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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2021

OR

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

For the transition period from ____________ to ____________

Commission File Number: 0-13358

Capital City Bank Group, Inc.

(Exact name of Registrant as specified in its charter)

Florida	**59-2273542**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
217 North Monroe Street, Tallahassee, Florida	**32301**
(Address of principal executive office)	(Zip Code)

(850) 402-7821
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par value $0.01	CCBG	Nasdaq Stock Market, LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes [X] No [ ]

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

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

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

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

At July 29, 2021, 16,874,279 shares of the Registrant's Common Stock, $.01 par value, were outstanding.

CAPITAL CITY BANK GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2021
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INTRODUCTORY NOTE
Caution Concerning Forward-Looking Statements

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

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

Our ability to achieve our financial objectives could be adversely affected by the factors discussed in detail in Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q and the following sections of our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K"): (a) "Introductory Note" in Part I, Item 1. "Business"; (b) "Risk Factors" in Part I, Item 1A, as updated in our subsequent quarterly reports filed on Form 10-Q; and (c) "Introduction" in "Management's Discussion and Analysis of Financial Condition and Results of Operations," in Part II, Item 7, as well as:

- the magnitude and duration of the ongoing COVID-19 (including the Delta variant) pandemic and its impact on the global and local economies and financial market conditions and our business, results of operations and financial condition, including the impact of our participation in government programs related to COVID-19;
- our ability to successfully manage credit risk, interest rate risk, liquidity risk, and other risks inherent to our industry;
- legislative or regulatory changes;
- changes in monetary and fiscal policies of the U.S. Government;
- inflation, interest rate, market and monetary fluctuations;
- the effects of security breaches and computer viruses that may affect our computer systems or fraud related to debit card products;
- the accuracy of our financial statement estimates and assumptions, including the estimates used for our allowance for credit losses, deferred tax asset valuation and pension plan;
- changes in accounting principles, policies, practices or guidelines;
- the frequency and magnitude of foreclosure of our loans;
- the effects of our lack of a diversified loan portfolio, including the risks of geographic and industry concentrations;
- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- our ability to declare and pay dividends, the payment of which is subject to our capital requirements;
- changes in the securities and real estate markets;
- structural changes in the markets for origination, sale and servicing of residential mortgages;
- uncertainty in the pricing of residential mortgage loans that we sell, as well as competition for the mortgage servicing rights related to these loans and related interest rate risk or price risk resulting from retaining mortgage servicing rights and the potential effects of higher interest rates on our loan origination volumes;
- the effect of corporate restructuring, acquisitions or dispositions, including the actual restructuring and other related charges and the failure to achieve the expected gains, revenue growth or expense savings from such corporate restructuring, acquisitions or dispositions;
- the effects of natural disasters, harsh weather conditions (including hurricanes), widespread health emergencies, military conflict, terrorism, civil unrest or other geopolitical events;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- the willingness of clients to accept third-party products and services rather than our products and services and vice versa;
- increased competition and its effect on pricing;
- technological changes;
- negative publicity and the impact on our reputation;
- changes in consumer spending and saving habits;
- growth and profitability of our noninterest income;
- the limited trading activity of our common stock;
- the concentration of ownership of our common stock;
- anti-takeover provisions under federal and state law as well as our Articles of Incorporation and our Bylaws;
- other risks described from time to time in our filings with the Securities and Exchange Commission; and
- our ability to manage the risks involved in the foregoing.

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

PART I. FINANCIAL INFORMATION
Item 1.

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

(Dollars in Thousands)	**(Unaudited) June 30, 2021**	**December 31, 2020**
ASSETS		
Cash and Due From Banks	$ 78,894	$ 67,919
Funds Sold	766,920	860,630
Total Cash and Cash Equivalents	845,814	928,549
Investment Securities, Available for Sale, at fair value	480,890	324,870
Investment Securities, Held to Maturity (fair value of $329,881 and $175,175)	325,559	169,939
Total Investment Securities	806,449	494,809
Loans Held For Sale, at fair value	80,821	114,039
Loans Held for Investment	2,008,662	2,006,426
Allowance for Credit Losses	(22,175)	(23,816)
Loans Held for Investment, Net	1,986,487	1,982,610
Premises and Equipment, Net	85,745	86,791
Goodwill and Other Intangibles	93,333	89,095
Other Real Estate Owned	1,192	808
Other Assets	111,618	101,370
Total Assets	$ 4,011,459	$ 3,798,071
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$ 1,552,864	$ 1,328,809
Interest Bearing Deposits	1,894,057	1,888,751
Total Deposits	3,446,921	3,217,560
Short-Term Borrowings	47,200	79,654
Subordinated Notes Payable	52,887	52,887
Other Long-Term Borrowings	1,720	3,057
Other Liabilities	105,534	102,076
Total Liabilities	3,654,262	3,455,234
Temporary Equity	21,317	22,000
SHAREOWNERS' EQUITY		
Preferred Stock, $0.01 par value; 3,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, $0.01 par value; 90,000,000 shares authorized; 16,874,279 and 16,790,573 shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively	169	168
Additional Paid-In Capital	33,560	32,283
Retained Earnings	345,574	332,528
Accumulated Other Comprehensive Loss, net of tax	(43,423)	(44,142)
Total Shareowners' Equity	335,880	320,837
Total Liabilities, Temporary Equity, and Shareowners' Equity	$ 4,011,459	$ 3,798,071

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

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

(Dollars in Thousands, Except Per Share Data)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2021	**2020**	**2021**	**2020**
INTEREST INCOME				
Loans, including Fees	$ 24,582	$ 23,687	$ 47,932	$ 47,280
Investment Securities:				
Taxable	2,036	2,708	3,899	5,704
Tax Exempt	18	29	38	48
Funds Sold	200	88	413	845
Total Interest Income	26,836	26,512	52,282	53,877
INTEREST EXPENSE				
Deposits	208	218	416	1,157
Short-Term Borrowings	324	421	736	553
Subordinated Notes Payable	308	374	615	845
Other Long-Term Borrowings	16	41	37	91
Total Interest Expense	856	1,054	1,804	2,646
NET INTEREST INCOME	25,980	25,458	50,478	51,231
Provision for Credit Losses	(571)	2,005	(1,553)	6,995
Net Interest Income After Provision For Credit Losses	26,551	23,453	52,031	44,236
NONINTEREST INCOME				
Deposit Fees	4,236	3,756	8,507	8,771
Bank Card Fees	3,998	3,142	7,616	6,193
Wealth Management Fees	3,274	2,554	6,364	5,158
Mortgage Banking Revenues	13,217	19,397	30,342	22,650
Other	1,748	1,350	3,470	2,905
Total Noninterest Income	26,473	30,199	56,299	45,677
NONINTEREST EXPENSE				
Compensation	25,378	23,658	51,442	43,394
Occupancy, Net	5,973	5,798	11,940	10,777
Other Real Estate Owned, Net	(270)	116	(388)	(682)
Pension Settlement	2,000	-	2,000	-
Other	9,042	7,731	17,605	14,783
Total Noninterest Expense	42,123	37,303	82,599	68,272
INCOME BEFORE INCOME TAXES	10,901	16,349	25,731	21,641
Income Tax Expense	2,059	2,950	4,846	4,232
NET INCOME	8,842	13,399	20,885	17,409
Pre-Tax Income Attributable to Noncontrolling Interests	(1,415)	(4,253)	(3,952)	(3,976)
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	**$ 7,427**	**$ 9,146**	**$ 16,933**	**$ 13,433**
BASIC NET INCOME PER SHARE	**$ 0.44**	**$ 0.55**	**$ 1.00**	**$ 0.80**
DILUTED NET INCOME PER SHARE	**$ 0.44**	**$ 0.55**	**$ 1.00**	**$ 0.80**
Average Common Basic Shares Outstanding	16,858	16,797	16,848	16,803
Average Common Diluted Shares Outstanding	16,885	16,839	16,874	16,844

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

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

(Dollars in Thousands)	**Three Months Ended June 30, 2021**	**Three Months Ended June 30, 2020**	**Six Months Ended June 30, 2021**	**Six Months Ended June 30, 2020**
NET INCOME	$ 7,427	$ 9,146	$ 16,933	$ 13,433
Other comprehensive income, before tax:				
Investment Securities:				
Change in net unrealized gain/loss on securities available for sale	(481)	433	(2,434)	3,980
Derivative:				
Change in net unrealized gain on effective cash flow derivative	(919)	(104)	1,206	(104)
Benefit Plans:				
Reclassification adjustment for service cost	-	-	24	-
Actuarial gain	-	-	166	-
Defined benefit plan settlement	2,000	-	2,000	-
Total Benefit Plans	2,000	-	2,190	-
Other comprehensive income, before tax	600	329	962	3,876
Deferred tax expense related to other comprehensive income	152	52	243	951
Other comprehensive income, net of tax	448	277	719	2,925
TOTAL COMPREHENSIVE INCOME	$ 7,875	$ 9,423	$ 17,652	$ 16,358

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

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

(Dollars In Thousands, Except Share Data)	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net of Taxes	Total
Balance, April 1, 2021	16,851,878	$ 169	$ 32,804	$ 335,324	$ (43,871)	$ 324,426
Net Income	-	-	-	7,427	-	7,427
Reclassification to Temporary Equity[1]	-	-	-	5,353	-	5,353
Other Comprehensive Income, net of tax	-	-	-	-	448	448
Cash Dividends ($0.1500 per share)	-	-	-	(2,530)	-	(2,530)
Stock Based Compensation	-	-	219	-	-	219
Stock Compensation Plan Transactions, net	22,401	-	537	-	-	537
Balance, June 30, 2021	16,874,279	$ 169	$ 33,560	$ 345,574	$ (43,423)	$ 335,880
Balance, April 1, 2020	16,811,781	$ 168	$ 32,100	$ 321,772	$ (25,533)	$ 328,507
Net Income	-	-	-	9,146	-	9,146
Other Comprehensive Income, net of tax	-	-	-	-	277	277
Cash Dividends ($0.1400 per share)	-	-	-	(2,348)	-	(2,348)
Repurchase of Common Stock	(43,878)	-	(863)	-	-	(863)
Stock Based Compensation	-	-	77	-	-	77
Stock Compensation Plan Transactions, net	12,373	-	261	-	-	261
Balance, June 30, 2020	16,780,276	$ 168	$ 31,575	$ 328,570	$ (25,256)	$ 335,057
Balance, January 1, 2021	16,790,573	$ 168	$ 32,283	$ 332,528	$ (44,142)	$ 320,837
Net Income	-	-	-	16,933	-	16,933
Reclassification to Temporary Equity[1]	-	-	-	1,171	-	1,171
Other Comprehensive Income, net of tax	-	-	-	-	719	719
Cash Dividends ($0.3000 per share)	-	-	-	(5,058)	-	(5,058)
Stock Based Compensation	-	-	438	-	-	438
Stock Compensation Plan Transactions, net	83,706	1	839	-	-	840
Balance, June 30, 2021	16,874,279	$ 169	$ 33,560	$ 345,574	$ (43,423)	$ 335,880
Balance, January 1, 2020	16,771,544	$ 168	$ 32,092	$ 322,937	$ (28,181)	$ 327,016
Adoption of ASC 326	-	-	-	(3,095)	-	(3,095)
Net Income	-	-	-	13,433	-	13,433
Other Comprehensive Income, net of tax	-	-	-	-	2,925	2,925
Cash Dividends ($0.2800 per share)	-	-	-	(4,705)	-	(4,705)
Repurchase of Common Stock	(76,952)	(1)	(1,570)	-	-	(1,571)
Stock Based Compensation	-	-	368	-	-	368
Stock Compensation Plan Transactions, net	85,684	1	685	-	-	686
Balance, June 30, 2020	16,780,276	$ 168	$ 31,575	$ 328,570	$ (25,256)	$ 335,057

[1]Adjustment to redemption value for non-controlling interest in Capital City Home Loans.

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

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

(Dollars in Thousands)	Six Months Ended June 30, 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	$ 16,933	$ 13,433
Adjustments to Reconcile Net Income to		
Cash Provided by Operating Activities:		
Provision for Credit Losses	(1,553)	6,995
Depreciation	3,782	3,400
Amortization of Premiums, Discounts and Fees, net	5,946	3,414
Amortization of Intangible Asset	40	-
Pension Plan Settlement Charge	2,000	-
Originations of Loans Held-for-Sale	(877,613)	(431,775)
Proceeds From Sales of Loans Held-for-Sale	941,173	385,518
Net Gain From Sales of Loans Held-for-Sale	(30,342)	(20,844)
Net Additions for Capitalized Mortgage Servicing Rights	(8)	-
Change in Valuation Provision for Mortgage Servicing Rights	(250)	-
Stock Compensation	438	368
Net Tax Benefit From Stock-Based Compensation	(4)	(84)
Deferred Income Taxes	(469)	(695)
Net Change in Operating Leases	(81)	498
Net Gain on Sales and Write-Downs of Other Real Estate Owned	(507)	(915)
Net Increase in Other Assets	(9,789)	(23,035)
Net Increase in Other Liabilities	2,472	36,251
Net Cash Provided By (Used In) Operating Activities	52,168	(27,471)
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities Held to Maturity:		
Purchases	(201,308)	(32,250)
Payments, Maturities, and Calls	44,238	38,362
Securities Available for Sale:		
Purchases	(255,379)	(38,364)
Payments, Maturities, and Calls	94,911	102,846
Purchases of Loans Held for Investment	(70,043)	(18,359)
Net Decrease (Increase) in Loans Held for Investment	64,708	(167,587)
Net Cash Paid for Acquisitions	(4,482)	(2,405)
Proceeds From Sales of Other Real Estate Owned	1,121	1,800
Purchases of Premises and Equipment	(3,215)	(6,842)
Noncontrolling Interest Contributions	3,464	-
Net Cash Used In Investing Activities	(325,985)	(122,799)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase in Deposits	229,361	309,542
Net (Decrease) Increase in Short-Term Borrowings	(32,668)	57,460
Repayment of Other Long-Term Borrowings	(1,123)	(837)
Dividends Paid	(5,058)	(4,705)
Payments to Repurchase Common Stock	-	(1,571)
Issuance of Common Stock Under Purchase Plans	570	386
Net Cash Provided By Financing Activities	191,082	360,275
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(82,735)	210,005
Cash and Cash Equivalents at Beginning of Period	928,549	378,423
Cash and Cash Equivalents at End of Period	$ 845,814	$ 588,428
Supplemental Cash Flow Disclosures:		
Interest Paid	$ 1,877	$ 2,655
Income Taxes Paid	$ 9,369	$ 3,613
Noncash Investing and Financing Activities:		
Loans Transferred to Other Real Estate Owned	$ 998	$ 991

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

NOTE 1 – BUSINESS AND BASIS OF PRESENTATION

Nature of Operations. Capital City Bank Group, Inc. ("CCBG" or the "Company") provides a full range of banking and banking-related services to individual and corporate clients through its subsidiary, Capital City Bank, with banking offices located in Florida, Georgia, and Alabama. The Company is subject to competition from other financial institutions, is subject to regulation by certain government agencies and undergoes periodic examinations by those regulatory authorities.

Basis of Presentation. The consolidated financial statements in this Quarterly Report on Form 10-Q include the accounts of CCBG and its wholly owned subsidiary, Capital City Bank ("CCB" or the "Bank"). All material inter-company transactions and accounts have been eliminated. Certain previously reported amounts have been reclassified to conform to the current year's presentation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

The consolidated statement of financial condition at December 31, 2020 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2020.

Acquisition. On April 30, 2021, a newly formed subsidiary of CCBG, Capital City Strategic Wealth, LLC ("CCSW") acquired substantially all of the assets of Strategic Wealth Group, LLC and certain related businesses ("SWG"), including advisory, service, and insurance carrier agreements, and the assignment of all related revenues thereof. Under the terms of the purchase agreement, SWG principles became officers of CCSW and will continue the operation of their five offices in South Georgia offering wealth management services and comprehensive risk management and asset protection services for individuals and businesses. CCSW paid $4.4 million in cash consideration and recorded goodwill of $2.8 million and a customer relationship intangible asset of $1.6 million.

Accounting Standards Updates

ASU 2020-04, "Reference Rate Reform (Topic 848). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to loan and lease agreements, derivative contracts, and other transactions affected by the anticipated transition away from LIBOR toward new interest rate benchmarks. For transactions that are modified because of reference rate reform and that meet certain scope guidance (i) modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate and the modification will be considered "minor" so that any existing unamortized origination fees/costs would carry forward and continue to be amortized and (ii) modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or re-measurements of lease payments that otherwise would be required for modifications not accounted for as separate contracts. ASU 2020-04 also provides numerous optional expedients for derivative accounting. ASU 2020-04 is effective March 12, 2020 through December 31, 2022. An entity may elect to apply ASU 2020-04 for contract modifications as of January 1, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected for a Topic or an Industry Subtopic within the Codification, the amendments in this ASU must be applied prospectively for all eligible contract modifications for that Topic or Industry Subtopic. It is anticipated this ASU will simplify any modifications executed between the selected start date (yet to be determined) and December 31, 2022 that are directly related to LIBOR transition by allowing prospective recognition of the continuation of the contract, rather than extinguishment of the old contract resulting in writing off unamortized fees/costs. Further, *ASU 2021-01, "Reference Rate Reform (Topic 848): Scope,"* clarifies that certain optional expedients and exceptions in ASC 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2021-01 also amends the expedients and exceptions in ASC 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments. The Company is evaluating the impact of this ASU and has not yet determined if this ASU will have material effects on the Company's business operations and consolidated financial statements.

NOTE 2 – INVESTMENT SECURITIES

Investment Portfolio Composition. The following table summarizes the amortized cost and related market value of investment securities available-for-sale and securities held-to-maturity and the corresponding amounts of gross unrealized gains and losses.

	June 30, 2021				December 31, 2020			
	Amortized Cost	**Unrealized Gains**	**Unrealized Losses**	**Market Value**	**Amortized Cost**	**Unrealized Gain**	**Unrealized Losses**	**Market Value**
Available for Sale								
U.S. Government Treasury	$ 161,247	$ 220	$ 590	$ 160,877	$ 103,547	$ 972	$ -	$ 104,519
U.S. Government Agency	226,807	2,087	593	228,301	205,972	2,743	184	208,531
States and Political Subdivisions	13,555	60	8	13,607	3,543	89	-	3,632
Mortgage-Backed Securities	56,894	56	-	56,950	456	59	-	515
Corporate Debt Securities	14,357	3	-	14,360	-	-	-	-
Equity Securities[1]	6,795	-	-	6,795	7,673	-	-	7,673
Total	$ 479,655	$ 2,426	$ 1,191	$ 480,890	$ 321,191	$ 3,863	$ 184	$ 324,870
Held to Maturity								
U.S. Government Treasury	$ 110,926	$ 59	$ 64	$ 110,921	$ 5,001	$ 13	$ -	$ 5,014
Mortgage-Backed Securities	214,633	4,579	252	218,960	164,938	5,223	-	170,161
Total	$ 325,559	$ 4,638	$ 316	$ 329,881	$ 169,939	$ 5,236	$ -	$ 175,175
Total Investment Securities	$ 805,214	$ 7,064	$ 1,507	$ 810,771	$ 491,130	$ 9,099	$ 184	$ 500,045

(1) *Includes Federal Home Loan Bank and Federal Reserve Bank stock, recorded at cost of $2.0 million and $4.8 million, respectively, at June 30, 2021 and includes Federal Home Loan Bank and Federal Reserve Bank stock recorded at cost of $2.9 million and $4.8 million, respectively, at December 31, 2020.*

Securities with an amortized cost of $348.7 million and $308.2 million at June 30, 2021 and December 31, 2020, respectively, were pledged to secure public deposits and for other purposes.

The Bank, as a member of the Federal Home Loan Bank of Atlanta ("FHLB"), is required to own capital stock in the FHLB based generally upon the balances of residential and commercial real estate loans and FHLB advances. FHLB stock, which is included in equity 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.

As a member of the Federal Reserve Bank of Atlanta, the Bank is required to maintain stock in the Federal Reserve Bank of Atlanta based on a specified ratio relative to the Bank's capital. Federal Reserve Bank stock is carried at cost.

Maturity Distribution. At June 30, 2021, the Company's investment securities had the following maturity distribution based on contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations. Mortgage-backed securities and certain amortizing U.S. government agency securities are shown separately because they are not due at a certain maturity date.

	Available for Sale		Held to Maturity	
(Dollars in Thousands)	**Amortized Cost**	**Market Value**	**Amortized Cost**	**Market Value**
Due in one year or less	$ 52,053	$ 52,075	$ -	$ -
Due after one year through five years	170,442	169,879	110,926	110,921
Due after five year through ten years	17,645	17,620	-	-
Mortgage-Backed Securities	56,894	56,950	214,633	218,960
U.S. Government Agency	175,826	177,571	-	-
Equity Securities	6,795	6,795	-	-
Total	$ 479,655	$ 480,890	$ 325,559	$ 329,881

Unrealized Losses on Investment Securities. The following table summarizes the available for sale investment securities with unrealized losses aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		Greater Than 12 Months		Total	
(Dollars in Thousands)	**Market Value**	**Unrealized Losses**	**Market Value**	**Unrealized Losses**	**Market Value**	**Unrealized Losses**
June 30, 2021						
Available for Sale						
U.S. Government Treasury	$ 114,398	$ 590	$ -	$ -	$ 114,398	$ 590
U.S. Government Agency	84,107	530	8,906	63	93,013	593
States and Political Subdivisions	3,394	8	-	-	3,394	8
Total	201,899	1,128	8,906	63	210,805	1,191
Held to Maturity						
U.S. Government Treasury	57,803	64	-	-	57,803	64
Mortgage-Backed Securities	51,208	252	-	-	51,208	252
Total	$ 109,011	$ 316	$ -	$ -	$ 109,011	$ 316
December 31, 2020						
Available for Sale						
U.S. Government Agency	$ 28,266	$ 156	$ 4,670	$ 28	$ 32,936	$ 184
Total	$ 28,266	$ 156	$ 4,670	$ 28	$ 32,936	$ 184

At June 30, 2021, there were 150 positions (combined AFS and HTM) with unrealized losses totaling $1.5 million. 145 of these positions were U.S. government agency securities issued by U.S. government sponsored entities. The remaining five were municipal securities. Because the declines in the market value of these securities were attributable to changes in interest rates and not credit quality, and because the Company had the ability and intent to hold these investments until there is a recovery in fair value, which may be at maturity, the Company did not record any allowance for credit losses on any investment securities at June 30, 2021. Additionally, none of the securities held by the Company were past due or in nonaccrual status at June 30, 2021.

Credit Quality Indicators

The Company monitors the credit quality of its investment securities through various risk management procedures, including the monitoring of credit ratings. A majority of the debt securities in the Company's investment portfolio were issued by a U.S. government entity or agency and are either explicitly or implicitly guaranteed by the U.S. government. The Company believes the long history of no credit losses on these securities indicates that the expectation of nonpayment of the amortized cost basis is zero, even if the U.S. government were to technically default. Further, certain municipal securities held by the Company have been pre-refunded and secured by government guaranteed treasuries. Therefore, for the aforementioned securities, the Company does not assess or record expected credit losses due to the zero loss assumption. The Company monitors the credit quality of its municipal securities portfolio via credit ratings which are updated on a quarterly basis. On a quarterly basis, municipal securities in an unrealized loss position are evaluated to determine if the loss is attributable to credit related factors and if an allowance for credit loss is needed.

NOTE 3 – LOANS HELD FOR INVESTMENT AND ALLOWANCE FOR CREDIT LOSSES

Loan Portfolio Composition. The composition of the held for investment ("HFI") loan portfolio was as follows:

(Dollars in Thousands)	June 30, 2021	December 31, 2020
Commercial, Financial and Agricultural	$ 292,953	$ 393,930
Real Estate – Construction	149,884	135,831
Real Estate – Commercial Mortgage	707,599	648,393
Real Estate – Residential[(1)]	368,457	352,543
Real Estate – Home Equity	190,078	205,479
Consumer[(2)]	299,691	270,250
Loans HFI, Net of Unearned Income	$ 2,008,662	$ 2,006,426

(1) *Includes loans in process with outstanding balances of $7.4 million and $10.9 million at June 30, 2021 and December 31, 2020, respectively.*

(2) *Includes overdraft balances of $1.2 million and $0.7 million at June 30, 2021 and December 31, 2020, respectively.*

Net deferred loan costs, which include premiums on purchased loans, included in loans were $0.5 million at June 30, 2021 and net deferred loan fees were $0.1 million at December 31, 2020.

Accrued interest receivable on loans which is excluded from amortized cost totaled $6.4 million at June 30, 2021 and $6.9 million at December 31, 2020, and is reported separately in Other Assets.

The Company has pledged a blanket floating lien on all 1-4 family residential mortgage loans, commercial real estate mortgage loans, and home equity loans to support available borrowing capacity at the FHLB of Atlanta and has pledged a blanket floating lien on all consumer loans, commercial loans, and construction loans to support available borrowing capacity at the Federal Reserve Bank of Atlanta.

The Company transferred $9.4 million of home equity loans from HFI to HFS in the second quarter of 2021.

Loan Purchases. The Company will periodically purchase newly originated 1-4 family real estate secured adjustable rate loans from Capital City Home Loans ("CCHL"), a related party. Residential loan purchases from CCHL totaled $51.1 million for the six month period ended June 30, 2021, and were not credit impaired. In addition, during the second quarter of 2021, the Company acquired a pool of 10 individual commercial real estate loans from a third party bank that totaled $17.4 million and were not credit impaired.

Allowance for Credit Losses. The allowance for credit losses is calculated in accordance with the current expected credit loss model, ASC 326 ("CECL"), which was adopted on January 1, 2020. The allowance has two basic components: first, an asset-specific component involving loans that do not share risk characteristics and the measurement of expected credit losses for such individual loans; and second, a pooled component for expected credit losses for pools of loans that share similar risk characteristics. This allowance methodology is discussed further in Note 1 – Business and Basis of Presentation/Significant Accounting Policies in the Company's 2020 Form 10-K.

The following table details the activity in the allowance for credit losses by portfolio segment. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

(Dollars in Thousands)	**Commercial, Financial, Agricultural**	**Real Estate Construction**	**Real Estate Commercial Mortgage**	**Real Estate Residential**	**Real Estate Home Equity**	**Consumer**	**Total**
Three Months Ended							
June 30, 2021							
Beginning Balance	$ 1,957	$ 2,254	$ 6,956	$ 5,204	$ 2,575	$ 3,080	$ 22,026
Provision for Credit Losses	(56)	505	587	(1,030)	(114)	(76)	(184)
Charge-Offs	(32)	-	-	(65)	(74)	(670)	(841)
Recoveries	103	-	26	244	70	731	1,174
Net (Charge-Offs) Recoveries	71	-	26	179	(4)	61	333
Ending Balance	$ 1,972	$ 2,759	$ 7,569	$ 4,353	$ 2,457	$ 3,065	$ 22,175
Six Months Ended							
June 30, 2021							
Beginning Balance	$ 2,204	$ 2,479	$ 7,029	$ 5,440	$ 3,111	$ 3,553	$ 23,816
Provision for Credit Losses	(370)	280	(131)	(1,335)	(769)	(171)	(2,496)
Charge-Offs	(101)	-	-	(71)	(79)	(1,726)	(1,977)
Recoveries	239	-	671	319	194	1,409	2,832
Net (Charge-Offs) Recoveries	138	-	671	248	115	(317)	855
Ending Balance	$ 1,972	$ 2,759	$ 7,569	$ 4,353	$ 2,457	$ 3,065	$ 22,175
Three Months Ended							
June 30, 2020							
Beginning Balance	$ 2,247	$ 1,239	$ 5,828	$ 6,005	$ 2,701	$ 3,063	$ 21,083
Provision for Credit Losses	333	716	742	(615)	40	399	1,615
Charge-Offs	(186)	-	-	(1)	(52)	(1,175)	(1,414)
Recoveries	74	-	70	51	64	914	1,173
Net Charge-Offs	(112)	-	70	50	12	(261)	(241)
Ending Balance	$ 2,468	$ 1,955	$ 6,640	$ 5,440	$ 2,753	$ 3,201	$ 22,457
Six Months Ended							
June 30, 2020							
Beginning Balance	$ 1,675	$ 370	$ 3,416	$ 3,128	$ 2,224	$ 3,092	$ 13,905
Impact of Adopting ASC 326	488	302	1,458	1,243	374	(596)	3,269
Provision for Credit Losses	739	1,283	1,516	1,089	141	1,837	6,605
Charge-Offs	(548)	-	(11)	(111)	(83)	(2,741)	(3,494)
Recoveries	114	-	261	91	97	1,609	2,172
Net Charge-Offs	(434)	-	250	(20)	14	(1,132)	(1,322)
Ending Balance	$ 2,468	$ 1,955	$ 6,640	$ 5,440	$ 2,753	$ 3,201	$ 22,457

For the six month period ended June 30, 2021, the allowance for HFI loans decreased by $1.6 million and reflected a negative provision of $2.5 million and net loan recoveries of $0.9 million. The negative provision generally reflected improving economic conditions, primarily a lower rate of unemployment and its potential effect on rates of default, and strong net loan recoveries totaling $0.9 million. Three unemployment rate forecast scenarios were utilized to estimate probability of default and were weighted based on management's estimate of probability. The mitigating impact of the unprecedented fiscal stimulus as well as various government sponsored loan programs, was also considered. See Note 8 – Commitments and Contingencies for information on the allowance for off-balance sheet credit commitments.

Loan Portfolio Aging. A loan is defined as a past due loan when one full payment is past due or a contractual maturity is over 30 days past due ("DPD").

The following table presents the aging of the amortized cost basis in accruing past due loans by class of loans.

(Dollars in Thousands)	30-59 DPD	60-89 DPD	90 + DPD	Total Past Due	Total Current	Nonaccrual Loans	Total Loans
June 30, 2021							
Commercial, Financial and Agricultural	$ 353	$ 7	$ -	$ 360	$ 292,565	$ 28	$ 292,953
Real Estate – Construction	-	840	-	840	149,044	-	149,884
Real Estate – Commercial Mortgage	309	155	-	464	705,614	1,521	707,599
Real Estate – Residential	394	211	-	605	365,329	2,523	368,457
Real Estate – Home Equity	82	138	-	220	188,930	928	190,078
Consumer	1,061	195	-	1,256	298,325	110	299,691
Total	$ 2,199	$ 1,546	$ -	$ 3,745	$ 1,999,807	$ 5,110	$ 2,008,662
December 31, 2020							
Commercial, Financial and Agricultural	$ 194	$ 124	$ -	$ 318	$ 393,451	$ 161	$ 393,930
Real Estate – Construction	-	717	-	717	134,935	179	135,831
Real Estate – Commercial Mortgage	293	-	-	293	646,688	1,412	648,393
Real Estate – Residential	375	530	-	905	348,508	3,130	352,543
Real Estate – Home Equity	325	138	-	463	204,321	695	205,479
Consumer	1,556	342	-	1,898	268,058	294	270,250
Total	$ 2,743	$ 1,851	$ -	$ 4,594	$ 1,995,961	$ 5,871	$ 2,006,426

Nonaccrual Loans. Loans are generally placed on nonaccrual status if principal or interest payments become 90 days past due and/or management deems the collectability of the principal and/or interest to be doubtful. Loans are returned to accrual status when the principal and interest amounts contractually due are brought current or when future payments are reasonably assured.

The following table presents the amortized cost basis of loans in nonaccrual status and loans past due over 90 days and still on accrual by class of loans.

	June 30, 2021			December 31, 2020		
(Dollars in Thousands)	Nonaccrual With ACL	Nonaccrual With No ACL	90 + Days Still Accruing	Nonaccrual With ACL	Nonaccrual With No ACL	90 + Days Still Accruing
Commercial, Financial and Agricultural	$ 28	$ -	$ -	$ 161	$ -	$ -
Real Estate – Construction	-	-	-	179	-	-
Real Estate – Commercial Mortgage	1,027	494	-	337	1,075	-
Real Estate – Residential	1,588	935	-	1,617	1,513	-
Real Estate – Home Equity	928	-	-	695	-	-
Consumer	110	-	-	294	-	-
Total Nonaccrual Loans	$ 3,681	$ 1,429	$ -	$ 3,283	$ 2,588	$ -

Collateral Dependent Loans.

The following table presents the amortized cost basis of collateral-dependent loans.

	June 30, 2021		December 31, 2020	
(Dollars in Thousands)	**Real Estate Secured**	**Non Real Estate Secured**	**Real Estate Secured**	**Non Real Estate Secured**
Commercial, Financial and Agricultural	$ -	$ -	$ -	$ -
Real Estate – Commercial Mortgage	1,734	-	3,900	-
Real Estate – Residential	2,192	-	3,022	-
Real Estate – Home Equity	700	-	219	-
Consumer	-	27	-	29
Total Collateral Dependent Loans	$ 4,626	$ 27	$ 7,141	$ 29

A loan is collateral dependent when the borrower is experiencing financial difficulty and repayment of the loan is dependent on the sale or operation of the underlying collateral.

The Bank's collateral dependent loan portfolio is comprised primarily of real estate secured loans, collateralized by either residential or commercial collateral types. The loans are carried at fair value based on current values determined by either independent appraisals or internal evaluations, adjusted for selling costs or other amounts to be deducted when estimating expected net sales proceeds.

Residential Real Estate Loans In Process of Foreclosure. At June 30, 2021 and December 31, 2020, the Company had $1.2 million and $1.6 million, respectively, in 1-4 family residential real estate loans for which formal foreclosure proceedings were in process.

Troubled Debt Restructurings ("TDRs"). At June 30, 2021, the Company had $9.9 million in TDRs, of which $9.0 million were performing in accordance with the modified terms. At December 31, 2020 the Company had $14.3 million in TDRs, of which $13.9 million were performing in accordance with modified terms. For TDRs, the Company estimated $0.4 million and $0.6 million of credit loss reserves at June 30, 2021 and December 31, 2020, respectively.

The modifications made to TDRs involved either an extension of the loan term, a principal moratorium, a reduction in the interest rate, or a combination thereof. For the three months ended June 30, 2021, there was one loan modified with a recorded investment of $0.1 million. For the three months ended June 30, 2020, there were two loans modified with a recorded investment of $0.1 million. For the six month period ended June 30, 2021, there were three loans modified with a recorded investment of $0.6 million. For the six month period ended June 30, 2020, there were three loans modified with a recorded investment of $0.2 million.

For the three and six month period ended June 30, 2021, there were no loans classified as TDRs, for which there was a payment default and the loans were modified within the 12 months prior to default. For the three month period ended June 30, 2020, there were no loans classified as TDRs, for which there was a payment default and the loans were modified within the 12 months prior to default. For the six month period ended June 30, 2020, there were two loans classified as TDRs, for which there was a payment default and the loans were modified within the 12 months prior to default.

Credit Risk Management. The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures designed to maximize loan income within an acceptable level of risk. Management and the Board of Directors review and approve these policies and procedures on a regular basis (at least annually).

Reporting systems are used to monitor loan originations, loan quality, concentrations of credit, loan delinquencies and nonperforming loans and potential problem loans. Management and the Credit Risk Oversight Committee periodically review our lines of business to monitor asset quality trends and the appropriateness of credit policies. In addition, total borrower exposure limits are established and concentration risk is monitored. As part of this process, the overall composition of the portfolio is reviewed to gauge diversification of risk, client concentrations, industry group, loan type, geographic area, or other relevant classifications of loans. Specific segments of the loan portfolio are monitored and reported to the Board on a quarterly basis and have strategic plans in place to supplement Board approved credit policies governing exposure limits and underwriting standards. Detailed below are the types of loans within the Company's loan portfolio and risk characteristics unique to each.

Commercial, Financial, and Agricultural – Loans in this category are primarily made based on identified cash flows of the borrower with consideration given to underlying collateral and personal or other guarantees. Lending policy establishes debt service coverage ratio limits that require a borrower's cash flow to be sufficient to cover principal and interest payments on all new and existing debt. The majority of these loans are secured by the assets being financed or other business assets such as accounts receivable, inventory, or equipment. Collateral values are determined based upon third party appraisals and evaluations. Loan to value ratios at origination are governed by established policy guidelines.

Real Estate Construction – Loans in this category consist of short-term construction loans, revolving and non-revolving credit lines and construction/permanent loans made to individuals and investors to finance the acquisition, development, construction or rehabilitation of real property. These loans are primarily made based on identified cash flows of the borrower or project and generally secured by the property being financed, including 1-4 family residential properties and commercial properties that are either owner-occupied or investment in nature. These properties may include either vacant or improved property. Construction loans are generally based upon estimates of costs and value associated with the completed project. Collateral values are determined based upon third party appraisals and evaluations. Loan to value ratios at origination are governed by established policy guidelines. The disbursement of funds for construction loans is made in relation to the progress of the project and as such these loans are closely monitored by on-site inspections.

Real Estate Commercial Mortgage – Loans in this category consists of commercial mortgage loans secured by property that is either owner-occupied or investment in nature. These loans are primarily made based on identified cash flows of the borrower or project with consideration given to underlying real estate collateral and personal guarantees. Lending policy establishes debt service coverage ratios and loan to value ratios specific to the property type. Collateral values are determined based upon third party appraisals and evaluations.

Real Estate Residential – Residential mortgage loans held in the Company's loan portfolio are made to borrowers that demonstrate the ability to make scheduled payments with full consideration to underwriting factors such as current income, employment status, current assets, and other financial resources, credit history, and the value of the collateral. Collateral consists of mortgage liens on 1-4 family residential properties. Collateral values are determined based upon third party appraisals and evaluations. The Company does not originate sub-prime loans.

Real Estate Home Equity – Home equity loans and lines are made to qualified individuals for legitimate purposes generally secured by senior or junior mortgage liens on owner-occupied 1-4 family homes or vacation homes. Borrower qualifications include favorable credit history combined with supportive income and debt ratio requirements and combined loan to value ratios within established policy guidelines. Collateral values are determined based upon third party appraisals and evaluations.

Consumer Loans – This loan portfolio includes personal installment loans, direct and indirect automobile financing, and overdraft lines of credit. The majority of the consumer loan portfolio consists of indirect and direct automobile loans. Lending policy establishes maximum debt to income ratios, minimum credit scores, and includes guidelines for verification of applicants' income and receipt of credit reports.

Credit Quality Indicators. As part of the ongoing monitoring of the Company's loan portfolio quality, management categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment performance, credit documentation, and current economic and market trends, among other factors. Risk ratings are assigned to each loan and revised as needed through established monitoring procedures for individual loan relationships over a predetermined amount and review of smaller balance homogenous loan pools. The Company uses the definitions noted below for categorizing and managing its criticized loans. Loans categorized as "Pass" do not meet the criteria set forth below and are not considered criticized.

<u>Special Mention</u> – Loans in this category are presently protected from loss, but weaknesses are apparent which, if not corrected, could cause future problems. Loans in this category may not meet required underwriting criteria and have no mitigating factors. More than the ordinary amount of attention is warranted for these loans.

<u>Substandard</u> – Loans in this category exhibit well-defined weaknesses that would typically bring normal repayment into jeopardy. These loans are no longer adequately protected due to well-defined weaknesses that affect the repayment capacity of the borrower. The possibility of loss is much more evident and above average supervision is required for these loans.

<u>Doubtful</u> – Loans in this category have all the weaknesses inherent in a loan categorized as Substandard, with the characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

<u>Performing/Nonperforming</u> – Loans within certain homogenous loan pools (home equity and consumer) are not individually reviewed, but are monitored for credit quality via the aging status of the loan and by payment activity. The performing or nonperforming status is updated on an on-going basis dependent upon improvement and deterioration in credit quality.

The following table summarizes gross loans held for investment at June 30, 2021 by years of origination and internally assigned credit risk ratings (refer to Credit Risk Management section for detail on risk rating system).

	Term Loans by Origination Year						Revolving	
(Dollars in Thousands)	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Loans**	**Total**
Commercial, Financial, Agriculture:								
Pass	$ 96,160	$ 56,466	$ 37,288	$ 24,612	$ 11,525	$ 17,651	$ 48,606	$ 292,308
Special Mention	57	-	180	32	1	51	-	321
Substandard	-	11	-	228	22	28	35	324
Total	$ 96,217	$ 56,477	$ 37,468	$ 24,872	$ 11,548	$ 17,730	$ 48,641	$ 292,953
Real Estate - Construction:								
Pass	$ 41,183	$ 78,597	$ 23,854	$ 488	$ 134	$ -	$ 4,073	$ 148,329
Special Mention	715	-	-	-	-	-	-	715
Substandard	-	840	-	-	-	-	-	840
Total	$ 41,898	$ 79,437	$ 23,854	$ 488	$ 134	$ -	$ 4,073	$ 149,884
Real Estate - Commercial Mortgage:								
Pass	$ 108,247	$ 155,143	$ 98,591	$ 111,327	$ 66,381	$ 96,834	$ 22,358	$ 658,881
Special Mention	-	26	4,510	16,720	4,601	13,304	4	39,165
Substandard	1,561	583	3,589	90	1,799	1,931	-	9,553
Total	$ 109,808	$ 155,752	$ 106,690	$ 128,137	$ 72,781	$ 112,069	$ 22,362	$ 707,599
Real Estate - Residential:								
Pass	$ 83,586	$ 76,616	$ 50,779	$ 34,010	$ 31,307	$ 71,827	$ 7,906	$ 356,031
Special Mention	-	139	21	123	170	529	-	982
Substandard	936	1,908	2,783	1,732	1,113	2,872	100	11,444
Total	$ 84,522	$ 78,663	$ 53,583	$ 35,865	$ 32,590	$ 75,228	$ 8,006	$ 368,457
Real Estate - Home Equity:								
Performing	$ 155	$ 60	$ 353	$ 179	$ 755	$ 2,091	$ 185,557	$ 189,150
Nonperforming	-	-	-	-	-	-	928	928
Total	$ 155	$ 60	$ 353	$ 179	$ 755	$ 2,091	$ 186,485	$ 190,078
Consumer:								
Performing	$ 96,878	$ 84,462	$ 52,437	$ 37,372	$ 16,460	$ 6,652	$ 5,319	$ 299,580
Nonperforming	-	-	5	34	14	58	-	111
Total	$ 96,878	$ 84,462	$ 52,442	$ 37,406	$ 16,474	$ 6,710	$ 5,319	$ 299,691

NOTE 4 – MORTGAGE BANKING ACTIVITIES

The Company's mortgage banking activities at its subsidiary Capital City Homes Loans ("CCHL") include mandatory delivery loan sales, forward sales contracts used to manage residential loan pipeline price risk, utilization of warehouse lines to fund secondary market residential loan closings, and residential mortgage servicing. For the six month period of 2020, information provided below reflects CCHL activities for the period March 1, 2020 to June 30, 2020 and CCB legacy residential real estate activities for the period January 1, 2020 to March 1, 2020. All quarterly information subsequent to the quarter ended March 31, 2020 includes CCHL activity.

Residential Mortgage Loan Production

The Company originates, markets, and services conventional and government-sponsored residential mortgage loans. Generally, conforming fixed rate residential mortgage loans are held for sale in the secondary market and non-conforming and adjustable-rate residential mortgage loans may be held for investment. The volume of residential mortgage loans originated for sale and secondary market prices are the primary drivers of origination revenue.

Residential mortgage loan commitments are generally outstanding for 30 to 90 days, which represents the typical period from commitment to originate a residential mortgage loan to when the closed loan is sold to an investor. Residential mortgage loan commitments are subject to both credit and price risk. Credit risk is managed through underwriting policies and procedures, including collateral requirements, which are generally accepted by the secondary loan markets. Price risk is primarily related to interest rate fluctuations and is partially managed through forward sales of residential mortgage-backed securities (primarily to-be announced securities, or TBAs) or mandatory delivery commitments with investors.

The unpaid principal balance of residential mortgage loans held for sale, notional amounts of derivative contracts related to residential mortgage loan commitments and forward contract sales and their related fair values are set- forth below.

	June 30, 2021		December 31, 2020	
(Dollars in Thousands)	Unpaid Principal Balance/Notional	Fair Value	Unpaid Principal Balance/Notional	Fair Value
Residential Mortgage Loans Held for Sale	$ 78,111	$ 80,821	$ 109,831	$ 114,039
Residential Mortgage Loan Commitments ("IRLCs")(1)	107,797	2,524	147,494	4,825
Forward Sales Contracts(2)	99,000	(90)	158,500	(907)
		$ 83,255		$ 117,957

(1)*Recorded in other assets at fair value*
(2)*Recorded in other liabilities at fair value*

The Company had no residential mortgage loans held for sale that were 90 days or more outstanding or on nonaccrual at June 30, 2021 and had $0.6 million at December 31, 2020.

Mortgage banking revenue was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2021	2020	2021	2020
Net realized gains on sales of mortgage loans	$ 13,534	$ 14,580	$ 27,958	$ 17,987
Net change in unrealized gain on mortgage loans held for sale	532	1,092	(1,499)	1,830
Net change in the fair value of mortgage loan commitments (IRLCs)	(458)	1,487	(2,301)	3,142
Net change in the fair value of forward sales contracts	(1,446)	1,625	817	231
Pair-Offs on net settlement of forward sales contracts	(476)	(3,019)	2,835	(4,395)
Mortgage servicing rights additions	453	2,049	640	2,049
Net origination fees	1,078	1,583	1,892	1,806
Total mortgage banking revenues	$ 13,217	$ 19,397	$ 30,342	$ 22,650

Residential Mortgage Servicing

The Company may retain the right to service residential mortgage loans sold. The unpaid principal balance of loans serviced for others is the primary driver of servicing revenue.

The following represents a summary of mortgage servicing rights.

(Dollars in Thousands)	June 30, 2021	December 31, 2020
Number of residential mortgage loans serviced for others	2,008	1,796
Outstanding principal balance of residential mortgage loans serviced for others	$ 498,984	$ 456,135
Weighted average interest rate	3.61%	3.64%
Remaining contractual term (in months)	318	321

Conforming conventional loans serviced by the Company are sold to FNMA on a non-recourse basis, whereby foreclosure losses are generally the responsibility of FNMA and not the Company. The government loans serviced by the Company are secured through GNMA, whereby the Company is insured against loss by the Federal Housing Administration or partially guaranteed against loss by the Veterans Administration. At June 30, 2021, the servicing portfolio balance consisted of the following loan types: FNMA (62%), GNMA (10%), and private investor (28%). FNMA and private investor loans are structured as actual/actual payment remittance.

The Company had $2.8 million and $4.9 million in delinquent residential mortgage loans currently in GNMA pools serviced by the Company at June 30, 2021 and December 31, 2020, respectively. The right to repurchase these loans and the corresponding liability has been recorded in other assets and other liabilities, respectively, in the Consolidated Statements of Financial Condition. For the three and six months ended June 30, 2021, the Company repurchased $0.7 million and $2.2 million, respectively, of GNMA delinquent or defaulted mortgage loans with the intention to modify their terms and include the loans in new GNMA pools.

Activity in the capitalized mortgage servicing rights was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2021	2020	2021	2020
Beginning balance	$ 3,583	$ 910	$ 3,452	$ 910
Additions due to loans sold with servicing retained	453	2,049	640	2,074
Deletions and amortization	(326)	(97)	(632)	(122)
Valuation allowance reversal	-	-	250	-
Ending balance	$ 3,710	$ 2,862	$ 3,710	$ 2,862

The Company did not record any permanent impairment losses on mortgage servicing rights for the three or six month periods ended June 30, 2021 and June 30, 2020.

The key unobservable inputs used in determining the fair value of the Company's mortgage servicing rights were as follows:

	June 30, 2021		December 31, 2020	
	Minimum	Maximum	Minimum	Maximum
Discount rates	11.00%	15.00%	11.00%	15.00%
Annual prepayment speeds	13.09%	22.68%	13.08%	23.64%
Cost of servicing (per loan)	$ 90	$ 110	$ 90	$ 110

Changes in residential mortgage interest rates directly affect the prepayment speeds used in valuing the Company's mortgage servicing rights. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates, estimated loan curtailment, anticipated defaults, and other relevant factors. The weighted average annual prepayment speed was 16.52% at June 30, 2021 and 17.10% at December 31, 2020.

Warehouse Line Borrowings

The Company has the following warehouse lines of credit and master repurchase agreements with various financial institutions at June 30, 2021.

(Dollars in Thousands)		Amounts Outstanding
$25 million warehouse line of credit agreement expiring October 2021. Interest is at LIBOR plus 2.25%, with a floor rate of 3.50%. A cash pledge deposit of $0.1 million is required by the lender.	$	5,630
$50 million master repurchase agreement without defined expiration. Interest is at the LIBOR plus 2.24% to 3.00%, with a floor rate of 3.25%. A cash pledge deposit of $0.5 million is required by the lender.		7,772
$50 million warehouse line of credit agreement expiring in September 2021. Interest is at the LIBOR plus 2.75%, with a floor rate of 3.25%.		29,195
Total Warehouse Borrowings	$	42,597

Warehouse line borrowings are classified as short-term borrowings. At June 30, 2021, the Company had mortgage loans held for sale pledged as collateral under the above warehouse lines of credit and master repurchase agreements. The above agreements also contain covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, maximum debt to net worth ratio and positive net income, as defined in the agreements. The Company was in compliance with all significant debt covenants at June 30, 2021.

The Company intends to renew the warehouse lines of credit and master repurchase agreements when they mature.

The Company has extended a $50 million warehouse line of credit to CCHL, a 51% owned subsidiary entity. Balances and transactions under this line of credit are eliminated in the Company's consolidated financial statements and thus not included in the total short term borrowings noted on the Consolidated Statement of Financial Condition. The balance of this line of credit at June 30, 2021 was $27.7 million.

NOTE 5 – DERIVATIVES

The Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments principally related to the Company's subordinated debt.

Cash Flow Hedges of Interest Rate Risk

Interest rate swaps with notional amounts totaling $30 million at June 30, 2021 were designed as a cash flow hedge for subordinated debt. Under the swap arrangement, the Company will pay a fixed interest rate of 2.50% and receive a variable interest rate based on three-month LIBOR plus a weighted average margin of 1.83%.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in accumulated other comprehensive income ("AOCI") and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate subordinated debt.

The following table reflects the cash flow hedges included in the consolidated statements of financial condition .

(Dollars in Thousands)		Notional Amount		Fair Value	Balance Sheet Location	Weighted Average Maturity (Years)
June 30, 2021						
Interest rate swaps related to subordinated debt	$	30,000	$	1,780	Other Assets	9.0
December 31, 2020						
Interest rate swaps related to subordinated debt	$	30,000	$	574	Other Assets	9.5

The following table presents the net gains (losses) recorded in AOCI and the consolidated statements of income related to the cash flow derivative instruments (interest rate swaps related to subordinated debt) for the three and six month periods ended June 30, 2021 and June 30, 2020.

(Dollars in Thousands)		Amount of Gain (Loss) Recognized in AOCI	Category		Amount of Gain (Loss) Reclassified from AOCI to Income
Three months ended June 30, 2021	$	(686)	Interest Expense	$	(37)
Three months ended June 30, 2020		(108)	Interest Expense		(3)
Six months ended June 30, 2021	$	900	Interest Expense	$	(70)
Six months ended June 30, 2020		(108)	Interest Expense		(3)

The Company estimates there will be approximately $0.1 million reclassified as an increase to interest expense within the next 12 months.

The Company had a collateral liability of $1.7 million and $0.5 million at June 30, 2021 and December 31, 2020, respectively.

NOTE 6 – LEASES

Operating leases in which the Company is the lessee are recorded as operating lease right of use ("ROU") assets and operating liabilities, included in other assets and liabilities, respectively, on its consolidated statement of financial condition.

The Company's operating leases primarily relate to banking offices with remaining lease terms from 1 to 44 years. The Company's leases are not complex and do not contain residual value guarantees, variable lease payments, or significant assumptions or judgments made in applying the requirements of Topic 842. Operating leases with an initial term of 12 months or less are not recorded on the balance sheet and the related lease expense is recognized on a straight-line basis over the lease term. At June 30, 2021, the operating lease ROU assets and liabilities were $11.9 million and $12.7 million, respectively. The Company does not have any finance leases or any significant lessor agreements.

The table below summarizes our lease expense and other information related to the Company's operating leases.

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in Thousands)		2021		2020		2021		2020
Operating lease expense	$	362	$	265	$	706	$	422
Short-term lease expense		170		154		310		233
Total lease expense	$	532	$	419	$	1,016	$	655
Other information:								
Cash paid for amounts included in the measurement of lease liabilities:								
Operating cash flows from operating leases	$	402	$	263	$	786	$	424
Right-of-use assets obtained in exchange for new operating lease liabilities		440		-		515		5,120
Weighted average remaining lease term — operating leases (in years)		25.1		15.5		25.1		15.5
Weighted average discount rate — operating leases		2.0%		2.4%		2.0%		2.4%

The table below summarizes the maturity of remaining lease liabilities:

(Dollars in Thousands)		June 30, 2021
2021	$	816
2022		1,480
2023		1,086
2024		1,033
2025		855
2026 and thereafter		11,165
Total	$	16,435
Less: Interest		(3,780)
Present Value of Lease liability	$	12,655

At June 30, 2021, the Company had additional operating lease payments for two banking offices that have not yet commenced totaling $4.8 million based on the initial contract term of 15 years. Payments for the banking offices are expected to commence after the construction period ends, which is expected to occur during the second quarter of 2022 and the third quarter of 2022.

A related party is the lessor in an operating lease with the Company. The Company's minimum payment is $0.2 million annually through 2024, for an aggregate remaining obligation of $0.7 million at June 30, 2021.

NOTE 7 - EMPLOYEE BENEFIT PLANS

The Company has a defined benefit pension plan covering substantially all full-time and eligible part-time associates and a Supplemental Executive Retirement Plan ("SERP") and a Supplemental Executive Retirement Plan II ("SERP II") covering its executive officers. The defined benefit plan was amended in December 2019 to remove plan eligibility for new associates hired after December 31, 2019. The SERP II was adopted by the Company's Board on May 21, 2020 and covers certain executive officers that were not covered by the SERP.

The components of the net periodic benefit cost for the Company's qualified benefit pension plan were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
(Dollars in Thousands)	2021		2020		2021		2020	
Service Cost	$	1,743	$	1,457	$	3,486	$	2,914
Interest Cost		1,221		1,400		2,442		2,811
Expected Return on Plan Assets		(2,787)		(2,748)		(5,574)		(5,496)
Prior Service Cost Amortization		4		4		8		8
Net Loss Amortization		1,691		974		3,382		1,985
Settlement Loss		2,000		-		2,000		-
Special Termination Charge		-		-		-		61
Net Periodic Benefit Cost	$	3,872	$	1,087	$	5,744	$	2,283
Discount Rate		2.88%		3.53%		2.88%		3.53%
Long-term Rate of Return on Assets		6.75%		7.00%		6.75%		7.00%

In the second quarter of 2021, lump sum payments made under the Company's defined benefit pension plan triggered settlement accounting. In accordance with the applicable accounting guidance for defined benefit plans, the Company recorded a settlement loss of $2.0 million.

The components of the net periodic benefit cost for the Company's SERP and SERP II were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	**2021**	**2020**	**2021**	**2020**
Service Cost	$ 9	$ 10	$ 18	$ 10
Interest Cost	61	83	120	155
Prior Service Cost Amortization	69	109	88	109
Net Loss Amortization	243	71	441	318
Net Periodic Benefit Cost	$ 382	$ 273	$ 667	$ 592
Discount Rate	2.38%	3.16%	2.38%	3.16%

The service cost component of net periodic benefit cost is reflected in compensation expense in the accompanying statements of income. The other components of net periodic cost are included in “other” within the noninterest expense category in the statements of income.

NOTE 8 - 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. The amounts associated with the Company’s off-balance sheet obligations were as follows:

	June 30, 2021			December 31, 2020		
(Dollars in Thousands)	**Fixed**	**Variable**	**Total**	**Fixed**	**Variable**	**Total**
Commitments to Extend Credit [(1)]	$ 204,549	$ 560,909	$ 765,458	$ 160,372	$ 596,572	$ 756,944
Standby Letters of Credit	6,587	-	6,587	6,550	-	6,550
Total	$ 211,136	$ 560,909	$ 772,045	$ 166,922	$ 596,572	$ 763,494

(1) *Commitments include unfunded loans, revolving lines of credit, and off-balance sheet residential loan 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.

The allowance for credit losses for off-balance sheet credit commitments that are not unconditionally cancellable by the bank is adjusted as a provision for credit loss expense and is recorded in other liabilities. The following table shows the activity in the allowance.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	**2021**	**2020**	**2021**	**2020**
Beginning Balance	$ 2,974	$ 1,033	$ 1,644	$ 157
Impact of Adoption of ASC 326	-	-	-	876
Provision for Credit Losses	(387)	391	943	391
Ending Balance	$ 2,587	$ 1,424	$ 2,587	$ 1,424

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 is a member of the Visa U.S.A. network. Visa U.S.A member banks are required to indemnify the Visa U.S.A. network for potential future settlement of certain litigation (the "Covered Litigation") that relates to several antitrust lawsuits challenging the practices of Visa and MasterCard International. In 2008, the Company, as a member of the Visa U.S.A. network, obtained Class B shares of Visa, Inc. upon its initial public offering. Since its initial public offering, Visa, Inc. has funded a litigation reserve for the Covered Litigation resulting in a reduction in the Class B shares held by the Company. During the first quarter of 2011, the Company sold its remaining Class B shares. Associated with this sale, the Company entered into a swap contract with the purchaser of the shares that requires a payment to the counterparty in the event that Visa, Inc. makes subsequent revisions to the conversion ratio for its Class B shares.

Fixed charges included in the swap liability are payable quarterly until the litigation reserve is fully liquidated and at which time the aforementioned swap contract will be terminated. Quarterly fixed payments approximate $205,000. Conversion ratio payments and ongoing fixed quarterly charges are reflected in earnings in the period incurred.

NOTE 9 – FAIR VALUE MEASUREMENTS

The fair value of an asset or liability is the price that would be received to sell that asset or paid to transfer that liability in an orderly transaction occurring in the principal market (or most advantageous market in the absence of a principal market) for such asset or liability. In estimating fair value, the Company utilizes valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include the assumptions that market participants would use in pricing an asset or liability. ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- *Level 2 Inputs* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from, or corroborated, by market data by correlation or other means.
- *Level 3 Inputs* - Unobservable inputs for determining the fair values of assets or liabilities that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Securities Available for Sale. U.S. Treasury securities are reported at fair value utilizing Level 1 inputs. Other securities classified as available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, credit information and the bond's terms and conditions, among other things.

In general, the Company does not purchase securities that have a complicated structure. The Company's entire portfolio consists of traditional investments, nearly all of which are U.S. Treasury obligations, federal agency bullet or mortgage pass-through securities, or general obligation or revenue-based municipal bonds. Pricing for such instruments is easily obtained. At least annually, the Company will validate prices supplied by the independent pricing service by comparing them to prices obtained from an independent third-party source.

Loans Held for Sale. The fair value of residential mortgage loans held for sale based on Level 2 inputs is determined, when possible, using either quoted secondary-market prices or investor commitments. If no such quoted price exists, the fair value is determined using quoted prices for a similar asset or assets, adjusted for the specific attributes of that loan, which would be used by other market participants. The Company has elected the fair value option accounting for its held for sale loans.

Mortgage Banking Derivative Instruments. The fair values of interest rate lock commitments ("IRLCs") are derived by valuation models incorporating market pricing for instruments with similar characteristics, commonly referred to as best execution pricing, or investor commitment prices for best effort IRLCs which have unobservable inputs, such as an estimate of the fair value of the servicing rights expected to be recorded upon sale of the loans, net estimated costs to originate the loans, and the pull-through rate, and are therefore classified as Level 3 within the fair value hierarchy. The fair value of forward sale commitments is based on observable market pricing for similar instruments and are therefore classified as Level 2 within the fair value hierarchy.

Interest Rate Swap. The Company's derivative positions are classified as level 2 within the fair value hierarchy and are valued using models generally accepted in the financial services industry and that use actively quoted or observable market input values from external market data providers. The fair value derivatives are determined using discounted cash flow models.

Fair Value Swap. The Company entered into a stand-alone derivative contract with the purchaser of its Visa Class B shares. The valuation represents the amount due and payable to the counterparty based upon the revised share conversion rate, if any, during the period.

A summary of fair values for assets and liabilities consisted of the following:

(Dollars in Thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
June 30, 2021				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	$ 160,877	$ -	$ -	$ 160,877
U.S. Government Agency	-	228,301	-	228,301
States and Political Subdivisions	-	13,607	-	13,607
Mortgage-Backed Securities	-	56,950	-	56,950
Corporate Debt Securities	-	14,360	-	14,360
Equity Securities [(1)]	-	6,795	-	6,795
Loans Held for Sale	-	80,821	-	80,821
Interest Rate Swap Derivative	-	1,780	-	1,780
Mortgage Banking IRLC Derivative	-	-	2,524	2,524
Mortgage Servicing Rights	-	-	3,900	3,900
LIABILITIES:				
Mortgage Banking Hedge Derivative	$ -	$ 90	$ -	$ 90
December 31, 2020				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	$ 104,519	$ -	$ -	$ 104,519
U.S. Government Agency	-	208,531	-	208,531
States and Political Subdivisions	-	3,632	-	3,632
Mortgage-Backed Securities	-	515	-	515
Equity Securities [(1)]	-	7,673	-	7,673
Loans Held for Sale	-	114,039	-	114,039
Interest Rate Swap Derivative	-	574	-	574
Mortgage Banking IRLC Derivative	-	-	4,825	4,825
LIABILITIES:				
Mortgage Banking Hedge Derivative	$ -	$ 907	$ -	$ 907

[(1)]*Not readily marketable securities - reflected in other assets.*

Mortgage Banking Activities. The Company had Level 3 issuances and transfers related to mortgage banking activities of $27.4 million and $19.3 million, respectively, for the six month period ending June 30, 2021 and $14.6 million and $19.4 million, respectively, for the period March 1, 2020 to June 30, 2020. Issuances are valued based on the change in fair value of the underlying mortgage loan from inception of the IRLC to the balance sheet date, adjusted for pull-through rates and costs to originate. IRLCs transferred out of Level 3 represent IRLCs that were funded and moved to mortgage loans held for sale, at fair value.

Assets Measured at Fair Val ue on a Non-Recurring Basis

Certain assets are measured at fair value on a non-recurring basis (i.e., the assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances). An example would be assets exhibiting evidence of impairment. The following is a description of valuation methodologies used for assets measured on a non-recurring basis.

Collateral Dependent Loans. Impairment for collateral dependent loans is measured using the fair value of the collateral less selling costs. The fair value of collateral is determined by an independent valuation or professional appraisal in conformance with banking regulations. Collateral values are estimated using Level 3 inputs due to the volatility in the real estate market, and the judgment and estimation involved in the real estate appraisal process. Collateral dependent loans are reviewed and evaluated on at least a quarterly basis for additional impairment and adjusted accordingly. Valuation techniques are consistent with those techniques applied in prior periods. Collateral-dependent loans had a carrying value of $4.7 million with a valuation allowance of $0.6 million at June 30, 2021 and $7.1 million and $0.1 million, respectively, at December 31, 2020.

Other Real Estate Owned. During the first six months of 2021, certain foreclosed assets, upon initial recognition, were measured and reported at fair value through a charge-off to the allowance for credit losses based on the fair value of the foreclosed asset less estimated cost to sell. The fair value of the foreclosed asset is determined by an independent valuation or professional appraisal in conformance with banking regulations. On an ongoing basis, we obtain updated appraisals on foreclosed assets and realize valuation adjustments as necessary. The fair value of foreclosed assets is estimated using Level 3 inputs due to the judgment and estimation involved in the real estate valuation process.

Mortgage Servicing Rights. Residential mortgage loan servicing rights are evaluated for impairment at each reporting period based upon the fair value of the rights as compared to the carrying amount. Fair value is determined by a third party valuation model using estimated prepayment speeds of the underlying mortgage loans serviced and stratifications based on the risk characteristics of the underlying loans (predominantly loan type and note interest rate). The fair value is estimated using Level 3 inputs, including a discount rate, weighted average prepayment speed, and the cost of loan servicing. Further detail on the key inputs utilized are provided in Note 4 – Mortgage Banking Activities. At June 30, 2021, there was no valuation allowance for loan servicing rights.

Assets and Liabilities Disclosed at Fair Value

The Company is required to disclose the estimated fair value of financial instruments, both assets and liabilities, for which it is practical to estimate fair value and the following is a description of valuation methodologies used for those assets and liabilities.

A summary of estimated fair values of significant financial instruments consisted of the following:

	June 30, 2021			
(Dollars in Thousands)	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	$ 78,894	$ 78,894	$ -	$ -
Short-Term Investments	766,920	766,920	-	-
Investment Securities, Available for Sale	480,890	160,877	320,013	-
Investment Securities, Held to Maturity	325,559	110,921	218,960	-
Equity Securities[(1)]	3,588	-	3,588	-
Loans Held for Sale	80,821	-	80,821	-
Interest Rate Swap Derivative	1,780	-	1,780	-
Mortgage Banking IRLC Derivative	2,524	-	-	2,524
Mortgage Servicing Rights	3,710	-	-	3,900
Loans, Net of Allowance for Credit Losses	$ 1,986,487	$ -	$ -	$ 1,988,297
LIABILITIES:				
Deposits	$ 3,446,921	$ -	$ 3,350,614	$ -
Short-Term Borrowings	47,200	-	47,200	-
Subordinated Notes Payable	52,887	-	42,609	-
Long-Term Borrowings	1,720	-	1,804	-
Mortgage Banking Hedge Derivative	$ 90	$ -	$ 90	$ -

(Dollars in Thousands)	December 31, 2020 Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	$ 67,919	$ 67,919	$ -	$ -
Short-Term Investments	860,630	860,630	-	-
Investment Securities, Available for Sale	324,870	104,519	220,351	-
Investment Securities, Held to Maturity	169,939	5,014	170,161	-
Loans Held for Sale	114,039	-	114,039	-
Equity Securities[1]	3,589	-	3,589	-
Interest Rate Swap Derivative	574	-	574	-
Mortgage Banking IRLC Derivative	4,825	-	-	4,825
Mortgage Servicing Rights	3,452	-	-	3,451
Loans, Net of Allowance for Credit Losses	$ 1,982,610	$ -	$ -	$ 1,990,740
LIABILITIES:				
Deposits	$ 3,217,560	$ -	$ 3,217,615	$ -
Short-Term Borrowings	79,654	-	79,654	-
Subordinated Notes Payable	52,887	-	43,449	-
Long-Term Borrowings	3,057	-	3,174	-
Mortgage Banking Hedge Derivative	$ 907	-	$ 907	$ -

[1] *Not readily marketable securities - reflected in other assets.*

All non-financial instruments are excluded from the above table. The disclosures also do not include goodwill. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The amounts allocated to accumulated other comprehensive income (loss) are presented in the table below.

(Dollars in Thousands)	Securities Available for Sale	Interest Rate Swap	Retirement Plans	Accumulated Other Comprehensive Loss
Balance as of January 1, 2021	$ 2,700	$ 428	$ (47,270)	$ (44,142)
Other comprehensive income during the period	(1,816)	900	1,635	719
Balance as of June 30, 2021	$ 884	$ 1,328	$ (45,635)	$ (43,423)
Balance as of January 1, 2020	$ 864	$ -	$ (29,045)	$ (28,181)
Other comprehensive income during the period	3,004	(79)	-	2,925
Balance as of June 30, 2020	$ 3,868	$ (79)	$ (29,045)	$ (25,256)

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis ("MD&A") provides supplemental information, which sets forth the major factors that have affected our financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and related notes. The following information should provide a better understanding of the major factors and trends that affect our earnings performance and financial condition, and how our performance during 2021 compares with prior years. Throughout this section, Capital City Bank Group, Inc., and subsidiaries, collectively, is referred to as "CCBG," "Company," "we," "us," or "our."

CAUTION CONCERNING FORWARD -LOOKING STATEMENTS

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

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. Please see the Introductory Note and *Item 1A. Risk Factors* of our 2020 Report on Form 10-K, as updated in our subsequent quarterly reports filed on Form 10-Q, and in our other filings made from time to time with the SEC after the date of this report.

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

BUSINESS OVERVIEW

We are a financial holding company headquartered in Tallahassee, Florida, and we are the parent of our wholly owned subsidiary, Capital City Bank (the "Bank" or "CCB"). The Bank offers a broad array of products and services through a total of 57 full-service offices located in Florida, Georgia, and Alabama. The Bank offers commercial and retail banking services, as well as trust and asset management, retail securities brokerage, and life insurance. We offer residential mortgage banking services through Capital City Home Loans.

Our profitability, like most financial institutions, is dependent to a large extent upon net interest income, which is the difference between the interest and fees received on earning assets, such as loans and securities, and the interest paid on interest-bearing liabilities, principally deposits and borrowings. Results of operations are also affected by the provision for credit losses, noninterest income such as deposit fees, wealth management fees, mortgage banking fees and bank card fees, and operating expenses such as salaries and employee benefits, occupancy, and other operating expenses, including income taxes.

A detailed discussion regarding the economic conditions in our markets and our long-term strategic objectives is included as part of the MD&A section of our 2020 Form 10-K.

Acquisitions

On March 1, 2020, CCB completed its acquisition of a 51% membership interest in Brand Mortgage Group, LLC ("Brand") which is now operated as a Capital City Home Loans ("CCHL"). CCHL was consolidated into CCBG's financial statements effective March 1, 2020. See Note 1 – Business Combination in the 2020 Form 10-K in the Consolidated Financial Statements.

On April 30, 2021, a newly formed subsidiary of CCBG, Capital City Strategic Wealth, LLC ("CCSW"), completed its acquisition of substantially all of the assets of Strategic Wealth Group, LLC and certain related businesses ("SWG"). CCSW was consolidated into CCBG's financial statements effective May 1, 2021. See Note 1 – Business and Basis of Presentation.

RESPONSE TO COVID-19 PANDEMIC

The ongoing global and local responses to the COVID-19 pandemic and the new Delta variant continue to impact our clients and associates as they adjust to the changing conditions presented by the pandemic. The pandemic has adversely impacted a broad range of industries in which the Company's customers operate and could still impair their ability to fulfill their financial obligations to the Company. In addition, although our associates have generally been available and working during the pandemic, COVID-19 and the current Delta variant surge have the potential to create widespread business continuity issues for the Company.

Congress, the President, and the Federal Reserve have taken and continue to take actions designed to cushion the economic fallout. The Coronavirus Aid, Relief and Economic Security ("CARES") Act was signed into law at the end of March 2020 as a $2 trillion legislative package. The goal of the CARES Act was to curb the economic downturn through various measures, including direct financial aid to American families and economic stimulus to significantly impacted industry sectors through programs like the Paycheck Protection Program ("PPP") and Main Street Lending Program ("MSLP"). During December 2020, many provisions of the CARES Act were extended through the end of 2021. In addition to the general impact of COVID-19, certain provisions of the CARES Act as well as other recent legislative and regulatory relief efforts have had a material impact on the Company's 2020 and 2021 operations and could continue to impact operations going forward.

The Company's business is dependent upon the willingness and ability of its associates and clients to conduct banking and other financial transactions. While it appeared that epidemiological and macroeconomic conditions were trending in a positive direction in the first quarter of 2021, if the Delta variant continues to cause case counts to trend higher in our markets, the Company could experience further adverse effects on its business, financial condition, results of operations and cash flows. While it is not possible to know the full universe or extent that the impact of COVID-19's variants, and any potential resulting measures to curtail their spread, will have on the Company's future operations, we discuss potential impacts on our financial performance in more detail throughout parts of the MD&A section. To protect the health of our clients and associates and comply with applicable government directives, we have modified our business practices as noted below.

- We continue to closely monitor COVID-19 and adjust our operations, as needed, to the changing case counts and impacts of COVID-19 in our communities.
- We have established a tentative return to work date for all associates, but we will adjust as necessary depending on changing conditions.
- All of our banking offices have returned to normal banking hours and lobby services; however, we will adjust such hours and services as necessary depending on the changing conditions.
- We are adhering to national guidelines and local safety ordinances to protect both clients and associates.
- We continue to support clients with the Small Business Administration Payment Protection Program ("SBA PPP") by actively assisting with the Round 1 and 2 forgiveness process.

NON-GAAP FINANCIAL MEASURES

We present a tangible common equity ratio and a tangible book value per diluted share that, in each case, reduces shareowners' equity and total assets by the amount of goodwill and other identifiable intangible assets resulting from merger and acquisition activity. We believe these measures are useful to investors because it allows investors to more easily compare our capital adequacy to other companies in the industry, although the manner in which we calculate non-GAAP financial measures may differ from that of other companies reporting non-GAAP measures with similar names. The GAAP to non-GAAP reconciliation for each quarter presented on page 31 is provided below.

		2021		2020				2019	
(Dollars in Thousands, except per share data)		Second	First	Fourth	Third	Second	First	Fourth	Third
Shareowners' Equity (GAAP)		$ 335,880	$ 324,426	$ 320,837	$ 339,425	$ 335,057	$ 328,507	$ 327,016	$ 321,562
Less: Goodwill and Other Intangibles (GAAP)		93,333	89,095	89,095	89,095	89,095	89,275	84,811	84,811
Tangible Shareowners' Equity (non-GAAP)	A	242,547	235,331	231,742	250,330	245,962	239,232	242,205	236,751
Total Assets (GAAP)		4,011,459	3,929,884	3,798,071	3,587,041	3,499,524	3,086,523	3,088,953	2,934,513
Less: Goodwill and Other Intangibles (GAAP)		93,333	89,095	89,095	89,095	89,095	89,275	84,811	84,811
Tangible Assets (non-GAAP)	B	$ 3,918,126	$ 3,840,789	$ 3,708,976	$ 3,497,946	$ 3,410,429	$ 2,997,248	$ 3,004,142	$ 2,849,702
Tangible Common Equity Ratio (non-GAAP)	**A/B**	**6.19%**	**6.13%**	**6.25%**	**7.16%**	**7.21%**	**7.98%**	**8.06%**	**8.31%**
Actual Diluted Shares Outstanding (GAAP)	C	16,901,375	16,875,719	16,844,997	16,800,563	16,821,743	16,845,462	16,855,161	16,797,241
Diluted Tangible Book Value (non-GAAP)	**A/C**	**14.35**	**13.94**	**13.76**	**14.90**	**14.62**	**14.20**	**14.37**	**14.09**

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

(Dollars in Thousands, Except Per Share Data)	2021 Second	2021 First	2020 Fourth	2020 Third	2020 Second	2020 First	2019 Fourth	2019 Third
Summary of Operations:								
Interest Income	$ 26,836	$ 25,446	$ 26,154	$ 26,166	$ 26,512	$ 27,365	$ 28,008	$ 28,441
Interest Expense	856	948	1,181	1,044	1,054	1,592	1,754	2,244
Net Interest Income	25,980	24,498	24,973	25,122	25,458	25,773	26,254	26,197
Provision for Credit Losses	(571)	(982)	1,342	1,308	2,005	4,990	(162)	776
Net Interest Income After Provision for Credit Losses	26,551	25,480	23,631	23,814	23,453	20,783	26,416	25,421
Noninterest Income	26,473	29,826	30,523	34,965	30,199	15,478	13,828	13,903
Noninterest Expense[1]	42,123	40,476	41,348	40,342	37,303	30,969	29,142	27,873
Income Before Income Taxes	10,901	14,830	12,806	18,437	16,349	5,292	11,102	11,451
Income Tax Expense	2,059	2,787	2,833	3,165	2,950	1,282	2,537	2,970
(Income) Loss Attributable to NCI	(1,415)	(2,537)	(2,227)	(4,875)	(4,253)	277	-	-
Net Income Attributable to CCBG	7,427	9,506	7,746	10,397	9,146	4,287	8,565	8,481
Net Interest Income (FTE)	$ 26,064	$ 24,607	$ 25,082	$ 25,233	$ 25,564	$ 25,877	$ 26,378	$ 26,333
Per Common Share:								
Net Income Basic	$ 0.44	$ 0.56	$ 0.46	$ 0.62	$ 0.55	$ 0.25	$ 0.51	$ 0.51
Net Income Diluted	0.44	0.56	0.46	0.62	0.55	0.25	0.51	0.50
Cash Dividends Declared	0.15	0.15	0.15	0.14	0.14	0.14	0.13	0.13
Diluted Book Value	19.87	19.22	19.05	20.20	19.92	19.50	19.40	19.14
Diluted Tangible Book Value [2]	14.35	13.94	13.76	14.90	14.62	14.20	14.37	14.09
Market Price:								
High	27.39	28.98	26.35	21.71	23.99	30.62	30.95	28.00
Low	24.55	21.42	18.14	17.55	16.16	15.61	25.75	23.70
Close	25.79	26.02	24.58	18.79	20.95	20.12	30.50	27.45
Selected Average Balances:								
Loans Held for Investment	$ 2,036,781	$ 2,044,363	$ 1,993,470	$ 2,005,178	$ 1,982,960	$ 1,847,780	$ 1,834,085	$ 1,824,685
Earning Assets	3,623,910	3,497,929	3,337,409	3,223,838	3,016,772	2,751,880	2,694,700	2,670,081
Total Assets	3,956,349	3,821,521	3,652,436	3,539,332	3,329,226	3,038,788	2,982,204	2,959,310
Deposits	3,387,352	3,239,508	3,066,136	2,971,277	2,783,453	2,552,690	2,524,951	2,495,755
Shareowners' Equity	329,040	326,330	343,674	340,073	333,515	331,891	326,904	320,273
Common Equivalent Average Shares:								
Basic	16,858	16,838	16,763	16,771	16,797	16,808	16,750	16,747
Diluted	16,885	16,862	16,817	16,810	16,839	16,842	16,834	16,795
Performance Ratios:								
Return on Average Assets	0.75 %	1.01 %	0.84 %	1.17 %	1.10 %	0.57 %	1.14 %	1.14 %
Return on Average Equity	9.05	11.81	8.97	12.16	11.03	5.20	10.39	10.51
Net Interest Margin (FTE)	2.89	2.85	3.00	3.12	3.41	3.78	3.89	3.92
Noninterest Income as % of Operating Revenue	50.47	54.90	55.00	58.19	54.26	37.52	34.50	34.67
Efficiency Ratio	80.18	74.36	74.36	67.01	66.90	74.89	72.48	69.27
Asset Quality:								
Allowance for Credit Losses ("ACL")	$ 22,175	$ 22,026	$ 23,816	$ 23,137	$ 22,457	$ 21,083	$ 13,905	$ 14,319
ACL to Loans HFI	1.10 %	1.07 %	1.19 %	1.16 %	1.11 %	1.13 %	0.75 %	0.78 %
Nonperforming Assets ("NPAs")	6,302	5,472	6,679	6,732	8,025	6,337	5,425	5,454
NPAs to Total Assets	0.16	0.14	0.18	0.19	0.23	0.21	0.18	0.19
NPAs to Loans HFI plus OREO	0.31	0.27	0.33	0.34	0.40	0.34	0.29	0.30
ACL to Non-Performing Loans	433.93	410.78	405.66	420.30	322.37	432.61	310.99	290.55
Net Charge-Offs to Average Loans HFI	(0.07)	(0.10)	0.09	0.11	0.05	0.23	0.05	0.23
Capital Ratios:								
Tier 1 Capital	15.44 %	16.08 %	16.19 %	16.77 %	16.59 %	16.12 %	17.16 %	16.83 %
Total Capital	16.48	17.20	17.30	17.88	17.60	17.19	17.90	17.59
Common Equity Tier 1	13.14	13.63	13.71	14.20	14.01	13.55	14.47	14.13
Leverage	8.84	8.97	9.33	9.64	10.12	10.81	11.25	11.09
Tangible Common Equity [2]	6.19	6.13	6.25	7.16	7.21	7.98	8.06	8.31

[1] *Includes a $2.0 million (pre-tax), or $0.10/share (after-tax), partial pension settlement charge for the second quarter of 2021.*

[2] *Non-GAAP financial measure. See non-GAAP reconciliation on page 30.*

FINANCIAL OVERVIEW

Results of Operations

Performance Summary. Net income of $7.4 million, or $0.44 per diluted share, for the second quarter of 2021 compared to net income of $9.5 million, or $0.56 per diluted share, for the first quarter of 2021, and $9.1 million, or $0.55 per diluted share, for the second quarter of 2020. For the first six months of 2021, net income totaled $16.9 million, or $1.00 per diluted share, compared to net income of $13.4 million, or $0.80 per diluted share, for the same period of 2020. Net income for the second quarter of 2021 included a partial pension settlement charge of $2.0 million (pre-tax), or $0.10 per diluted share (after-tax).

Net Interest Income. Tax-equivalent net interest income for the second quarter of 2021 was $26.1 million compared to $24.6 million for the first quarter of 2021 and $25.6 million for the second quarter of 2020. For the first six months of 2021, tax-equivalent net interest income totaled $50.7 million compared to $51.4 million for the same period of 2020. Loan growth and higher SBA PPP loan fees drove the improvement over the first quarter of 2021. For the six month period, the decrease generally reflected lower rates earned on investment securities and variable/adjustable rate loans partially offset by higher SBA PPP loan fees and lower interest expense.

Provision and Allowance for Credit Losses. Provision for credit losses was a negative $0.6 million for the second quarter of 2021 compared to a negative provision of $1.0 million for the first quarter of 2021 and provision expense of $2.0 million for the second quarter of 2020. For the first six months of 2021, we recorded a negative provision of $1.6 million compared to provision expense of $7.0 million for the same period of 2020. The negative provision for the first half of 2021 generally reflected improving economic conditions and strong net loan recoveries.

Noninterest Income. Noninterest income for the second quarter of 2021 totaled $26.5 million compared to $29.8 million for the first quarter of 2021 and $30.2 million for the second quarter of 2020. The aforementioned declines were primarily due to lower mortgage banking revenues at CCHL, but were partially offset by improvements in wealth management fees and bank card fees. For the first six months of 2021, noninterest income totaled $56.3 million compared to $45.7 million for the same period of 2020 with the increase driven by the addition of CCHL mortgage banking revenues late in the first quarter of 2020, and strong growth in bank card fees and wealth management fees.

Noninterest Expense. Noninterest expense for the second quarter of 2021 totaled $42.1 million compared to $40.5 million for the first quarter of 2021 and $37.3 million for the second quarter of 2020. The $1.6 million increase over the first quarter of 2021 reflected a $2.0 million partial pension settlement charge that was partially offset by lower commission expense at CCHL and lower legal fees and other real estate owned ("OREO") expense at CCB. Compared to the prior year periods, the increase was primarily attributable to the aforementioned partial pension settlement charge, lower realized loan cost, higher pension plan expense (driven by a lower discount rate for plan liabilities), and performance based compensation. Additionally, the increase for the six month period included operating expenses of CCHL from March 1, 2020 forward.

Financial Condition

Earning Assets. Average earning assets were $3.624 billion for the second quarter of 2021, an increase of $126.0 million, or 3.6%, over the first quarter of 2021, and an increase of $286.5 million, or 8.6% over the fourth quarter of 2020. The increase over both prior periods was primarily driven by higher deposit balances, which funded growth in both overnight funds sold and the investment portfolio. Deposit balances increased as a result of strong core deposit growth, in addition to funding retained at the bank from SBA PPP loans, and various other stimulus programs.

Loans. Average loans held for investment ("HFI") decreased $7.6 million, or 0.4%, from the first quarter of 2021 and increased $43.3 million, or 2.2%, over the fourth quarter of 2020. Excluding SBA PPP loans, average core loans grew $54.4 million and $90.4 million over both respective periods and period end loans grew $74.3 million and $97.7 million over both respective periods. Growth in period end loans was driven primarily in the commercial mortgage, indirect, and construction categories. At June 30, 2021, SBA PPP loan balances totaled $79.9 million and remaining deferred SBA PPP net loan fees totaled $3.5 million.

Credit Quality. Nonaccrual loans totaled $5.1 million (0.25% of HFI loans) at June 30, 2021 compared to $5.4 million (0.26% of HFI loans) at March 31, 2021 and $5.9 million (0.29% of HFI loans) at December 31, 2020. Classified loans totaled $19.4 million, $20.6 million, and $17.6 million at the same respective periods.

Deposits. Average total deposits increased $147.8 million, or 4.6%, over the first quarter of 2021, and $321.2 million, or 10.5%, over the fourth quarter of 2020. Over the past 12 months, multiple government stimulus programs have been implemented, including the CARES Act and the American Rescue Plan Act, which are responsible for a portion of this growth.

Capital. At June 30, 2021, we were well-capitalized with a total risk-based capital ratio of 16.48% and a tangible common equity ratio (a non-GAAP financial measure) of 6.19% compared to 17.20% and 6.13%, respectively, at March 31, 2021 and 17.30% and 6.25%, respectively, at December 31, 2020. At June 30, 2021, all of our regulatory capital ratios exceeded the threshold to be well-capitalized under the Basel III capital standards.

RESULTS OF OPERATIONS

The following table provides a condensed summary of our results of operations - a discussion of the various components are discussed in further detail below.

	Three Months Ended			Six Months Ended	
(Dollars in Thousands, except per share data)	**June 30, 2021**	**March 31, 2021**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Interest Income	$ 26,836	$ 25,446	$ 26,512	$ 52,282	$ 53,877
Taxable Equivalent Adjustments	84	109	106	193	210
Total Interest Income (FTE)	26,920	25,555	26,618	52,475	54,087
Interest Expense	856	948	1,054	1,804	2,646
Net Interest Income (FTE)	26,064	24,607	25,564	50,671	51,441
Provision for Credit Losses	(571)	(982)	2,005	(1,553)	6,995
Taxable Equivalent Adjustments	84	109	106	193	210
Net Interest Income After Provision for Credit Losses	26,551	25,480	23,453	52,031	44,236
Noninterest Income	26,473	29,826	30,199	56,299	45,677
Noninterest Expense	42,123	40,476	37,303	82,599	68,272
Income Before Income Taxes	10,901	14,830	16,349	25,731	21,641
Income Tax Expense	2,059	2,787	2,950	4,846	4,232
Pre-Tax Income Attributable to Noncontrolling Interest	(1,415)	(2,537)	(4,253)	(3,952)	(3,976)
Net Income Attributable to Common Shareowners	$ 7,427	$ 9,506	$ 9,146	$ 16,933	$ 13,433
Basic Net Income Per Share	$ 0.44	$ 0.56	$ 0.55	$ 1.00	$ 0.80
Diluted Net Income Per Share	$ 0.44	$ 0.56	$ 0.55	$ 1.00	$ 0.80

Net Interest Income

Net interest income represents our single largest source of earnings and is equal to interest income and fees generated by earning assets less interest expense paid on interest bearing liabilities. This information is provided on a "taxable equivalent" basis to reflect the tax-exempt status of income earned on certain loans and state and local government debt obligations. We provide an analysis of our net interest income including average yields and rates in Table I on page 44.

Tax-equivalent net interest income for the second quarter of 2021 totaled $26.1 million compared to $24.6 million for the first quarter of 2021 and $25.6 million for the second quarter of 2020. Compared to the first quarter of 2021, the increase reflected higher SBA PPP loan fees of $0.7 million, higher loan interest of $0.5 million driven by loan growth, and higher investment securities income of $0.2 million, which reflected deployment of excess overnight funds into the investment portfolio. Compared to the second quarter of 2020, the increase was driven by higher SBA PPP loan fees of $1.3 million partially offset by lower interest earned on investment securities and variable/adjustable rate loans. For the first six months of 2021, tax-equivalent net interest income totaled $50.7 million compared to $51.4 million for the same period of 2020. The decrease generally reflected lower rates earned on investment securities and variable/adjustable rate loans partially offset by higher SBA PPP loan fees and lower interest expense.

Our net interest margin for the second quarter of 2021 was 2.89%, an increase of three basis points over the first quarter of 2021 and a decrease of 52 basis points from the second quarter of 2020. Compared to the first quarter of 2021, the increase was driven by higher SBA PPP loan fees. Compared to the second quarter of 2020, the decrease was primarily attributable to downward re-pricing of earning assets and significant growth in overnight funds (driven by deposit inflows), which negatively impacts our margin percentage. For the first six months of 2021, the net interest margin decreased 72 basis points to 2.87% generally reflective of downward re-pricing of our earning assets (variable/adjustable rate loans and securities portfolio) partially offset by a lower cost of funds and higher SBA PPP loan fees. Our net interest margin for the second quarter of 2021, excluding the impact of overnight funds in excess of $200 million, was 3.46%.

Due to highly competitive fixed-rate loan pricing in our markets, we continue to review our loan pricing and make adjustments where we believe appropriate and prudent.

Provision for Credit Losses

We recorded a negative provision for credit losses of $0.6 million for the second quarter of 2021 compared to a negative provision of $1.0 million for the first quarter of 2021 and provision expense of $2.0 million for the second quarter of 2020. For the first six months of 2021, we recorded a negative provision of $1.6 million compared to provision expense of $7.0 million for the same period of 2020. The negative provision for the first half of 2021 generally reflected improving economic conditions and strong net loan recoveries totaling $0.9 million. We discuss the allowance for credit losses further below. For more information on charge-offs and recoveries, see Note 3 – Loans Held for Investment and Allowance for Credit Losses.

Noninterest Income

Noninterest income for the second quarter of 2021 totaled $26.5 million compared to $29.8 million for the first quarter of 2021 and $30.2 million for the second quarter of 2020. The primary reason for the aforementioned declines were primarily due to lower mortgage banking revenues at CCHL, but were partially offset by improvements in wealth management fees and bank card fees. The decline in mortgage banking fees reflected lower production volume (primarily re-finance activity) and a lower gain on sale margin. For the first six months of 2021, noninterest income totaled $56.3 million compared to $45.7 million for the same period of 2020 with the increase driven by the addition of CCHL mortgage banking revenues late in the first quarter of 2020, and higher bank card fees and wealth management fees which grew $1.4 million and $1.2 million, respectively.

Noninterest income represented 50.5% of operating revenues (net interest income plus noninterest income) in the second quarter of 2021 compared to 54.9% in the first quarter of 2021 and 54.3% in the second quarter of 2020. For the first six months of 2021, noninterest income represented 52.7% of operating revenues compared to 47.1% for the same period of 2020.

The table below reflects the major components of noninterest income.

	Three Months Ended			Six Months Ended	
(Dollars in Thousands)	**June 30, 2021**	**March 31, 2021**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Deposit Fees	$ 4,236	$ 4,271	$ 3,756	$ 8,507	$ 8,771
Bank Card Fees	3,998	3,618	3,142	7,616	6,193
Wealth Management Fees	3,274	3,090	2,554	6,364	5,158
Mortgage Banking Revenues	13,217	17,125	19,397	30,342	22,650
Other	1,748	1,722	1,350	3,470	2,905
Total Noninterest Income	$ 26,473	$ 29,826	$ 30,199	$ 56,299	$ 45,677

Significant components of noninterest income are discussed in more detail below.

Mortgage Banking Revenues. Mortgage banking revenues totaled $13.2 million for the second quarter of 2021 compared to $17.1 million for the first quarter of 2021 and $19.4 million for the second quarter of 2020. For the six months of 2021, revenues totaled $30.3 million compared to $22.7 million for the same period of 2020. Lower production volume and gain on sale margin drove the decline from the first quarter of 2021 and a lower gain on sale margin was the primary reason for the decline versus the second quarter of 2020. The increase over the six month period of 2020 reflected the addition of CCHL mortgage banking revenues late in the first quarter of 2020 and overall higher production volume reflective of the significant reduction in interest rates.

Deposit Fees. Deposit fees for the second quarter of 2021 totaled $4.2 million, a decrease of $0.1 million, or 0.8%, from the first quarter of 2021, and an increase of $0.5 million, or 12.8%, over the second quarter of 2020. For the first six months of 2021, deposit fees totaled $8.5 million, a decrease of $0.3 million, or 3.0%, from the same period of 2020. Compared to all prior periods, the variances were driven by the utilization of our overdraft service which has been volatile during the pandemic given the timing of various stimulus payments to consumers over the past 12 months and higher monthly service charge fees.

Bank Card Fees. Bank card fees for the second quarter of 2021 totaled $4.0 million, a $0.4 million, or 10.5%, increase over the first quarter of 2021, and a $0.9 million, or 27.2%, increase over the second quarter of 2020. For the first six months of 2021, bank card fees totaled $7.6 million, an increase of $1.4 million, or 23.0%, over the same period of 2020. Compared to all prior periods, the improvement reflected higher card activity driven by increased consumer spending, which we believe is reflective of the economic recovery.

Wealth Management Fees. Wealth management fees, which include both trust fees (i.e., managed accounts and trusts/estates) and retail brokerage fees (i.e., investment, insurance products, and retirement accounts) totaled $3.3 million for the second quarter of 2021, a $0.2 million, or 6.0%, increase over the first quarter of 2021 and a $0.7 million, or 28.2%, increase over the second quarter of 2020. For the first six months of 2021, wealth management fees totaled $6.4 million, an increase of $1.2 million, or 23.4%, over the same period of 2020. The favorable variances versus all prior periods reflected higher assets under management and increased trading activity by our retail brokerage clients. At June 30, 2021, total assets under management were approximately $2.190 billion compared to $1.979 billion at December 31, 2020 and $1.750 billion at June 30, 2020.

Other. Other income for the second quarter of 2021 totaled $1.7 million, comparable to the first quarter of 2021, and $0.4 million, or 29.5%, over the second quarter of 2020. For the first six months of 2021, other income totaled $3.5 million, an increase of $0.6 million, or 19.4%, over the same period of 2020. The increase over both prior year periods was primarily attributable to loan servicing fees added as part of the CCHL acquisition.

Noninterest Expense

Noninterest expense for the second quarter of 2021 totaled $42.1 million compared to $40.5 million for the first quarter of 2021 and $37.3 million for the second quarter of 2020. For the first six months of 2021, noninterest expense totaled $82.6 million compared to $68.3 million for the same period of 2020. The $1.6 million increase over the first quarter of 2021 reflected a $2.0 million partial pension settlement charge (due to a high level of lump sum pay-outs) that was partially offset by lower commission expense at CCHL and lower legal fees and other real estate owned ("OREO") expense at CCB. Compared to the prior year periods, the increase was primarily attributable to the aforementioned partial pension settlement charge, lower realized loan cost (credit offset to salary expense), higher pension plan expense (driven by a lower discount rate for plan liabilities), and performance based compensation. Additionally, the increase for the first half of 2021 reflects the inclusion of CCHL expenses for a full six month period versus only four months in 2020.

The table below reflects the major components of noninterest expense.

	Three Months Ended			Six Months Ended	
(Dollars in Thousands)	**June 30, 2021**	**March 31, 2021**	**June 30, 2020**	**June 30, 2021**	**June 30, 2020**
Salaries	$ 21,117	$ 22,447	$ 19,977	$ 43,564	$ 35,708
Associate Benefits	4,261	3,617	3,681	7,878	7,686
Total Compensation	25,378	26,064	23,658	51,442	43,394
Premises	2,714	2,759	2,628	5,473	5,011
Equipment	3,259	3,208	3,170	6,467	5,766
Total Occupancy	5,973	5,967	5,798	11,940	10,777
Legal Fees	321	558	412	879	881
Professional Fees	1,406	1,330	1,334	2,736	2,455
Processing Services	1,794	1,545	1,447	3,339	3,004
Advertising	631	749	799	1,381	1,383
Telephone	754	755	829	1,508	1,439
Insurance - Other	545	501	420	1,046	716
Other Real Estate Owned, net	(270)	(118)	116	(388)	(682)
Pension Settlement	2,000	-	-	2,000	-
Miscellaneous	3,591	3,125	2,490	6,716	4,905
Total Other	10,772	8,445	7,847	19,217	14,101
Total Noninterest Expense	$ 42,123	$ 40,476	$ 37,303	$ 82,599	$ 68,272

Significant components of noninterest expense are discussed in more detail below.

Compensation. Compensation expense totaled $25.4 million for the second quarter of 2021 compared to $26.1 million for the first quarter of 2021 and $23.7 million for the second quarter of 2020. For the first six months of 2021, compensation expense totaled $51.4 million compared to $43.4 million for the same period of 2020. Compared to the first quarter of 2021, the decrease is due to lower commission expense at CCHL (lower production volume) of $0.9 million, payroll taxes of $0.4 million (primarily related to 2020 annual bonuses paid in January, 2021), and cash incentive expense of $0.4 million, partially offset by higher associate insurance expense (utilization of self-funded plan reserves in first quarter of 2021) of $0.6 million and lower realized loan cost (credit offset to salaries – primarily related to lower SBA loan production) of $0.4 million. Compared to the second quarter of 2020, the increase was primarily attributable to lower realized loan cost (credit offset to salaries – primarily related to lower SBA loan production) of $0.9 million, and higher pension plan expense (service cost) of $0.3 million, and base salaries (merit raises) of $0.5 million. The increase for the six month period was primarily due to the addition of CCHL compensation (primarily commission expense) beginning March 1, 2020 as core CCBG compensation expense remained essentially flat.

Occupancy. Occupancy expense totaled $6.0 million for the second quarter of 2021 comparable to the first quarter of 2021 and $5.8 million for the second quarter of 2020. For the first six months of 2021, occupancy expense totaled $12.0 million compared to $10.8 million for the same period of 2020. The increase for the six month period was primarily due to the addition of CCHL occupancy costs beginning March 1, 2020 as well as higher expense at core CCBG reflective of increased FF&E depreciation related to increase technology investment.

Other. Other noninterest expense totaled $10.8 million for the second quarter of 2021 compared to $8.4 million for the first quarter of 2021 and $7.8 million for the second quarter of 2020. For the first six months of 2021, other noninterest expense totaled $19.2 million compared to $14.1 million for the same period of 2020. Compared to the first quarter of 2021, the increase was primarily attributable to a $2.0 million partial pension plan settlement charge related to higher lump sum pay-outs which triggered settlement accounting. Compared to the second quarter of 2020 the increase was also attributable to the aforementioned pension settlement charge as well as higher expense for our current year defined benefit pension cost of $0.6 million (due to a lower discount rate utilized for determining the 2021 plan year expense), and higher processing fees of $0.3 million (reflective of higher debit card volume). The increase for the six month period was primarily due to the addition of CCHL expenses beginning in March 1, 2020 and to a lesser extent higher expenses at core CCBG, including processing fees (higher debit card volume), legal/professional (related to the SWG and CCHL acquisitions), FDIC insurance expense (related to higher level of assets), and OREO expense (attributable to lower OREO sales gains).

Our operating efficiency ratio (expressed as noninterest expense as a percentage of the sum of taxable-equivalent net interest income plus noninterest income) was 80.18% for the second quarter of 2021 compared to 74.36% for the first quarter of 2021 and 66.90% for the second quarter of 2020. For the first six months of 2021, this ratio was 77.22% compared to 70.30% for the same period of 2020.

Additional detail on CCHL's operations and key performance metrics is provided below.

	Three Months Ended			Six Months Ended	
(Dollars in thousands)	Jun 30, 2021	Mar 31, 2021	Jun 30, 2020	Jun 30, 2021	Jun 30, 2020
Net Interest Income	$ 19	$ (153)	$ 109	$ (134)	$ 125
Mortgage Banking Fees	13,116	16,846	19,156	29,962	21,271
Other	425	426	203	851	299
Total Noninterest Income	13,541	17,272	19,359	30,813	21,570
Salaries	8,538	10,276	8,381	18,814	10,623
Other Associate Benefits	210	221	204	431	253
Total Compensation	8,748	10,497	8,585	19,245	10,876
Occupancy, Net	854	861	768	1,715	999
Other	1,359	1,101	1,248	2,460	1,705
Total Noninterest Expense	10,961	12,459	10,601	23,420	13,580
Operating Profit	$ 2,599	$ 4,660	$ 8,867	$ 7,259	$ 8,115
Key Performance Metrics:					
Total Loans Closed	$ 406,859	$ 463,126	$ 407,118	$ 869,985	$ 510,008
Total Loans Closed - Mix					
Purchase	76%	60%	51%	68%	53%
Refinance	24%	40%	49%	32%	47%

Income Taxes

We realized income tax expense of $2.1 million (effective rate of 19%) for the second quarter of 2021 compared to $2.8 million (effective rate of 19%) for the first quarter of 2021 and $2.9 million (effective rate of 18%) for the second quarter of 2020. For the first six months of 2021, we realized income tax expense of $4.8 million (effective rate of 19%) compared to $4.2 million (effective rate of 20%) for the same period of 2020. Absent discrete items, we expect our annual effective tax rate to approximate 18%-19% for the remainder of 2021.

FINANCIAL CONDITION

Average earning assets totaled $3.624 billion for the second quarter of 2021, an increase of $126.0 million, or 3.6%, over the first quarter of 2021, and an increase of $286.5 million, or 8.6%, over the fourth quarter of 2020. The increase over both prior periods was primarily driven by higher deposit balances, which funded growth in both overnight funds sold and the investment portfolio. Deposit balances increased as a result of strong core deposit growth, in addition to funding retained at the bank from SBA PPP loans, and various other stimulus programs.

Investment Securities

In the second quarter of 2021, our average investment portfolio increased $158.7 million, or 29.8%, over the first quarter of 2021 and increased $173.6 million, or 33.5%, over the fourth quarter of 2020. Our investment portfolio represented 19.1% of our average earning assets for the second quarter of 2021 compared to 15.5% for the fourth quarter of 2020, and 20.1% for the second quarter of 2020. During the second quarter of 2021, we initiated a buy program to add to our investment portfolio as part of our overall balance sheet management. For the remainder of 2021, we will continue to monitor our overall liquidity position and look for opportunities to purchase additional investment securities that align with our overall investment strategy.

The investment portfolio is a significant component of our operations and, as such, it functions as a key element of liquidity and asset/liability management. Two types of classifications are approved for investment securities which are Available-for-Sale ("AFS") and Held-to-Maturity ("HTM"). During the second quarter of 2021, we purchased securities under the AFS designation. At June 30, 2021, $480.9 million, or 59.6%, of our investment portfolio was classified as AFS, and $325.6 million, or 40.4%, classified as HTM. The average maturity of our total portfolio at June 30, 2021 was 3.34 years compared to 2.78 years and 2.09 years at March 31, 2021 and December 31, 2020, respectively.

We determine the classification of a security at the time of acquisition based on how the purchase will affect our asset/liability strategy and future business plans and opportunities. We consider multiple factors in determining classification, including regulatory capital requirements, volatility in earnings or other comprehensive income, and liquidity needs. Securities in the AFS portfolio are recorded at fair value with unrealized gains and losses associated with these securities recorded net of tax, in the accumulated other comprehensive income component of shareowners' equity. HTM securities are acquired or owned with the intent of holding them to maturity. HTM investments are measured at amortized cost. We do not trade, nor do we presently intend to begin trading investment securities for the purpose of recognizing gains and therefore we do not maintain a trading portfolio.

At June 30, 2021, there were 150 positions (combined AFS and HTM) with unrealized losses totaling $1.5 million at June 30, 2021. Of these 150 positions, 145 are U.S. government agency securities issued by U.S. government sponsored entities which carry the full faith and credit guarantee of the US Government and are 0% risk-weighted assets for regulatory purposes. The remaining five positions are municipal bonds with a minimum credit rating of "A". None of these positions with unrealized losses are considered impaired, and all are expected to mature at par. Further, we believe the long history of no credit losses on these securities indicates that the expectation of nonpayment of the amortized cost basis is zero.

Loans HFI

Average loans held for investment (HFI) decreased $7.6 million, or 0.4%, from the first quarter of 2021 and increased $43.3 million, or 2.2%, over the fourth quarter of 2020. Excluding SBA PPP loans, average core loans grew $54.4 million and $90.4 million over both respective periods and period end loans grew $74.3 million and $97.7 million over both respective periods. Growth in period end loans was driven primarily in the commercial mortgage, indirect, and construction categories. At June 30, 2021, SBA PPP loan balances totaled $79.9 million and remaining deferred SBA PPP net loan fees totaled $3.5 million. SBA PPP loan forgiveness applications are expected to remain strong for the remainder of 2021.

Without compromising our credit standards, changing our underwriting standards, or taking on inordinate interest rate risk, we continue to closely monitor our markets and make minor adjustments as necessary.

Credit Quality

Nonperforming assets (nonaccrual loans and OREO, "NPAs") totaled $6.3 million at June 30, 2021, a $0.8 million increase from March 31, 2021, and a $0.4 million decrease from December 31, 2020. Nonaccrual loans totaled $5.1 million (0.25% of HFI loans) at June 30, 2021 compared to $5.4 million (0.26% of HFI loans) at March 31, 2021 and $6.8 million (0.29% of HFI loans) at December 31, 2020. For additional metrics on NPAs see the Asset Quality section of the Selected Quarterly Financial Data table. For more information on nonaccrual loans see Note 3 – Loans Held for Investment and Allowance for Credit Losses. The balance of OREO totaled $1.2 million at June 30, 2021, an increase of $1.1 million over March 31, 2021 and a $0.3 million increase over December 31, 2020. A significant portion of the increase in ORE is attributable to an office property, which was under contract and moved to ORE late in the second quarter.

Allowance for Credit Losses

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The allowance for credit losses is adjusted by a credit loss provision which is reported in earnings, and reduced by the charge-off of loan amounts, net of recoveries. Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Expected credit loss inherent in non-cancellable off-balance sheet credit exposures is provided through the credit loss provision, but recorded as a separate liability included in other liabilities.

Management estimates the allowance balance using relevant available information, from internal and external sources relating to past events, current conditions, and reasonable and supportable forecasts. Historical loan default and loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information incorporate management's view of current conditions and forecasts.

At June 30, 2021, the allowance for credit losses for loans HFI totaled $22.2 million compared to $22.0 million at March 31, 2021 and $23.8 million at December 31, 2020. Activity within the allowance is detailed in Note 3 to the consolidated financial statements. The $0.2 million net increase in the allowance for the second quarter of 2021 was primarily attributable to net loan recoveries totaling $0.3 million. For the first half of 2021, the $1.6 million net decrease in the allowance reflected net loan recoveries of $0.9 million and lower expected losses related to COVID-19, partially offset by core loan growth (ex-SBA PPP). At June 30, 2021, the allowance represented 1.10% of loans HFI and provided coverage of 434% of nonperforming loans compared to 1.19% and 406%, respectively, at December 31, 2020. At June 30, 2021, excluding SBA PPP loans (100% government guaranteed), the allowance represented 1.15% of loans HFI compared to 1.30% at December 31, 2020.

At June 30, 2021, the allowance for credit losses for unfunded commitments totaled $2.6 million compared to $3.0 million at March 31, 2021 and $1.6 million at December 31, 2020. The allowance for unfunded commitments is recorded in other liabilities.

Deposits

Average total deposits were $3.387 billion for the second quarter of 2021, an increase of $147.8 million, or 4.6%, over the first quarter of 2021 and $321.2 million, or 10.5%, over the fourth quarter of 2020. The strongest growth over both comparable periods occurred in our noninterest bearing deposits and savings account balances. Average public deposits in the second quarter 2021 increased compared to the fourth quarter 2020, but declined compared to the first quarter 2021 due to the seasonality of these deposits. Over the past 12 months, multiple government stimulus programs have been implemented, including those under the CARES Act and the American Rescue Plan Act, which are responsible for a large part of the growth in average deposits. Given these increases, the potential exists for our deposit levels to be volatile for the remainder of 2021 due to the uncertain timing of the outflows of the stimulus related balances and the economic recovery. It is anticipated that current liquidity levels will remain robust due to our strong overnight funds sold position.

We monitor deposit rates on an ongoing basis and adjust if necessary, as a prudent pricing discipline remains the key to managing our mix of deposits.

MARKET RISK AND INTEREST RATE SENSITIVITY

Market Risk and Interest Rate Sensitivity

Overview. Market risk management arises from changes in interest rates, exchange rates, commodity prices, and equity prices. We have risk management policies to monitor and limit exposure to interest rate risk and do not participate in activities that give rise to significant market risk involving exchange rates, commodity prices, or equity prices. Our risk management policies are primarily designed to minimize structural interest rate risk.

Interest Rate Risk Management. Our net income is largely dependent on net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities mature or re-price on a different basis than interest-earning assets. When interest-bearing liabilities mature or re-price more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when interest-earning assets mature or re-price more quickly than interest-bearing liabilities, falling interest rates could result in a decrease in net interest income. Net interest income is also affected by changes in the portion of interest-earning assets that are funded by interest-bearing liabilities rather than by other sources of funds, such as noninterest-bearing deposits and shareowners' equity.

We have established a comprehensive interest rate risk management policy, which is administered by management's Asset/Liability Management Committee ("ALCO"). The policy establishes risk limits, which are quantitative measures of the percentage change in net interest income (a measure of net interest income at risk) and the fair value of equity capital (a measure of economic value of equity ("EVE") at risk) resulting from a hypothetical change in interest rates for maturities from one day to 30 years. We measure the potential adverse impacts that changing interest rates may have on our short-term earnings, long-term value, and liquidity by employing simulation analysis through the use of computer modeling. The simulation model is designed to capture optionality factors such as call features and interest rate caps and floors imbedded in investment and loan portfolio contracts. As with any method of analyzing interest rate risk, there are certain shortcomings inherent in the interest rate modeling methodology that we use. When interest rates change, actual movements in different categories of interest-earning assets and interest-bearing liabilities, loan prepayments, and withdrawals of time and other deposits, may deviate significantly from the assumptions that we use in our modeling. Finally, the methodology does not measure or reflect the impact that higher rates may have on variable and adjustable-rate loan clients' ability to service their debts, or the impact of rate changes on demand for loan and deposit products.

We prepare a current base case and several alternative simulations at least once per quarter and present the analysis to ALCO, with the risk metrics also reported to the Board of Directors. In addition, more frequent forecasts may be produced when interest rates are particularly uncertain or when other business conditions so dictate.

Our interest rate risk management goal is to maintain expected changes in our net interest income and capital levels due to fluctuations in market interest rates within acceptable limits. Management attempts to achieve this goal by balancing, within policy limits, the volume of variable-rate liabilities with a similar volume of variable-rate assets, by keeping the average maturity of fixed-rate asset and liability contracts reasonably matched, by maintaining our core deposits as a significant component of our total funding sources and by adjusting rates to market conditions on a continuing basis.

We test our balance sheet using varying interest rate shock scenarios to analyze our interest rate risk. Average interest rates are shocked by plus or minus 100, 200, 300, and 400 basis points ("bp"), although we may elect not to use particular scenarios that we determined are impractical in a current rate environment. It is management's goal to structure the balance sheet so that net interest earnings at risk over 12-month and 24-month periods, and the economic value of equity at risk, do not exceed policy guidelines at the various interest rate shock levels.

We augment our interest rate shock analysis with alternative external interest rate scenarios on a quarterly basis. These alternative interest rate scenarios may include non-parallel rate ramps.

***Analysis*.** Measures of net interest income at risk produced by simulation analysis are indicators of an institution's short-term performance in alternative rate environments. These measures are typically based upon a relatively brief period and do not necessarily indicate the long-term prospects or economic value of the institution.

ESTIMATED CHANGES IN NET INTEREST INCOME (1)

Percentage Change (12-month shock)	+400 bp	+300 bp	+200 bp	+100 bp	-100 bp
Policy Limit	-15.0%	-12.5%	-10.0%	-7.5%	-7.5%
June 30, 2021	33.1%	24.4%	15.8%	7.6%	-4.7%
March 31, 2021	40.6%	30.0%	19.4%	9.3%	-4.0%

Percentage Change (24-month shock)	+400 bp	+300 bp	+200 bp	+100 bp	-100 bp
Policy Limit	-17.5%	-15.0%	-12.5%	-10.0%	-10.0%
June 30, 2021	46.0%	32.5%	19.1%	6.5%	-12.4%
March 31, 2021	53.0%	37.0%	21.2%	6.2%	-14.2%

The Net Interest Income at Risk position indicates that in the short-term, all rising rate environments will positively impact the net interest margin of the Company, while a declining rate environment of 100bp will have a negative impact on the net interest margin. The 12-month Net Interest Income at Risk position became less favorable in all rate scenarios primarily due to lower PPP fees for the year-over-year comparison. Compared to the prior quarter-end, the 24-month Net Interest Income at Risk position became slightly more favorable in rates down 100 bps and rates up 100 bps due to investment purchases during the quarter, and slightly less favorable in rate scenarios of rates up 200 bps or more as the balance sheet is less asset sensitive due to these asset purchases. As an intended result of the $500 million investment strategy during the quarter, the Bank has become slightly less asset sensitive, and has slightly less risk to the rates down scenario.

All measures of Net Interest Income at Risk in rising rate environments are within our prescribed policy limits over the next 12-month and 24-month periods. We are out of compliance in the down 100bp scenario for the 24-month period due to our limited ability to lower our deposit rates relative to the decline in market rates.

The measures of equity value at risk indicate our ongoing economic value by considering the effects of changes in interest rates on all of our cash flows, and discounting the cash flows to estimate the present value of assets and liabilities. The difference between the aggregated discounted values of the assets and liabilities is the economic value of equity, which, in theory, approximates the fair value of our net assets.

ESTIMATED CHANGES IN ECONOMIC VALUE OF EQUITY (1)

Changes in Interest Rates	+400 bp	+300 bp	+200 bp	+100 bp	-100 bp
Policy Limit	-30.0%	-25.0%	-20.0%	-15.0%	-15.0%
June 30, 2021	47.9%	38.4%	27.5%	15.2%	-35.2%
June 30, 2021 (Alternate Scenario)(2)	37.2%	28.4%	18.2%	9.1%	-12.5%
March 31, 2021	96.8%	76.6%	53.9%	28.5%	-55.6%

(1) Down 200, 300, and 400 bp scenarios have been excluded due to the low interest rate environment.
(2) For the rates down 100 bp scenario, the high negative percentage change is due to a negative value assigned to our nonmaturity deposits. Since we believe our nonmaturity deposits are highly valued core franchise deposits, we run an alternate EVE calculation which caps the projected value of our nonmaturity deposits at their book value. In the alternate EVE scenario where the value of our nonmaturity deposits are capped at their book value, both our EVE and our EVE Ratio are within policy guidelines.

At June 30, 2021, the economic value of equity results are favorable in all rising rate environments and are within prescribed tolerance levels. The EVE Ratio (EVE/EVA) was 6.4% for the second quarter 2021, which is within policy limits. EVE metrics became more favorable in the rates down scenario reflecting the deployment of additional funds in the investment portfolio and utilization of and a lower cost of acquiring and maintaining deposits, which was incorporated into the model in the second quarter.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

In general terms, liquidity is a measurement of our ability to meet our cash needs. Our objective in managing our liquidity is to maintain our ability to meet loan commitments, purchase securities or repay deposits and other liabilities in accordance with their terms, without an adverse impact on our current or future earnings. Our liquidity strategy is guided by policies that are formulated and monitored by our ALCO and senior management, which take into account the marketability of assets, the sources and stability of funding and the level of unfunded commitments. We regularly evaluate all of our various funding sources with an emphasis on accessibility, stability, reliability and cost-effectiveness. Our principal source of funding has been our client deposits, supplemented by our short-term and long-term borrowings, primarily from securities sold under repurchase agreements, federal funds purchased and FHLB borrowings. We believe that the cash generated from operations, our borrowing capacity and our access to capital resources are sufficient to meet our future operating capital and funding requirements.

At June 30, 2021, we had the ability to generate $1.248 billion in additional liquidity through all of our available resources (this excludes $767 million in overnight funds sold). In addition to the primary borrowing outlets mentioned above, we also have the ability to generate liquidity by borrowing from the Federal Reserve Discount Window and through brokered deposits. We recognize the importance of maintaining liquidity and have developed a Contingent Liquidity Plan, which addresses various liquidity stress levels and our response and action based on the level of severity. We periodically test our credit facilities for access to the funds, but also understand that as the severity of the liquidity level increases that certain credit facilities may no longer be available. We conduct a liquidity stress test on a quarterly basis based on events that could potentially occur at the Bank and report results to ALCO, our Market Risk Oversight Committee, Risk Oversight Committee, and the Board of Directors. At June 30, 2021, we believe the liquidity available to us was sufficient to meet our on-going needs and execute our business strategy.

We view our investment portfolio primarily as a source of liquidity and have the option to pledge the portfolio as collateral for borrowings or deposits, and/or sell selected securities. The portfolio primarily consists of debt issued by the U.S. Treasury, U.S. governmental and federal agencies, and municipal governments. The weighted average life of the portfolio was approximately 3.34 years at June 30, 2021, and the available for sale portfolio had a net unrealized pre-tax gain of $1.2 million.

Our average overnight funds position (defined deposits with banks plus Fed funds sold less Fed funds purchased) was $818.6 million in the second quarter of 2021 compared to an average net overnight funds sold position of $814.6 million in the first quarter of 2021 and $705.1 million in the fourth quarter of 2020. The increase compared to both prior periods was driven by deposit inflows related to pandemic related stimulus programs and growth in our core deposits (see *Deposits*).

We expect our capital expenditures will be approximately $7.0 million over the next 12 months, which will primarily consist of office remodeling, office equipment/furniture, and technology purchases. Management expects that these capital expenditures will be funded with existing resources without impairing our ability to meet our on-going obligations.

Borrowings

At June 30, 2021, average short term borrowings totaled $51.2 million compared to $67.0 million at March 31, 2021 and $95.3 million at December 31, 2020. The variance over both prior periods was attributable to the fluctuation of residential mortgage warehouse borrowings at CCHL. Additional detail on these borrowings is provided in Note 4 – Mortgage Banking Activities in the Consolidated Financial Statements.

At June 30, 2021, fixed rate credit advances from the FHLB totaled $1.8 million in outstanding debt consisting of five notes. During the first six months of 2021, the Bank made FHLB advance payments totaling approximately $0.4 million, which included one advance that paid off, and another that matured. We did not obtain any new FHLB advances during this period. The FHLB notes are collateralized by a blanket floating lien on all of our 1-4 family residential mortgage loans, commercial real estate mortgage loans, and home equity mortgage loans.

We have issued two junior subordinated deferrable interest notes to our wholly owned Delaware statutory trusts. The first note for $30.9 million was issued to CCBG Capital Trust I in November 2004, of which $10 million was retired in April 2016. The second note for $32.0 million was issued to CCBG Capital Trust II in May 2005. The interest payment for the CCBG Capital Trust I borrowing is due quarterly and adjusts quarterly to a variable rate of three-month LIBOR plus a margin of 1.90%. This note matures on December 31, 2034. The interest payment for the CCBG Capital Trust II borrowing is due quarterly and adjusts quarterly to a variable rate of three-month LIBOR plus a margin of 1.80%. This note matures on June 15, 2035. The proceeds from these borrowings were used to partially fund acquisitions. Under the terms of each junior subordinated deferrable interest note, in the event of default or if we elect to defer interest on the note, we may not, with certain exceptions, declare or pay dividends or make distributions on our capital stock or purchase or acquire any of our capital stock. We continue to evaluate the impact of the expected discontinuation of LIBOR on our two junior subordinated deferrable interest notes.

During the second quarter of 2020, we entered into a derivative cash flow hedge of our interest rate risk related to our subordinated debt. The notional amount of the derivative is $30 million ($10 million of the CCBG Capital Trust I borrowing and $20 million of the CCBG Capital Trust II borrowing). The interest rate swap agreement requires CCBG to pay fixed and receive variable (Libor plus spread) and has an average all-in fixed rate of 2.50% for 10 years. Additional detail on the interest rate swap agreement is provided in Note 5 – Derivatives in the Consolidated Financial Statements.

Capital

Our capital ratios are presented in the Selected Quarterly Financial Data table on page 31. At June 30, 2021, our regulatory capital ratios exceeded the threshold to be designated as "well-capitalized" under the Basel III capital standards.

Shareowners' equity was $335.9 million at June 30, 2021 compared to $324.4 million at March 31, 2021 and $320.8 million at December 31, 2020 and. For the first six months of 2021, shareowners' equity was positively impacted by net income of $16.9 million, a $0.9 million increase in fair value of the interest rate swap related to subordinated debt, net adjustments totaling $1.0 million related to transactions under our stock compensation plans, stock compensation accretion of $0.4 million, and reclassification of $1.2 million from temporary equity to decrease the redemption value of the non-controlling interest in CCHL. In addition, $1.6 million was reclassified from accumulated other comprehensive loss to pension expense in conjunction with partial pension settlement charge reflected in earnings, therefore, the charge had no net effect on equity. Shareowners' equity was reduced by common stock dividends of $5.1 million ($0.30 per share) and a $1.8 million decrease in the unrealized gain on investment securities.

At June 30, 2021, our common stock had a book value of $19.87 per diluted share compared to $19.22 at March 31, 2021 and $19.05 at December 31, 2020. Book value is impacted by the net after-tax unrealized gains and losses on AFS investment securities. At June 30, 2021, the net gain was $0.9 million compared to a $1.2 million net gain at March 31, 2021 and a $2.7 million net gain at December 31, 2020. Book value is also impacted by the recording of our unfunded pension liability through other comprehensive income in accordance with Accounting Standards Codification Topic 715. At June 30, 2021, the net pension liability reflected in other comprehensive loss was $45.6 million compared to $47.1 million at March 31, 2021 and $47.2 million at December 31, 2020. This liability is re-measured annually on December 31st based on an actuarial calculation of our pension liability. Significant assumptions used in calculating the liability are discussed in our 2020 Form 10-K "Critical Accounting Policies" and include the weighted average discount rate used to measure the present value of the pension liability, the weighted average expected long-term rate of return on pension plan assets, and the assumed rate of annual compensation increases, all of which will vary when re-measured. The discount rate assumption used to calculate the pension liability is subject to long-term corporate bond rates at December 31st. The estimated impact to the pension liability based on a 25-basis point increase or decrease in long-term corporate bond rates used to discount the pension obligation would decrease or increase the pension liability by approximately $6.6 million (after-tax) using the balances from the December 31, 2020 measurement date.

OFF-BALANCE SHEET ARRANGEMENTS

We are a party to financial instruments with off-balance sheet risks in the normal course of business to meet the financing needs of our clients.

At June 30, 2021, we had $772.0 million in commitments to extend credit and $6.6 million in standby letters of credit. 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 us to guarantee the performance of a client to a third party. We use the same credit policies in establishing commitments and issuing letters of credit as we do for on-balance sheet instruments.

If commitments arising from these financial instruments continue to require funding at historical levels, management does not anticipate that such funding will adversely impact our ability to meet our on-going obligations. In the event these commitments require funding in excess of historical levels, management believes current liquidity, advances available from the FHLB and the Federal Reserve, and investment security maturities provide a sufficient source of funds to meet these commitments.

Certain agreements provide that the commitments are unconditionally cancellable by the bank and for those agreements no allowance for credit losses has been recorded. We have recorded an allowance for credit losses on loan commitments that are not unconditionally cancellable by the bank, which is included in other liabilities on the consolidated statements of financial condition and totaled $2.6 million at June 30, 2021.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in our 2020 Form 10-K. The preparation of our Consolidated Financial Statements in accordance with GAAP and reporting practices applicable to the banking industry requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates.

We have identified accounting for (i) the allowance for credit losses, (ii) valuation of goodwill and other identifiable intangible assets, (iii) pension benefits, and (iv) income taxes as our most critical accounting policies and estimates in that they are important to the portrayal of our financial condition and results, and they require our subjective and complex judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. These accounting policies, including the nature of the estimates and types of assumptions used, are described throughout this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2020 Form 10-K.

TABLE I

AVERAGE BALANCES & INTEREST RATES

	Three Months Ended June 30,						Six Months Ended June 30,					
	2021			2020			2021			2020		
(Dollars in Thousands)	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Assets:												
Loans Held for Sale	$ 77,101	$ 566	2.94%	$ 74,965	$ 550	3.41%	$ 91,591	$ 1,536	3.38%	$ 55,181	$ 906	3.30%
Loans Held for Investment[(1)(2)]	2,036,781	24,095	4.74	1,982,960	23,235	4.70	2,040,551	46,578	4.71	1,915,370	46,571	4.89
Taxable Securities	687,882	2,036	1.18	601,509	2,708	1.80	608,801	3,899	1.28	615,511	5,703	1.86
Tax-Exempt Securities[(2)]	3,530	23	2.58	5,865	37	2.51	3,686	48	2.60	5,579	62	2.20
Funds Sold	818,616	200	0.10	351,473	88	0.10	816,638	414	0.10	292,922	845	0.58
Total Earning Assets	3,623,910	26,920	2.98%	3,016,772	26,618	3.55%	3,561,267	52,475	2.97%	2,884,563	54,087	3.77%
Cash & Due From Banks	74,076			72,647			71,541			64,802		
Allowance For Credit Losses	(22,794)			(21,642)			(23,457)			(18,015)		
Other Assets	281,157			261,449			279,956			252,657		
TOTAL ASSETS	$ 3,956,349			$ 3,329,226			$ 3,889,307			$ 3,184,007		
Liabilities:												
NOW Accounts	$ 966,649	$ 74	0.03%	$ 789,378	$ 78	0.04%	$ 976,031	$ 150	0.03%	$ 799,094	$ 803	0.20%
Money Market Accounts	272,138	33	0.05	222,377	40	0.07	270,990	66	0.05	217,295	157	0.15
Savings Accounts	529,844	64	0.05	409,366	50	0.05	511,152	124	0.05	394,301	96	0.05
Other Time Deposits	102,995	37	0.15	104,718	50	0.19	102,544	76	0.15	105,130	101	0.19
Total Interest Bearing Deposits	1,871,626	208	0.04	1,525,839	218	0.06	1,860,717	416	0.05	1,515,820	1,157	0.15
Short-Term Borrowings	51,152	324	2.54	73,377	421	2.31	59,049	736	2.51	53,146	553	2.09
Subordinated Notes Payable	52,887	308	2.30	52,887	374	2.80	52,887	615	2.31	52,887	845	3.16
Other Long-Term Borrowings	1,762	16	3.38	5,766	41	2.84	2,246	37	3.26	6,039	91	3.03
Total Interest Bearing Liabilities	1,977,427	856	0.17%	1,657,869	1,054	0.26%	1,974,899	1,804	0.18%	1,627,892	2,646	0.33%
Noninterest Bearing Deposits	1,515,726			1,257,614			1,453,121			1,152,251		
Other Liabilities	107,801			72,073			109,417			65,830		
TOTAL LIABILITIES	3,600,954			2,987,556			3,537,437			2,845,973		
Temporary Equity	26,355			8,155			24,178			5,331		
TOTAL SHAREOWNERS' EQUITY	329,040			333,515			327,692			332,703		
TOTAL LIABILITIES, TEMPORARY AND SHAREOWNERS' EQUITY	$ 3,956,349			$ 3,329,226			$ 3,889,307			$ 3,184,007		
Interest Rate Spread			2.81%			3.30%			2.79%			3.44%
Net Interest Income		$ 26,064			$ 25,564			$ 50,671			$ 51,441	
Net Interest Margin[(3)]			2.89%			3.41%			2.87%			3.59%

[(1)]Average Balances include net loan fees, discounts and premiums and nonaccrual loans. Interest income includes loans fees of $1.9 million and $0.6 million for the three month periods ended June 30, 2021 and 2020, respectively, and $3.1 million and $0.8 million for the six month periods ended June 30, 2021 and 2020, respectively.

[(2)]Interest income includes the effects of taxable equivalent adjustments using a 21% Federal tax rate.

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Market Risk and Interest Rate Sensitivity" in Management's Discussion and Analysis of Financial Condition and Results of Operations, above, which is incorporated herein by reference. Management has determined that no additional disclosures are necessary to assess changes in information about market risk that have occurred since December 31, 2020.

Item 4. CONTROLS AND PROCEDURES

At June 30, 2021, the end of the period covered by this Form 10-Q, 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, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report these disclosure controls and procedures were effective.

Our management, including our Chief Executive Officer and Chief Financial Officer, has reviewed our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). During the quarter ended on June 30, 2021, other than the above, there have been no significant changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our 2020 Form 10-K, as updated in our subsequent quarterly reports. The risks described in our 2020 Form 10-K and our subsequent quarterly reports are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(A) Exhibits

31.1	Certification of William G. Smith, Jr., Chairman, President and Chief Executive Officer of Capital City Bank Group, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of J. Kimbrough Davis, Executive Vice President and Chief Financial Officer of Capital City Bank Group, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
32.1	Certification of William G. Smith, Jr., Chairman, President and Chief Executive Officer of Capital City Bank Group, Inc., Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of J. Kimbrough Davis, Executive Vice President and Chief Financial Officer of Capital City Bank Group, Inc., Pursuant to 18 U.S.C. Section 1350.

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

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

CAPITAL CITY BANK GROUP, INC.
(Registrant)

/s/ J. Kimbrough Davis
J. Kimbrough Davis
Executive Vice President and Chief Financial Officer
(Mr. Davis is the Principal Financial Officer and has
been duly authorized to sign on behalf of the Registrant)

Date: July 30, 2021

Exhibit 31.1

Certification of CEO Pursuant to Securities Exchange Act
Rule 13a-14(a) / 15d-14(a) as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, William G. Smith, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capital City Bank Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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

Date: July 30, 2021

Exhibit 31.2

Certification of CFO Pursuant to Securities Exchange Act
Rule 13a-14(a) / 15d-14(a) as Adopted Pursuant to
Section 302 of the Sarbanes-Oxley Act of 2002

I, J. Kimbrough Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capital City Bank Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ J. Kimbrough Davis
J. Kimbrough Davis
Executive Vice President and
Chief Financial Officer

Date: July 30, 2021

Exhibit 32.1

Certification of CEO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, William G. Smith Jr., Chairman, President, and Chief Executive Officer of Capital City Bank Group, Inc., hereby certify that to my knowledge (1) this Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition of the Company and its results of operations as of and for the periods covered therein.

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

Date: July 30, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification of CFO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, J. Kimbrough Davis, Executive Vice President and Chief Financial Officer of Capital City Bank Group, Inc., hereby certify that to my knowledge (1) this Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2021, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition of the Company and its results of operations as of and for the periods covered therein.

/s/ J. Kimbrough Davis
J. Kimbrough Davis
Executive Vice President and
Chief Financial Officer

Date: July 30, 2021

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.