

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 March 31, 2024

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
(State or other jurisdiction of incorporation or organization)

59-2273542
(I.R.S. Employer Identification No.)

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

32301
(Zip Code)

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

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 June 28, 2024, 16,941,553 shares of the Registrant's Common Stock, \$0.01 par value, were outstanding.

CAPITAL CITY BANK GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2024
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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,” “vision,” “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 II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q and in Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K/A for the year ended December 31, 2023 (the “2023 Form 10-K/A”), as updated in our subsequent quarterly reports filed on Form 10-Q, as well as, among other factors:

- our ability to successfully manage credit risk, interest rate risk, liquidity risk, and other risks inherent to our industry;
- legislative or regulatory changes;
- adverse developments in the financial services industry generally, such as bank failures and any related impact on depositor behavior;
- the effects of changes in the level of checking or savings account deposits and the competition for deposits on our funding costs, net interest margin and ability to replace maturing deposits and advances, as necessary;
- inflation, interest rate, market and monetary fluctuations;
- 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;
- changes in monetary and fiscal policies of the U.S. Government;
- the effects of security breaches and computer viruses that may affect our computer systems 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 our liquidity position;
- 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 loan segments, 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;
- our ability to retain key personnel;
- the effects of natural disasters, harsh weather conditions (including hurricanes), widespread health emergencies (including pandemics, such as the COVID-19 pandemic), 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 impact of the restatement of our previously issued consolidated statements of cash flows for the years ended December 31, 2021, 2022 and 2023 and for each of the three month periods ended March 31, 2022 and 2023, six month periods ended June 30, 2022 and 2023 and nine month periods ended September 30, 2022 and 2023;
- any deficiencies in the processes undertaken to effect such restatements and to identify and correct all errors in our historical financial statements that may require restatement;
- any inability to implement and maintain effective internal control over financial reporting and/or disclosure control or inability to remediate our existing material weaknesses in our internal controls deemed ineffective;
- 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;
- the cost and effects of cybersecurity incidents or other failures, interruptions, or security breaches of our systems of those of our customers or third-party providers;
- the outcomes of litigation or regulatory proceedings;
- 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

<i>(Dollars in Thousands, Except Par Value)</i>	(Unaudited) March 31, 2024	December 31, 2023
ASSETS		
Cash and Due From Banks	\$ 73,642	\$ 83,118
Federal Funds Sold and Interest Bearing Deposits	231,047	228,949
Total Cash and Cash Equivalents	<u>304,689</u>	<u>312,067</u>
Investment Securities, Available for Sale, at fair value (amortized cost of \$ 358,416 and \$367,747)	327,338	337,902
Investment Securities, Held to Maturity (fair value of \$569,682 and \$591,751)	603,386	625,022
Equity Securities	3,445	3,450
Total Investment Securities	<u>934,169</u>	<u>966,374</u>
Loans Held For Sale, at fair value	24,705	28,211
Loans Held for Investment	2,731,172	2,733,918
Allowance for Credit Losses	<u>(29,329)</u>	<u>(29,941)</u>
Loans Held for Investment, Net	2,701,843	2,703,977
Premises and Equipment, Net	81,452	81,266
Goodwill and Other Intangibles	92,893	92,933
Other Real Estate Owned	1	1
Other Assets	120,170	119,648
Total Assets	<u>\$ 4,259,922</u>	<u>\$ 4,304,477</u>
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	\$ 1,361,939	\$ 1,377,934
Interest Bearing Deposits	<u>2,292,862</u>	<u>2,323,888</u>
Total Deposits	3,654,801	3,701,822
Short-Term Borrowings	31,886	35,341
Subordinated Notes Payable	52,887	52,887
Other Long-Term Borrowings	265	315
Other Liabilities	65,181	66,080
Total Liabilities	<u>3,805,020</u>	<u>3,856,445</u>
Temporary Equity	6,588	7,407
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; 16,928,507 and 16,950,222 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	169	170
Additional Paid-In Capital	34,861	36,326
Retained Earnings	435,364	426,275
Accumulated Other Comprehensive Loss, net of tax	<u>(22,080)</u>	<u>(22,146)</u>
Total Shareowners' Equity	448,314	440,625
Total Liabilities, Temporary Equity, and Shareowners' Equity	<u>\$ 4,259,922</u>	<u>\$ 4,304,477</u>

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

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

<i>(Dollars in Thousands, Except Per Share Data)</i>	Three Months Ended March 31,	
	2024	2023
INTEREST INCOME		
Loans, including Fees	\$ 40,683	\$ 34,891
Investment Securities:		
Taxable Securities	4,238	4,912
Tax Exempt Securities	6	12
Federal Funds Sold and Interest Bearing Deposits	1,893	4,111
Total Interest Income	<u>46,820</u>	<u>43,926</u>
INTEREST EXPENSE		
Deposits	7,594	2,488
Short-Term Borrowings	240	461
Subordinated Notes Payable	628	571
Other Long-Term Borrowings	3	6
Total Interest Expense	<u>8,465</u>	<u>3,526</u>
NET INTEREST INCOME	38,355	40,400
Provision for Credit Losses	920	3,099
Net Interest Income After Provision for Credit Losses	<u>37,435</u>	<u>37,301</u>
NONINTEREST INCOME		
Deposit Fees	5,250	5,239
Bank Card Fees	3,620	3,726
Wealth Management Fees	4,682	3,928
Mortgage Banking Revenues	2,878	2,871
Other	1,667	1,994
Total Noninterest Income	<u>18,097</u>	<u>17,758</u>
NONINTEREST EXPENSE		
Compensation	24,407	23,524
Occupancy, Net	6,994	6,762
Other	8,770	7,389
Total Noninterest Expense	<u>40,171</u>	<u>37,675</u>
INCOME BEFORE INCOME TAXES	15,361	17,384
Income Tax Expense	3,536	3,710
NET INCOME	\$ 11,825	\$ 13,674
Loss Attributable to Noncontrolling Interests	732	35
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	<u>\$ 12,557</u>	<u>\$ 13,709</u>
BASIC NET INCOME PER SHARE	<u>\$ 0.74</u>	<u>\$ 0.81</u>
DILUTED NET INCOME PER SHARE	<u>\$ 0.74</u>	<u>\$ 0.80</u>
Average Basic Shares Outstanding	16,951	17,016
Average Diluted Shares Outstanding	<u>16,969</u>	<u>17,045</u>

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)

<i>(Dollars in Thousands)</i>	Three Months Ended March 31,	
	2024	2023
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	\$ 12,557	\$ 13,709
Other comprehensive income, before tax:		
Investment Securities:		
Change in net unrealized loss on securities available for sale	(1,175)	6,808
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	891	865
Derivative:		
Change in net unrealized gain on effective cash flow derivative	437	(801)
Other comprehensive income, before tax	153	6,872
Deferred tax expense related to other comprehensive income	87	1,719
Other comprehensive income, net of tax	66	5,153
TOTAL COMPREHENSIVE INCOME	\$ 12,623	\$ 18,862

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)

<i>(Dollars In Thousands, Except Share Data)</i>	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net of Taxes	Total
Balance, January 1, 2024	16,950,222	\$ 170	\$ 36,326	\$ 426,275	\$ (22,146)	\$ 440,625
Net Income Attributable to Common Shareowners	-	-	-	12,557	-	12,557
Reclassification to Temporary Equity ⁽¹⁾	-	-	-	87	-	87
Other Comprehensive Income, net of tax	-	-	-	-	66	66
Cash Dividends (\$0.2100 per share)	-	-	-	(3,555)	-	(3,555)
Repurchase of Common Stock	(82,540)	(1)	(2,329)	-	-	(2,330)
Stock Based Compensation	-	-	392	-	-	392
Stock Compensation Plan Transactions, net	60,825	-	472	-	-	472
Balance, March 31, 2024	<u>16,928,507</u>	<u>\$ 169</u>	<u>\$ 34,861</u>	<u>\$ 435,364</u>	<u>\$ (22,080)</u>	<u>\$ 448,314</u>
Balance, January 1, 2023	16,986,785	\$ 170	\$ 37,331	\$ 387,009	\$ (37,229)	\$ 387,281
Net Income Attributable to Common Shareowners	-	-	-	13,709	-	13,709
Other Comprehensive Income, net of tax	-	-	-	-	5,153	5,153
Cash Dividends (\$0.1800 per share)	-	-	-	(3,064)	-	(3,064)
Repurchase of Common Stock	(25,241)	-	(819)	-	-	(819)
Stock Based Compensation	-	-	536	-	-	536
Stock Compensation Plan Transactions, net	60,204	-	464	-	-	464
Balance, March 31, 2023	<u>17,021,748</u>	<u>\$ 170</u>	<u>\$ 37,512</u>	<u>\$ 397,654</u>	<u>\$ (32,076)</u>	<u>\$ 403,260</u>

⁽¹⁾ Adjustments to redemption value for non-controlling interest in Capital City Home Loans, LLC ("CCHL")
The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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

<i>(Dollars in Thousands)</i>	Three Months Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income Attributable to Common Shareowners	\$ 12,557	\$ 13,709
Adjustments to Reconcile Net Income to		
Cash Provided by Operating Activities:		
Provision for Credit Losses	920	3,099
Depreciation	2,051	1,969
Amortization of Premiums, Discounts and Fees, net	953	1,067
Amortization of Intangible Asset	53	40
Originations of Loans Held-for-Sale	(105,717)	(75,626)
Proceeds From Sales of Loans Held-for-Sale	106,941	73,706
Mortgage Banking Revenues	(2,878)	(2,871)
Net Additions for Capitalized Mortgage Servicing Rights	(88)	(91)
Stock Compensation	392	536
Net Tax Benefit from Stock-Based Compensation	(5)	-
Deferred Income Taxes (Benefit)	(1,799)	(1,170)
Net Change in Operating Leases	166	(3)
Net Gain on Sales and Write-Downs of Other Real Estate Owned	-	(1,858)
Net Decrease (Increase) in Other Assets	2,598	(4,349)
Net (Decrease) Increase in Other Liabilities	(1,497)	12,471
Net Cash Provided By Operating Activities	14,647	20,629
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities Held to Maturity:		
Purchases	(1,277)	-
Proceeds from Payments, Maturities, and Calls	22,827	8,820
Securities Available for Sale:		
Purchases	(1,100)	(2,017)
Proceeds from Payments, Maturities, and Calls	10,012	16,559
Equity Securities:		
Net Decrease in Equity Securities	5	-
Purchases of Loans Held for Investment	(302)	(923)
Proceeds from Sales of Loans	13,116	20,084
Net Increase in Loans Held for Investment	(6,830)	(127,336)
Proceeds From Sales of Other Real Estate Owned	-	2,699
Purchases of Premises and Equipment	(2,237)	(1,886)
Net Cash Provided by (Used In) Investing Activities	34,214	(84,000)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Decrease in Deposits	(47,021)	(115,397)
Net Decrease in Short-Term Borrowings	(3,455)	(30,161)
Repayment of Other Long-Term Borrowings	(50)	(50)
Dividends Paid	(3,555)	(3,064)
Payments to Repurchase Common Stock	(2,330)	(819)
Proceeds from Issuance of Common Stock Under Purchase Plans	172	164
Net Cash Used In by Financing Activities	(56,239)	(149,327)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,378)	(212,698)
Cash and Cash Equivalents at Beginning of Period	312,067	600,650
Cash and Cash Equivalents at End of Period	\$ 304,689	\$ 387,952
Supplemental Cash Flow Disclosures:		
Interest Paid	\$ 7,875	\$ 3,723
Income Taxes Paid	\$ -	\$ 7,466
Supplemental Noncash Items:		
Loans Transferred to Other Real Estate Owned	\$ -	\$ 423
Loans Transferred from Held for Investment to Held for Sale, net	\$ 7,956	\$ 16,859

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

CAPITAL CITY BANK GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL 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 notes 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, 2023 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the Company’s 2023 Form 10-K/A.

Accounting Standards Updates

Adoption of New Accounting Standard, On January 1, 2023, the Company adopted Accounting Standards Update (“ASU”) 2022-02, “Financial Instruments – Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosures.” ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings in Accounting Standards Codification (“ASC”) 310-40, “Receivables - Troubled Debt Restructurings by Creditors” for entities that have adopted the current expected credit loss model introduced by ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments.” ASU 2022-02 also requires that public business entities disclose current-period gross charge-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, “Financial Instruments—Credit Losses—Measured at Amortized Cost.”

Proposed Accounting Standards, ASU 2023-01, “Leases (Topic 842): Common Control Arrangements.” ASU 2023-01 requires entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group. ASU 2023-01 also provides certain practical expedients applicable to private companies and not-for-profit organizations. The standard is effective for the Company on January 1, 2024. As the Company does not have any such common control leases, adoption of this standard will not have any immediate impact on its consolidated financial statements and related disclosures.

ASU No. 2023-02, “Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.” ASU 2023-02 is intended to improve the accounting and disclosures for investments in tax credit structures. ASU 2023-02 allows entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. Previously, this method was only available for qualifying tax equity investments in low-income housing tax credit structures. The standard is effective for the Company on January 1, 2024. As the Company does not have any such investments in tax credit structures that are accounted for using the proportional amortization method, adoption of this standard will not have any immediate impact on its consolidated financial statements or disclosures.

ASU No. 2023-06, “Disclosure Improvements : Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative.” ASU 2023-06 is intended to clarify or improve disclosure and presentation requirements of a variety of topics, which will allow users to more easily compare entities subject to the SEC’s existing disclosures with those entities that were not previously subject to the requirements and align the requirements in the FASB accounting standard codification with the SEC’s regulations. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated statements.

NOTE 2 – INVESTMENT SECURITIES

Investment Portfolio Composition. The following table summarizes the amortized cost and related fair value of investment securities available-for-sale (“AFS”) and securities held-to-maturity (“HTM”) and the corresponding amounts of gross unrealized gains and losses.

<i>(Dollars in Thousands)</i>	Available for Sale				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Allowance for Credit Losses	Fair Value
March 31, 2024					
U.S. Government Treasury	\$ 24,977	\$ -	\$ 1,226	\$ -	\$ 23,751
U.S. Government Agency	147,113	77	8,142	-	139,048
States and Political Subdivisions	43,509	-	4,767	(39)	38,703
Mortgage-Backed Securities ⁽¹⁾	71,465	1	10,918	-	60,548
Corporate Debt Securities	63,256	-	6,021	(43)	57,192
Other Securities ⁽²⁾	8,096	-	-	-	8,096
Total	\$ 358,416	\$ 78	\$ 31,074	\$ (82)	\$ 327,338
December 31, 2023					
U.S. Government Treasury	\$ 25,947	\$ 1	\$ 1,269	\$ -	\$ 24,679
U.S. Government Agency	152,983	104	8,053	-	145,034
States and Political Subdivisions	43,951	1	4,861	(8)	39,083
Mortgage-Backed Securities ⁽¹⁾	73,015	2	9,714	-	63,303
Corporate Debt Securities	63,600	-	6,031	(17)	57,552
Other Securities ⁽²⁾	8,251	-	-	-	8,251
Total	\$ 367,747	\$ 108	\$ 29,928	\$ (25)	\$ 337,902
Held to Maturity					
<i>(Dollars in Thousands)</i>	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	
March 31, 2024					
U.S. Government Treasury	\$ 442,762	\$ -	\$ 16,288	\$ 426,474	
Mortgage-Backed Securities ⁽¹⁾	160,624	6	17,422	143,208	
Total	\$ 603,386	\$ 6	\$ 33,710	\$ 569,682	
December 31, 2023					
U.S. Government Treasury	\$ 457,681	\$ -	\$ 16,492	\$ 441,189	
Mortgage-Backed Securities ⁽¹⁾	167,341	13	16,792	150,562	
Total	\$ 625,022	\$ 13	\$ 33,284	\$ 591,751	

⁽¹⁾ Comprised of residential mortgage-backed securities

⁽²⁾ Includes Federal Home Loan Bank and Federal Reserve Bank stock, recorded at cost of \$3.0 million and \$5.1 million, respectively, at March 31, 2024 and \$3.2 million and \$5.1 million, respectively, at December 31, 2023.

At March 31, 2024 and December 31, 2023, the investment portfolio had \$ 3.4 million and \$3.5 million, respectively in equity securities. These securities do not have a readily determinable fair value and were not credit impaired.

Securities with an amortized cost of \$452.5 million and \$578.5 million at March 31, 2024 and December 31, 2023, 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 other securities, is pledged to secure FHLB advances. No ready market exists for this stock, and it has no quoted fair 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.

Investment Sales. There were no sales of investment securities for the three months ended March 31, 2024 and March 31, 2023.

Maturity Distribution. At March 31, 2024, 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 ("MBS") and certain amortizing U.S. government agency securities are shown separately because they are not due at a certain maturity date.

<i>(Dollars in Thousands)</i>	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 31,877	\$ 31,210	\$ 136,137	\$ 133,613
Due after one year through five years	138,581	127,809	306,625	292,861
Due after five year through ten years	34,427	29,217	-	-
Mortgage-Backed Securities	71,465	60,548	160,624	143,208
U.S. Government Agency	73,970	70,458	-	-
Other Securities	8,096	8,096	-	-
Total	\$ 358,416	\$ 327,338	\$ 603,386	\$ 569,682

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	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<i>(Dollars in Thousands)</i>						
March 31, 2024						
Available for Sale						
U.S. Government Treasury	\$ 3,980	\$ 1	\$ 19,771	\$ 1,225	\$ 23,751	\$ 1,226
U.S. Government Agency	13,416	78	117,053	8,064	130,469	8,142
States and Political Subdivisions	1,296	36	37,445	4,731	38,741	4,767
Mortgage-Backed Securities	71	1	60,446	10,917	60,517	10,918
Corporate Debt Securities	-	-	57,236	6,021	57,236	6,021
Total	\$ 18,763	\$ 116	\$ 291,951	\$ 30,958	\$ 310,714	\$ 31,074
Held to Maturity						
U.S. Government Treasury	144,380	3,214	282,094	13,074	426,474	16,288
Mortgage-Backed Securities	1,785	11	140,058	17,411	141,843	17,422
Total	\$ 146,165	\$ 3,225	\$ 422,152	\$ 30,485	\$ 568,317	\$ 33,710
December 31, 2023						
Available for Sale						
U.S. Government Treasury	\$ -	\$ -	\$ 19,751	\$ 1,269	\$ 19,751	\$ 1,269
U.S. Government Agency	12,890	74	121,220	7,979	134,110	8,053
States and Political Subdivisions	1,149	31	37,785	4,830	38,934	4,861
Mortgage-Backed Securities	23	-	63,195	9,714	63,218	9,714
Corporate Debt Securities	-	-	57,568	6,031	57,568	6,031
Total	\$ 14,062	\$ 105	\$ 299,519	\$ 29,823	\$ 313,581	\$ 29,928
Held to Maturity						
U.S. Government Treasury	153,880	3,178	287,310	13,314	441,190	16,492
Mortgage-Backed Securities	786	14	148,282	16,778	149,068	16,792
Total	\$ 154,666	\$ 3,192	\$ 435,592	\$ 30,092	\$ 590,258	\$ 33,284

At March 31, 2024, there were 876 positions (combined AFS and HTM) with unrealized losses totaling \$ 64.8 million. 85 of these positions are U.S. Treasury bonds and carry the full faith and credit of the U.S. Government. 690 are U.S. government agency securities issued by U.S. government sponsored entities. We believe the long history of no credit losses on government securities indicates that the expectation of nonpayment of the amortized cost basis is effectively zero. The remaining 101 positions (municipal securities and corporate bonds) have a credit component. At March 31, 2024, all collateralized mortgage obligation securities, mortgage-backed securities, Small Business Administration securities, U.S. Agency, and U.S. Treasury bonds held were AAA rated. At March 31, 2024, corporate debt securities had an allowance for credit losses of \$ 43,000 and municipal securities had an allowance of \$39,000.

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 effectively 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 and corporate securities portfolio via credit ratings which are updated on a quarterly basis. On a quarterly basis, municipal and corporate 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:

<i>(Dollars in Thousands)</i>	March 31, 2024	December 31, 2023
Commercial, Financial and Agricultural	\$ 218,298	\$ 225,190
Real Estate – Construction	202,692	196,091
Real Estate – Commercial Mortgage	823,690	825,456
Real Estate – Residential ⁽¹⁾	1,016,580	1,004,219
Real Estate – Home Equity	214,617	210,920
Consumer ⁽²⁾	255,295	272,042
Loans Held For Investment, Net of Unearned Income	<u>\$ 2,731,172</u>	<u>\$ 2,733,918</u>

⁽¹⁾ Includes loans in process balances of \$ 4.4 million and \$ 3.2 million at March 31, 2024 and December 31, 2023, respectively.

⁽²⁾ Includes overdraft balances of \$ 1.1 million and \$ 1.0 million at March 31, 2024 and December 31, 2023, respectively.

Net deferred loan costs, which include premiums on purchased loans, included in loans were \$ 7.6 million at March 31, 2024 and \$ 7.8 million at December 31, 2023.

Accrued interest receivable on loans which is excluded from amortized cost totaled \$ 10.2 million at March 31, 2024 and \$ 10.1 million at December 31, 2023, 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.

Loan Purchase and Sales. The Company will periodically purchase newly originated 1-4 family real estate secured adjustable-rate loans from CCHL, a related party. Residential loan purchases from CCHL totaled \$ 35.6 million and \$ 120.1 million for the three months ended March 31, 2024 and March 31, 2023, respectively, and were not credit impaired.

Allowance for Credit Losses. The methodology for estimating the amount of credit losses reported in the allowance for credit losses (“ACL”) 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 – Significant Accounting Policies in the Company’s 2023 Form 10-K/A.

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.

<i>(Dollars in Thousands)</i>	Commercial,		Real Estate			Consumer	Total
	Financial,	Real Estate	Commercial	Real Estate	Real Estate		
	Agricultural	Construction	Mortgage	Residential	Home Equity		
Three Months Ended							
March 31, 2024							
Beginning Balance	\$ 1,482	\$ 2,502	\$ 5,782	\$ 15,056	\$ 1,818	\$ 3,301	\$ 29,941
Provision for Credit Losses	284	(633)	(39)	(248)	130	1,388	882
Charge-Offs	(282)	-	-	(17)	(76)	(2,188)	(2,563)
Recoveries	41	-	204	37	24	763	1,069
Net (Charge-Offs) Recoveries	(241)	-	204	20	(52)	(1,425)	(1,494)
Ending Balance	<u>\$ 1,525</u>	<u>\$ 1,869</u>	<u>\$ 5,947</u>	<u>\$ 14,828</u>	<u>\$ 1,896</u>	<u>\$ 3,264</u>	<u>\$ 29,329</u>
Three Months Ended							
March 31, 2023							
Beginning Balance	\$ 1,506	\$ 2,654	\$ 4,815	\$ 10,741	\$ 1,864	\$ 3,488	\$ 25,068
Provision for Credit Losses	78	704	7	1,152	(10)	1,329	3,260
Charge-Offs	(164)	-	(120)	-	-	(2,366)	(2,650)
Recoveries	95	1	8	57	25	944	1,130
Net (Charge-Offs) Recoveries	(69)	1	(112)	57	25	(1,422)	(1,520)
Ending Balance	<u>\$ 1,515</u>	<u>\$ 3,359</u>	<u>\$ 4,710</u>	<u>\$ 11,950</u>	<u>\$ 1,879</u>	<u>\$ 3,395</u>	<u>\$ 26,808</u>

For the three months ended March 31, 2024, the allowance for HFI loans decreased by \$0.6 million and reflected a provision expense of \$0.9 million and net loan charge-offs of \$ 1.5 million. The decrease was primarily due to favorable loan grade migration, lower loss rates, and a combination of lower loan balances and shift in mix within the portfolio. For the three months ended March 31, 2023, the allowance for HFI loans increased by \$1.7 million and reflected a provision expense of \$3.3 million and net loan charge-offs of \$1.5 million. The increase was primarily driven by incremental reserves needed for loan growth. Unemployment forecast scenarios were utilized to estimate probability of default and are weighted based on management’s estimate of probability. 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.

<i>(Dollars in Thousands)</i>	30-59 DPD	60-89 DPD	90 + DPD	Total Past Due	Total Current	Nonaccrual Loans	Total Loans
March 31, 2024							
Commercial, Financial and Agricultural	\$ 567	\$ 68	\$ -	\$ 635	\$ 217,357	\$ 306	\$ 218,298
Real Estate – Construction	-	-	-	-	202,370	322	202,692
Real Estate – Commercial Mortgage	879	-	-	879	821,379	1,432	823,690
Real Estate – Residential	1,040	2	-	1,042	1,012,210	3,328	1,016,580
Real Estate – Home Equity	101	-	-	101	213,766	750	214,617
Consumer	2,412	323	-	2,735	251,900	660	255,295
Total	\$ 4,999	\$ 393	\$ -	\$ 5,392	\$ 2,718,982	\$ 6,798	\$ 2,731,172
December 31, 2023							
Commercial, Financial and Agricultural	\$ 311	\$ 105	\$ -	\$ 416	\$ 224,463	\$ 311	\$ 225,190
Real Estate – Construction	206	-	-	206	195,563	322	196,091
Real Estate – Commercial Mortgage	794	-	-	794	823,753	909	825,456
Real Estate – Residential	670	34	-	704	1,000,525	2,990	1,004,219
Real Estate – Home Equity	268	-	-	268	209,653	999	210,920
Consumer	3,693	774	-	4,467	266,864	711	272,042
Total	\$ 5,942	\$ 913	\$ -	\$ 6,855	\$ 2,720,821	\$ 6,242	\$ 2,733,918

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.

<i>(Dollars in Thousands)</i>	March 31, 2024			December 31, 2023		
	Nonaccrual With No ACL	Nonaccrual With ACL	90 + Days Still Accruing	Nonaccrual With No ACL	Nonaccrual With ACL	90 + Days Still Accruing
Commercial, Financial and Agricultural	\$ -	\$ 306	\$ -	\$ -	\$ 311	\$ -
Real Estate – Construction	-	322	-	-	322	-
Real Estate – Commercial Mortgage	1,295	137	-	781	128	-
Real Estate – Residential	2,102	1,226	-	1,705	1,285	-
Real Estate – Home Equity	323	427	-	-	999	-
Consumer	-	660	-	-	711	-
Total Nonaccrual Loans	\$ 3,720	\$ 3,078	\$ -	\$ 2,486	\$ 3,756	\$ -

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

<i>(Dollars in Thousands)</i>	March 31, 2024		December 31, 2023	
	Real Estate Secured	Non Real Estate Secured	Real Estate Secured	Non Real Estate Secured
Commercial, Financial and Agricultural	\$ -	\$ 30	\$ -	\$ 30
Real Estate – Construction	275	-	275	-
Real Estate – Commercial Mortgage	1,295	-	1,296	-
Real Estate – Residential	2,102	-	1,706	-
Real Estate – Home Equity	323	-	-	-
Consumer	-	-	-	-
Total Collateral Dependent Loans	\$ 3,995	\$ 30	\$ 3,277	\$ 30

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 March 31, 2024 and December 31, 2023, the Company had \$0.8 million and \$0.5 million, respectively, in 1-4 family residential real estate loans for which formal foreclosure proceedings were in process.

Modifications to Borrowers Experiencing Financial Difficulty. Occasionally, the Company may modify loans to borrowers who are experiencing financial difficulty. Loan modifications to borrowers in financial difficulty are loans in which the Company has granted an economic concession to the borrower that it would not otherwise consider. In these instances, as part of a work-out alternative, the Company will make concessions including the extension of the loan term, a principal moratorium, a reduction in the interest rate, or a combination thereof. The impact of the modifications and defaults are factored into the allowance for credit losses on a loan-by-loan basis. Thus specific reserves are established based upon the results of either a discounted cash flow analysis or the underlying collateral value, if the loan is deemed to be collateral dependent. A modified loan classification can be removed if the borrower's financial condition improves such that the borrower is no longer in financial difficulty, the loan has not had any forgiveness of principal or interest, and the loan is subsequently refinanced or restructured at market terms and qualifies as a new loan.

At March 31, 2024, and December 31, 2023, the Company did not have any modified loans made to borrowers due to the borrower experiencing financial difficulty.

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 category consists of direct and indirect 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.

Special Mention – 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.

Substandard – 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.

Doubtful – 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.

Performing/Nonperforming – 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 tables summarize gross loans held for investment at March 31, 2024 and December 31, 2023 and current period gross write-offs for the three months ended March 31, 2024 and twelve months ended December 31, 2023 by years of origination and internally assigned credit risk ratings (refer to Credit Risk Management section for detail on risk rating system).

<i>(Dollars in Thousands)</i>		Term Loans by Origination Year						Revolving	
As of March 31, 2024	2024	2023	2022	2021	2020	Prior	Loans	Total	
Commercial, Financial, Agriculture:									
Pass	\$ 8,690	\$ 54,213	\$ 60,831	\$ 25,989	\$ 9,022	\$ 13,831	\$ 43,073	\$ 215,649	
Special Mention	224	153	542	305	9	5	698	1,936	
Substandard	-	158	89	73	90	142	161	713	
Total	\$ 8,914	\$ 54,524	\$ 61,462	\$ 26,367	\$ 9,121	\$ 13,978	\$ 43,932	\$ 218,298	
Current-Period Gross Writeoffs									
	\$ -	\$ 16	\$ 167	\$ 73	\$ 6	\$ -	\$ 20	\$ 282	
Real Estate - Construction:									
Pass	\$ 9,733	\$ 121,495	\$ 52,078	\$ 12,036	\$ -	\$ 187	\$ 4,833	\$ 200,362	
Special Mention	-	668	520	290	210	-	-	1,688	
Substandard	-	-	74	568	-	-	-	642	
Total	\$ 9,733	\$ 122,163	\$ 52,672	\$ 12,894	\$ 210	\$ 187	\$ 4,833	\$ 202,692	
Real Estate - Commercial Mortgage:									
Pass	\$ 17,060	\$ 114,391	\$ 271,591	\$ 132,081	\$ 98,214	\$ 146,120	\$ 17,344	\$ 796,801	
Special Mention	-	5,573	5,633	-	795	1,995	-	13,996	
Substandard	-	-	1,204	6,599	2,271	2,120	699	12,893	
Total	\$ 17,060	\$ 119,964	\$ 278,428	\$ 138,680	\$ 101,280	\$ 150,235	\$ 18,043	\$ 823,690	
Real Estate - Residential:									
Pass	\$ 38,629	\$ 358,059	\$ 390,522	\$ 80,624	\$ 35,045	\$ 95,003	\$ 8,509	\$ 1,006,391	
Special Mention	-	267	88	82	494	163	-	1,094	
Substandard	-	-	1,512	2,526	1,028	4,029	-	9,095	
Total	\$ 38,629	\$ 358,326	\$ 392,122	\$ 83,232	\$ 36,567	\$ 99,195	\$ 8,509	\$ 1,016,580	
Current-Period Gross Writeoffs									
	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ 17	
Real Estate - Home Equity:									
Performing	\$ 11	\$ 507	\$ 47	\$ 130	\$ 10	\$ 2,388	\$ 210,775	\$ 213,868	
Nonperforming	-	-	-	-	-	-	749	749	
Total	\$ 11	\$ 507	\$ 47	\$ 130	\$ 10	\$ 2,388	\$ 211,524	\$ 214,617	
Current-Period Gross Writeoffs									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76	\$ 76	
Consumer:									
Performing	\$ 11,402	\$ 63,285	\$ 80,641	\$ 63,277	\$ 18,244	\$ 10,864	\$ 6,304	\$ 254,017	
Nonperforming	-	151	291	84	69	44	639	1,278	
Total	\$ 11,402	\$ 63,436	\$ 80,932	\$ 63,361	\$ 18,313	\$ 10,908	\$ 6,943	\$ 255,295	
Current-Period Gross Writeoffs									
	\$ 638	\$ 418	\$ 697	\$ 231	\$ 92	\$ 35	\$ 77	\$ 2,188	

<i>(Dollars in Thousands)</i>		Term Loans by Origination Year						Revolving	
As of December 31, 2023	2023	2022	2021	2020	2019	Prior	Loans	Total	
Commercial, Financial, Agriculture:									
Pass	\$ 57,320	\$ 66,671	\$ 28,933	\$ 10,610	\$ 7,758	\$ 7,502	\$ 44,350	\$ 223,144	
Special Mention	168	608	356	10	9	-	76	1,227	
Substandard	164	177	98	77	20	122	161	819	
Total	\$ 57,652	\$ 67,456	\$ 29,387	\$ 10,697	\$ 7,787	\$ 7,624	\$ 44,587	\$ 225,190	
Current-Period Gross Writeoffs									
	\$ 6	\$ 252	\$ 65	\$ 31	\$ 41	\$ 19	\$ 97	\$ 511	
Real Estate - Construction:									
Pass	\$ 101,684	\$ 68,265	\$ 18,181	\$ -	\$ 188	\$ -	\$ 4,617	\$ 192,935	
Special Mention	631	500	539	212	-	-	-	1,882	
Substandard	-	47	576	651	-	-	-	1,274	
Total	\$ 102,315	\$ 68,812	\$ 19,296	\$ 863	\$ 188	\$ -	\$ 4,617	\$ 196,091	
Real Estate - Commercial Mortgage:									
Pass	\$ 117,840	\$ 275,079	\$ 135,663	\$ 101,210	\$ 43,878	\$ 109,878	\$ 18,367	\$ 801,915	
Special Mention	3,266	5,684	-	229	1,358	573	-	11,110	
Substandard	-	1,226	6,695	1,637	605	1,574	694	12,431	
Total	\$ 121,106	\$ 281,989	\$ 142,358	\$ 103,076	\$ 45,841	\$ 112,025	\$ 19,061	\$ 825,456	
Current-Period Gross Writeoffs									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 120	\$ -	\$ 120	
Real Estate - Residential:									
Pass	\$ 372,394	\$ 400,437	\$ 83,108	\$ 35,879	\$ 24,848	\$ 68,685	\$ 8,252	\$ 993,603	
Special Mention	268	89	83	502	-	313	-	1,255	
Substandard	570	1,110	1,906	1,626	1,007	3,142	-	9,361	
Total	\$ 373,232	\$ 401,636	\$ 85,097	\$ 38,007	\$ 25,855	\$ 72,140	\$ 8,252	\$ 1,004,219	
Current-Period Gross Writeoffs									
	\$ -	\$ -	\$ 79	\$ -	\$ -	\$ -	\$ -	\$ 79	
Real Estate - Home Equity:									
Performing	\$ 890	\$ 48	\$ 127	\$ 11	\$ 386	\$ 950	\$ 207,509	\$ 209,921	
Nonperforming	-	-	-	-	-	-	999	999	
Total	\$ 890	\$ 48	\$ 127	\$ 11	\$ 386	\$ 950	\$ 208,508	\$ 210,920	
Current-Period Gross Writeoffs									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39	\$ 39	
Consumer:									
Performing	\$ 68,496	\$ 90,031	\$ 70,882	\$ 21,314	\$ 10,210	\$ 4,258	\$ 5,431	\$ 270,622	
Nonperforming	293	355	58	4	-	-	710	1,420	
Total	\$ 68,789	\$ 90,386	\$ 70,940	\$ 21,318	\$ 10,210	\$ 4,258	\$ 6,141	\$ 272,042	
Current-Period Gross Writeoffs									
	\$ 3,137	\$ 3,224	\$ 1,362	\$ 329	\$ 230	\$ 99	\$ 162	\$ 8,543	

NOTE 4 – MORTGAGE BANKING ACTIVITIES

The Company's mortgage banking activities 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.

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.

	March 31, 2024		December 31, 2023	
	Unpaid Principal Balance/Notional	Fair Value	Unpaid Principal Balance/Notional	Fair Value
<i>(Dollars in Thousands)</i>				
Residential Mortgage Loans Held for Sale	\$ 23,848	\$ 24,705	\$ 27,944	\$ 28,211
Residential Mortgage Loan Commitments ("IRLCs") ⁽¹⁾	41,675	727	23,545	523
Forward Sales Contracts ⁽²⁾	39,500	78	24,500	209
		<u>\$ 25,510</u>		<u>\$ 28,943</u>

⁽¹⁾Recorded in other assets at fair value

⁽²⁾Recorded in other liabilities at fair value

At March 31, 2024, the Company had \$0.1 million of residential mortgage loans held for sale 30-89 days past due and \$0.7 million of loans were on nonaccrual status. At December 31, 2023, the Company had no residential mortgage loans held for sale 30-89 days past due and \$0.7 million of loans were on nonaccrual status.

Mortgage banking revenue was as follows:

	Three Months Ended March 31,	
	2024	2023
<i>(Dollars in Thousands)</i>		
Net realized gains on sales of mortgage loans	\$ 1,676	\$ 1,194
Net change in unrealized gain on mortgage loans held for sale	93	457
Net change in the fair value of mortgage loan commitments	204	527
Net change in the fair value of forward sales contracts	132	(402)
Pair-Offs on net settlement of forward sales contracts	58	(1)
Mortgage servicing rights additions	150	191
Net origination fees	565	905
Total mortgage banking revenues	<u>\$ 2,878</u>	<u>\$ 2,871</u>

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.

<i>(Dollars in Thousands)</i>	March 31, 2024	December 31, 2023
Number of residential mortgage loans serviced for others	463	450
Outstanding principal balance of residential mortgage loans serviced for others	\$ 120,713	\$ 108,897
Weighted average interest rate	5.48%	5.37%
Remaining contractual term (in months)	349	309

Conforming conventional loans serviced by the Company are sold to Federal National Mortgage Association (“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 the Government National Mortgage Association (“GNMA”), whereby the Company is insured against loss by the Federal Housing Administration or partially guaranteed against loss by the Veterans Administration. At March 31, 2024, the servicing portfolio balance consisted of the following loan types: FNMA (55%), GNMA (4%), and private investor (41%). FNMA and private investor loans are structured as actual/actual payment remittance.

The Company had no delinquent residential mortgage loans in GNMA pools serviced by the Company at March 31, 2024 and December 31, 2023, respectively. The right to repurchase these loans and the corresponding liability has been recorded in other assets and other liabilities, respectively, in the Consolidated Statement of Financial Condition. The Company had no repurchases for the three months ended March 31, 2024, and \$ 0.3 million repurchased for the three months ended March 31, 2023, in delinquent residential loans from the GNMA pools. When delinquent residential loans are repurchased, the Company has the intention to modify their terms and include the loans in new GNMA pools.

Activity in the capitalized mortgage servicing rights was as follows:

<i>(Dollars in Thousands)</i>	Three Months Ended March 31,	
	2024	2023
Beginning balance	\$ 831	\$ 2,599
Additions due to loans sold with servicing retained	150	191
Deletions and amortization	(62)	(99)
Sale of servicing rights	-	101
Ending balance	<u>\$ 919</u>	<u>\$ 2,792</u>

The Company did not record any permanent impairment losses on mortgage servicing rights for the three months ended March 31, 2024 or 2023.

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

	March 31, 2024		December 31, 2023	
	Minimum	Maximum	Minimum	Maximum
Discount rates	9.50%	12.00%	9.50%	12.00%
Annual prepayment speeds	11.27%	19.66%	11.23%	17.79%
Cost of servicing (per loan)	\$ 85	\$ 95	\$ 85	\$ 95

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 14.82% at March 31, 2024 and 14.22% at December 31, 2023.

Warehouse Line Borrowings

The Company has the following warehouse lines of credit and master repurchase agreements with various financial institutions at March 31, 2024.

<i>(Dollars in Thousands)</i>	Amounts Outstanding
\$25 million master repurchase agreement without defined expiration. Interest is at the SOFR rate plus 2.00% to 3.00%, with a floor rate of 3.25% to 4.25%. A cash pledge deposit of \$0.1 million is required by the lender.	\$ 8,409
\$25 million warehouse line of credit agreement expiring in December 2024. Interest is at the SOFR plus 2.75%, to 3.25%.	-
Total Warehouse Borrowings	\$ 8,409

Warehouse line borrowings are classified as short-term borrowings. At March 31, 2024, warehouse line borrowings totaled \$ 8.4 million. At March 31, 2024, the Company had residential 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, and maximum debt to net worth ratio, as defined in the agreements. The Company was in compliance with all significant debt covenants at March 31, 2024.

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 was \$ 31.4 million at March 31, 2024 and December 31, 2023, respectively.

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 March 31, 2024 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 CME Term SOFR (secured overnight financing rate).

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.

<i>(Dollars in Thousands)</i>	Statement of Financial Condition Location	Notional Amount	Fair Value	Weighted Average Maturity (Years)
March 31, 2024				
Interest rate swaps related to subordinated debt	Other Assets	\$ 30,000	\$ 5,755	6.3
December 31, 2023				
Interest rate swaps related to subordinated debt	Other Assets	\$ 30,000	\$ 5,317	6.5

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 months ended March 31, 2024.

<i>(Dollars in Thousands)</i>	Category	Amount of (Loss) Gain Recognized in AOCI	Amount of Gain (Loss) Reclassified from AOCI to Income
Three months ended March 31, 2024	Interest expense	\$ 326	\$ 375
Three months ended March 31, 2023	Interest expense	(598)	309

The Company estimates there will be approximately \$ 1.3 million reclassified as a decrease to interest expense within the next 12 months.

The Company had a collateral liability of \$ 5.9 million and \$5.5 million at March 31, 2024 and December 31, 2023, 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 42 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 Consolidated Statement of Financial Condition and the related lease expense is recognized on a straight-line basis over the lease term. At March 31, 2024, the operating lease ROU assets and liabilities were \$ 26.2 million and \$26.8 million, respectively. At December 31, 2023, ROU assets and liabilities were \$27.0 million and \$27.4 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.

<i>(Dollars in Thousands)</i>	Three Months Ended	
	March 31,	
	2024	2023
Operating lease expense	\$ 841	\$ 700
Short-term lease expense	194	139
Total lease expense	<u>\$ 1,035</u>	<u>\$ 839</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 677	\$ 706
Right-of-use assets obtained in exchange for new operating lease liabilities	-	2,906
Weighted average remaining lease term — operating leases (in years)	16.8	18.6
Weighted average discount rate — operating leases	3.5%	3.3%

The table below summarizes the maturity of remaining lease liabilities:

<i>(Dollars in Thousands)</i>	March 31, 2024	
2024	\$	2,635
2025		3,062
2026		2,922
2027		2,851
2028		2,611
2029 and thereafter		20,670
Total	\$	34,751
Less: Interest		(7,951)
Present Value of Lease liability	\$	<u>26,800</u>

At March 31, 2024, the Company had one additional operating lease obligation for a banking office (to be constructed) that has not yet commenced. The lease has payments totaling \$3.8 million based on an initial contract term of 15 years. Payments for the banking office are expected to commence after the construction period ends, which is expected to occur during the fourth quarter of 2024.

A related party is the lessor in a land lease with the Company. The payments under the lease agreement provide for annual lease payments of approximately \$0.1 million annually through December 2033, and thereafter, increase by 5% every 10 years until 2053 at which time the rent amount will adjust based on reappraisal of the parcel rental value. The Company then has four successive options to extend the lease for five years each with rental increases of 5% at each extension. The aggregate remaining obligation of the lease totaled \$2.2 million at March 31, 2024.

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:

<i>(Dollars in Thousands)</i>	Three Months Ended March 31,	
	2024	2023
Service Cost	\$ 929	\$ 872
Interest Cost	1,524	1,458
Expected Return on Plan Assets	(2,029)	(1,701)
Prior Service Cost Amortization	-	1
Net Loss Amortization	41	234
Net Periodic Benefit Cost	<u>\$ 465</u>	<u>\$ 864</u>
Discount Rate Used for Benefit Cost	5.29%	5.63%
Long-term Rate of Return on Assets	6.75%	6.75%

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

<i>(Dollars in Thousands)</i>	Three Months Ended March 31,	
	2024	2023
Service Cost	\$ 9	\$ 4
Interest Cost	114	130
Prior Service Cost Amortization	-	38
Net Loss Amortization	(70)	(155)
Net Periodic Benefit Cost	\$ 53	\$ 17
Discount Rate Used for Benefit Cost	5.11%	5.45%

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:

<i>(Dollars in Thousands)</i>	March 31, 2024			December 31, 2023		
	Fixed	Variable	Total	Fixed	Variable	Total
Commitments to Extend Credit ⁽¹⁾	\$ 194,929	\$ 558,559	\$ 753,488	\$ 207,605	\$ 534,745	\$ 742,350
Standby Letters of Credit	6,284	-	6,284	6,094	-	6,094
Total	\$ 201,213	\$ 558,559	\$ 759,772	\$ 213,699	\$ 534,745	\$ 748,444

⁽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.

<i>(Dollars in Thousands)</i>	Three Months Ended March 31,	
	2024	2023
Beginning Balance	\$ 3,191	\$ 2,989
Provision for Credit Losses	(70)	(156)
Ending Balance	<u>\$ 3,121</u>	<u>\$ 2,833</u>

Other Commitments. In the normal course of business, the Company enters into lease commitments which are classified as operating leases. See Note 6 – Leases for additional information on the maturity of the Company’s operating lease commitments.

The Company has an outstanding commitment of up to \$ 1.0 million in a bank tech venture capital fund focused on finding and funding technology solutions for community banks. At March 31, 2024, the amount remaining to be funded for the commitment was \$0.4 million.

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. Conversion ratio payments and ongoing fixed quarterly charges are reflected in earnings in the period incurred. 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 \$ 0.2 million.

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.

Equity Securities. Investment securities classified as equity securities are carried at cost and the share of earnings or losses is reported through net income as an adjustment to the investment balance. These securities are not readily marketable and therefore are classified as a Level 3 input within the fair value hierarchy.

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. At March 31, 2024 and December 31, 2023, there were no amounts payable.

A summary of fair values for assets and liabilities recorded at fair value on a recurring basis consisted of the following:

<i>(Dollars in Thousands)</i>	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
March 31, 2024				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	\$ 23,751	\$ -	\$ -	\$ 23,751
U.S. Government Agency	-	139,048	-	139,048
States and Political Subdivisions	-	38,703	-	38,703
Mortgage-Backed Securities	-	60,548	-	60,548
Corporate Debt Securities	-	57,192	-	57,192
Equity Securities	-	-	3,445	3,445
Loans Held for Sale	-	24,705	-	24,705
Residential Mortgage Loan Commitments	-	-	727	727
Interest Rate Swap Derivative	-	5,755	-	5,755
LIABILITIES:				
Forward Sales Contracts	-	78	-	78
December 31, 2023				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	\$ 24,679	\$ -	\$ -	\$ 24,679
U.S. Government Agency	-	145,034	-	145,034
States and Political Subdivisions	-	39,083	-	39,083
Mortgage-Backed Securities	-	63,303	-	63,303
Corporate Debt Securities	-	57,552	-	57,552
Equity Securities	-	-	3,450	3,450
Loans Held for Sale	-	28,211	-	28,211
Residential Mortgage Loan Commitments	-	-	523	523
Interest Rate Swap Derivative	-	5,317	-	5,317
LIABILITIES:				
Forward Sales Contracts	-	209	-	209

Mortgage Banking Activities. The Company had Level 3 issuances and transfers related to mortgage banking activities of \$2.1 million and \$2.8 million, respectively, for the three months ended March 31, 2024, and \$4.3 million and \$6.7 million, respectively, for the three months ended March 31, 2023. Issuances are valued based on the change in fair value of the underlying mortgage loan from inception of the IRLC to the Consolidated Statement of Financial Condition 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 Value 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 \$4.0 million with a valuation allowance of \$ 0.1 million at March 31, 2024 and a carrying value of \$3.3 million and a \$0.1 million valuation allowance at December 31, 2023.

Other Real Estate Owned. During the first three months of 2024, 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 each of March 31, 2024 and December 31, 2023, 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.

Cash and Short-Term Investments. The carrying amount of cash and short-term investments is used to approximate fair value, given the short time frame to maturity and as such assets do not present unanticipated credit concerns.

Securities Held to Maturity. Securities held to maturity are valued in accordance with the methodology previously noted in the caption “Assets and Liabilities Measured at Fair Value on a Recurring Basis – Securities Available for Sale.”

Other Equity Securities. Other equity securities are accounted for under the equity method (Topic 323) and recorded at cost. These securities are not readily marketable securities and are reflected in Other Assets on the Statement of Financial Condition.

Loans. The loan portfolio is segregated into categories and the fair value of each loan category is calculated using present value techniques based upon projected cash flows and estimated discount rates. The values reported reflect the incorporation of a liquidity discount to meet the objective of “exit price” valuation.

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

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

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

A summary of estimated fair values of significant financial instruments not recorded at fair value consisted of the following:

March 31, 2024				
<i>(Dollars in Thousands)</i>	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	\$ 73,642	\$ 73,642	\$ -	\$ -
Fed Funds Sold and Interest Bearing Deposits	231,047	231,047	-	-
Investment Securities, Held to Maturity	603,386	426,474	143,208	-
Other Equity Securities	2,848	-	2,848	-
Mortgage Servicing Rights	919	-	-	1,419
Loans, Net of Allowance for Credit Losses	2,701,843	-	-	2,531,574
LIABILITIES:				
Deposits	\$ 3,654,801	\$ -	\$ 3,208,299	\$ -
Short-Term Borrowings	31,886	-	31,886	-
Subordinated Notes Payable	52,887	-	43,861	-
Long-Term Borrowings	265	-	264	-

December 31, 2023				
<i>(Dollars in Thousands)</i>	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	\$ 83,118	\$ 83,118	\$ -	\$ -
Fed Funds Sold and Interest Bearing Deposits	228,949	228,949	-	-
Investment Securities, Held to Maturity	625,022	441,189	150,562	-
Other Equity Securities	2,848	-	2,848	-
Mortgage Servicing Rights	831	-	-	1,280
Loans, Net of Allowance for Credit Losses	2,703,977	-	-	2,510,529
LIABILITIES:				
Deposits	\$ 3,701,822	\$ -	\$ 3,243,896	\$ -
Short-Term Borrowings	35,341	-	35,341	-
Subordinated Notes Payable	52,887	-	44,323	-
Long-Term Borrowings	315	-	315	-

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.

<i>(Dollars in Thousands)</i>	Securities Available for Sale	Interest Rate Swap	Retirement Plans	Accumulated Other Comprehensive (Loss) Income
Balance as of January 1, 2024	\$ (25,691)	\$ 3,970	\$ (425)	\$ (22,146)
Other comprehensive (loss) income during the period	(260)	326	-	66
Balance as of March 31, 2024	<u>\$ (25,951)</u>	<u>\$ 4,296</u>	<u>\$ (425)</u>	<u>\$ (22,080)</u>
Balance as of January 1, 2023	\$ (37,349)	\$ 4,625	\$ (4,505)	\$ (37,229)
Other comprehensive income (loss) during the period	5,751	(598)	-	5,153
Balance as of March 31, 2023	<u>\$ (31,598)</u>	<u>\$ 4,027</u>	<u>\$ (4,505)</u>	<u>\$ (32,076)</u>

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 the first quarter of 2024 compares with prior periods. 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," "vision," "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 of this quarterly report on Form 10-Q as well as the Introductory Note and *Item 1A. Risk Factors* of our 2023 Form 10-K/A, 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"). We offer a broad array of products and services through a total of 63 full-service offices and 104 ATMs/ITMs located in Florida, Georgia, and Alabama. Through Capital City Home Loans, LLC ("CCHL"), we have 29 additional offices in the Southeast for our mortgage banking business. We provide a full range of banking services, including traditional deposit and credit services, mortgage banking, asset management, trust, merchant services, bankcards, securities brokerage services and financial advisory services, including life insurance products, risk management and asset protection services.

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 interest 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, operating expenses such as salaries and employee benefits, occupancy and other operating expenses including income taxes, and noninterest income such as mortgage banking revenues, wealth management fees, deposit fees, and bank card fees.

We have included a detailed discussion of the economic conditions in our markets and our long-term strategic objectives as part of the MD&A section of our 2023 Form 10-K/A.

NON-GAAP FINANCIAL MEASURES (UNAUDITED)

We present a tangible common equity ratio and a tangible book value per diluted share that, in each case, removes the effect of goodwill and other intangibles that resulted 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. The generally accepted accounting principles (“GAAP”) to non-GAAP reconciliation for each quarter presented is provided below.

	2024		2023			
		First	Fourth	Third	Second	First
<i>(Dollars in Thousands, except per share data)</i>						
Shareowners' Equity (GAAP)	\$	448,314	\$ 440,625	\$ 419,706	\$ 412,422	\$ 403,260
Less: Goodwill and Other Intangibles (GAAP)		92,893	92,933	92,973	93,013	93,053
Tangible Shareowners' Equity (non-GAAP)	A	355,421	347,692	326,733	319,409	310,207
Total Assets (GAAP)		4,259,922	4,304,477	4,138,287	4,391,206	4,401,762
Less: Goodwill and Other Intangibles (GAAP)		92,893	92,933	92,973	93,013	93,053
Tangible Assets (non-GAAP)	B	\$ 4,167,029	\$ 4,211,544	\$ 4,045,314	\$ 4,298,193	\$ 4,308,709
Tangible Common Equity Ratio (non-GAAP)	A/B	8.53%	8.26%	8.08%	7.43%	7.20%
Actual Diluted Shares Outstanding (GAAP)	C	16,947,204	17,000,758	16,997,886	17,025,023	17,049,913
Tangible Book Value per Diluted Share (non-GAAP)	A/C	20.97	20.45	19.22	18.76	18.19

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

<i>(Dollars in Thousands, Except Per Share Data)</i>	2024		2023			
	First	Fourth	Third	Second	First	
Summary of Operations:						
Interest Income	\$ 46,820	\$ 46,184	\$ 45,753	\$ 45,205	\$ 43,926	
Interest Expense	8,465	7,013	6,473	5,068	3,526	
Net Interest Income	38,355	39,171	39,280	40,137	40,400	
Provision for Credit Losses	920	2,025	2,393	2,197	3,099	
Net Interest Income After						
Provision for Credit Losses	37,435	37,146	36,887	37,940	37,301	
Noninterest Income	18,097	17,157	16,728	19,967	17,758	
Noninterest Expense	40,171	39,958	39,105	40,285	37,675	
Income Before Income Taxes	15,361	14,345	14,510	17,622	17,384	
Income Tax Expense	3,536	2,909	3,004	3,417	3,710	
Loss (Income) Attributable to NCI	732	284	1,149	(31)	35	
Net Income Attributable to CCBG	12,557	11,720	12,655	14,174	13,709	
Net Interest Income (FTE) ⁽¹⁾	38,435	39,264	39,367	40,224	40,500	
Per Common Share:						
Net Income Basic	\$ 0.74	\$ 0.69	\$ 0.75	\$ 0.83	\$ 0.81	
Net Income Diluted	0.74	0.70	0.74	0.83	0.80	
Cash Dividends Declared	0.21	0.20	0.20	0.18	0.18	
Diluted Book Value	26.45	25.92	24.69	24.21	23.65	
Diluted Tangible Book Value ⁽²⁾	20.97	20.45	19.22	18.76	18.19	
Market Price:						
High	31.34	32.56	33.44	34.16	36.86	
Low	26.59	26.12	28.64	28.03	28.18	
Close	27.70	29.43	29.83	30.64	29.31	
Selected Average Balances :						
Investment Securities	\$ 953,184	\$ 963,184	\$ 1,005,003	\$ 1,043,858	\$ 1,064,212	
Loans Held for Investment	2,728,629	2,711,243	2,672,653	2,657,693	2,582,395	
Earning Assets	3,849,615	3,823,980	3,876,980	3,974,803	4,062,688	
Total Assets	4,190,623	4,166,777	4,218,855	4,320,601	4,411,865	
Deposits	3,576,513	3,548,506	3,596,816	3,719,564	3,817,314	
Shareowners' Equity	456,014	435,116	427,580	418,757	404,067	
Common Equivalent Average Shares:						
Basic	16,951	16,947	16,985	17,002	17,016	
Diluted	16,969	16,997	17,025	17,035	17,045	
Performance Ratios:						
Return on Average Assets (annualized)	1.21 %	1.12 %	1.19 %	1.32 %	1.26 %	
Return on Average Equity (annualized)	11.07	10.69	11.74	13.58	13.76	
Net Interest Margin (FTE)	4.01	4.07	4.03	4.06	4.04	
Noninterest Income as % of Operating Revenue	32.06	30.46	29.87	33.22	30.53	
Efficiency Ratio	71.06	70.82	69.88	66.93	64.67	
Asset Quality:						
Allowance for Credit Losses ("ACL")	\$ 29,329	\$ 29,941	\$ 29,083	\$ 28,243	\$ 26,808	
Nonperforming Assets ("NPAs")	6,799	6,243	4,695	6,624	4,602	
ACL to Loans HFI	1.07 %	1.10 %	1.08 %	1.05 %	1.01 %	
NPAs to Total Assets	0.16	0.15	0.11	0.15	0.10	
NPAs to Loans HFI plus OREO	0.25	0.23	0.17	0.25	0.17	
ACL to Non-Performing Loans	431.46	479.70	619.58	426.44	584.18	
Net Charge-Offs to Average Loans HFI	0.22	0.23	0.17	0.07	0.24	
Capital Ratios:						
Tier 1 Capital	15.67 %	15.37 %	15.11 %	14.56 %	14.23 %	
Total Capital	16.84	16.57	16.30	15.68	15.29	
Common Equity Tier 1	13.82	13.52	13.26	12.73	12.40	
Leverage	10.45	10.30	9.98	9.54	9.09	
Tangible Common Equity ⁽²⁾	8.53	8.26	8.08	7.43	7.20	

⁽¹⁾Fully Tax Equivalent

⁽²⁾Non-GAAP financial measure. See non-GAAP reconciliation on page 34.

FINANCIAL OVERVIEW

Results of Operations

Performance Summary. Net income attributable to common shareowners totaled \$12.6 million, or \$0.74 per diluted share, for the first quarter of 2024 compared to \$11.7 million, or \$0.70 per diluted share, for the fourth quarter of 2023, and \$13.7 million, or \$0.80 per diluted share, for the first quarter of 2023.

Net Interest Income. Tax-equivalent net interest income for the first quarter of 2024 totaled \$38.4 million compared to \$39.3 million for the fourth quarter of 2023, and \$40.5 million for the first quarter of 2023. Compared to both prior periods, the decline was primarily attributable to an increase in deposit interest expense, partially offset by higher loan interest income. Our net interest margin for the first quarter of 2024 was 4.01%, a decrease of six basis points from the fourth quarter of 2023 and a decrease of three basis points from the first quarter of 2023.

Provision and Allowance for Credit Losses. We recorded a provision for credit losses of \$0.9 million for the first quarter of 2024 compared to \$2.0 million for the fourth quarter of 2023 and \$3.1 million for the first quarter of 2023. The decrease in the provision compared to the fourth quarter of 2023 was primarily attributable to a lower level of reserves required for new loans, favorable loan grade migration, and lower loss rates. Compared to the first quarter of 2023, the decrease was driven by lower new loan growth in the first quarter of 2024.

Noninterest Income. Noninterest income for the first quarter of 2024 totaled \$18.1 million compared to \$17.2 million for the fourth quarter of 2023 and \$17.8 million for the first quarter of 2023. The \$0.9 million increase over the fourth quarter of 2023 was due to a \$0.5 million increase in mortgage banking revenues and a \$0.4 million increase in wealth management fees. Compared to the first quarter of 2023, the \$0.3 million increase was primarily attributable to higher wealth management fees of \$0.7 million partially offset by lower other income of \$0.3 million.

Noninterest Expense. Noninterest expense for the first quarter of 2024 totaled \$40.2 million compared to \$40.0 million for the fourth quarter of 2023 and \$37.7 million for the first quarter of 2023. The \$0.2 million increase over the fourth quarter of 2023 reflected a \$0.6 million increase in compensation expense that was partially offset by decreases in occupancy expense of \$0.1 million and other expense of \$0.3 million. Compared to the first quarter of 2023, the \$2.5 million increase reflected higher other expense as we realized a \$1.8 million gain from the sale of other real estate (banking office) in the first quarter of 2023. Further, compensation expense was \$0.9 million higher primarily due to a lower level of realized loan cost (credit offset to salary expense) due to decreased new loan production.

Financial Condition

Earning Assets. Average earning assets totaled \$3.850 billion for the first quarter of 2024, an increase of \$25.6 million, or 0.7%, over the fourth quarter of 2023, and a decrease of \$213.1 million, or 5.2%, from the first quarter of 2023. The variance for both prior period comparisons was driven by change in deposit balances. Compared to both prior periods, the mix of earning assets improved as overnight funds were utilized to fund loan growth.

Loans. Average loans held for investment (“HFI”) increased \$17.4 million, or 0.6%, over the fourth quarter of 2023 and \$146.2 million, or 5.7%, over the first quarter of 2023. Compared to both prior periods, the increase was primarily due to an increase in residential loans partially offset by a decline in consumer loans (primarily auto). Period end loans decreased \$2.7 million, or 0.1%, from the fourth quarter of 2023 and increased \$74.0 million, or 2.8%, over the first quarter of 2023. Compared to the first quarter of 2023, the increase reflected growth in residential loans and to a lesser extent commercial real estate loans partially offset by lower consumer (auto) loan balances.

Credit Quality. Overall credit quality remained stable. Nonperforming assets (nonaccrual loans and other real estate) totaled \$6.8 million at March 31, 2024 compared to \$6.2 million at December 31, 2023 and \$4.6 million at March 31, 2023. At March 31, 2024, nonperforming assets as a percent of total assets equaled 0.16% compared to 0.15% at December 31, 2023 and 0.10% at March 31, 2023. Nonaccrual loans totaled \$6.8 million at March 31, 2024, a \$0.6 million increase over December 31, 2023 and a \$2.2 million increase over March 31, 2023. Further, classified loans totaled \$22.3 million at March 31, 2024, a \$0.1 million increase over December 31, 2023 and a \$10.1 million increase over March 31, 2023.

Deposits. Average total deposits were \$3.577 billion for the first quarter of 2024, an increase of \$28.0 million, or 0.8%, over the fourth quarter of 2023 and a decrease of \$240.8 million, or 6.3%, from the first quarter of 2023. Compared to the fourth quarter of 2023, the increase reflected a higher average balance for public funds (municipal clients - primarily NOW accounts) which typically peak late in the fourth quarter. Further, we realized growth in both our money market and certificates of deposit (“CD”) balances which reflected a combination of balances migrating from noninterest bearing and savings accounts, in addition to receiving new deposits from existing and new clients. Compared to the first quarter of 2023, the decrease was primarily attributable to lower noninterest bearing and savings accounts, partially offset by increases in money market and CD balances. The decrease in noninterest bearing and savings accounts reflected a combination of consumer/business spend of pandemic related stimulus funds and rate sensitive clients seeking higher yields, partially offset by the aforementioned migration to higher rate deposit products (money market and CD).

Capital. At March 31, 2024, we were “well-capitalized” with a total risk-based capital ratio of 16.84% and a tangible common equity ratio (a non-GAAP financial measure) of 8.53% compared to 16.57% and 8.26%, respectively, at December 31, 2023 and 15.29% and 7.20%, respectively, at March 31, 2023. At March 31, 2024, 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.

<i>(Dollars in Thousands, except per share data)</i>	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Interest Income	\$ 46,820	\$ 46,184	\$ 43,926
Taxable Equivalent Adjustments	80	93	100
Total Interest Income (FTE)	46,900	46,277	44,026
Interest Expense	8,465	7,013	3,526
Net Interest Income (FTE)	38,435	39,264	40,500
Provision for Credit Losses	920	2,025	3,099
Taxable Equivalent Adjustments	80	93	100
Net Interest Income After Provision for Credit Losses	37,435	37,146	37,301
Noninterest Income	18,097	17,157	17,758
Noninterest Expense	40,171	39,958	37,675
Income Before Income Taxes	15,361	14,345	17,384
Income Tax Expense	3,536	2,909	3,710
Loss Attributable to Noncontrolling Interests	732	284	35
Net Income Attributable to Common Shareowners	\$ 12,557	\$ 11,720	\$ 13,709
Basic Net Income Per Share	\$ 0.74	\$ 0.69	\$ 0.81
Diluted Net Income Per Share	\$ 0.74	\$ 0.70	\$ 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, “Average Balances & Interest Rates,” on page 47.

Tax-equivalent net interest income for the first quarter of 2024 totaled \$38.4 million compared to \$39.3 million for the fourth quarter of 2023, and \$40.5 million for the first quarter of 2023. Compared to both prior periods, the decline was primarily attributable to an increase in deposit interest expense, partially offset by higher loan interest income. The increase in deposit interest expense was primarily attributable to higher average money market balances and to a lesser extent CD balances and reflected a combination of re-mix from other deposit categories and higher rates for these products. The increase in loan interest income reflected existing loans repricing at higher rates and new loan volume at higher rates. Further, the first quarter of 2024 had one less calendar day compared to the fourth quarter of 2023 and one additional calendar day compared to the first quarter of 2023.

Our net interest margin for the first quarter of 2024 was 4.01%, a decrease of six basis points from the fourth quarter of 2023 and a decrease of three basis points from the first quarter of 2023. For the month of March, our net interest margin was 4.02%. The decrease compared to both prior periods primarily reflected higher deposit cost related to re-mix within the deposit base and higher rates paid on deposits, partially offset by higher yields from new loan volume and loan repricing at higher rates. For the first quarter of 2024, our cost of funds was 88 basis points, an increase of 15 basis points over the fourth quarter of 2023 and an increase of 53 basis points over the first quarter of 2023. Our cost of deposits (including noninterest bearing accounts) was 85 basis points, 66 basis points, and 26 basis points, respectively, for the same periods.

Provision for Credit Losses

We recorded a provision for credit losses of \$0.9 million for the first quarter of 2024 compared to \$2.0 million for the fourth quarter of 2023 and \$3.1 million for the first quarter of 2023. The decrease in the provision compared to the fourth quarter of 2023 was primarily attributable to a lower level of reserves required for new loans, favorable loan grade migration, and lower loss rates. Compared to the first quarter of 2023, the decrease was driven by lower new loan growth in the first quarter of 2024. We discuss the allowance for credit losses further below.

Noninterest Income

Noninterest income for the first quarter of 2024 totaled \$18.1 million compared to \$17.2 million for the fourth quarter of 2023 and \$17.8 million for the first quarter of 2023. The \$0.9 million increase over the fourth quarter of 2023 was due to a \$0.5 million increase in mortgage banking revenues and a \$0.4 million increase in wealth management fees. Compared to the first quarter of 2023, the \$0.3 million increase was primarily attributable to higher wealth management fees of \$0.7 million partially offset by lower other income of \$0.3 million. For both prior period comparisons, the increase in mortgage banking revenues reflected a higher volume of rate locks and third-party loan sales. A combination of higher trust fees, retail brokerage fees, and insurance commissions drove the increase in wealth management fees over the fourth quarter of 2023. Higher retail brokerage fees of \$0.4 million and trust fees of \$0.2 million drove the increase over the first quarter of 2023. The decrease in other income was primarily due to lower loan servicing income and miscellaneous income.

Noninterest income represented 32.06% of operating revenues (net interest income plus noninterest income) for the first quarter of 2024 compared to 30.46% for the fourth quarter of 2023 and 30.53% for the first quarter of 2023.

The table below reflects the major components of noninterest income.

<i>(Dollars in Thousands)</i>	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Deposit Fees	\$ 5,250	\$ 5,304	\$ 5,239
Bank Card Fees	3,620	3,713	3,726
Wealth Management Fees	4,682	4,276	3,928
Mortgage Banking Revenues	2,878	2,327	2,871
Other	1,667	1,537	1,994
Total Noninterest Income	\$ 18,097	\$ 17,157	\$ 17,758

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

Deposit Fees. Deposit fees for the first quarter of 2024 totaled \$5.2 million, comparable to the fourth quarter of 2023 and the first quarter of 2023. Compared to the fourth quarter of 2023, a \$0.1 million increase in commercial account analysis fees was offset by a \$0.1 million decrease in overdraft fees. Compared to the first quarter of 2023, a \$0.1 million increase in overdraft fees was offset by a \$0.1 million decrease in account maintenance fees.

Bank Card Fees. Bank card fees for the first quarter of 2024 totaled \$3.6 million, a \$0.1 million decrease from both the fourth quarter of 2023 and first quarter of 2023 and reflected lower debit card usage related to a decline in consumer spending.

Wealth Management Fees. Wealth management fees, which include both trust fees (i.e., managed accounts and trusts/estates), retail brokerage fees (i.e., investment, insurance products, and retirement accounts), and insurance commission revenues, totaled \$4.7 million for the first quarter of 2024, an increase of \$0.4 million, or 9.5%, over the fourth quarter of 2023 and an increase of \$0.8 million, or 19.2%, over the first quarter of 2023. Compared to the fourth quarter of 2023, the increase reflected a combination of higher trust fees and retail brokerage fees due to growth in assets under management, and higher insurance commission revenues. The increase over the first quarter of 2023 was primarily attributable to higher retail brokerage fees reflective of increased assets under management, and to a lesser extent higher trust fees and insurance commission revenues. At March 31, 2024, total assets under management were approximately \$2.686 billion compared to \$2.588 billion at December 31, 2023 and \$2.330 billion at March 31, 2023. Compared to December 31, 2023, the increase was primarily attributable to growth in trust assets and the growth over March 31, 2023 was primarily in retail brokerage assets reflecting increases in investments in fixed income and annuity products, and higher account values/returns reflective of the improved market returns.

Mortgage Banking Revenues. Mortgage banking revenues totaled \$2.9 million for the first quarter of 2024, an increase of \$0.5 million, or 23.7%, over the fourth quarter of 2023 and comparable to the first quarter of 2023. Compared to the fourth quarter of 2023, the increase reflected a higher level of rate locks and third-party loan sales. We provide a detailed overview of our mortgage banking operation, including a detailed break-down of mortgage banking revenues, mortgage servicing activity, and warehouse funding within Note 4 - Mortgage Banking Activities in the Notes to Consolidated Financial Statements.

Other. Other income totaled \$1.7 million for the first quarter of 2024, a decrease of \$0.1 million, or 8.5%, from the fourth quarter of 2023 and a decrease of \$0.3 million, or 16.4%, from the first quarter of 2023. Compared to the first quarter of 2023, the decrease was primarily attributable to lower loan servicing income (due to sale of mortgage servicing rights) and miscellaneous income.

Noninterest Expense

Noninterest expense for the first quarter of 2024 totaled \$40.2 million compared to \$40.0 million for the fourth quarter of 2023 and \$37.7 million for the first quarter of 2023. The \$0.2 million increase over the fourth quarter of 2023 reflected a \$0.6 million increase in compensation expense that was partially offset by decreases in occupancy expense of \$0.1 million and other expense of \$0.3 million. The increase in compensation expense was primarily attributable to higher payroll taxes (annual re-set) and 401k plan matching expense. Compared to the first quarter of 2023, the \$2.5 million increase reflected higher other expense as we realized a \$1.8 million gain from the sale of other real estate (banking office) in the first quarter of 2023. Further, compensation expense was \$0.9 million higher primarily due to a lower level of realized loan cost (credit offset to salary expense) due to decreased new loan production.

The table below reflects the major components of noninterest expense.

<i>(Dollars in Thousands)</i>	Three Months Ended		
	March 31, 2024	December 31, 2023	March 31, 2023
Salaries	\$ 20,604	\$ 20,258	\$ 19,517
Associate Benefits	3,803	3,564	4,007
Total Compensation	24,407	23,822	23,524
Premises	3,173	3,402	3,245
Equipment	3,821	3,696	3,517
Total Occupancy	6,994	7,098	6,762
Legal Fees	435	573	362
Professional Fees	1,258	1,629	1,324
Processing Services	1,833	1,497	1,742
Advertising	815	759	874
Telephone	709	686	706
Insurance - Other	915	713	831
Other Real Estate Owned, net	18	(123)	(1,827)
Pension - Other	(419)	32	7
Miscellaneous	3,206	3,272	3,370
Total Other	8,770	9,038	7,389
Total Noninterest Expense	\$ 40,171	\$ 39,958	\$ 37,675

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

Compensation. Compensation expense totaled \$24.4 million for the first quarter of 2024, an increase of \$0.6 million, or 2.5%, over the fourth quarter of 2023 and an increase of \$0.9 million, or 3.8%, over the first quarter of 2023. Compared to the fourth quarter of 2023, the increase reflected an increase in salary expense of \$0.3 million and associate benefit expense of \$0.3 million. The increase in salary expense was primarily attributable to an increase in payroll tax expense which reflected the annual re-set of this tax as well as payroll taxes related to a high level of cash/stock incentives paid in the first quarter. The increase in associate benefit expense reflected increases in stock compensation expense (higher expected pay-out for incentive plan) and other associate benefit expense (annual sales/service awards event). Compared to the first quarter of 2023, the increase reflected an increase in salary expense of \$1.1 million partially offset by a \$0.2 million decrease in associate benefit expense. The increase in salary expense was primarily due to a lower level of realized loan cost (credit offset to salary expense) due to decreased new loan production and to a lesser extent base salaries (annual merit) that was partially offset by lower commission expense at CCHL. Lower stock compensation expense drove the decrease in associate benefit expense and reflected a higher pay-out for the prior year long-term incentive plan.

Occupancy. Occupancy expense (including premises and equipment) totaled \$7.0 million for the first quarter of 2024, a decrease of \$0.1 million, or 1.5% from the fourth quarter of 2023 and an increase of \$0.2 million, or 3.4%, over the first quarter of 2023. The decrease from the fourth quarter of 2023 was due to lower building maintenance, and the increase over the first quarter of 2023 reflected higher FF&E depreciation and maintenance agreement expense partially attributable to new offices opened in 2023.

Other. Other noninterest expense totaled \$8.8 million for the first quarter of 2024, a decrease of \$0.3 million, or 2.9%, from the fourth quarter of 2023 and an increase of \$1.4 million, or 18.7%, from the first quarter of 2023. The decrease from the fourth quarter was primarily due to lower pension-other expense (non-service component) of \$0.4 million and professional fees of \$0.4 million that was partially offset by higher processing fees of \$0.3 million and insurance-other of \$0.2 million. The increase over the first quarter of 2023 was primarily due to a \$1.8 million increase in other real estate expense as we realized a \$1.8 million gain from the sale of a banking office in the first quarter of 2023. A \$0.4 million decrease in pension-other expense was partially offsetting.

Our operating efficiency ratio (expressed as noninterest expense as a percent of the sum of taxable-equivalent net interest income plus noninterest income) was 71.06% for the first quarter of 2024 compared to 70.82% for the fourth quarter of 2023 and 64.67% for the first quarter of 2023. The decrease from the first quarter of 2023 was primarily attributable to lower noninterest expense which included a \$1.8 million gain from the sale of a banking office, and to a lesser extent lower net interest income.

Income Taxes

We realized income tax expense of \$3.5 million (effective rate of 23.0%) for the first quarter of 2024 compared to \$2.9 million (effective rate of 20.3%) for the fourth quarter of 2023 and \$3.7 million (effective rate of 21.3%) for the first quarter of 2023. The increase in our effective tax rate for the first quarter of 2024 compared to both prior periods was primarily due to a lower level of tax benefit accrued from an investment in a solar tax credit equity fund. Absent discrete items or new tax credit investments, we expect our annual effective tax rate to approximate 23% for 2024.

FINANCIAL CONDITION

Average earning assets totaled \$3.850 billion for the first quarter of 2024, an increase of \$25.6 million, or 0.7%, over the fourth quarter of 2023, and a decrease of \$213.1 million, or 5.2%, from the first quarter of 2023. The variance for both prior period comparisons was driven by change in deposit balances (see below – Deposits). Compared to both prior periods, the mix of earning assets improved as overnight funds were utilized to fund loan growth.

Investment Securities

Average investments decreased \$10.0 million, or 1.0%, from the fourth quarter of 2023. Our investment portfolio represented 24.8% of our average earning assets for the first quarter of 2024 compared to 25.2% for the fourth quarter of 2023. For the remainder of 2024, we will continue to monitor our overall liquidity position and market conditions to determine if cash flow from the investment portfolio should be reinvested or allowed to run-off into overnight funds.

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”). At March 31, 2024, \$603.4 million, or 64.6%, of the investment portfolio was classified as HTM and \$330.7 million, or 35.4% was classified as AFS. The average maturity of our total portfolio at March 31, 2024 was 2.76 years compared to 2.91 years at December 31, 2023. The duration of our investment portfolio at March 31, 2024 and December 31, 2023 was 2.39 years and 2.91 years, respectively. Additional information on unrealized gains/losses in the AFS and HTM portfolios is provided in Note 2 – Investment Securities.

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 shareholders' 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 March 31, 2024, there were 876 positions (combined AFS and HTM) with unrealized losses totaling \$64.8 million. 85 of these positions are U.S. Treasuries and carry the full faith and credit of the U.S. Government. 690 were U.S. government agency securities issued by U.S. government sponsored entities. The remaining 101 positions (municipal securities and corporate bonds) have a credit component. At March 31, 2024, corporate debt securities had an allowance for credit losses of \$43,000 and municipal securities had an allowance of \$39,000. At March 31, 2024, all collateralized mortgage obligation securities, mortgage-backed securities, Small Business Administration securities, U.S. Agency, and U.S. Treasury bonds held were AAA rated.

Loans HFI

Average loans HFI increased \$17.4 million, or 0.6%, over the fourth quarter of 2023 and \$146.2 million, or 5.7%, over the first quarter of 2023. Compared to both prior periods, the increase was primarily due to an increase in residential loans partially offset by a decline in consumer loans (primarily auto). Period end loans decreased \$2.7 million, or 0.1%, from the fourth quarter of 2023 and increased \$74.0 million, or 2.8%, over the first quarter of 2023. The decrease from the fourth quarter of 2023 was primarily due to lower consumer (auto) loan portfolio balances partially offset by growth in residential loans. Compared to the first quarter of 2023, the increase reflected growth in residential loans and to a lesser extent commercial real estate loans partially offset by lower consumer (auto) loan balances.

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

Overall credit quality remained stable. Nonperforming assets (nonaccrual loans and other real estate) totaled \$6.8 million at March 31, 2024 compared to \$6.2 million at December 31, 2023 and \$4.6 million at March 31, 2023. At March 31, 2024, nonperforming assets as a percent of total assets equaled 0.16% compared to 0.15% at December 31, 2023 and 0.10% at March 31, 2023. Nonaccrual loans totaled \$6.8 million at March 31, 2024, a \$0.6 million increase over December 31, 2023 and a \$2.2 million increase over March 31, 2023. Further, classified loans totaled \$22.3 million at March 31, 2024, a \$0.1 million increase over December 31, 2023 and a \$10.1 million increase over March 31, 2023.

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 March 31, 2024, the allowance for credit losses for HFI loans totaled \$29.3 million compared to \$29.9 million at December 31, 2023 and \$26.8 million at March 31, 2023. Activity within the allowance is provided in Note 3 – Loans Held for Investment and Allowance for Credit Losses in the Consolidated Financial Statements. The decrease in the allowance from December 31, 2023 was primarily due to favorable loan grade migration, lower loss rates, and a combination of lower loan balances and shift in mix within the portfolio. Compared to March 31, 2023, the increase was primarily driven by loan growth. At March 31, 2024, the allowance represented 1.07% of HFI loans compared to 1.10% at December 31, 2023, and 1.01% at March 31, 2023.

At March 31, 2024, the allowance for credit losses for unfunded commitments totaled \$3.1 million compared to \$3.2 million at December 31, 2023 and \$2.8 million at March 31, 2023. The allowance for unfunded commitments is recorded in other liabilities.

Deposits

Average total deposits were \$3.577 billion for the first quarter of 2024, an increase of \$28.0 million, or 0.8%, over the fourth quarter of 2023 and a decrease of \$240.8 million, or 6.3%, from the first quarter of 2023. Compared to the fourth quarter of 2023, the increase reflected a higher average balance for public funds (municipal clients - primarily NOW accounts) which typically peak late in the fourth quarter. Further, we realized growth in both our money market and CD balances which reflected a combination of balances migrating from noninterest bearing and savings accounts, in addition to receiving new deposits from existing and new clients. Compared to the first quarter of 2023, the decrease was primarily attributable to lower noninterest bearing and savings accounts, partially offset by increases in money market and CD balances. The decrease in noninterest bearing and savings accounts reflected a combination of consumer/business spend of pandemic related stimulus funds and rate sensitive clients seeking higher yields, partially offset by the aforementioned migration to higher rate deposit products (money market and CD).

At March 31, 2024, total deposits were \$3.654 billion, a decrease of \$47.0 million, or 1.3%, from December 31, 2023 and \$169.1 million, or 4.4% from March 31, 2023. The decrease from December 31, 2023 was primarily attributable to lower public funds (municipal clients - primarily NOW accounts) partially offset by higher money market balances and to a lesser extent CD balances. The decrease from March 31, 2023 was due to the same aforementioned factors driving the average variance. Total public funds balances were \$615.0 million at March 31, 2024, \$709.8 million December 31, 2023, and \$637.8 million at March 31, 2023.

Business deposit transaction accounts classified as repurchase agreements averaged \$25.7 million for the first quarter of 2024, a decrease of \$1.1 million from the fourth quarter of 2023 and an increase of \$16.4 million over the first quarter of 2023. At March 31, 2024, repurchase agreement balances were \$23.5 million compared to \$27.0 million at December 31, 2023 and \$4.4 million at March 31, 2023.

We continue to closely monitor our cost of deposits and deposit mix as we manage through the current rate environment.

MARKET RISK AND INTEREST RATE SENSITIVITY

Market Risk and Interest Rate Sensitivity

Overview. Market risk arises from changes in interest rates, exchange rates, commodity prices, and equity prices. We have risk management policies designed to monitor and limit exposure to market risk and we do not participate in activities that give rise to significant market risk involving exchange rates, commodity prices, or equity prices. In asset and liability management activities, our policies are 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 reprice on a different basis than interest-earning assets. When interest-bearing liabilities mature or reprice 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 reprice more quickly than interest-bearing liabilities, falling market 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 what we believe to be a comprehensive interest rate risk management policy, which is administered by management's Asset Liability Management Committee ("ALCO"). The policy establishes limits of risk, 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 captures optionality factors such as call features and interest rate caps and floors imbedded in investment and loan portfolio contracts. As with any method of gauging interest rate risk, there are certain shortcomings inherent in the interest rate modeling methodology used by us. 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 assumptions used in the model. Finally, the methodology does not measure or reflect the impact that higher rates may have on adjustable-rate loan clients' ability to service their debts, or the impact of rate changes on demand for loan and deposit products.

The statement of financial condition is subject to testing for interest rate shock possibilities to indicate the inherent interest rate risk. We apply instantaneous, parallel rate shocks to the base case in 100 basis point (bp) increments ranging from down 400bps to up 400bps at least once per quarter, with the analysis reported to ALCO, our Market Risk Oversight Committee (“MROC”), our Enterprise Risk Oversight Committee (“EROC”) and the Board of Directors. We augment our interest rate shock analysis with alternative interest rate scenarios on a quarterly basis that may include ramps, and a flattening or steepening of the yield curve (non-parallel shift). In addition, more frequent forecasts may be produced when interest rates are particularly uncertain or when other business conditions so dictate.

Our goal is to structure the statement of financial condition 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 attempt to achieve this goal by balancing, within policy limits, the volume of floating-rate liabilities with a similar volume of floating-rate assets, by keeping the average maturity of fixed-rate asset and liability contracts reasonably matched, by managing the mix of our core deposits, and by adjusting our rates to market conditions on a continuing basis.

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	-200 bp	-300 bp	-400 bp
Policy Limit	-15.0%	-12.5%	-10.0%	-7.5%	-7.5%	-10.0%	-12.5%	-15.0%
March 31, 2024	10.0%	7.5%	4.8%	2.5%	-3.1%	-6.5%	-10.5%	-15.1%
December 31, 2023	3.0%	2.1%	1.3%	0.7%	-1.2%	-3.6%	-7.5%	-12.8%

Percentage Change (24-month shock)	+400 bp	+300 bp	+200 bp	+100 bp	-100 bp	-200 bp	-300 bp	-400 bp
Policy Limit	-17.5%	-15.0%	-12.5%	-10.0%	-10.0%	-12.5%	-15.0%	-17.5%
March 31, 2024	38.2%	31.3%	24.4%	18.0%	3.5%	-5.4%	-15.4%	-26.0%
December 31, 2023	29.5%	24.4%	19.3%	14.8%	4.1%	-3.5%	-12.9%	-23.6%

The Net Interest Income (“NII”) at Risk position of an instantaneous, parallel rate shock indicates that in the short-term (over the next 12 months), all rising rate environments will positively impact the net interest margin of the Company, while declining rate environments will have a negative impact on the net interest margin. Compared to the fourth quarter of 2023, these metrics became more favorable in the rising rate scenarios and less favorable in the falling rate scenarios primarily attributable to the update of our deposit beta assumptions which will vary depending on the rate shock. The instantaneous, parallel rate shock results over the next 12-months are slightly outside of policy in the rates down 400 bps scenario and outside of policy over 24 months in the rates down 300 bps and 400 bps scenarios primarily due to change in our deposit beta assumptions discussed above.

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 by discounting the cash flows to estimate the present value of assets and liabilities. The difference between these 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	-200 bp	-300 bp	-400 bp
Policy Limit	-30.0%	-25.0%	-20.0%	-15.0%	-15.0%	-20.0%	-25.0%	-30.0%
March 31, 2024	19.5%	15.3%	10.4%	5.4%	-8.7%	-17.8%	-24.9%	-28.4%
December 31, 2023	12.9%	10.7%	7.8%	4.4%	-6.4%	-14.0%	-23.6%	-27.8%

EVE Ratio (policy minimum 5.0%)	20.6%	19.5%	18.4%	17.2%	14.4%	12.7%	11.4%	10.8%
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At March 31, 2024, the economic value of equity was favorable in all rising rate environments and unfavorable in the falling rate environments. Compared to the fourth quarter of 2023, EVE metrics were slightly more favorable in the rising rate environment and less favorable in falling rate environments. EVE is currently in compliance with policy in all rate scenarios, and the EVE ratio exceeds 5.0% in each shock scenario.

As the interest rate environment and the dynamics of the economy continue to change, additional simulations will be analyzed to address not only the changing rate environment, but also the change in mix of our financial assets and liabilities, measured over multiple years, to help assess the risk to the Company.

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 March 31, 2024, we had the ability to generate approximately \$1.542 billion (excludes overnight funds position of \$231 million) in additional liquidity through various sources including various federal funds purchased lines, Federal Home Loan Bank borrowings, the Federal Reserve Discount Window, and 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 our ALCO, MROC, EROC, and Board of Directors. At March 31, 2024, we believe the liquidity available to us was sufficient to meet our on-going needs and execute our business strategy.

We also view our investment portfolio as a liquidity source and have the option to pledge securities in our portfolio as collateral for borrowings or deposits, and/or to sell selected securities. Additional information on our investment portfolio is provided within Note 2 – Investment Securities.

The Bank maintained an average net overnight funds (deposits with banks plus FED funds sold less FED funds purchased) sold position of \$140.5 million in the first quarter of 2024 compared to \$99.8 million in the fourth quarter of 2023 and \$361.0 million in the first quarter of 2023. Compared to the fourth quarter of 2023, the increase was driven by average deposit growth and investment portfolio run-off, partially offset by average loan growth. Compared to the first quarter of 2023, the decrease was attributable to lower average deposit balances and growth in our loan portfolio, partially offset by investment portfolio run-off.

We expect our capital expenditures will be approximately \$12.0 million over the next 12 months, which will primarily consist of construction of new offices, 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

Average short-term borrowings totaled \$29.5 million for the first quarter of 2024 compared to \$43.8 million for the fourth quarter of 2023 and \$47.1 million for the first quarter of 2023. Compared to both prior periods, the decrease was attributable to a lower balance maintained on CCHL's warehouse line. Additional detail on these warehouse borrowings is provided in Note 4 – Mortgage Banking Activities in the Consolidated Financial Statements.

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 CME Term SOFR (secured overnight financing rate) 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 interest rate based on three-month CME Term SOFR 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.

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 (three-month CME Term SOFR 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 35. At March 31, 2024, our regulatory capital ratios exceeded the threshold to be designated as “well-capitalized” under the Basel III capital standards.

Shareowners’ equity was \$448.3 million at March 31, 2024 compared to \$440.6 million at December 31, 2023 and \$403.3 million at March 31, 2023. For the first three months of 2024, shareowners’ equity was positively impacted by net income attributable to shareowners of \$12.6 million, net adjustments totaling \$0.5 million related to transactions under our stock compensation plans, stock compensation accretion of \$0.4 million, and a \$0.3 million increase in the fair value of the interest rate swap related to subordinated debt. Shareowners’ equity was reduced by a common stock dividend of \$3.6 million (\$0.21 per share), the repurchase of stock of \$2.3 million (82,540 shares), and a \$0.2 million increase in the net unrealized loss on available for sale securities.

At March 31, 2024, our total risk-based capital ratio was 16.84% compared to 16.57% at December 31, 2023 and 15.29% at March 31, 2023. Our common equity tier 1 capital ratio was 13.82%, 13.52%, and 12.40%, respectively, on these dates. Our leverage ratio was 10.45%, 10.30%, and 9.09%, respectively, on these dates. At March 31, 2024, all our regulatory capital ratios exceeded the thresholds to be designated as “well-capitalized” under the Basel III capital standards. Further, our tangible common equity ratio (non-GAAP financial measure) was 8.53% at March 31, 2024 compared to 8.26% and 7.20% at December 31, 2023 and March 31, 2023, respectively. If our unrealized held-to-maturity securities losses of \$21.6 million (after-tax) were recognized in accumulated other comprehensive loss, our adjusted tangible capital ratio would be 8.01%.

Our tangible capital ratio is also impacted by the recording of our unfunded pension liability through other comprehensive income in accordance with ASC Topic 715. At March 31, 2024, the net pension liability reflected in other comprehensive loss was \$0.4 million compared to \$0.4 million at December 31, 2023 and \$4.5 million at March 31, 2023. 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 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. These assumptions and sensitivities are discussed in the section entitled “Critical Accounting Policies and Estimates” in Part II, Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, of our 2023 Form 10-K/A.

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 March 31, 2024, we had \$753.5 million in commitments to extend credit and \$6.3 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 \$3.1 million at March 31, 2024.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in our 2023 Form 10-K/A. 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) goodwill, (iii) pension assumptions, 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 2023 Form 10-K/A.

TABLE I
AVERAGE BALANCES & INTEREST RATES

(Dollars in Thousands)	Three Months Ended								
	March 31, 2024			December 31, 2023			March 31, 2023		
	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Assets:									
Loans Held for Sale	\$ 27,314	\$ 563	5.99%	\$ 49,790	\$ 817	6.50%	\$ 55,110	\$ 644	4.74%
Loans Held for Investment ⁽¹⁾⁽²⁾	2,728,629	40,196	5.95	2,711,243	39,679	5.81	2,582,395	34,342	5.39
Taxable Securities	952,328	4,238	1.78	962,322	4,389	1.81	1,061,372	4,912	1.86
Tax-Exempt Securities ⁽²⁾	856	10	4.34	862	7	4.32	2,840	17	2.36
Interest Bearing Deposits	140,488	1,893	5.42	99,763	1,385	5.51	360,971	4,111	4.62
Total Earning Assets	<u>3,849,615</u>	<u>46,900</u>	<u>4.90%</u>	<u>3,823,980</u>	<u>46,277</u>	<u>4.80%</u>	<u>4,062,688</u>	<u>44,026</u>	<u>4.39%</u>
Cash & Due From Banks	75,763			76,681			74,639		
Allowance For Credit Losses	(30,030)			(29,998)			(25,637)		
Other Assets	295,275			296,114			300,175		
TOTAL ASSETS	<u>\$ 4,190,623</u>			<u>\$ 4,166,777</u>			<u>\$ 4,411,865</u>		
Liabilities:									
Noninterest Bearing Deposits	\$ 1,344,188	\$ -	-%	\$ 1,416,825	\$ -	-%	\$ 1,601,750	\$ -	-%
NOW Accounts	1,201,032	4,497	1.51	1,138,461	3,696	1.29	1,228,928	2,152	0.71
Money Market Accounts	353,591	1,985	2.26	318,844	1,421	1.77	267,573	208	0.31
Savings Accounts	539,374	188	0.14	557,579	202	0.14	629,388	76	0.05
Other Time Deposits	138,328	924	2.69	116,797	553	1.88	89,675	52	0.24
Total Interest Bearing Deposits	2,232,325	7,594	1.37	2,131,681	5,872	1.09	2,215,564	2,488	0.46
Total Deposits	<u>3,576,513</u>	<u>7,594</u>	<u>0.85</u>	<u>3,548,506</u>	<u>5,872</u>	<u>0.66</u>	<u>3,817,314</u>	<u>2,488</u>	<u>0.26</u>
Repurchase Agreements	25,725	201	3.14	26,831	199	2.94	9,343	9	0.37
Short-Term Borrowings	3,758	39	4.16	16,906	310	7.29	37,766	452	4.86
Subordinated Notes Payable	52,887	628	4.70	52,887	627	4.64	52,887	571	4.32
Other Long-Term Borrowings	281	3	4.80	336	5	4.72	480	6	4.80
Total Interest Bearing Liabilities	<u>2,314,976</u>	<u>8,465</u>	<u>1.47%</u>	<u>2,228,641</u>	<u>7,013</u>	<u>1.25%</u>	<u>2,316,040</u>	<u>3,526</u>	<u>0.62%</u>
Other Liabilities	68,295			78,772			81,206		
TOTAL LIABILITIES	<u>3,727,459</u>			<u>3,724,238</u>			<u>3,998,996</u>		
Temporary Equity	7,150			7,423			8,802		
TOTAL SHAREOWNERS' EQUITY	<u>456,014</u>			<u>435,116</u>			<u>404,067</u>		
TOTAL LIABILITIES, TEMPORARY AND SHAREOWNERS' EQUITY	<u>\$ 4,190,623</u>			<u>\$ 4,166,777</u>			<u>\$ 4,411,865</u>		
Interest Rate Spread			<u>3.43%</u>			<u>3.55%</u>			<u>3.77%</u>
Net Interest Income		<u>\$ 38,435</u>			<u>\$ 39,264</u>			<u>\$ 40,500</u>	
Net Interest Margin ⁽³⁾			<u>4.01%</u>			<u>4.07%</u>			<u>4.04%</u>

⁽¹⁾ Average Balances include net loan fees, discounts and premiums and nonaccrual loans. Interest income includes net loan costs of \$0.1 million for the three months ended March 31, 2024 and December 31, 2023, and net loan fees of \$0.1 million for the three months ended March 31, 2023.

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

⁽³⁾ Taxable equivalent net interest income divided by average earnings 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, 2023.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

At March 31, 2024, 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, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report our disclosure controls and procedures were ineffective due to the identification of the material weakness discussed below.

Previously Reported Material Weakness in Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company’s annual interim financial statements will not be prevented or detected on a timely basis. As reported in our 2023 Form 10-K/A, we did not maintain effective internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) as of December 31, 2023 as a result of a material weakness in our internal control over financial reporting for the review of significant inter-company mortgage loan sales and servicing transactions was not designed effectively. Specifically, management’s review control over the completeness and accuracy of elimination entries in the consolidation process was not designed effectively, as the review was not sufficiently precise to identify all the necessary elimination entries between CCB and its subsidiary, CCHL. The Company determined inter-company transactions related to the sale of residential mortgage loans were not properly eliminated and net loan fees were not properly recorded. Further, financial information obtained from CCHL for certain construction/permanent loan activity was not in sufficient detail to appropriately classify this activity within the Statement of Cash Flows. Specifically, management’s review control over the completeness, accuracy and review of financial information provided from CCHL related to the Statement of Cash Flows was not designed effectively as the review was not sufficiently precise to identify all errors in financial reporting. Refer to our 2023 Form 10-K/A for a description of our material weakness.

Remediation Plan

Since identifying the material weakness described above, management, with oversight from the Audit Committee and input from the Board of Directors, has devoted substantial resources to the ongoing implementation of remediation efforts. These remediation efforts, summarized below are intended to address both the identified material weakness and to enhance the Company’s overall internal control over financial reporting and disclosure controls and procedures. Based on additional procedures and post-closing review, management concluded that the consolidated financial statements included in this report present fairly, in all material respects, our financial position, results of operations, and cash flows for the periods presented, in conformity with GAAP.

The internal control and procedural enhancements and remedial actions that have been implemented include:

1. Enhance the precision level review of activity within existing accounts that are subject to elimination during consolidation, to ensure appropriate elimination;
2. Enhance review procedures to identify new inter-company accounts and activities subject to elimination during consolidation;
3. Increase the granularity of general ledger mapping for inter-company accounts subject to elimination during consolidation;
4. Enhance financial close checklist and pre-close meeting agenda to assist the reviewer identifying and assessing inter-company activities that are subject to elimination in a timely manner; and
5. Enhance the detail of review procedures of financial information obtained from a subsidiary to identify, assess and validate appropriate classification when preparing the consolidated financial statements, including when reviewing items in the operating, investing or financing activity sections within the Statement of Cash Flows.

To remediate the material weakness, the Company implemented the internal control and procedural enhancements noted above in items 1-4 during the fourth quarter of 2023 and implemented the enhancement noted above in item 5 during the first quarter of 2024. The material weakness cannot be considered remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are designed and operating effectively. Accordingly, management will continue to monitor and evaluate the effectiveness of our internal control over financial reporting and the disclosure controls and procedures.

Change in Internal Control

Except as identified above with respect to remediation of the material weakness, 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 2023 Form 10-K/A, as updated in our subsequent quarterly reports. The risks described in our 2023 Form 10-K/A 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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

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

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased under our share repurchase program	Maximum Number of shares remaining for purchase under our share repurchase program
January 1, 2024 to January 31, 2024 ⁽¹⁾	9,101	\$29.49	9,101	441,409
February 1, 2024 to February 29, 2024 ⁽²⁾	63,162	28.01	63,162	686,838
March 1, 2024 to March 31, 2024 ⁽²⁾	10,277	28.21	10,277	676,561
Total	<u>82,540</u>	<u>\$28.19</u>	<u>82,540</u>	

- (1) The information reported in this row relates to shares that were repurchased during the first quarter of 2024 through the Company's predecessor share repurchase program that was approved on January 31, 2019 and was set to expire in 2024, under which we were authorized to repurchase up to 750,000 shares of our common stock. The predecessor share repurchase program was terminated in January 2024.
- (2) The information reported in this row relates to shares that were repurchased during the first quarter of 2024 through the Capital City Bank Group, Inc. Share Repurchase Program ("the Program"), effective February 1, 2024, that was publicly announced on February 2, 2024 and that expires on February 1, 2029, under which we were authorized to repurchase up to 750,000 shares of our common stock. Under the Program, shares may be repurchased by the Company from time to time in the open market or through private transactions, as market conditions warrant. The program does not obligate the Company to repurchase any specified number of shares of its common stock. No shares are repurchased outside of the Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not Applicable.

Item 5. Other Information

(c) Rule 10b5-1 Trading Plans

During the three months ended March 31, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408(c) of Regulation S-K.

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 Jephtha E. Larkin, 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 Jephtha E. Larkin, 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

- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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/ Jephtha E. Larkin

Jephtha E. Larkin
Executive Vice President and Chief Financial Officer
(Mr. Larkin is the Principal Financial Officer and has
been duly authorized to sign on behalf of the Registrant)

Date: July 12, 2024

**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 12, 2024

**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, Jephtha E. Larkin, 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/ Jephtha E. Larkin

Jephtha E. Larkin
Executive Vice President and
Chief Financial Officer

Date: July 12, 2024

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 March 31, 2024, 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 12, 2024

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, Jephtha E. Larkin, 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 March 31, 2024, 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/ Jephtha E. Larkin

Jephtha E. Larkin
Executive Vice President and
Chief Financial Officer

Date: July 12, 2024

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.