At December 31, 2007, the Company had securities of $190.4 million with net unrealized gains of $.4 million on these securities. Of the total, $136.3 million with unrealized losses of $0.2 million have been in a loss position for less than 12 months and $30.8 million, with unrealized losses of $.2 million, have been in a loss position for longer than 12 months. The Company believes that these securities are only temporarily impaired and that the full principal will be collected as anticipated.

Of the total, $58.0 million, or 34.7%, is either a direct obligation of the U.S. Government or its agencies and are in a loss position because they were acquired when the general level of interest rates was lower than that on December 31, 2007. As of December 31, 2007, $24.4 million, or 14.6% are mortgage-backed securities that are obligations of U.S. Government sponsored entities. The mortgage-backed securities are in a loss position due to either the lower interest rate at time of purchase or due to accelerated prepayments driven by the low rate environment. The remaining $84.6 million, or 50.7%, of the securities in a loss position are municipal bonds which all maintain satisfactory ratings by a credit rating agency. The municipal bonds are also in a loss position due to the lower interest rate environment at the time of purchase.

Because the declines in the market value of these investments are attributable to changes in interest rates and not credit quality and because the Company has the ability and intent to hold these investments until there is a recovery in fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2007.

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Note 3
LOANS

Loan Portfolio Composition. At December 31, the composition of the Company's loan portfolio was as follows:

(Dollars in Thousands)	2007	2006
Commercial, Financial and Agricultural	$ 208,864	$ 229,327
Real Estate - Construction	142,248	179,072
Real Estate - Commercial Mortgage	634,920	643,885
Real Estate – Residential(1)	485,608	531,968
Real Estate - Home Equity	192,428	173,597
Real Estate - Loans Held-for-Sale	2,764	4,170
Consumer	249,018	237,702
Total Loans, Net of Unearned Interest	$ 1,915,850	$ 1,999,721

Net deferred fees included in loans at December 31, 2007 and December 31, 2006 were $1.6 million and $1.5 million, respectively.

(1) Includes loans in process with outstanding balances of $7.4 million and $11.5 million for 2007 and 2006, respectively.

Concentrations of Credit. Substantially all of the Company's lending activity occurs within the states of Florida, Georgia, and Alabama. A large majority of the Company's loan portfolio (76.1%) consists of loans secured by real estate, the primary types of collateral being commercial properties and residential properties. At December 31, 2007, commercial real estate mortgage loans and residential real estate mortgage loans accounted for 33.1% and 35.5% of the loan portfolio, respectively. As of December 31, 2007, there were no concentrations of loans related to any single borrower or industry in excess of 10% of total loans.

Nonperforming/Past Due Loans. Nonaccruing loans amounted to $25.1 million and $8.0 million, at December 31, 2007 and 2006, respectively. There were no restructured loans at December 31, 2007 or 2006. Interest on nonaccrual loans is generally recognized only when received. Cash collected on nonaccrual loans is applied against the principal balance or recognized as interest income based upon management's expectations as to the ultimate collectability of principal and interest in full. If interest on nonaccruing loans had been recognized on a fully accruing basis, interest income recorded would have been $922,000, $483,000, and $186,000 higher for the years ended December 31, 2007, 2006, and 2005, respectively. Accruing loans past due more than 90 days totaled $416,000 at December 31, 2007 and $135,000 at December 31, 2006.

Note 4
ALLOWANCE FOR LOAN LOSSES

An analysis of the changes in the allowance for loan losses for the years ended December 31, is as follows:

(Dollars in Thousands)	2007	2006	2005
Balance, Beginning of Year	$ 17,217	$ 17,410	$ 16,037
Acquired Reserves	-	-	1,385
Provision for Loan Losses	6,163	1,959	2,507
Recoveries on Loans Previously Charged-Off	1,903	1,830	1,724
Loans Charged-Off	(7,217)	(3,982)	(4,243)

Balance, End of Year	$	18,066	$	17,217	$	17,410

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Impaired Loans. Selected information pertaining to impaired loans, at December 31, is as follows:

	2007		2006	
(Dollars in Thousands)	Valuation Balance	Valuation Allowance	Valuation Balance	Valuation Allowance
Impaired Loans:				
With Related Credit Allowance	$ 21,615	$ 4,702	$ 6,085	$ 2,255
Without Related Credit Allowance	15,019	-	4,574	-

(Dollars in Thousands)	2007	2006	2005
Average Recorded Investment in Impaired Loans	$ 23,922	$ 12,782	$ 9,786
Interest Income on Impaired Loans			
Recognized	$ 761	$ 398	$ 218
Collected in Cash	761	398	218

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reduction of principal.

Note 5
INTANGIBLE ASSETS

The Company had intangible assets of $98.6 million and $104.4 million at December 31, 2007 and December 31, 2006, respectively. Intangible assets at December 31, were as follows:

	2007		2006	
(Dollars in Thousands)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Core Deposits Intangibles	$ 47,176	$ 34,598	$ 47,176	$ 28,955
Goodwill	84,811	-	84,811	-
Customer Relationship Intangible	1,867	688	1,867	497
Non-Compete Agreement	537	537	537	537
Total Intangible Assets	$ 134,391	$ 35,823	$ 134,391	$ 29,989

Net Core Deposit Intangibles. As of December 31, 2007 and December 31, 2006, the Company had net core deposit intangibles of $12.6 million and $18.2 million, respectively. Amortization expense for the twelve months of 2007, 2006 and 2005 was $5.6 million, $5.6 million, and $5.0 million, respectively. The estimated annual amortization expense (in millions) for the next five years is expected to be approximately $5.5, $3.9, $3.9, $2.4, and $0.6 per year.

Goodwill. As of December 31, 2007 and December 31, 2006, the Company had goodwill of $84.8 million. Goodwill is the Company's only intangible asset that is no longer subject to amortization under the provisions of SFAS 142. On December 31, 2007, the Company performed its annual impairment review and concluded that no impairment adjustment was necessary.

Other. As of December 31, 2007, the Company had a client relationship intangible, net of accumulated amortization, of $1.2 million. This intangible was booked as a result of the March 2004 acquisition of trust client relationships from Synovus Trust Company. Amortization expense for 2007 was $191,000. Estimated annual amortization expense is $191,000 based on use of a 10-year useful life. The Company also had a non-compete intangible during 2006 which

became fully amortized at the end of 2006. This intangible was booked as a result of the October 2004 acquisition of Farmers and Merchants Bank of Dublin. Amortization expense for this intangible during 2006 was $250,000.

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Note 6
PREMISES AND EQUIPMENT

The composition of the Company's premises and equipment at December 31, was as follows:

(Dollars in Thousands)	2007	2006
Land	$ 22,722	$ 22,597
Buildings	90,335	78,676
Fixtures and Equipment	55,783	52,129
Total	168,840	153,402
Accumulated Depreciation	(70,228)	(66,864)
Premises and Equipment, Net	$ 98,612	$ 86,538

Note 7
DEPOSITS

Interest bearing deposits, by category, as of December 31, were as follows:

(Dollars in Thousands)	2007	2006
NOW Accounts	$ 744,093	$ 599,433
Money Market Accounts	386,619	384,568
Savings Accounts	111,600	125,500
Time Deposits	467,373	482,139
Total	$ 1,709,685	$ 1,591,640

At December 31, 2007 and 2006, $5.6 million and $3.1 million, respectively, in overdrawn deposit accounts were reclassified as loans.

Deposits from certain directors, executive officers, and their related interests totaled $47.6 million and $30.7 million at December 31, 2007 and 2006, respectively.

Time deposits in denominations of $100,000 or more totaled $129.7 million and $135.0 million at December 31, 2007 and December 31, 2006, respectively.

At December 31, 2007, the scheduled maturities of time deposits were as follows:

(Dollars in Thousands)	
2008	$ 408,041
2009	43,277
2010	11,205
2011	2,619
2012 and thereafter	2,231
Total	$ 467,373

Interest expense on deposits for the three years ended December 31, was as follows:

(Dollars in Thousands)	2007	2006	2005
NOW Accounts	$ 10,748	$ 7,658	$ 2,868

Money Market Accounts	13,666	11,687	4,337
Savings Accounts	280	278	292
Time Deposits < $100,000	13,990	12,087	9,247
Time Deposits > $100,000	6,003	5,543	4,390
Total	$ 44,687	$ 37,253	$ 21,134

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Note 8
SHORT-TERM BORROWINGS

Short-term borrowings included the following:

(Dollars in Thousands)	Federal Funds Purchased	Securities Sold Under Repurchase Agreements	Other Short-Term Borrowings
2007			
Balance at December 31,	$ 7,550	$ 32,806	$ 12,775(1)
Maximum indebtedness at any month end	26,400	47,047	13,664
Daily average indebtedness outstanding	15,812	38,683	11,902
Average rate paid for the year	4.89%	4.11%	4.17%
Average rate paid on period-end borrowings	2.47%	3.32%	4.29%
2006			
Balance at December 31,	$ 11,950	$ 38,022	$ 15,051(1)
Maximum indebtedness at any month end	39,225	55,321	34,738
Daily average indebtedness outstanding	16,645	34,335	27,720
Average rate paid for the year	4.82%	3.79%	3.47%
Average rate paid on period-end borrowings	4.61%	3.79%	3.90%
2005			
Balance at December 31,	$ 11,925	$ 38,702	$ 32,346
Maximum indebtedness at any month end	26,825	65,206	67,122
Daily average indebtedness outstanding	31,644	39,784	26,435
Average rate paid for the year	3.36%	2.30%	3.32%
Average rate paid on period-end borrowings	3.88%	3.21%	3.48%

(1) Includes FHLB debt and TT&L (client tax deposits) balance of $12.2 million and $0.6 million, respectively at December 31, 2007 and $13.0 million and $2.0 million, respectively at December 31, 2006.

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Note 9
LONG-TERM BORROWINGS

Federal Home Loan Bank Notes. At December 31, Federal Home Loan Bank advances included:

(Dollars in Thousands)	2007	2006
Due on February 13, 2007, fixed rate of 3.05%(1)	-	3,000
Due on April 24, 2007, fixed rate of 7.30%(1)	-	23
Due on September 10, 2007, fixed rate of 4.29%(1)	-	10,000
Due on May 30, 2008, fixed rate of 2.50%(1)	21	61
Due on June 13, 2008, fixed rate of 5.40%(1)	72	214
Due on September 8, 2008, fixed rate of 4.32%(1)	10,000	10,000
Due on November 10, 2008, fixed rate of 4.12%(1)	2,105	2,189
Due on October 19, 2009, fixed rate of 3.69%	302	470
Due on November 10, 2010, fixed rate of 4.72%	695	722
Due on December 31, 2010, fixed rate of 3.85%	524	699
Due on December 18, 2012, fixed rate of 4.84%	542	566
Due on March 18, 2013, fixed rate of 6.37%	499	571
Due on June 17, 2013, fixed rate of 3.53%	692	793
Due on June 17, 2013, fixed rate of 3.85%	85	89
Due on June 17, 2013, fixed rate of 4.11%	1,660	1,720
Due on September 23, 2013, fixed rate of 5.64%	727	824
Due on January 26, 2014, fixed rate of 5.79%	1,131	
Due on January 27, 2014, fixed rate of 5.79%	1,641	1,191
Due on March 10, 2014, fixed rate of 4.21%	505	571
Due on May 27, 2014, fixed rate of 5.92%	386	435
Due on June 2, 2014, fixed rate of 4.52%	2,726	3,078
Due on July 20, 2016, fixed rate of 6.27%	1,016	1,134
Due on October 3, 2016, fixed rate of 5.41%	265	295
Due on October 31, 2016, fixed rate of 5.16%	589	656
Due on June 27, 2017, fixed rate of 5.53%	665	735
Due on October 31, 2017, fixed rate of 4.79%	819	903
Due on December 11, 2017, fixed rate of 4.78%	728	802
Due on February 26, 2018, fixed rate of 4.36%	1,735	1,906
Due on September 18, 2018, fixed rate of 5.15%	516	564
Due on November 5, 2018, fixed rate of 5.10%	3,364	3,499
Due on December 3, 2018, fixed rate of 4.87%	541	590
Due on December 17, 2018, fixed rate of 6.33%	1,401	1,486
Due on December 24, 2018, fixed rate of 6.29%	-	681
Due on February 16, 2021, fixed rate of 3.00%	776	814
Due on January 18, 2022, fixed rate of 5.25%	1,033	3,250
Due on May 30, 2023, fixed rate of 2.50%	896	933
Total Outstanding	$ 38,657	$ 55,464

(1) $12.2 million is classified as short-term borrowings.

The contractual maturities of FHLB debt for the five years subsequent to December 31, 2007, are as follows:

(Dollars in Thousands)

2008	$	14,604 (1)
2009		2,465
2010		3,028
2011		2,322
2012		2,835
2013 and thereafter		13,403
Total	$	38,657

(1) $12.2 million is classified as short-term borrowings.

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The FHLB advances are collateralized by a blanket floating lien on all 1-4 family residential mortgage loans, commercial real estate mortgage loans, and home equity mortgage loans. Interest on the FHLB advances is paid on a monthly basis.

Repurchase Agreements - Term. At December 31, the Company maintained one long-term repurchase agreement for $0.3 million collateralized by bank-owned securities. The agreement has a stated maturity of January 2009. Interest is payable upon maturity.

Junior Subordinated Deferrable Interest Notes. The Company has issued two junior subordinated deferrable interest notes to wholly owned Delaware statutory trusts. The first note for $30.9 million was issued to CCBG Capital Trust I. The second note for $32.0 million was issued to CCBG Capital Trust II. The two trusts are considered variable interest entities for which the Company is not the primary beneficiary. Accordingly, the accounts of the trusts are not included in the Company's consolidated financial statements. See Note 1 - Summary of Significant Accounting Policies for additional information about the Company's consolidation policy. Details of the Company's transaction with the two trusts are provided below.

In November 2004, CCBG Capital Trust I issued $30.0 million of trust preferred securities which represent beneficial interest in the assets of the trust. The interest rate is fixed at 5.71% for a period of five years, then adjustable annually to LIBOR plus a margin of 1.90%. The trust preferred securities will mature on December 31, 2034, and are redeemable upon approval of the Federal Reserve in whole or in part at the option of the Company at any time after December 31, 2009 and in whole at any time upon occurrence of certain events affecting their tax or regulatory capital treatment. Distributions on the trust preferred securities are payable quarterly on March 31, June 30, September 30, and December 31 of each year. CCBG Capital Trust I also issued $928,000 of common equity securities to CCBG. The proceeds of the offering of trust preferred securities and common equity securities were used to purchase a $30.9 million junior subordinated deferrable interest note issued by the Company, which has terms substantially similar to the trust preferred securities.

In May 2005, CCBG Capital Trust II issued $31.0 million of trust preferred securities which represent beneficial interest in the assets of the trust. The interest rate is fixed at 6.07% for a period of five years, then adjustable quarterly to LIBOR plus a margin of 1.80%. The trust preferred securities will mature on June 15, 2035, and are redeemable upon approval of the Federal Reserve in whole or in part at the option of the Company at any time after May 20, 2010 and in whole at any time upon occurrence of certain events affecting their tax or regulatory capital treatment. Distributions on the trust preferred securities are payable quarterly on March 15, June 15, September 15, and December 15 of each year. CCBG Capital Trust II also issued $959,000 of common equity securities to CCBG. The proceeds of the offering of trust preferred securities and common equity securities were used to purchase a $32.0 million junior subordinated deferrable interest note issued by the Company, which has terms substantially similar to the trust preferred securities.

The Company has the right to defer payments of interest on the two notes at any time or from time to time for a period of up to twenty consecutive quarterly interest payment periods. Under the terms of each note, in the event that under certain circumstances there is an event of default under the note or the Company has elected to defer interest on the note, the Company may not, with certain exceptions, declare or pay any dividends or distributions on its capital stock or purchase or acquire any of its capital stock. The Company is current on the interest payment obligations and has not executed the right to defer interest payments on the notes.

The Company has entered into agreements to guarantee the payments of distributions on the trust preferred securities and payments of redemption of the trust preferred securities. Under these agreements, the Company also agrees, on a subordinated basis, to pay expenses and liabilities of the two trusts other than those arising under the trust preferred

securities. The obligations of the Company under the two junior subordinated notes, the trust agreements establishing the two trusts, the guarantee and agreement as to expenses and liabilities, in aggregate, constitute a full and conditional guarantee by the Company of the two trusts' obligations under the two trust preferred security issuances.

Despite the fact that the accounts of CCBG Capital Trust I and CCBG Capital Trust II are not included in the Company's consolidated financial statements, the $30.0 million and $31.0 million, respectively, in trust preferred securities issued by these subsidiary trusts are included in the Tier I Capital of Capital City Bank Group, Inc. as allowed by Federal Reserve guidelines.

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Note 10
INCOME TAXES

The provision for income taxes reflected in the statements of income is comprised of the following components:

(Dollars in Thousands)	2007	2006	2005
Current:			
Federal	$ 13,603	$ 14,780	$ 15,114
State	280	1,527	1,290
Deferred:			
Federal	(32)	1,384	156
State	(148)	230	26
Total	$ 13,703	$ 17,921	$ 16,586

Income taxes provided were different than the tax expense computed by applying the statutory federal income tax rate of 35% to pre-tax income as a result of the following:

(Dollars in Thousands)	2007	2006	2005
Tax Expense at Federal Statutory Rate	$ 15,185	$ 17,915	$ 16,403
Increases (Decreases) Resulting From:			
Tax-Exempt Interest Income	(1,630)	(1,334)	(1,054)
State Taxes, Net of Federal Benefit	86	1,142	856
Other	62	198	381
Actual Tax Expense	$ 13,703	$ 17,921	$ 16,586

Deferred income tax liabilities and assets result from differences between assets and liabilities measured for financial reporting purposes and for income tax return purposes. These assets and liabilities are measured using the enacted tax rates and laws that are currently in effect. The net deferred tax asset and the temporary differences comprising that balance at December 31, 2007 and 2006 are as follows:

(Dollars in Thousands)	2007	2006
Deferred Tax Assets attributable to:		
Allowance for Loan Losses	$ 7,110	$ 6,659
Associate Benefits	510	700
Unrealized Losses on Investment Securities	-	503
Accrued Pension/SERP	3,964	4,795
Interest on Nonperforming Loans	603	170
State Net Operating Loss Carry Forwards	511	399
Intangible Assets	95	70
Core Deposit Intangible	1,360	278
Contingency Reserve	746	-
Accrued Expense	611	612
Leases	464	449
Other	517	386
Total Deferred Tax Assets	$ 16,491	$ 15,021
Deferred Tax Liabilities attributable to:		
Depreciation on Premises and Equipment	$ 3,290	$ 4,434

Deferred Loan Fees and Costs		3,887		2,550
Unrealized Gains on Investment Securities		113		-
Intangible Assets		1,619		1,319
Accrued Pension/SERP		4,669		2,321
Securities Accretion		25		25
Market Value on Loans Held for Sale		59		122
Other		68		223
Total Deferred Tax Liabilities		13,730		10,994
Net Deferred Tax Assets	$	2,761	$	4,027

In the opinion of management, it is more likely than not that all of the deferred tax assets will be realized; therefore, a valuation allowance is not required. At year-end 2007, the Company had state net operating loss carry-forwards of approximately $14.0 million which expire at various dates from 2022 through 2027.

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Changes in net deferred income tax assets were:

(Dollars in Thousands)	2007	2006
Balance at Beginning of Year	$ 4,027	$ 380
Change in Accounting Method – Adoption of SFAS No. 158 and SAB No. 108	-	5,463
Income Tax Expense From Change in Pension Liability	(830)	-
Income Tax Expense From Change in Unrealized Losses on Available-for-Sale Securities	(616)	(202)
Deferred Income Tax Expense on Continuing Operations	180	(1,614)
Balance at End of Year	$ 2,761	$ 4,027

The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Income Tax Uncertainties" ("FIN 48"), on January 1, 2007. There was no material effect on its financial condition or results of operations as a result of implementing FIN 48. The Company had unrecognized tax benefits at January 1, 2007 and December 31, 2007 of $2.0 million and $3.3 million, respectively, of which $2.2 million would increase income from continuing operations, and thus impact the Company's effective tax rate, if ultimately recognized into income.

A reconciliation of the beginning and ending unrecognized tax benefit is as follows:

(Dollars in Thousands)	2007
Balance at January 1, 2007	$ 2,021
Addition Based on Tax Positions Related to Prior Years	252
Addition Based on Tax Positions Related to Current Years	981
Balance at December 31, 2007	$ 3,254

It is the Company's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in their respective federal or state income tax accounts. The total amount of interest and penalties recorded in the income statement for the year ended December 31, 2007 was $409,000, and the amount accrued for penalties and interest at December 31, 2007 was $553,000.

The Company and its subsidiaries file a consolidated U.S. federal income tax return, as well as filing various returns in states where the Company is doing business. The Company is no longer subject to U.S. federal or state tax examinations for years before 2004. No material change to the Company's unrecognized tax positions is expected over the next 12 months.

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Note 11
STOCK-BASED COMPENSATION

In accordance with the Company's adoption of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), in the first quarter of 2003, the cost related to stock-based associate compensation included in net income has been accounted for under the fair value method in all reported periods.

On January 1, 2006, the Company adopted SFAS 123R "Share-Based Payment" (Revised). The Company continues to include the cost of its share-based compensation plans in net income under the fair value method.

As of December 31, 2007, the Company had four stock-based compensation plans, consisting of the 2005 Associate Incentive Plan ("AIP"), the 2005 Associate Stock Purchase Plan ("ASPP"), the 2005 Director Stock Purchase Plan ("DSPP"), and the 2011 Incentive Plan ("2011 Plan"). Total compensation expense associated with these plans for years 2005 through 2007 was approximately $0.8 million, $1.2 million, and $0.2 million, respectively.

AIP. The Company's AIP allows the Company's Board of Directors to award key associates various forms of equity-based incentive compensation. Under the AIP, the Company adopted the Stock-Based Incentive Plan (the "Incentive Plan"), effective January 1, 2006, which is a performance-based equity bonus plan for selected members of management, including all executive officers. Under the Incentive Plan, all participants are eligible to earn performance shares, payable in the form of restricted stock, on an annual basis. Annual awards are tied to an internally established annual earnings target. The grant-date fair value of an annual compensation award is approximately $1.5 million. In addition, each plan participant is eligible to receive from the Company a tax supplement bonus equal to 31% of the stock award value at the time of issuance. A total of 43,437 shares are eligible for issuance annually.

At the end of each calendar year, the Compensation Committee of the Company's Board of Directors will confirm whether the performance goals have been met prior to the payout of any awards. Any performance shares earned under the Incentive Plan will be issued in the calendar quarter following the calendar year in which the shares were earned. A total of 32,799 shares were issued under this plan during the first quarter of 2007 related to the 2006 award.

The Company did not recognize any expense for the year 2007 related to the Incentive Plan as the Company's performance did not achieve the earnings performance goal. The Company recognized expense of $1.1 million in 2006 for the Incentive Plan. Under a substantially similar predecessor plan, the Company recognized expense of $0.6 million in 2005. A total of 875,000 shares of common stock have been reserved for issuance under the AIP. To date, the Company has issued 60,892 shares of common stock under the AIP.

Executive Stock Option Agreement. In 2006 and 2005, under the provisions of the AIP, the Company's Board of Directors approved stock option agreements for a key executive officer (William G. Smith, Jr. - Chairman, President and CEO, CCBG). Similar stock option agreements were approved in 2004 and 2003. These agreements grant a non-qualified stock option award upon achieving certain annual earnings per share conditions set by the Board, subject to certain vesting requirements. The options granted under the agreements have a term of ten years and vest at a rate of one-third on each of the first, second, and third anniversaries of the date of grant. Under the 2004 and 2003 agreements, 37,246 and 23,138 options, respectively, were issued, none of which have been exercised. The fair value of a 2004 option was $13.42, and the fair value of a 2003 option was $11.64. The exercise prices for the 2004 and 2003 options are $32.69 and $32.96, respectively. Under the 2006 and 2005 agreements, the earnings per share conditions were not met; therefore, no expense was recognized related to these agreements. In accordance with the provisions of SFAS 123R and SFAS 123, the Company recognized expenses in 2005 through 2007 of approximately $193,000, $205,000, and $125,000, respectively, related to the 2004 and 2003 agreements. In 2007, the Company

replaced its practice of entering into a stock option arrangement by establishing a Performance Share Unit Plan under the provisions of the AIP that allows the executive to earn shares based on the compound annual growth rate in diluted earnings per share over a three-year period. The details of this program for the executive are outlined in a Form 8-K filing dated January 31, 2007. No expense related to this plan was recognized in 2007 as results fell short of the earnings performance goal.

A summary of the status of the Company's option shares as of December 31, 2007 is presented below:

Options	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2007	60,384	$ 32.79	$ 7.9	$ 151,355
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited or expired	-	-	-	-
Outstanding at December 31, 2007	60,384	$ 32.79	$ 6.9	$ -
Exercisable at December 31, 2007	47,720	$ 32.79	$ 6.9	$ -

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DSPP. The Company's DSPP allows the directors to purchase the Company's common stock at a price equal to 90% of the closing price on the date of purchase. Stock purchases under the DSPP are limited to the amount of the directors' annual retainer and meeting fees. The DSPP has 93,750 shares reserved for issuance. A total of 30,866 shares have been issued since the inception of the DSPP. For 2007, the Company issued 12,128 shares under the DSPP and recognized approximately $33,000 in expense related to this plan. For 2006, the Company issued 12,149 shares and recognized approximately $37,000 in expense related to the DSPP. For 2005, the Company issued 6,589 shares and recognized approximately $26,000 in expense under the DSPP.

ASPP. Under the Company's ASPP, substantially all associates may purchase the Company's common stock through payroll deductions at a price equal to 90% of the lower of the fair market value at the beginning or end of each six-month offering period. Stock purchases under the ASPP are limited to 10% of an associate's eligible compensation, up to a maximum of $25,000 (fair market value on each enrollment date) in any plan year. Shares are issued at the beginning of the quarter following each six-month offering period. The ASPP has 593,750 shares of common stock reserved for issuance. A total of 59,812 shares have been issued since inception of the ASPP. For 2007, the Company issued 23,531 shares under the ASPP and recognized approximately $102,000 in expense related to this plan. For 2006, the Company issued 19,435 shares and recognized approximately $90,000 in expense related to the ASPP. For 2005, the Company issued 16,846 shares and recognized approximately $90,000 in expense under the ASPP.

Based on the Black-Scholes option pricing model, the weighted average estimated fair value of each of the purchase rights granted under the ASPP Plan was $5.82 for 2007. For 2006 and 2005, the weighted average fair value purchase right granted was $5.65 and $5.77, respectively. In calculating compensation, the fair value of each stock purchase right was estimated on the date of grant using the following weighted average assumptions:

	2007	2006	2005
Dividend yield	2.1%	1.9%	1.9%
Expected volatility	25.5%	23.5%	28.0%
Risk-free interest rate	4.8%	4.5%	2.6%
Expected life (in years)	0.5	0.5	0.5

2011Incentive Plan. The Company's 2011 Incentive Plan was adopted by the Company in January 2004 and provides each associate an award (cash, equity or combination cash/equity) of $2,010 if the Company achieves a certain internally established earnings target. Under the 2011 Incentive Plan, the associate is required to be employed by the Company at the time the goal is achieved. Associates not employed by the company (i.e. new associates) at the time of the grant, are provided a pro-rated award amount depending on their length of service. The expense associated with the equity portion of this plan for the years 2005-2007 was approximately $131,000, $189,000, and $113,000, respectively. The expense for the cash portion of this plan for the same periods was approximately $165,000, $234,000, and $113,000, respectively.

Subsequent Event (unaudited). On February 15, 2008, the Company issued a Form 8-K announcing it was terminating its 2011 initiative due to determination that the Company would not, based on current economic conditions, be able to achieve its earnings growth goal. As a result, the Company terminated its 2011 Incentive Plan and approximately $440,000 in expense accrual related to this incentive plan will be reversed in the first quarter of 2008. The Company plans to replace the 2011 Incentive Plan with a new plan containing internal goals that are appropriate for the current market environment.

Note 12
EMPLOYEE BENEFIT PLANS

Pension Plan

The Company sponsors a noncontributory pension plan covering substantially all of its associates. Benefits under this plan generally are based on the associate's years of service and compensation during the years immediately preceding retirement. The Company's general funding policy is to contribute amounts deductible for federal income tax purposes.

The defined benefit pension plan for Farmers and Merchants Bank of Dublin was merged into the Company's pension plan as of December 31, 2005. The following table details on a consolidated basis the components of pension expense, the funded status of the plan, amounts recognized in the Company's consolidated statements of financial condition, and major assumptions used to determine these amounts.

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(Dollars in Thousands)	2007	2006	2005
Change in Projected Benefit Obligation:			
Benefit Obligation at Beginning of Year	$ 68,671	$ 64,131	$ 54,529
Service Cost	4,903	4,930	4,352
Interest Cost	3,967	3,622	3,253
Actuarial (Gain)/Loss	(1,420)	(1,421)	2,752
Benefits Paid	(5,759)	(3,267)	(3,501)
Expenses Paid	(244)	(149)	(75)
Plan Change	-	825	-
Acquisitions	-	-	2,821
Projected Benefit Obligation at End of Year	$ 70,118	$ 68,671	$ 64,131
Accumulated Benefit Obligation at End of Year	$ 51,256	$ 49,335	$ 45,645
Change in Plan Assets:			
Fair Value of Plan Assets at Beginning of Year	$ 66,554	$ 52,277	$ 41,125
Actual Return on Plan Assets	3,602	6,342	1,737
Employer Contributions	11,500	11,350	10,500
Benefits Paid	(5,759)	(3,267)	(3,501)
Expenses Paid	(244)	(149)	(75)
Acquisitions	-	-	2,491
Fair Value of Plan Assets at End of Year	$ 75,653	$ 66,553	$ 52,277
Reconciliation of Funded Status:			
Funded Status	$ *	$ *	$ (11,853)
Unrecognized Net Actuarial Losses	*	*	14,823
Unrecognized Prior Service Cost	*	*	1,302
Prepaid (Accrued) Benefit Cost	$ *	$ *	$ 4,272
Amounts Recognized in the Consolidated Statements of Financial Condition:			
Other Assets	$ 5,535	$ -	$ *
Other Liabilities	-	2,117	*
Amounts (Pre-Tax) Recognized in Accumulated Other Comprehensive Income:			
Net Actuarial Losses	$ 8,622	$ 9,601	$ *
Prior Service Cost	1,611	1,912	*
*Not Applicable due to adoption of SFAS No. 158 effective 12/31/2006			
Components of Net Periodic Benefit Costs:			
Service Cost	$ 4,903	$ 4,930	$ 4,352
Interest Cost	3,967	3,622	3,410
Expected Return on Plan Assets	(5,083)	(4,046)	(3,373)
Amortization of Prior Service Costs	301	215	215
Transition Obligation Recognition	-	-	11
Recognized Net Actuarial Loss	1,039	1,598	1,324

Net Periodic Benefit Cost	$ 5,127	$ 6,319	$ 5,939
Assumptions:			
Weighted-average used to determine benefit obligations:			
Discount Rate	6.25%	6.00%	5.75%
Expected Return on Plan Assets	8.00%	8.00%	8.00%
Rate of Compensation Increase	5.50%	5.50%	5.50%
Measurement Date	12/31/07	12/31/06	12/31/05
Weighted-average used to determine net cost:			
Discount Rate	6.00%	5.75%	6.00%
Expected Return on Plan Assets	8.00%	8.00%	8.00%
Rate of Compensation Increase	5.50%	5.50%	5.50%

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Other Comprehensive Income. The estimated amounts (dollars in thousands) that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2008 are as follows:

Actuarial Loss	$ 890
Prior Service Cost	301
	$ 1,191

Return on Plan Assets. The overall expected long-term rate of return on assets is a weighted-average expectation for the return on plan assets. The Company considers historical performance and current benchmarks to arrive at expected long-term rates of return in each asset category. The Company assumed that 65% of its portfolio would be invested in equity securities, with the remainder invested in debt securities.

Plan Assets. The Company's pension plan asset allocation at year-end 2007 and 2006, and the target asset allocation for 2008 are as follows:

	Target Allocation	Percentage of Plan Assets at Year-End(1)	
	2008	2007	2006
Equity Securities	65%	58%	55%
Debt Securities	30%	27%	18%
Real Estate	-	-	1%
Cash Equivalent	5%	15%	26%
Total	100%	100%	100%

(1) Represents asset allocation at year-end which may differ from the average target allocation for the year due to the year-end cash contribution to the plan.

The Company's pension plan assets are overseen by the CCBG Retirement Committee. Capital City Trust Company acts as the investment manager for the plan. The investment strategy is to maximize return on investments while minimizing risk. The Company believes the best way to accomplish this goal is to take a conservative approach to its investment strategy by investing in high-grade equity and debt securities.

Expected Benefit Payments. As of December 31, 2007, expected benefit payments related to the Company's defined benefit pension plan were as follows:

2008	$ 3,803,091
2009	3,776,819
2010	3,715,534
2011	4,563,901
2012	5,547,476
2013 through 2017	36,465,818
	$ 57,872,639

Contributions. The following table details the amounts contributed to the pension plan in 2007 and 2006, and the expected amount to be contributed in 2008.

		Expected
2007	2006	2008(1)

Actual Contributions	$ 11,500,000	$ 11,350,000	$ 10,000,000

(1) Estimate of 2008 maximum allowable contribution.

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Supplemental Executive Retirement Plan

The Company has a Supplemental Executive Retirement Plan ("SERP") covering selected executive officers. Benefits under this plan generally are based on the executive officer's years of service and compensation during the years immediately preceding retirement.

The following table details the components of the SERP's periodic benefit cost, the funded status of the plan, amounts recognized in the Company's consolidated statements of financial condition, and major assumptions used to determine these amounts.

(Dollars in Thousands)		2007		2006		2005
Change in Projected Benefit Obligation:						
Benefit Obligation at Beginning of Year	$	4,018	$	3,878	$	3,601
Service Cost		83		123		133
Interest Cost		208		230		207
Actuarial (Gain) Loss		(603)		62		(63)
Plan Change		-		(274)		-
Projected Benefit Obligation at End of Year	$	3,706	$	4,019	$	3,878
Accumulated Benefit Obligation at End of Year	$	2,603	$	2,252	$	2,295
Reconciliation of Funded Status:						
Unfunded Status	$	*	$	*	$	(3,878)
Unrecognized Net Actuarial Loss		*		*		734
Unrecognized Prior Service Cost		*		*		388
Accrued Benefit Cost		*		*	$	(2,756)
Amounts Recognized in the Consolidated Statements of Financial Condition:						
Other Liabilities	$	3,706	$	4,019	$	*
Amounts (Pre-Tax) Recognized in Accumulated Other Comprehensive Income:						
Net Actuarial (Gain) Loss	$	3	$	608	$	*
Prior Service Cost		44		52		*
* Not Applicable due to adoption of SFAS No. 158 effective 12/31/2006						
Components of Net Periodic Benefit Costs:						
Service Cost	$	83	$	123	$	133
Interest Cost		208		230		207
Amortization of Prior Service Cost		7		61		61
Recognized Net Actuarial Loss		8		100		77
Net Periodic Benefit Cost	$	306	$	514	$	478
Assumptions:						

Weighted-average used to determine the benefit obligations:			
Discount Rate	6.25%	6.00%	5.75%
Rate of Compensation Increase	5.50%	5.50%	5.50%
Measurement Date	12/31/07	12/31/06	12/31/05
Weighted-average used to determine the net cost:			
Discount Rate	6.00%	5.75%	6.00%
Rate of Compensation Increase	5.50%	5.50%	5.50%

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Expected Benefit Payments. As of December 31, 2007, expected benefit payments related to the Company's SERP were as follows:

2008	$ 87,468
2009	187,469
2010	230,238
2011	300,865
2012	366,840
2013 through 2017	2,950,973
	$ 4,123,853

401(k) Plan

The Company has a 401(k) Plan which enables associates to defer a portion of their salary on a pre-tax basis. The plan covers substantially all associates of the Company who meet minimum age requirements. The plan is designed to enable participants to elect to have an amount from 1% to 15% of their compensation withheld in any plan year placed in the 401(k) Plan trust account. Matching contributions from the Company are made up to 6% of the participant's compensation for eligible associates. During 2007, 2006, and 2005, the Company made matching contributions of $299,000, $273,000 and $154,000, respectively. The participant may choose to invest their contributions into sixteen investment funds available to 401(k) participants, including the Company’s common stock. A total of 50,000 shares of CCBG common stock have been reserved for issuance. These shares have historically been purchased in the open market.

Other Plans

The Company has a Dividend Reinvestment and Optional Stock Purchase Plan. A total of 250,000 shares have been reserved for issuance. In recent years, shares for the Dividend Reinvestment and Optional Stock Purchase Plan have been acquired in the open market and, thus, the Company did not issue any shares under this plan in 2007, 2006 and 2005.

Note 13
EARNINGS PER SHARE

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

(Dollars in Thousands, Except Per Share Data)	2007	2006	2005
Numerator:			
Net Income	$ 29,683	$ 33,265	$ 30,281
Denominator:			
Denominator for Basic Earnings Per Share Weighted-Average Shares	17,909,396	18,584,519	18,263,855
Effects of Dilutive Securities Stock Compensation Plans	2,191	25,320	17,388
Denominator for Diluted Earnings Per Share Adjusted Weighted-Average Shares and Assumed Conversions	17,911,587	18,609,839	18,281,243
Basic Earnings Per Share	$ 1.66	$ 1.79	$ 1.66

Diluted Earnings per Share	$ 1.66	$ 1.79	$ 1.66

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Note 14
CAPITAL

The Company is subject to various regulatory capital requirements which involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items. The Company's capital amounts and classification are subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require that the Company maintain amounts and ratios (set forth in the table below) of total and Tier I Capital to risk-weighted assets, and of Tier I Capital to average assets. As of December 31, 2007, the Company met all capital adequacy requirements to which it is subject.

A summary of actual, required, and capital levels necessary to be considered well-capitalized for Capital City Bank Group, Inc. consolidated and its banking subsidiary, Capital City Bank, as of December 31, 2007 and December 31, 2006 are as follows:

	Actual		Required For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
(Dollars in Thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007:						
Tier I Capital:						
CCBG	$ 261,172	13.05%	$ 80,047	4.00%	*	*
CCB	260,720	13.05%	79,934	4.00%	119,901	6.00%
Total Capital:						
CCBG	281,125	14.05%	160,094	8.00%	*	*
CCB	278,787	13.95%	159,868	8.00%	199,835	10.00%
Tier I Leverage:						
CCBG	261,172	10.41%	80,047	4.00%	*	*
CCB	260,720	10.42%	79,934	4.00%	99,917	5.00%
As of December 31, 2006:						
Tier I Capital:						
CCBG	$ 280,679	14.00%	$ 80,191	4.00%	*	*
CCB	273,425	13.66%	80,055	4.00%	120,082	6.00%
Total Capital:						
CCBG	299,783	14.95%	160,382	8.00%	*	*
CCB	290,642	14.52%	160,109	8.00%	200,137	10.00%
Tier I Leverage:						
CCBG	280,679	11.30%	80,191	4.00%	*	*
CCB	273,425	11.03%	80,055	4.00%	100,068	5.00%

*Not applicable to bank holding companies.

Note 15
DIVIDEND RESTRICTIONS

Substantially all the Company's retained earnings are undistributed earnings of its banking subsidiary which are restricted by various regulations administered by federal and state bank regulatory authorities.

The approval of the appropriate regulatory authority is required if the total of all dividends declared by a subsidiary bank in any calendar year exceeds the bank's net profits (as defined under Florida law) for that year combined with its retained net profits for the preceding two calendar years. In 2008, the bank subsidiary may declare dividends without regulatory approval of an amount equal to the net profits of the Company's subsidiary bank for 2008 up to the date of any such dividend declaration.

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Note 16
RELATED PARTY INFORMATION

Related Party Loans. At December 31, 2007 and 2006, certain officers and directors were indebted to the Company's bank subsidiary in the aggregate amount of $9.1 million and $12.6 million, respectively. During 2007, $6.2 million in new loans were made and repayments totaled $9.7 million. In the opinion of management, these loans were made on similar terms as loans to other individuals of comparable creditworthiness and were all current at year-end.

Note 17
SUPPLEMENTARY INFORMATION

Components of other noninterest income and noninterest expense in excess of 1% of the sum of total interest income and noninterest income, which are not disclosed separately elsewhere, are presented below for each of the respective years.

(Dollars in Thousands)	2007	2006	2005
Noninterest Income:			
Merchant Fee Income	$ 7,257	$ 6,978	$ 6,174
Interchange Commission Fees	3,757	3,105	2,239
ATM/Debit Card Fees	2,692	2,519	2,206(1)
Noninterest Expense:			
Professional Fees	3,855	3,402	3,825
Interchange Service Fees	6,118	6,010	5,402
Telephone	2,373	2,323	2,493
Advertising	3,742	4,285	4,275
Printing & Supplies	2,124(1)	2,472	2,372

(1) <1% of appropriate threshold.

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Note 18
COMMITMENTS AND CONTINGENCIES

Lending Commitments. The Company is a party to financial instruments with off-balance sheet risks in the normal course of business to meet the financing needs of its clients. These financial instruments consist of commitments to extend credit and standby letters of credit.

The Company's maximum exposure to credit loss under standby letters of credit and commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in establishing commitments and issuing letters of credit as it does for on-balance sheet instruments. As of December 31, 2007, the amounts associated with the Company's off-balance sheet obligations were as follows:

(Dollars in Thousands)	Amount
Commitments to Extend Credit(1)	$437,806
Standby Letters of Credit	$ 17,385

(1) Commitments include unfunded loans, revolving lines of credit, and other unused commitments.

Commitments to extend credit are agreements to lend to a client so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities. In general, management does not anticipate any material losses as a result of participating in these types of transactions. However, any potential losses arising from such transactions are reserved for in the same manner as management reserves for its other credit facilities.

For both on- and off-balance sheet financial instruments, the Company requires collateral to support such instruments when it is deemed necessary. The Company evaluates each client's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension of credit is based on management's credit evaluation of the counterparty. Collateral held varies, but may include deposits held in financial institutions; U.S. Treasury securities; other marketable securities; real estate; accounts receivable; property, plant and equipment; and inventory.

Other Commitments. In the normal course of business, the Company enters into lease commitments which are classified as operating leases. Rent expense incurred under these leases was approximately $1.5 million in 2007, $1.5 million in 2006, and $1.3 million in 2005. Minimum lease payments under these leases due in each of the five years subsequent to December 31, 2007, are as follows (in millions): 2008, $1.4; 2009, $1.3; 2010, $1.1; 2011, $1.0; 2012, $.4; thereafter, $5.7.

Contingencies. The Company is a 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 the consolidated results of operations, financial position, or cash flows of the Company.

Indemnification Obligation. The Company recorded a charge in its fourth quarter financial statements of approximately $1.9 million, or $0.07 per diluted common share to recognize a contingent liability related to the costs

of the judgments and settlements from certain Visa Inc. (“Visa”) related litigation (“Covered Litigation”). Visa U.S.A. believes that its member banks are required to indemnify Visa U.S.A. for potential losses arising from certain Covered Litigation. The Company has been a Visa U.S.A. member for a number of years.

Visa has stated in its filings with the SEC that Visa’s escrow account established with a portion of its IPO proceeds will be used to pay the costs of the judgments and settlements from the Covered Litigation. Thus, provided that the escrow account has sufficient funds, the liability recorded on the Company’s books would no longer be required and would be reversed.

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Note 19
FAIR VALUE OF FINANCIAL INSTRUMENTS

Many of the Company’s assets and liabilities are short-term financial instruments whose carrying values approximate fair value. These items include Cash and Due From Banks, Interest Bearing Deposits with Other Banks, Federal Funds Sold, Federal Funds Purchased, Securities Sold Under Repurchase Agreements, and Short-Term Borrowings. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The resulting fair values may be significantly affected by the assumptions used, including the discount rates and estimates of future cash flows.

The methods and assumptions used to estimate the fair value of the Company’s other financial instruments are as follows:

Investment Securities - Fair values for investment securities are based on quoted market prices. If a quoted market price is not available, fair value is estimated using market prices for similar securities.

Loans - The loan portfolio is segregated into categories and the fair value of each loan category is calculated using present value techniques based upon projected cash flows and estimated discount rates. The calculated present values are then reduced by an allocation of the allowance for loan losses against each respective loan category.

Deposits - The fair value of Noninterest Bearing Deposits, NOW Accounts, Money Market Accounts and Savings Accounts are the amounts payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using present value techniques and rates currently offered for deposits of similar remaining maturities.

Subordinated Notes Payable - The fair value of each note is calculated using present value techniques, based upon projected cash flows and estimated discount rates as well as rates being offered for similar obligations.

Long-Term Borrowings - The fair value of each note is calculated using present value techniques, based upon projected cash flows and estimated discount rates as well as rates being offered for similar debt.

Commitments to Extend Credit and Standby Letters of Credit - The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the present creditworthiness of the counterparties. The fair value of these fees is not material.

The Company’s financial instruments that have estimated fair values are presented below:

	At December 31,			
	2007		2006	
(Dollars in Thousands)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Cash	$ 93,437	$ 93,437	$ 98,769	$ 98,769
Short-Term Investments	166,260	166,260	78,795	78,795
Investment Securities	190,719	190,719	191,894	191,894
Loans, Net of Allowance for Loan Losses	1,897,784	1,982,661	1,982,504	1,992,025
Total Financial Assets	$ 2,348,200	$ 2,433,077	$ 2,351,962	$ 2,361,483

Financial Liabilities:				
Deposits	$ 2,142,344	$ 2,089,550	$ 2,081,654	$ 2,007,308
Short-Term Borrowings	53,131	53,022	65,023	64,970
Subordinated Notes Payable	62,887	63,371	62,887	63,013
Long-Term Borrowings	26,731	28,284	43,083	42,256
Total Financial Liabilities	$ 2,285,093	$ 2,234,227	$ 2,252,647	$ 2,177,547

All non-financial instruments are excluded from the above table. The disclosures also do not include certain intangible assets such as client relationships, deposit base intangibles and goodwill. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

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Note 20
PARENT COMPANY FINANCIAL INFORMATION

The operating results of the parent company for the three years ended December 31, are shown below:

Parent Company Statements of Income

(Dollars in Thousands)	2007	2006	2005
OPERATING INCOME			
Income Received from Subsidiary Bank:			
Dividends	$ 49,207	$ 20,166	$ 10,597
Overhead Fees	3,532	3,524	2,716
Other Income	164	112	87
Total Operating Income	52,903	23,802	13,400
OPERATING EXPENSE			
Salaries and Associate Benefits	1,812	2,360	2,191
Interest on Subordinated Notes Payable	3,730	3,725	2,981
Professional Fees	787	741	1,399
Advertising	260	403	467
Legal Fees	375	604	701
Other	621	649	471
Total Operating Expense	7,585	8,482	8,210
Income Before Income Taxes and Equity in Undistributed Earnings of Subsidiary Bank	45,318	15,320	5,190
Income Tax Benefit	(1,429)	(1,835)	(2,060)
Income Before Equity in Undistributed Earnings of Subsidiary Bank	46,747	17,155	7,250
Equity in Undistributed Earnings of Subsidiary Bank	(17,064)	16,110	23,031
Net Income	$ 29,683	$ 33,265	$ 30,281

The following are condensed statements of financial condition of the parent company at December 31:

Parent Company Statements of Financial Condition

(Dollars in Thousands, Except Per Share Data)(1)	2007	2006
ASSETS		
Cash and Due From Subsidiary Bank	$ 958	$ 8,921
Investment in Subsidiary Bank	357,093	373,278
Other Assets	2,826	1,550
Total Assets	$ 360,877	$ 383,749
LIABILITIES		
Subordinated Notes Payable	$ 62,887	$ 62,887
Other Liabilities	5,315	5,092
Total Liabilities	$ 68,202	$ 67,979
SHAREOWNERS' EQUITY		
	-	-

Preferred Stock, $.01 par value, 3,000,000 shares authorized; no shares issued and outstanding				
Common Stock, $.01 par value; 90,000,000 shares authorized; 17,182,553 and 18,518,398 shares issued and outstanding at December 31, 2007 and December 31, 2006, respectively		172		185
Additional Paid-In Capital		38,243		80,654
Retained Earnings		260,325		243,242
Accumulated Other Comprehensive Loss, Net of Tax		(6,065)		(8,311)
Total Shareowners' Equity		292,675		315,770
Total Liabilities and Shareowners' Equity	$	360,877	$	383,749

(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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The cash flows for the parent company for the three years ended December 31, were as follows:

Parent Company Statements of Cash Flows

(Dollars in Thousands)	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 29,683	$ 33,265	$ 30,281
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Equity in Undistributed Earnings of Subsidiary Bank	17,064	(16,110)	(23,031)
Non-Cash Compensation	238	1,673	110
Increase in Other Assets	(152)	(670)	131
Increase in Other Liabilities	222	1,976	381
Net Cash Provided by Operating Activities	47,055	20,134	7,872
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash Paid for Investment in:			
Purchase of held-to-maturity and available-for-sale securities	(1,000)	-	-
CCBG Capital Trust I and CCBG Capital Trust II	-	-	(959)
Cash Paid for Acquisitions	-	-	(29,953)
Increase in Investment in Bank Subsidiary	1,466	-	-
Net Cash Used in Investing Activities	466	-	(30,912)
CASH FROM FINANCING ACTIVITIES:			
Proceeds from Subordinated Notes	-	-	31,959
Payment of Dividends	(12,823)	(12,322)	(11,397)
Repurchase of Common Stock	(43.233)	(5,360)	-
Issuance of Common Stock	572	1,035	1,019
Net Cash (Used in) Provided by Financing Activities	(55,484)	(16,647)	21,581
Net Increase (Decrease) in Cash	(7,963)	3,487	(1,459)
Cash at Beginning of Period	8,921	5,434	6,893
Cash at End of Period	$ 958	$ 8,921	$ 5,434

Note 21
COMPREHENSIVE INCOME

SFAS No. 130, "Reporting Comprehensive Income," requires that certain transactions and other economic events that bypass the income statement be displayed as other comprehensive income (loss). Total comprehensive income is reported in the accompanying statements of changes in shareowners' equity. Information related to net comprehensive income (loss) is as follows:

(Dollars in Thousands)	2007	2006	2005
Other Comprehensive Income (Loss):			
Securities available for sale:			
Change in net unrealized gain (loss), net of tax expense (benefit) of $616, $202, and $(502)	$ 1,080	$ 412	$ (893)
Retirement plans:			

Change in funded status of defined benefit pension plan and SERP plan, net of tax expense of $830		1,166		-		-
Net Other Comprehensive Gain (Loss)	$	2,246	$	412	$	(893)
The components of accumulated other comprehensive income, net of tax, as of year-end were as follows:						
Net unrealized gain (loss) on securities available for sale	$	246	$	(834)	$	(1,246)
Net unfunded liability for defined benefit pension plan and SERP plan		(6,311)		(7,477)		-
	$	(6,065)	$	(8,311)	$	(1,246)

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. As of December 31, 2007, the end of the period covered by this Annual Report on Form 10-K, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer each concluded that as of December 31, 2007, the end of the period covered by this Annual Report on Form 10-K, we maintained effective disclosure controls and procedures.

Management's Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining effective internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the framework in Internal Control - Integrated Framework, our management has concluded we maintained effective internal control over financial reporting, as such term is defined in Securities Exchange Act of 1934 Rule 13a-15(f), as of December 31, 2007.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is also responsible for the preparation and fair presentation of the consolidated financial statements and other financial information contained in this report. The accompanying consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles and include, as necessary, best estimates and judgments by management.

Ernst & Young, LLP, an independent registered public accounting firm, has audited our consolidated financial statements as of and for the year ended December 31, 2007, and opined as to the effectiveness of internal control over financial reporting as of December 31, 2007, as stated in its attestation report, which is included herein on page 90.

Change in Internal Control. Our management, including the Chief Executive Officer and Chief Financial Officer, has reviewed our internal control. There have been no significant changes in our internal control during our most recently completed fiscal quarter, nor subsequent to the date of their evaluation, that could significantly affect our internal control over financial reporting.

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of Capital City Bank Group, Inc.

We have audited Capital City Bank Group, Inc.'s internal control over financial reporting as of December 31, 2007, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Capital City Bank Group, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in Management's Report on the Effectiveness of Internal Control Over Financial Reporting under Item 9A. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Capital City Bank Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) the consolidated statement of financial condition of Capital City Bank Group, Inc. and subsidiary as of December 31, 2007, and the related consolidated statements of income, changes in shareowners' equity, and cash flows for the year ended December 31, 2007 of Capital City Bank Group, Inc. and our report dated March 13, 2008 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Birmingham, Alabama
March 13, 2008

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Item 9B. Other Information

None.

Part III

Item 10. Directors, Executive Officers, and Corporate Governance

Incorporated herein by reference to the subsection entitled “Codes of Conduct and Ethics” under the section entitled “Corporate Governance,” “Nominees for Election as Directors,” “Continuing Directors and Executive Officers,” “Share Ownership” and the subsection entitled “Committees of the Board” under the section “Board and Committee Membership” in the Registrant’s Proxy Statement relating to its Annual Meeting of Shareowners to be held April 24, 2008.

Item 11. Executive Compensation

Incorporated herein by reference to the sections entitled “Executive Compensation” and “Director Compensation” in the Registrant’s Proxy Statement relating to its Annual Meeting of Shareowners to be held April 24, 2008.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareowners Matters

Equity Compensation Plan Information

Our 2005 Associate Incentive Plan, 2005 Associate Stock Purchase Plan, and 2005 Director Stock Purchase Plan were approved by our shareowners. The following table provides certain information regarding our equity compensation plans as of December 31, 2007.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity Compensation Plans Approved by Securities Holders	60,384(1)	$32.83	1,410,930(2)
Equity Compensation Plans Not Approved by Securities Holders	-	-	-
Total	60,384	$ 32.83	1,410,930

(1) Includes 60,384 shares that may be issued upon exercise of outstanding options under the terminated 1996 Associate Incentive Plan.

(2) Consists of 814,108 shares available for issuance under our 2005 Associate Incentive Plan, 533,938 shares available for issuance under our 2005 Associate Stock Purchase Plan, and 62,884 shares available for issuance under our 2005 Director Stock Purchase Plan. Of these plans, the only plan under which options may be granted in the future is our 2005 Associate Incentive Plan.

For additional information about our equity compensation plans, see Stock Based Compensation in Note 11 in the Notes to the Consolidated Financial Statements.

The other information required by Item 12 is incorporated herein by reference to the section entitled “Share Ownership” in the Registrant’s Proxy Statement relating to its Annual Meeting of Shareowners to be held April 24, 2008.

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Item 13. Certain Relationships and Related Transactions, and Director Independence

Incorporated herein by reference to the subsections entitled “Related Person Transaction Policy” and “Transactions With Related Persons” under the section entitled “Executive Officers and Transactions with Related Persons” and the subsection entitled “Independent Directors” under the section entitled “Corporate Governance” in the Registrant’s Proxy Statement relating to its Annual Meeting of Shareowners to be held April 24, 2008.

Item 14. Principal Accountant Fees and Services

Incorporated herein by reference to the section entitled “Audit Fees and Related Matters” in the Registrant’s Proxy Statement relating to its Annual Meeting of Shareowners to be held April 24, 2008.

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PART IV

The following documents are filed as part of this report

1. Financial Statements

Reports of Independent Registered Public Accounting Firms

Consolidated Statements of Income for Fiscal Years 2007, 2006, and 2005

Consolidated Statements of Financial Condition at the end of Fiscal Years 2007 and 2006

Consolidated Statements of Changes in Shareowners' Equity for Fiscal Years 2007, 2006, and 2005

Consolidated Statements of Cash Flows for Fiscal Years 2007, 2006, and 2005

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Other schedules and exhibits are omitted because the required information either is not applicable or is shown in the financial statements or the notes thereto.

3. Exhibits Required to be Filed by Item 601 of Regulation S-K

Reg. S-K Exhibit Table Item No.	Description of Exhibit
2.1	Agreement and Plan of Merger, dated as of February 3, 2005, by and among Capital City Bank Group, Inc., First Alachua Banking Corporation, and First National Bank of Alachua (the schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K) - incorporated herein by reference to the Registrant's Form 8-K (filed 2/9/05) (No. 0-13358).
3.1	Amended and Restated Articles of Incorporation - incorporated herein by reference to Exhibit 3 of the Registrant's 1996 Proxy Statement (filed 4/11/96) (No. 0-13358).
3.2	Amended and Restated Bylaws - incorporated herein by reference to Exhibit 3.2 of the Registrant's Form 8-K (filed 11/30/07) (No. 0-13358).
4.1	See Exhibits 3.1, and 3.2 for provisions of Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, which define the rights of its shareowners.
4.2	Capital City Bank Group, Inc. 2005 Director Stock Purchase Plan - incorporated herein by reference to Exhibit 4.3 of the Registrant's Form S-8 (filed 11/5/04) (No. 333-120242).
4.3	

Capital City Bank Group, Inc. 2005 Associate Stock Purchase Plan - incorporated herein by reference to Exhibit 4.4 of the Registrant's Form S-8 (filed 11/5/04) (No. 333-120242).

4.4 Capital City Bank Group, Inc. 2005 Associate Incentive Plan - incorporated herein by reference to Exhibit 4.5 of the Registrant's Form S-8 (filed 11/5/04) (No. 333-120242).

4.5 In accordance with Regulation S-K, Item 601(b)(4)(iii)(A) certain instruments defining the rights of holders of long-term debt of Capital City Bank Group, Inc. not exceeding 10% of the total assets of Capital City Bank Group, Inc. and its consolidated subsidiaries have been omitted; the Registrant agrees to furnish a copy of any such instruments to the Commission upon request.

10.1 Capital City Bank Group, Inc. 1996 Dividend Reinvestment and Optional Stock Purchase Plan - incorporated herein by reference to Exhibit 10 of the Registrant's Form S-3 (filed 01/30/97) (No. 333-20683).

10.2 Capital City Bank Group, Inc. Supplemental Executive Retirement Plan - incorporated herein by reference to Exhibit 10(d) of the Registrant's Form 10-K (filed 3/27/03) (No. 0-13358).

10.3 Capital City Bank Group, Inc. 401(k) Profit Sharing Plan – incorporated herein by reference to Exhibit 4.3 of Registrant's Form S-8 (filed 09/30/97) (No. 333-36693).

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10.4 2005 Stock Option Agreement by and between Capital City Bank Group, Inc. and William G. Smith, Jr., dated March 24, 2005 – incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 8-K (filed 3/31/05) (No. 0-13358).

10.5 2006 Stock Option Agreement by and between Capital City Bank Group, Inc. and William G. Smith, Jr., dated March 23, 2006 – incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 8-K (filed 3/29/06) (No. 0-13358).

10.6 Capital City Bank Group, Inc. Non-Employee Director Plan, as amended – incorporated herein by reference to Exhibit 10.2 of the Registrant's Form 8-K (filed 3/29/06) (No. 0-13358).

10.7 Form of Participant Agreement for the Capital City Bank Group, Inc. Long-Term Incentive Plan – incorporated herein by reference to Exhibit 10.1 of the Registrant's Form 10-Q (filed 8/10/06) (No. 0-13358).

11 Statement re Computation of Per Share Earnings.*

14 Capital City Bank Group, Inc. Code of Ethics for the Chief Financial Officer and Senior Financial Officers - incorporated herein by reference to Exhibit 14 of the Registrant's Form 8-K (filed 3/11/05) (No. 0-13358).

21 Capital City Bank Group, Inc. Subsidiaries, as of December 31, 2007.**

23.1 Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.**

23.2 Consent of KPMG LLP, Independent Registered Public Accounting Firm.**

31.1 Certification of CEO pursuant to Securities and Exchange Act Section 302 of the Sarbanes-Oxley Act of 2002.**

31.2 Certification of CFO pursuant to Securities and Exchange Act Section 302 of the Sarbanes-Oxley Act of 2002.**

32.1 Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

32.2 Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**

* Information required to be presented in Exhibit 11 is provided in Note 13 to the consolidated financial statements under Part II, Item 8 of this Form 10-K in accordance with the provisions of FASB Statement of Financial Accounting Standards (SFAS) No. 128, Earnings Per Share.

** Filed electronically herewith.

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on March 17, 2008, on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITY BANK GROUP, INC.

/s/ William G. Smith, Jr.
William G. Smith, Jr.
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 17, 2008 by the following persons in the capacities indicated.

/s/ William G. Smith, Jr.
William G. Smith, Jr.
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ J. Kimbrough Davis
J. Kimbrough Davis
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on March 17, 2008, on its behalf by the undersigned, thereunto duly authorized.

Directors:

/s/ Dubose Ausley
DuBose Ausley

/s/ Thomas A. Barron
Thomas A. Barron

/s/ Frederick Carroll, III
Frederick Carroll, III

/s/ Cader B. Cox, III
Cader B. Cox, III

/s/ J. Everitt Drew
J. Everitt Drew

/s/ John K. Humphress
John K. Humphress

/s/ L. McGrath Keen, Jr.
L. McGrath Keen, Jr.

/s/ Lina S. Knox
Lina S. Knox

/s/ Ruth A. Knox
Ruth A. Knox

/s/ Henry Lewis III
Henry Lewis III

/s/ William G. Smith, Jr.
William G. Smith, Jr.