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

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2025

OR

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

For the transition period from ____________ to ____________

Commission File Number: 0-13358

Capital City Bank Group, Inc.

(Exact name of Registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

At July 29, 2025, 17,066,511 shares of the Registrant's Common Stock, $.01 par value, were outstanding.

CAPITAL CITY BANK GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE PERIOD ENDED JUNE 30, 2025
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INTRODUCTORY NOTE
Special Cautionary Notice Regarding 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," "contemplate," "estimate," "expect," "intend," "plan," "point to," "project," "target," "vision," "goal," "continue," "further," 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 for the year ended December 31, 2024 (the "2024 Form 10-K"), as updated in our subsequent quarterly reports filed on Form 10-Q, as well as, among other factors:

- The effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;
- Inflation, interest rate, market and monetary fluctuations;
- Local, regional, national, and international economic conditions and the impact they may have on us and our clients and our assessment of that impact;
- The costs and effects of legal and regulatory developments, the outcomes of legal proceedings or regulatory or other governmental inquiries, the results of regulatory examinations or reviews and the ability to obtain required regulatory approvals;
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities, and insurance) and their application with which we and our subsidiaries must comply;
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as other accounting standard setters;
- The accuracy of our financial statement estimates and assumptions;
- Changes in the financial performance and/or condition of our borrowers;
- Changes in the mix of loan geographies, sectors and types or the level of non-performing assets and charge-offs;
- Changes in estimates of future credit loss reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- Changes in our liquidity position;
- The timely development and acceptance of new products and services and perceived overall value of these products and services by users;
- Changes in consumer spending, borrowing, and saving habits;
- Greater than expected costs or difficulties related to the integration of new products and lines of business;
- Technological changes;
- The cost and effects of cyber incidents or other failures, interruptions, or security breaches of our systems or those of our customers or third-party providers;
- Fraud or misconduct by internal or external parties which we may not be able to prevent, detect or mitigate;
- Acquisitions and integration of acquired businesses;
- Impairment of our goodwill or other intangible assets;
- Changes in the reliability of our vendors, internal control systems, or information systems;
- Our ability to increase market share and control expenses;
- Our ability to attract and retain qualified employees;
- Changes in our organization, compensation, and benefit plans;
- The soundness of other financial institutions;
- Volatility and disruption in national and international financial and commodity markets;
- Changes in the competitive environment in our markets and among banking organizations and other financial service providers;
- Government intervention in the U.S. financial system;
- A deterioration of the credit rating for U.S. long-term sovereign debt, actions that the U.S. government may take to avoid exceeding the debt ceiling, and uncertainties surrounding the federal budget and economic policy;
- The effects of natural disasters (including hurricanes), widespread health emergencies (including pandemics), military conflict, terrorism, civil unrest, climate change or other geopolitical events;
- Our ability to declare and pay dividends;
- Structural changes in the markets for origination, sale and servicing of residential mortgages;
- Any inability to implement and maintain effective internal control over financial reporting and/or disclosure control;

- Potential claims, damages, penalties, fines, costs and reputational damage resulting from pending or future litigation, regulatory proceedings and enforcement actions;
- Negative publicity and the impact on our reputation;
- The limited trading activity and concentration of ownership of our common stock; and
- Other factors and risks described under “Risk Factors” herein and in any of the Company’s subsequent reports filed with the SEC and available on its website at www.sec.gov.

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

PART I. FINANCIAL INFORMATION
Item 1.

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

(Dollars in Thousands, Except Par Value)	**(Unaudited) June 30, 2025**	**December 31, 2024**
ASSETS		
Cash and Due From Banks	$ 78,485	$ 70,543
Federal Funds Sold and Interest Bearing Deposits	394,917	321,311
Total Cash and Cash Equivalents	473,402	391,854
Investment Securities, Available for Sale, at fair value (amortized cost of $ 551,404 and $429,033)	533,457	403,345
Investment Securities, Held to Maturity (fair value of $448,911 and $544,460)	462,599	567,155
Equity Securities	3,242	2,399
Total Investment Securities	999,298	972,899
Loans Held For Sale, at fair value	19,181	28,672
Loans Held for Investment	2,631,490	2,651,550
Allowance for Credit Losses	(29,862)	(29,251)
Loans Held for Investment, Net	2,601,628	2,622,299
Premises and Equipment, Net	79,906	81,952
Goodwill and Other Intangibles	92,693	92,773
Other Real Estate Owned	132	367
Other Assets	125,513	134,116
Total Assets	$ 4,391,753	$ 4,324,932
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$ 1,332,080	$ 1,306,254
Interest Bearing Deposits	2,372,773	2,365,723
Total Deposits	3,704,853	3,671,977
Short-Term Borrowings	34,541	28,304
Subordinated Notes Payable	42,582	52,887
Other Long-Term Borrowings	680	794
Other Liabilities	82,674	75,653
Total Liabilities	3,865,330	3,829,615
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; 17,066,395 and 16,974,513 shares issued and outstanding at June 30, 2025 and December 31, 2024, respectively	171	170
Additional Paid-In Capital	39,527	37,684
Retained Earnings	487,665	463,949
Accumulated Other Comprehensive Loss, net of tax	(940)	(6,486)
Total Shareowners' Equity	526,423	495,317
Total Liabilities and Shareowners' Equity	$ 4,391,753	$ 4,324,932

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

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

(Dollars in Thousands, Except Per Share Data)	Three Months Ended June 30, 2025	Three Months Ended June 30, 2024	Six Months Ended June 30, 2025	Six Months Ended June 30, 2024
INTEREST INCOME				
Loans, including Fees	$ 40,872	$ 41,138	$ 81,350	$ 81,821
Investment Securities:				
Taxable	6,666	3,998	12,469	8,236
Tax Exempt	12	6	17	12
Funds Sold and Interest Bearing Deposits	3,909	3,624	7,405	5,517
Total Interest Income	51,459	48,766	101,241	95,586
INTEREST EXPENSE				
Deposits	7,405	8,579	14,788	16,173
Short-Term Borrowings	335	285	616	525
Subordinated Notes Payable	530	630	1,090	1,258
Other Long-Term Borrowings	5	3	16	6
Total Interest Expense	8,275	9,497	16,510	17,962
NET INTEREST INCOME	43,184	39,269	84,731	77,624
Provision for Credit Losses	620	1,204	1,388	2,124
Net Interest Income After Provision For Credit Losses	42,564	38,065	83,343	75,500
NONINTEREST INCOME				
Deposit Fees	5,320	5,377	10,381	10,627
Bank Card Fees	3,774	3,766	7,288	7,386
Wealth Management Fees	5,206	4,439	10,969	9,121
Mortgage Banking Revenues	4,190	4,381	8,010	7,259
Other	1,524	1,643	3,273	3,310
Total Noninterest Income	20,014	19,606	39,921	37,703
NONINTEREST EXPENSE				
Compensation	26,490	24,406	52,738	48,813
Occupancy, Net	7,071	6,997	13,864	13,991
Other	8,977	9,038	14,637	17,808
Total Noninterest Expense	42,538	40,441	81,239	80,612
INCOME BEFORE INCOME TAXES	20,040	17,230	42,025	32,591
Income Tax Expense	4,996	3,189	10,123	6,725
NET INCOME	15,044	14,041	31,902	25,866
Loss Attributable to Noncontrolling Interests	-	109	-	841
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	**$ 15,044**	**$ 14,150**	**$ 31,902**	**$ 26,707**
BASIC NET INCOME PER SHARE	**$ 0.88**	**$ 0.84**	**$ 1.87**	**$ 1.58**
DILUTED NET INCOME PER SHARE	**$ 0.88**	**$ 0.83**	**$ 1.87**	**$ 1.57**
Average Common Basic Shares Outstanding	17,056	16,931	17,042	16,941
Average Common Diluted Shares Outstanding	17,088	16,960	17,067	16,964

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	**2025**	**2024**	**2025**	**2024**
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	$ 15,044	$ 14,150	$ 31,902	$ 26,707
Other comprehensive income, before tax:				
Investment Securities:				
Change in net unrealized loss on securities available for sale	2,737	769	7,744	(406)
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	344	845	842	1,736
Derivative:				
Change in net unrealized gain on effective cash flow derivative	(485)	(50)	(1,189)	387
Other comprehensive income, before tax	2,596	1,564	7,397	1,717
Deferred tax expense related to other comprehensive income	649	160	1,851	247
Other comprehensive income, net of tax	1,947	1,404	5,546	1,470
TOTAL COMPREHENSIVE INCOME	$ 16,991	$ 15,554	$ 37,448	$ 28,177

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

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

(Dollars In Thousands, Except Share Data)	Shares Outstanding	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, Net of Taxes	Total
Balance, April 1, 2025	17,054,787	$ 171	$ 38,576	$ 476,715	$ (2,887)	$ 512,575
Net Income Attributable to Common Shareowners	-	-	-	15,044	-	15,044
Other Comprehensive Income, net of tax	-	-	-	-	1,947	1,947
Cash Dividends ($0.2400 per share)	-	-	-	(4,094)	-	(4,094)
Stock Based Compensation	-	-	526	-	-	526
Stock Compensation Plan Transactions, net	11,608	-	425	-	-	425
Balance, June 30, 2025	17,066,395	$ 171	$ 39,527	$ 487,665	$ (940)	$ 526,423
Balance, April 1, 2024	16,928,507	$ 169	$ 34,861	$ 435,364	$ (22,080)	$ 448,314
Net Income Attributable to Common Shareowners	-	-	-	14,150	-	14,150
Other Comprehensive Income, net of tax	-	-	-	-	1,404	1,404
Cash Dividends ($0.2100 per share)	-	-	-	(3,555)	-	(3,555)
Stock Based Compensation	-	-	322	-	-	322
Stock Compensation Plan Transactions, net	13,046	-	364	-	-	364
Balance, June 30, 2024	16,941,553	$ 169	$ 35,547	$ 445,959	$ (20,676)	$ 460,999
Balance, January 1, 2025	16,974,513	$ 170	$ 37,684	$ 463,949	$ (6,486)	$ 495,317
Net Income Attributable to Common Shareowners	-	-	-	31,902	-	31,902
Other Comprehensive Income, net of tax	-	-	-	-	5,546	5,546
Cash Dividends ($0.4800 per share)	-	-	-	(8,186)	-	(8,186)
Stock Based Compensation	-	-	925	-	-	925
Stock Compensation Plan Transactions, net	91,882	1	918	-	-	919
Balance, June 30, 2025	17,066,395	$ 171	$ 39,527	$ 487,665	$ (940)	$ 526,423
Balance, January 1, 2024	16,950,222	$ 170	$ 36,326	$ 426,275	$ (22,146)	$ 440,625
Net Income Attributable to Common Shareowners	-	-	-	26,707	-	26,707
Reclassification to Temporary Equity (1)	-	-	-	87	-	87
Other Comprehensive Income, net of tax	-	-	-	-	1,470	1,470
Cash Dividends ($0.4200 per share)	-	-	-	(7,110)	-	(7,110)
Repurchase of Common Stock	(82,540)	-	(2,330)	-	-	(2,330)
Stock Based Compensation	-	-	715	-	-	715
Stock Compensation Plan Transactions, net	73,871	(1)	836	-	-	835
Balance, June 30, 2024	16,941,553	$ 169	$ 35,547	$ 445,959	$ (20,676)	$ 460,999

(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)

(Dollars in Thousands)	Six Months Ended June 30, 2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income Attributable to Common Shareowners	$ 31,902	$ 26,707
Adjustments to Reconcile Net Income to		
Cash Provided by Operating Activities:		
Provision for Credit Losses	1,388	2,124
Depreciation	3,676	4,050
Amortization of Premiums, Discounts and Fees, net	2,272	1,842
Amortization of Intangible Asset	80	80
Originations of Loans Held-for-Sale	(218,167)	(241,631)
Proceeds From Sales of Loans Held-for-Sale	232,204	249,378
Mortgage Banking Revenues	(8,010)	(7,259)
Net Additions for Capitalized Mortgage Servicing Rights	44	134
Stock Compensation	925	715
Net Tax Benefit from Stock-Based Compensation	(154)	-
Deferred Income Taxes (Benefit)	1,391	(1,346)
Net Change in Operating Leases	(33)	195
Net Gain on Sales and Write-Downs of Other Real Estate Owned	(4,514)	-
Net Decrease in Other Assets	5,124	1,425
Net Increase in Other Liabilities	6,363	3,170
Net Cash Provided By Operating Activities	54,491	39,584
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities Held to Maturity:		
Purchases	(47,841)	(3,944)
Proceeds from Payments, Maturities, and Calls	152,124	45,849
Securities Available for Sale:		
Purchases	(155,436)	(5,661)
Proceeds from Payments, Maturities, and Calls	32,471	32,169
Equity Securities:		
Purchases	(60)	-
Net Decrease (Increase) in Equity Securities	94	(10)
Purchases of Loans Held for Investment	(304)	(302)
Proceeds from Sales of Loans	25,696	19,176
Net (Increase) Decrease in Loans Held for Investment	(4,047)	24,288
Proceeds From Sales of Other Real Estate Owned	7,341	-
Purchases of Premises and Equipment	(4,222)	(4,198)
Net Cash Provided by Investing Activities	5,816	107,367
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Increase (Decrease) in Deposits	32,876	(93,258)
Net Increase (Decrease) in Short-Term Borrowings	6,237	(9,571)
Redemption of Subordinated Notes	(10,305)	-
Net Increase (Decrease) in Other Long-Term Borrowings	-	694
Dividends Paid	(8,186)	(7,110)
Payments to Repurchase Common Stock	-	(2,330)
Proceeds from Issuance of Common Stock Under Purchase Plans	619	536
Net Cash Provided By (Used In) Financing Activities	21,241	(111,039)
NET INCREASE IN CASH AND CASH EQUIVALENTS	81,548	35,912
Cash and Cash Equivalents at Beginning of Period	391,854	312,067
Cash and Cash Equivalents at End of Period	$ 473,402	347,979
Supplemental Cash Flow Disclosures:		
Interest Paid	$ 16,543	$ 17,153
Income Taxes Paid	$ 3,220	$ 3,005
Supplemental Noncash Items:		
Loans and Premises Transferred to Other Real Estate Owned	$ 2,592	$ 649
Loans Transferred from Held for Investment to Held for Sale, net	$ 22,232	$ 15,475

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

NOTE 1 – BUSINESS AND BASIS OF PRESENTATION

Nature of Operations. Capital City Bank Group, Inc. ("CCBG" or the "Company") provides a full range of banking and banking-related services to individual and corporate clients through its wholly owned subsidiary, Capital City Bank ("CCB" or the "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 CCB. 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, 2024 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 2024 Form 10-K.

Accounting Standards Updates

Proposed Accounting Standards, *ASU No. 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative."* Accounting Standards Update ("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. ASU 2023-06 is to be applied prospectively, and early adoption is prohibited. For reporting entities subject to the SEC's existing disclosure requirements, the effective dates of ASU 2023-06 will be the date on which the SEC's removal of that related disclosure requirement from Regulation S-X or Regulation S-K becomes effective. If by June 30, 2027, the SEC has not removed the applicable requirement from Regulation S-X or Regulation S-K, the pending content of the related amendment will not become effective for any entities. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated statements.

ASU No. 2023-09, "Income Taxes (Topic 740): Improvements to Income Tax Disclosures." ASU 2023-09 is intended to enhance transparency and decision usefulness of income tax disclosures. The ASU addresses investor requests for more transparency about income tax information through improvements to income tax disclosures, primarily related to the rate reconciliation and income taxes paid information. Retrospective application in all prior periods is permitted. ASU 2023-09 is effective for the Company as of January 1, 2025. The Company is currently evaluating the impact of the incremental income taxes information that will be required to be disclosed within its Annual Report on Form 10-K for the year ended December 31, 2025 and subsequent annual reports.

ASU No. 2023-03, "Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses." ASU 2024-03 introduces new requirements to disclose additional information about certain types of expenses, including employee compensation, depreciation, intangible asset amortization, and selling expenses. ASU 2024-03 is effective for the Company as of January 1, 2026. The Company is currently evaluating the impact of the incremental disclosures that will be required under the standard.

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.

	Available for Sale				
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Allowance for Credit Losses	Fair Value
June 30, 2025					
U.S. Government Treasury	$ 221,568	$ 1,116	$ 363	$ -	$ 222,321
U.S. Government Agency	166,665	69	3,666	-	163,068
States and Political Subdivisions	40,551	31	2,708	(1)	37,873
Mortgage-Backed Securities[(1)]	62,904	1	9,277	-	53,628
Corporate Debt Securities	51,619	-	3,080	(69)	48,470
Other Securities[(2)]	8,097	-	-	-	8,097
Total	$ 551,404	$ 1,217	$ 19,094	$ (70)	$ 533,457
December 31, 2024					
U.S. Government Treasury	$ 106,710	$ 25	$ 934	$ -	$ 105,801
U.S. Government Agency	148,666	39	5,578	-	143,127
States and Political Subdivisions	43,212	-	3,827	(3)	39,382
Mortgage-Backed Securities[(1)]	66,379	-	10,902	-	55,477
Corporate Debt Securities	55,970	-	4,444	(64)	51,462
Other Securities[(2)]	8,096	-	-	-	8,096
Total	$ 429,033	$ 64	$ 25,685	$ (67)	$ 403,345

	Held to Maturity			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
June 30, 2025				
U.S. Government Treasury	$ 235,499	$ -	$ 2,748	$ 232,751
Mortgage-Backed Securities[(1)]	227,100	236	11,176	216,160
Total	$ 462,599	$ 236	$ 13,924	$ 448,911
December 31, 2024				
U.S. Government Treasury	$ 368,005	$ -	$ 6,476	$ 361,529
Mortgage-Backed Securities[(1)]	199,150	16	16,235	182,931
Total	$ 567,155	$ 16	$ 22,711	$ 544,460

(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 June 30, 2025 and at December 31, 2024.*

At June 30, 2025 and December 31, 2024, the investment portfolio had $ 3.2 million and $2.4 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 $385.5 million and $489.5 million at June 30, 2025 and December 31, 2024, 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. The Bank's investment in 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 and six months ended June 30, 2025 and 2024.

Maturity Distribution. At June 30, 2025, 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, certain amortizing U.S. government agency securities and other securities are shown separately because they are not due at a certain maturity date.

	Available for Sale		Held to Maturity	
(Dollars in Thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 58,288	$ 57,421	$ 227,073	$ 224,454
Due after one year through five years	298,624	294,770	8,426	8,297
Due after five year through ten years	16,353	14,603	-	-
Mortgage-Backed Securities	62,904	53,628	227,100	216,160
U.S. Government Agency	107,138	104,938	-	-
Other Securities	8,097	8,097	-	-
Total	$ 551,404	$ 533,457	$ 462,599	$ 448,911

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

	Less Than 12 Months		Greater Than 12 Months		Total	
(Dollars in Thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
June 30, 2025						
Available for Sale						
U.S. Government Treasury	$ 28,929	$ 14	$ 11,742	$ 349	$ 40,671	$ 363
U.S. Government Agency	41,132	264	93,868	3,402	135,000	3,666
States and Political Subdivisions	1,622	66	34,125	2,642	35,747	2,708
Mortgage-Backed Securities	39	-	53,545	9,277	53,584	9,277
Corporate Debt Securities	1,077	68	47,393	3,012	48,470	3,080
Total	$ 72,799	$ 412	$ 240,673	$ 18,682	$ 313,472	$ 19,094
Held to Maturity						
U.S. Government Treasury	-	-	232,751	2,748	232,751	2,748
Mortgage-Backed Securities	50,264	204	110,114	10,972	160,378	11,176
Total	$ 50,264	$ 204	$ 342,865	$ 13,720	$ 393,129	$ 13,924
December 31, 2024						
Available for Sale						
U.S. Government Treasury	$ 81,363	$ 318	$ 14,510	$ 616	$ 95,873	$ 934
U.S. Government Agency	33,155	184	100,844	5,394	133,999	5,578
States and Political Subdivisions	2,728	164	36,654	3,663	39,382	3,827
Mortgage-Backed Securities	54	-	55,409	10,902	55,463	10,902
Corporate Debt Securities	3,093	249	48,369	4,195	51,462	4,444
Total	$ 120,393	$ 915	$ 255,786	$ 24,770	$ 376,179	$ 25,685
Held to Maturity						
U.S. Government Treasury	-	-	361,529	6,476	361,529	6,476
Mortgage-Backed Securities	58,230	1,000	119,353	15,235	177,583	16,235
Total	$ 58,230	$ 1,000	$ 480,882	$ 21,711	$ 539,112	$ 22,711

At June 30, 2025, there were 788 positions (combined AFS and HTM) with unrealized pre-tax losses totaling $ 33.0 million. 48 of these positions are U.S. Treasury bonds and carry the full faith and credit of the U.S. Government. 650 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. At June 30, 2025, all collateralized mortgage obligation securities, mortgage-backed securities, Small Business Administration securities, U.S. Agency, and U.S. Treasury bonds held were AAA rated. The remaining 90 positions (municipal securities and corporate bonds) have a credit component. At June 30, 2025, corporate debt securities had an allowance for credit losses of $69,000 and municipal securities had an allowance of less than $1,000. None of the securities held by the Company were past due or in nonaccrual status at June 30, 2025.

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:

(Dollars in Thousands)	June 30, 2025	December 31, 2024
Commercial, Financial and Agricultural	$ 180,008	$ 189,208
Real Estate – Construction	174,115	219,994
Real Estate – Commercial Mortgage	802,504	779,095
Real Estate – Residential[1]	1,047,920	1,042,504
Real Estate – Home Equity	228,201	220,064
Consumer[2]	198,742	200,685
Loans Held For Investment, Net of Unearned Income	$ 2,631,490	$ 2,651,550

[1] *Includes loans in process balances of $1.6 million and $13.6 million at June 30, 2025 and December 31, 2024, respectively.*
[2] *Includes overdraft balances of $1.3 million and $1.2 million at June 30, 2025 and December 31, 2024, respectively.*

Net deferred loan costs, which include premiums on purchased loans, included in loans were $8.5 million at June 30, 2025 and $8.3 million at December 31, 2024.

Accrued interest receivable on loans which is excluded from amortized cost totaled $8.1 million at June 30, 2025 and $10.3 million at December 31, 2024, 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.

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 2024 Form 10-K.

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

(Dollars in Thousands)	Commercial, Financial, Agricultural	Real Estate Construction	Real Estate Commercial Mortgage	Real Estate Residential	Real Estate Home Equity	Consumer	Total
Three Months Ended							
June 30, 2025							
Beginning Balance	$ 1,468	$ 2,233	$ 6,061	$ 14,885	$ 2,029	$ 3,058	$ 29,734
Provision for Credit Losses	(86)	(422)	189	363	(33)	707	718
Charge-Offs	(74)	-	-	(49)	(24)	(1,351)	(1,498)
Recoveries	117	-	6	65	42	678	908
Net (Charge-Offs) Recoveries	43	-	6	16	18	(673)	(590)
Ending Balance	$ 1,425	$ 1,811	$ 6,256	$ 15,264	$ 2,014	$ 3,092	$ 29,862
Six Months Ended							
June 30, 2025							
Beginning Balance	$ 1,514	$ 2,384	$ 5,867	$ 14,568	$ 1,952	$ 2,966	$ 29,251
Provision for Credit Losses	(39)	(573)	380	569	35	1,429	1,801
Charge-Offs	(242)	-	-	(57)	(24)	(2,786)	(3,109)
Recoveries	192	-	9	184	51	1,483	1,919
Net (Charge-Offs) Recoveries	(50)	-	9	127	27	(1,303)	(1,190)
Ending Balance	$ 1,425	$ 1,811	$ 6,256	$ 15,264	$ 2,014	$ 3,092	$ 29,862
Three Months Ended							
June 30, 2024							
Beginning Balance	$ 1,525	$ 1,869	$ 5,947	$ 14,828	$ 1,896	$ 3,264	$ 29,329
Provision for Credit Losses	391	(118)	110	(63)	(68)	877	1,129
Charge-Offs	(400)	-	-	-	-	(1,632)	(2,032)
Recoveries	59	-	19	23	37	655	793
Net (Charge-Offs) Recoveries	(341)	-	19	23	37	(977)	(1,239)
Ending Balance	$ 1,575	$ 1,751	$ 6,076	$ 14,788	$ 1,865	$ 3,164	$ 29,219
Six Months Ended							
June 30, 2024							
Beginning Balance	$ 1,482	$ 2,502	$ 5,782	$ 15,056	$ 1,818	$ 3,301	$ 29,941
Provision for Credit Losses	675	(751)	71	(311)	62	2,265	2,011
Charge-Offs	(682)	-	-	(17)	(76)	(3,820)	(4,595)
Recoveries	100	-	223	60	61	1,418	1,862
Net (Charge-Offs) Recoveries	(582)	-	223	43	(15)	(2,402)	(2,733)
Ending Balance	$ 1,575	$ 1,751	$ 6,076	$ 14,788	$ 1,865	$ 3,164	$ 29,219

For the six months ended June 30, 2025, the allowance for loans HFI increased by $ 0.6 million and reflected a provision expense of $1.8 million and net loan charge-offs of $ 1.2 million. The increase in the allowance over December 31, 2024 was primarily attributable to qualitative factor adjustments that were partially offset by lower loan balances. For the six months ended June 30, 2024, the allowance for loans HFI decreased by $ 0.7 million and reflected a provision expense of $ 2.0 million and net loan charge-offs of $ 2.7 million. The decrease in the allowance was primarily due to lower loan balances. Four 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.

(Dollars in Thousands)	30-59 DPD	60-89 DPD	90 + DPD	Total Past Due	Total Current	Nonaccrual Loans	Total Loans
June 30, 2025							
Commercial, Financial and Agricultural	$ 278	$ 84	$ -	$ 362	$ 179,327	$ 319	$ 180,008
Real Estate – Construction	-	-	-	-	174,115	-	174,115
Real Estate – Commercial Mortgage	765	-	-	765	800,335	1,404	802,504
Real Estate – Residential	303	1,319	-	1,622	1,044,753	1,545	1,047,920
Real Estate – Home Equity	248	19	-	267	225,343	2,591	228,201
Consumer	1,269	238	-	1,507	196,645	590	198,742
Total	$ 2,863	$ 1,660	$ -	$ 4,523	$ 2,620,518	$ 6,449	$ 2,631,490
December 31, 2024							
Commercial, Financial and Agricultural	$ 340	$ 50	$ -	$ 390	$ 188,781	$ 37	$ 189,208
Real Estate – Construction	-	-	-	-	219,994	-	219,994
Real Estate – Commercial Mortgage	719	100	-	819	777,710	566	779,095
Real Estate – Residential	185	498	-	683	1,038,694	3,127	1,042,504
Real Estate – Home Equity	122	-	-	122	218,160	1,782	220,064
Consumer	2,154	143	-	2,297	197,598	790	200,685
Total	$ 3,520	$ 791	$ -	$ 4,311	$ 2,640,937	$ 6,302	$ 2,651,550

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

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

	June 30, 2025			December 31, 2024		
(Dollars in Thousands)	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	$ -	$ 319	$ -	$ -	$ 37	$ -
Real Estate – Construction	-	-	-	-	-	-
Real Estate – Commercial Mortgage	1,403	1	-	427	139	-
Real Estate – Residential	968	577	-	2,046	1,081	-
Real Estate – Home Equity	2,440	151	-	509	1,273	-
Consumer	-	590	-	-	790	-
Total Nonaccrual Loans	$ 4,811	$ 1,638	$ -	$ 2,982	$ 3,320	$ -

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

	June 30, 2025		December 31, 2024	
(Dollars in Thousands)	**Real Estate Secured**	**Non Real Estate Secured**	**Real Estate Secured**	**Non Real Estate Secured**
Commercial, Financial and Agricultural	$ -	$ 1,210	$ -	$ 39
Real Estate – Construction	-	-	-	-
Real Estate – Commercial Mortgage	2,192	-	427	-
Real Estate – Residential	2,694	-	2,476	-
Real Estate – Home Equity	1,166	-	651	-
Consumer	-	-	-	55
Total Collateral Dependent Loans	$ 6,052	$ 1,210	$ 3,554	$ 94

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

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

Residential Real Estate Loans In Process of Foreclosure . At June 30, 2025, the Company had $0.2 million of 1-4 family residential real estate loans for which formal foreclosure proceedings were in process, compared to $ 0.5 million at December 31, 2024.

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 June 30, 2025 and December 31, 2024, the Company maintained one modified commercial mortgage loan due to a borrower experiencing financial difficulty. The Company reduced the interest rate on the loan by 1% in addition to extending the term of the loan from 5 to 20 years. The balance of the nonaccrual loan at June 30, 2025 and December 31, 2024 was $ 0.3 million and did not have a payment delay. No new modifications to borrowers experiencing financial difficulty were made during the six months ended June 30, 2025 and 2024.

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 the Company's 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.

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

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

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

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

The following tables summarize gross loans held for investment at June 30, 2025 and December 31, 2024 and current period gross write-offs for the six months ended June 30, 2025 and 12 months ended December 31, 2024 by years of origination and internally assigned credit risk ratings (refer to Credit Risk Management section for detail on risk rating system).

(Dollars in Thousands)	Term Loans by Origination Year						Revolving	
As of June 30, 2025	**2025**	**2024**	**2023**	**2022**	**2021**	**Prior**	**Loans**	**Total**
Commercial, Financial, Agriculture:								
Pass	$ 21,285	$ 29,681	$ 28,473	$ 29,399	$ 15,176	$ 10,549	$ 40,078	$ 174,641
Special Mention	-	289	3,151	116	13	-	50	3,619
Substandard	-	135	45	167	21	111	1,269	1,748
Total	$ 21,285	$ 30,105	$ 31,669	$ 29,682	$ 15,210	$ 10,660	$ 41,397	$ 180,008
Current-Period Gross Writeoffs	$ -	$ -	$ 42	$ 188	$ 12	$ -	$ -	$ 242
Real Estate - Construction:								
Pass	$ 29,488	$ 87,990	$ 26,659	$ 12,267	$ 53	$ 193	$ 13,306	$ 169,956
Special Mention	-	-	583	3,576	-	-	-	4,159
Total	$ 29,488	$ 87,990	$ 27,242	$ 15,843	$ 53	$ 193	$ 13,306	$ 174,115
Real Estate - Commercial Mortgage:								
Pass	$ 39,009	$ 97,387	$ 113,036	$ 198,192	$ 102,760	$ 178,711	$ 33,667	$ 762,762
Special Mention	3,922	164	52	18,373	1,120	2,871	1,065	27,567
Substandard	390	1,402	100	3,658	863	5,762	-	12,175
Total	$ 43,321	$ 98,953	$ 113,188	$ 220,223	$ 104,743	$ 187,344	$ 34,732	$ 802,504
Real Estate - Residential:								
Pass	$ 85,110	$ 141,045	$ 299,506	$ 340,188	$ 63,490	$ 95,076	$ 10,416	$ 1,034,831
Special Mention	-	-	290	-	1,060	315	453	2,118
Substandard	-	2,543	454	1,690	1,421	4,695	168	10,971
Total	$ 85,110	$ 143,588	$ 300,250	$ 341,878	$ 65,971	$ 100,086	$ 11,037	$ 1,047,920
Current-Period Gross Writeoffs	$ -	$ -	$ 47	$ -	$ -	$ 10	$ -	$ 57
Real Estate - Home Equity:								
Performing	$ 1,292	$ 11	$ 412	$ 19	$ 114	$ 607	$ 223,155	$ 225,610
Nonperforming	-	-	-	-	-	-	2,591	2,591
Total	$ 1,292	$ 11	$ 412	$ 19	$ 114	$ 607	$ 225,746	$ 228,201
Current-Period Gross Writeoffs	$ -	$ -	$ -	$ -	$ -	$ -	$ 24	$ 24
Consumer:								
Performing	$ 42,832	$ 28,000	$ 35,926	$ 42,138	$ 30,933	$ 9,127	$ 9,196	$ 198,152
Nonperforming	152	-	37	214	114	73	-	590
Total	$ 42,984	$ 28,000	$ 35,963	$ 42,352	$ 31,047	$ 9,200	$ 9,196	$ 198,742
Current-Period Gross Writeoffs	$ 1,029	$ 91	$ 636	$ 707	$ 204	$ 45	$ 74	$ 2,786

(Dollars in Thousands)	Term Loans by Origination Year						Revolving	
As of December 31, 2024	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Loans**	**Total**
Commercial, Financial, Agriculture:								
Pass	$ 35,596	$ 36,435	$ 37,506	$ 18,433	$ 4,610	$ 9,743	$ 41,720	$ 184,043
Special Mention	435	3,979	261	9	-	-	76	4,760
Substandard	-	-	193	12	58	71	71	405
Total	$ 36,031	$ 40,414	$ 37,960	$ 18,454	$ 4,668	$ 9,814	$ 41,867	$ 189,208
Current-Period Gross Writeoffs	$ 9	$ 548	$ 500	$ 111	$ 160	$ 1	$ 183	$ 1,512
Real Estate - Construction:								
Pass	$ 105,148	$ 73,615	$ 29,821	$ 53	$ -	$ 185	$ 8,288	$ 217,110
Special Mention	1,555	-	1,329	-	-	-	-	2,884
Total	$ 106,703	$ 73,615	$ 31,150	$ 53	$ -	$ 185	$ 8,288	$ 219,994
Current-Period Gross Writeoffs	$ -	$ -	$ 47	$ -	$ -	$ -	$ -	$ 47
Real Estate - Commercial Mortgage:								
Pass	$ 77,561	$ 110,183	$ 207,574	$ 109,863	$ 87,369	$ 122,272	$ 26,324	$ 741,146
Special Mention	171	2,913	17,031	-	2,253	4,402	530	27,300
Substandard	-	2,463	3,403	869	2,508	1,305	101	10,649
Total	$ 77,732	$ 115,559	$ 228,008	$ 110,732	$ 92,130	$ 127,979	$ 26,955	$ 779,095
Current-Period Gross Writeoffs	$ -	$ -	$ -	$ -	$ -	$ -	$ 3	$ 3
Real Estate - Residential:								
Pass	$ 165,050	$ 316,521	$ 358,851	$ 71,423	$ 31,169	$ 76,921	$ 11,872	$ 1,031,807
Special Mention	-	265	-	1,104	468	534	521	2,892
Substandard	-	528	1,450	1,446	1,295	2,918	168	7,805
Total	$ 165,050	$ 317,314	$ 360,301	$ 73,973	$ 32,932	$ 80,373	$ 12,561	$ 1,042,504
Current-Period Gross Writeoffs	$ -	$ 13	$ -	$ -	$ -	$ 48	$ -	$ 61
Real Estate - Home Equity:								
Performing	$ 801	$ 521	$ 30	$ 119	$ 9	$ 821	$ 215,981	$ 218,282
Nonperforming	-	-	-	-	-	-	1,782	1,782
Total	$ 801	$ 521	$ 30	$ 119	$ 9	$ 821	$ 217,763	$ 220,064
Current-Period Gross Writeoffs	$ -	$ -	$ -	$ -	$ -	$ -	$ 132	$ 132
Consumer:								
Performing	$ 32,293	$ 44,995	$ 55,942	$ 42,002	$ 10,899	$ 4,116	$ 9,648	$ 199,895
Nonperforming	10	174	321	156	58	71	-	790
Total	$ 32,303	$ 45,169	$ 56,263	$ 42,158	$ 10,957	$ 4,187	$ 9,648	$ 200,685
Current-Period Gross Writeoffs	$ 2,562	$ 1,605	$ 2,088	$ 897	$ 237	$ 76	$ 162	$ 7,627

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, such as interest rate lock commitments ("IRLC's") and forward contract sales and their related fair values are set forth below.

	June 30, 2025		December 31, 2024	
(Dollars in Thousands)	Unpaid Principal Balance/Notional	Fair Value	Unpaid Principal Balance/Notional	Fair Value
Residential Mortgage Loans Held for Sale	$ 18,391	$ 19,181	$ 28,117	$ 28,672
Residential Mortgage Loan Commitments ("IRLCs")[1]	24,479	652	15,000	248
Forward Sales Contracts[2]	22,500	189	16,000	96

[1] Recorded in other assets at fair value.
[2] Recorded in other liabilities and other assets at fair value, respectively.

At June 30, 2025, the Company had no residential mortgage loans held for sale 30-89 days past due or on nonaccrual status. At December 31, 2024, the Company had no residential mortgage loans held for sale 30-89 days past due or on nonaccrual status.

Mortgage banking revenue was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2025	2024	2025	2024
Net realized gains on sales of mortgage loans	$ 3,605	$ 3,159	$ 6,485	$ 4,835
Net change in unrealized (loss) gain on mortgage loans held for sale	(62)	76	171	169
Net change in the fair value of IRLC's	(91)	(37)	405	167
Net change in the fair value of forward sales contracts	(109)	132	(285)	264
Pair-Offs on net settlement of forward sales contracts	16	152	(169)	210
Mortgage servicing rights additions	24	92	44	242
Net origination fees	807	807	1,359	1,372
Total mortgage banking revenues	$ 4,190	$ 4,381	$ 8,010	$ 7,259

Residential Mortgage Servicing

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

The following represents a summary of mortgage servicing rights.

(Dollars in Thousands)	June 30, 2025	December 31, 2024
Number of residential mortgage loans serviced for others	465	504
Outstanding principal balance of residential mortgage loans serviced for others	$ 123,895	$ 135,416
Weighted average interest rate	5.71%	5.86%
Remaining contractual term (in months)	353	348

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 June 30, 2025, the servicing portfolio balance consisted of the following loan types: FNMA (59.6.%), GNMA (4.3%), and private investor (36.1%). FNMA and private investor loans are structured as actual/actual payment remittance.

At June 30, 2025 and December 31, 2024, the Company did not have delinquent residential mortgage loans in GNMA pools serviced by the Company. The right to repurchase these loans and the corresponding liability has been recorded in other assets and other liabilities, respectively, in the Consolidated Statements of Financial Condition. The Company had no repurchases for the three months ended June 30, 2025 and 2024, and $0.3 million and no repurchases in the six months ended June 30, 2025 and June 30, 2024, respectively, of GNMA delinquent or defaulted mortgage loans with the intention to modify their terms and include the loans in new GNMA pools.

Activity in the capitalized mortgage servicing rights was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2025	2024	2025	2024
Beginning balance	$ 908	$ 919	$ 933	$ 831
Additions due to loans sold with servicing retained	24	92	44	242
Deletions and amortization	(43)	(46)	(88)	(108)
Ending balance	$ 889	$ 965	$ 889	$ 965

The Company did not record any permanent impairment losses on mortgage servicing rights for the three or six months ended June 30, 2025 or 2024.

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

	June 30, 2025		December 31, 2024	
	Minimum	Maximum	Minimum	Maximum
Discount rates	9.50%	12.00%	9.50%	12.00%
Annual prepayment speeds	9.59%	18.60%	9.14%	18.88%
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 13.01.% at June 30, 2025 and 13.44% at December 31, 2024.

Warehouse Line Borrowings

The Company has the following warehouse lines of credit and master repurchase agreements with various financial institutions at June 30, 2025.

(Dollars in Thousands)		Amounts Outstanding
$20 million master repurchase agreement without defined expiration. Interest is at the SOFR rate plus 2.25% to 3.25%, with a floor rate of 3.25% to 4.25%. A cash pledge deposit of $0.1 million is required by the lender.	$	12,446
$25 million warehouse line of credit agreement expiring in June 2026. Interest is at the SOFR plus 2.50% to 3.00%.		279
Total Warehouse Borrowings	$	12,725

Warehouse line borrowings are classified as short-term borrowings. At December 31, 2024, warehouse line borrowings totaled $1.9 million. At June 30, 2025, 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 June 30, 2025.

NOTE 5 – DERIVATIVES

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

Cash Flow Hedges of Interest Rate Risk

Interest rate swaps with notional amounts totaling $30 million at June 30, 2025 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.

(Dollars in Thousands)	Statement of Financial Condition Location		Notional Amount		Fair Value	Weighted Average Maturity (Years)
June 30, 2025						
Interest rate swaps related to subordinated debt	Other Assets	$	30,000	$	4,130	5.0
December 31, 2024						
Interest rate swaps related to subordinated debt	Other Assets	$	30,000	$	5,319	5.5

The following table presents the change in 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).

(Dollars in Thousands)	Category		Change in Gain (Loss) Recognized in AOCI		Amount of Gain (Loss) Reclassified from AOCI to Income
Three months ended June 30, 2025	Interest expense	$	(363)	$	299
Three months ended June 30, 2024	Interest expense		(37)		376
Six months ended June 30, 2025	Interest expense	$	(888)	$	596
Six months ended June 30, 2024	Interest expense		289		751

The Company estimates there will be approximately $ 1.0 million reclassified as a decrease to interest expense within the next 12 months.

The Company had a collateral liability of $ 4.3 million and $5.5 million at June 30, 2025 and December 31, 2024, 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 Statements of Financial Condition.

The Company's operating leases primarily relate to banking offices with remaining lease terms from less than one to 40 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 Statements of Financial Condition and the related lease expense is recognized on a straight-line basis over the lease term. At June 30, 2025, the operating lease ROU assets and liabilities were $27.6 million and $28.2 million, respectively. At December 31, 2024, ROU assets and liabilities were $ 24.9 million and $25.5 million, respectively. The Company recognized $0.1 million of rental income during the six months ended June 30, 2025 for a lease that terminated in February 2025. The Company does not have any finance leases.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	2025	2024	2025	2024
Operating lease expense	$ 897	$ 828	$ 1,761	$ 1,668
Short-term lease expense	240	195	551	389
Total lease expense	$ 1,137	$ 1,023	$ 2,312	$ 2,057
Other information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 882	$ 784	$ 1,794	$ 1,494
Right-of-use assets obtained in exchange for new operating lease liabilities	1,117	40	3,997	40
Weighted average remaining lease term — operating leases (in years)	15.8	16.7	15.8	16.7
Weighted average discount rate — operating leases	3.7%	3.5%	3.7%	3.5%

The table below summarizes the maturity of remaining lease liabilities:

(Dollars in Thousands)		**June 30, 2025**
2025	$	1,797
2026		3,601
2027		3,374
2028		3,102
2029		2,880
2030 and thereafter		21,293
Total	$	36,047
Less: Interest		(7,860)
Present Value of Lease liability	$	28,187

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 $2.1 million at June 30, 2025.

NOTE 7 - EMPLOYEE BENEFIT PLANS

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

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

	Three Months Ended June 30,				**Six Months Ended June 30,**			
(Dollars in Thousands)		**2025**		**2024**		**2025**		**2024**
Service Cost	$	860	$	929	$	1,720	$	1,857
Interest Cost		1,676		1,524		3,353		3,048
Expected Return on Plan Assets		(2,264)		(2,029)		(4,529)		(4,058)
Net Loss Amortization		(414)		41		(827)		82
Net Periodic Benefit Cost	$	(142)	$	465	$	(283)	$	929
Discount Rate		5.82%		5.29%		5.82%		5.29%
Long-term Rate of Return on Assets		6.75%		6.75%		6.75%		6.75%

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

	Three Months Ended June 30,				**Six Months Ended June 30,**			
(Dollars in Thousands)		**2025**		**2024**		**2025**		**2024**
Service Cost	$	12	$	9	$	23	$	18
Interest Cost		131		114		264		227
Prior Service Cost Amortization		26		-		51		-
Net Loss Amortization		(29)		(71)		(58)		(140)
Net Periodic Benefit Cost	$	140	$	52	$	280	$	105
Discount Rate		5.57%		5.11%		5.57%		5.11%

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 Consolidated Statements of Income.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

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

	June 30, 2025			December 31, 2024		
(Dollars in Thousands)	**Fixed**	**Variable**	**Total**	**Fixed**	**Variable**	**Total**
Commitments to Extend Credit [(1)]	$ 178,568	$ 493,686	$ 672,254	$ 184,223	$ 479,191	$ 663,414
Standby Letters of Credit	7,402	-	7,402	7,287	-	7,287
Total	$ 185,970	$ 493,686	$ 679,656	$ 191,510	$ 479,191	$ 670,701

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

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in Thousands)	**2025**	**2024**	**2025**	**2024**
Beginning Balance	$ 1,832	$ 3,121	$ 2,155	$ 3,191
Provision for Credit Losses	(94)	18	(417)	(52)
Ending Balance	$ 1,738	$ 3,139	$ 1,738	$ 3,139

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 June 30, 2025, the amount remaining to be funded for the bank tech venture capital commitment was $0.3 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. In 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. 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 are approximately $ 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. Accounting Standards Codification 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. The Company's derivative positions are classified as Level 2 within the fair value hierarchy and use actively quoted or observable market input values from external market data providers. At June 30, 2025 and December 31, 2024, 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:

(Dollars in Thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
June 30, 2025				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	$ 222,321	$ -	$ -	$ 222,321
U.S. Government Agency	-	163,068	-	163,068
States and Political Subdivisions	-	37,873	-	37,873
Mortgage-Backed Securities	-	53,628	-	53,628
Corporate Debt Securities	-	48,470	-	48,470
Equity Securities	-	-	3,242	3,242
Loans Held for Sale	-	19,181	-	19,181
Residential Mortgage Loan Commitments ("IRLCs")	-	-	652	652
Interest Rate Swap Derivative	-	4,130	-	4,130
LIABILITIES:				
Forward Sales Contracts	-	189	-	189
December 31, 2024				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	$ 105,801	$ -	$ -	$ 105,801
U.S. Government Agency	-	143,127	-	143,127
States and Political Subdivisions	-	39,382	-	39,382
Mortgage-Backed Securities	-	55,477	-	55,477
Corporate Debt Securities	-	51,462	-	51,462
Equity Securities	-	-	2,399	2,399
Loans Held for Sale	-	28,672	-	28,672
Interest Rate Swap Derivative	-	5,319	-	5,319
Forward Sales Contracts	-	96	-	96
Residential Mortgage Loan Commitments ("IRLCs")	-	-	248	248

Mortgage Banking Activities. The Company had Level 3 issuances and transfers related to mortgage banking activities of $4.3 million and $8.4 million, respectively, for the six months ended June 30, 2025, and $4.1 million and $7.1 million, respectively, for the six months ended June 30, 2024. 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 $7.3 million with no valuation allowance at June 30, 2025 and a carrying value of $3.6 million and a $0.1 million valuation allowance at December 31, 2024.

Other Real Estate Owned. During the first six months of 2025, 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 June 30, 2025 and December 31, 2024, 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:

	June 30, 2025			
(Dollars in Thousands)	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	$ 78,485	$ 78,485	$ -	$ -
Fed Funds Sold and Interest Bearing Deposits	394,917	394,917	-	-
Investment Securities, Held to Maturity	462,599	232,751	216,160	-
Other Equity Securities[1]	3,242	-	3,242	-
Mortgage Servicing Rights	889	-	-	1,465
Loans, Net of Allowance for Credit Losses	2,601,628	-	-	2,468,513
LIABILITIES:				
Deposits	$ 3,704,853	$ -	$ 3,077,764	$ -
Short-Term Borrowings	34,541	-	34,092	-
Subordinated Notes Payable	42,582	-	39,537	-
Long-Term Borrowings	680	-	680	-

	December 31, 2024			
(Dollars in Thousands)	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	$ 70,543	$ 70,543	$ -	$ -
Fed Funds Sold and Interest Bearing Deposits	321,311	321,311	-	-
Investment Securities, Held to Maturity	567,155	361,529	182,931	-
Other Equity Securities[1]	2,848	-	2,848	-
Mortgage Servicing Rights	933	-	-	1,616
Loans, Net of Allowance for Credit Losses	2,622,299	-	-	2,457,883
LIABILITIES:				
Deposits	$ 3,671,977	$ -	$ 3,046,926	$ -
Short-Term Borrowings	28,304	-	28,304	-
Subordinated Notes Payable	52,887	-	42,530	-
Long-Term Borrowings	794	-	794	-

[1] *Accounted for under the equity method – not readily marketable securities – reflected in other assets.*

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

NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

(Dollars in Thousands)	Securities Available for Sale	Interest Rate Swap	Retirement Plans	Accumulated Other Comprehensive (Loss) Income
Balance as of January 1, 2025	$ (20,179)	$ 3,971	$ 9,722	$ (6,486)
Other comprehensive income (loss) during the period	6,434	(888)	-	5,546
Balance as of June 30, 2025	$ (13,745)	$ 3,083	$ 9,722	$ (940)
Balance as of January 1, 2024	$ (25,691)	$ 3,970	$ (425)	$ (22,146)
Other comprehensive income during the period	1,181	289	-	1,470
Balance as of June 30, 2024	$ (24,510)	$ 4,259	$ (425)	$ (20,676)

Note 11 - SEGMENT REPORTING

The Company operates a single reportable business segment that is comprised of commercial banking within the states of Florida, Georgia, and Alabama. The Company's chief executive officer is deemed the Chief Operating Decision Maker ("CODM"). The CODM evaluates the financial performance of the Company by evaluating revenue streams, significant expenses, and budget to actual results in assessing the Company's single reporting segment and in the determination of allocating resources. The CODM uses consolidated net income to benchmark the Company against peers and to evaluate performance and allocate resources. Significant revenue and expense categories evaluated by the CODM are consistent with the presentation of the Consolidated Statement of Income and components of other noninterest expense.

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 second quarter of 2025 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," "contemplate," "estimate," "expect," "intend," "plan," "point to," "project," "target," "vision," "goal," "continue," "further," 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 2024 Form 10-K, as updated in our subsequent quarterly reports filed on Form 10-Q, and in our other filings made from time to time with the SEC after the date of this report.

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

BUSINESS OVERVIEW

We are a financial holding company headquartered in Tallahassee, Florida, and we are the parent of our wholly owned subsidiary, Capital City Bank (the "Bank" or "CCB"). We offer a broad array of products and services through a total of 62 full-service offices and 107 ATMs/ITMs located in Florida, Georgia, and Alabama. Through Capital City Home Loans, LLC ("CCHL"), we have 27 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 our long-term strategic objectives as part of the MD&A section of our 2024 Form 10-K.

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 they allow investors to more easily compare our capital adequacy to other companies in the industry. Non-GAAP financial measures should not be considered alternatives to generally accepted accounting principles ("GAAP")-basis financial statements and other bank holding companies may define or calculate these non-GAAP measures or similar measures differently.

The GAAP to non-GAAP reconciliation for each quarter presented is provided below.

		2025		2024		
(Dollars in Thousands, except per share data)		Second	First	Fourth	Third	Second
Shareowners' Equity (GAAP)		$ 526,423	$ 512,575	$ 495,317	$ 476,499	$ 460,999
Less: Goodwill and Other Intangibles (GAAP)		92,693	92,733	92,773	92,813	92,853
Tangible Shareowners' Equity (non-GAAP)	A	433,730	419,842	402,544	383,686	368,146
Total Assets (GAAP)		4,391,753	4,461,233	4,324,932	4,225,316	4,225,695
Less: Goodwill and Other Intangibles (GAAP)		92,693	92,733	92,773	92,813	92,853
Tangible Assets (non-GAAP)	B	$ 4,299,060	$ 4,368,500	$ 4,232,159	$ 4,132,503	$ 4,132,842
Tangible Common Equity Ratio (non-GAAP)	**A/B**	**10.09%**	**9.61%**	**9.51%**	**9.28%**	**8.91%**
Actual Diluted Shares Outstanding (GAAP)	C	17,097,986	17,072,330	17,018,122	16,980,686	16,970,228
Tangible Book Value per Diluted Share (non-GAAP)	**A/C**	**25.37**	**24.59**	**23.65**	**22.60**	**21.69**

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	2025		2024		
(Dollars in Thousands, Except Per Share Data)	Second	First	Fourth	Third	Second
Summary of Operations:					
Interest Income	$ 51,459	$ 49,782	$ 49,743	$ 49,328	$ 48,766
Interest Expense	8,275	8,235	8,640	9,117	9,497
Net Interest Income	43,184	41,547	41,103	40,211	39,269
Provision for Credit Losses	620	768	701	1,206	1,204
Net Interest Income After					
Provision for Credit Losses	42,564	40,779	40,402	39,005	38,065
Noninterest Income	20,014	19,907	18,760	19,513	19,606
Noninterest Expense	42,538	38,701	41,782	42,921	40,441
Income Before Income Taxes	20,040	21,985	17,380	15,597	17,230
Income Tax Expense	4,996	5,127	4,219	2,980	3,189
(Income) Loss Attributable to NCI	-	-	(71)	501	109
Net Income Attributable to CCBG	15,044	16,858	13,090	13,118	14,150
Net Interest Income (FTE)[(1)]	43,228	41,591	41,150	40,260	39,334
Per Common Share:					
Net Income Basic	$ 0.88	$ 0.99	$ 0.77	$ 0.77	$ 0.84
Net Income Diluted	0.88	0.99	0.77	0.77	0.83
Cash Dividends Declared	0.24	0.24	0.23	0.23	0.21
Diluted Book Value	30.79	30.02	29.11	28.06	27.17
Diluted Tangible Book Value [(2)]	25.37	24.59	23.65	22.60	21.69
Market Price:					
High	39.82	38.27	40.86	36.67	28.58
Low	32.38	33.00	33.00	26.72	25.45
Close	39.35	35.96	36.65	35.29	28.44
Selected Average Balances:					
Investment Securities	$ 1,007,981	$ 982,330	$ 915,202	$ 908,456	$ 919,832
Loans Held for Investment	2,652,572	2,665,910	2,677,396	2,693,533	2,726,748
Earning Assets	4,032,008	3,993,914	3,921,900	3,883,414	3,935,280
Total Assets	4,370,261	4,335,033	4,259,669	4,215,862	4,272,188
Deposits	3,680,707	3,665,482	3,600,424	3,572,034	3,641,028
Shareowners' Equity	527,583	513,401	491,143	480,137	465,297
Common Equivalent Average Shares:					
Basic	17,056	17,027	16,946	16,943	16,931
Diluted	17,088	17,044	16,990	16,979	16,960
Performance Ratios:					
Return on Average Assets (annualized)	1.38 %	1.58 %	1.22 %	1.24 %	1.33 %
Return on Average Equity (annualized)	11.44	13.32	10.60	10.87	12.23
Net Interest Margin (FTE)	4.30	4.22	4.17	4.12	4.02
Noninterest Income as % of Operating Revenue	31.67	32.39	31.34	32.67	33.30
Efficiency Ratio	67.26	62.93	69.74	71.81	68.61
Asset Quality:					
Allowance for Credit Losses ("ACL")	$ 29,862	$ 29,734	$ 29,251	$ 29,836	$ 29,219
Nonperforming Assets ("NPAs")	6,581	4,428	6,669	7,242	6,165
ACL to Loans HFI	1.13 %	1.12 %	1.10 %	1.11 %	1.09 %
NPAs to Total Assets	0.15	0.10	0.15	0.17	0.15
NPAs to Loans HFI plus OREO	0.25	0.17	0.25	0.27	0.23
ACL to Non-Performing Loans	463.01	692.10	464.14	452.64	529.79
Net Charge-Offs to Average Loans HFI	0.09	0.09	0.25	0.19	0.18
Capital Ratios:					
Tier 1 Capital	18.38 %	18.01 %	17.46 %	16.77 %	16.31 %
Total Capital	19.60	19.20	18.64	17.97	17.50
Common Equity Tier 1	16.81	16.08	15.54	14.88	14.44
Leverage	11.14	11.17	11.05	10.89	10.51
Tangible Common Equity[(2)]	10.09	9.61	9.51	9.28	8.91

[(1)] *Fully Tax Equivalent.*

[(2)] *Non-GAAP financial measure. See non-GAAP reconciliation on page 33.*

FINANCIAL OVERVIEW

Results of Operations

Performance Summary. Net income attributable to common shareowners totaled $15.0 million, or $0.88 per diluted share, for the second quarter of 2025 compared to $16.9 million, or $0.99 per diluted share, for the first quarter of 2025, and $14.2 million, or $0.83 per diluted share, for the second quarter of 2024. For the first six months of 2025, net income attributable to common shareowners totaled $31.9 million, or $1.87 per diluted share, compared to net income of $26.7 million, or $1.57 per diluted share, for the same period of 2024.

Net Interest Income. Tax-equivalent net interest income for the second quarter of 2025 totaled $43.2 million compared to $41.6 million for the first quarter 2025 and $39.3 million for the second quarter of 2024. Compared to the first quarter of 2025, the increase was driven by a $0.9 million increase in investment securities income and a $0.4 million increase in overnight funds income. One additional calendar day in the second quarter of 2025 also contributed to the increase. Compared to the second quarter of 2024, the increase was primarily due to a $2.7 million increase in investment securities income and a $1.2 million decrease in deposit interest expense. For the first six months of 2025, tax-equivalent net interest income totaled $84.8 million compared to $77.8 million for the same period of 2024 with the increase primarily attributable to a $4.2 million increase in investment securities income, a $1.9 million increase in overnight funds income, and a $1.4 million decrease in deposit interest expense.

Provision and Allowance for Credit Losses. We recorded a provision expense for credit losses of $0.6 million for the second quarter of 2025 compared to $0.8 million for the first quarter of 2025 and $1.2 million for the second quarter of 2024. For the first six months of 2025, we recorded a provision expense for credit losses of $1.4 million compared to $2.1 million for the first six months of 2024. At June 30, 2025, the allowance for credit losses for loans HFI totaled $29.9 million (1.13% of loans HFI) compared to $29.7 million (1.12% of loans HFI) at March 31, 2025 and $29.3 million at December 31, 2024 (1.10% of loans HFI).

Noninterest Income. Noninterest income for the second quarter of 2025 totaled $20.0 million compared to $19.9 million for the first quarter of 2025 and $19.6 million for the second quarter of 2024. The $0.1 million, or 0.5%, increase over the first quarter of 2025 was primarily due to a $0.4 million increase in mortgage banking revenues and a $0.3 million increase in deposit fees, partially offset by a $0.6 million decrease in wealth management fees. Compared to the second quarter of 2024, the $0.4 million, or 2.1%, increase was primarily due to a $0.8 million increase in wealth management fees, partially offset by a $0.2 million decrease in mortgage banking revenues and a $0.1 million decrease in other income. For the first six months of 2025, noninterest income totaled $39.9 million compared to $37.7 million for the same period of 2024, primarily attributable to a $1.8 million increase in wealth management fees and a $0.7 million increase in mortgage banking revenues that was partially offset by a $0.2 million decrease in deposit fees.

Noninterest Expense. Noninterest expense for the second quarter of 2025 totaled $42.5 million compared to $38.7 million for the first quarter of 2025 and $40.4 million for the second quarter of 2024. The $3.8 million, or 9.9%, increase over the first quarter of 2025, reflected a $3.3 million increase in other expense (primarily lower gains from sale of banking facilities), a $0.3 million increase in occupancy expense, and a $0.2 million increase in compensation expense. Compared to the second quarter of 2024, the $2.1 million, or 5.2%, increase was primarily due to a $2.1 million increase in compensation expense. For the first six months of 2025, noninterest expense totaled $81.2 million compared to $80.6 million for the same period of 2024 with the $0.6 million, or 0.8%, increase due to a $3.9 million increase in compensation expense that was partially offset by a $3.2 million decrease in other expense and a $0.1 million decrease in occupancy expense.

Financial Condition

Earning Assets. Average earning assets totaled $4.032 billion for the second quarter of 2025, an increase of $38.1 million, or 1.0%, over the first quarter of 2025, and an increase of $110.1 million, or 2.8%, over the fourth quarter of 2024. The increase over both prior periods was driven by higher average deposit balances. Compared to the first quarter of 2025, the change in the earning asset mix reflected a $27.8 million increase in overnight funds and a $25.7 million increase in investment securities that was partially offset by a $13.3 million decrease in loans held for investment ("HFI") and a $2.1 million decrease in loans held for sale ("HFS"). Compared to the fourth quarter of 2024, the change in the earning asset mix reflected a $92.8 million increase in investment securities and a $50.5 million increase in overnight funds sold partially offset by a $24.8 million decrease in loans HFI and a $8.4 million decrease in loans HFS.

Loans. Average loans HFI decreased $13.3 million, or 0.5%, from the first quarter of 2025 and decreased $24.8 million, or 0.9%, from the fourth quarter of 2024. Loans HFI at June 30, 2025 decreased $29.3 million, or 1.1%, from March 31, 2025 and decreased $20.1 million, or 0.8%, from December 31, 2024.

Credit Quality. Nonperforming assets (nonaccrual loans and other real estate) totaled $6.6 million at June 30, 2025 compared to $4.4 million at March 31, 2025 and $6.7 million at December 31, 2024. At June 30, 2025, nonperforming assets as a percentage of total assets was 0.15%, compared to 0.10% at March 31, 2025 and 0.15% at December 31, 2024. Nonaccrual loans totaled $6.4 million at June 30, 2025, a $2.2 million increase over March 31, 2025 and a $0.1 million increase over December 31, 2024. Further, classified loans totaled $28.6 million at June 30, 2025, a $9.4 million increase over March 31, 2025 and a $8.7 million increase over December 31, 2024. The increase over the prior periods was primarily due to downgrade of four residential real estate loans totaling $4.2 million and two commercial real estate loans totaling $4.3 million.

Deposits. Average total deposits were $3.681 billion for the second quarter of 2025, an increase of $15.2 million, or 0.4%, over the first quarter of 2025 and an increase of $80.3 million, or 2.2%, over the fourth quarter of 2024. At June 30, 2025, total deposits were $3.705 billion, a decrease of $79.0 million, or 2.1%, from March 31, 2025, and an increase of $32.9 million, or 0.9%, over December 31, 2024. Public funds totaled $596.6 million at June 30, 2025, $648.0 million at March 31, 2025, and $660.9 million at December 31, 2024.

Capital. At June 30, 2025, we were "well-capitalized" with a total risk-based capital ratio of 19.60% and a tangible common equity ratio (a non-GAAP financial measure) of 10.09% compared to 19.20% and 9.61%, respectively, at March 31, 2025 and 18.64% and 9.51%, respectively, at December 31, 2024. At June 30, 2025, all of our regulatory capital ratios exceeded the threshold to be "well-capitalized" under the Basel III capital standards.

RESULTS OF OPERATIONS

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

	Three Months Ended			**Six Months Ended**	
(Dollars in Thousands, except per share data)	**June 30, 2025**	**March 31, 2025**	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
Interest Income	$ 51,459	$ 49,782	$ 48,766	$ 101,241	$ 95,586
Taxable Equivalent Adjustments	44	44	65	88	145
Total Interest Income (FTE)	51,503	49,826	48,831	101,329	95,731
Interest Expense	8,275	8,235	9,497	16,510	17,962
Net Interest Income (FTE)	43,228	41,591	39,334	84,819	77,769
Provision for Credit Losses	620	768	1,204	1,388	2,124
Taxable Equivalent Adjustments	44	44	65	88	145
Net Interest Income After Provision for Credit Losses	42,564	40,779	38,065	83,343	75,500
Noninterest Income	20,014	19,907	19,606	39,921	37,703
Noninterest Expense	42,538	38,701	40,441	81,239	80,612
Income Before Income Taxes	20,040	21,985	17,230	42,025	32,591
Income Tax Expense	4,996	5,127	3,189	10,123	6,725
Pre-Tax Loss Attributable to Noncontrolling Interest	-	-	109	-	841
Net Income Attributable to Common Shareowners	$ 15,044	$ 16,858	$ 14,150	$ 31,902	$ 26,707
Basic Net Income Per Share	$ 0.88	$ 0.99	$ 0.84	$ 1.87	$ 1.58
Diluted Net Income Per Share	$ 0.88	$ 0.99	$ 0.83	$ 1.87	$ 1.57

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 second quarter of 2025 totaled $43.2 million compared to $41.6 million for the first quarter of 2025 and $39.3 million for the second quarter of 2024. Compared to the first quarter of 2025, the increase was driven by a $0.9 million increase in investment securities income and a $0.4 million increase in overnight funds income. One additional calendar day in the second quarter of 2025 contributed to the increase. Compared to the second quarter of 2024, the increase was primarily due to a $2.7 million increase in investment securities income and a $1.2 million decrease in deposit interest expense. New investment purchases at higher yields drove the increase in investment securities income for both prior period comparisons. Further, the decrease in deposit interest expense from the prior year period reflected the gradual decrease in our deposit rates, as short term rates began declining in the second half of 2024.

For the first six months of 2025, tax-equivalent net interest income totaled $84.8 million compared to $77.8 million for the same period of 2024 with the increase primarily attributable to a $4.2 million increase in investment securities income, a $1.9 million increase in overnight funds income, and a $1.4 million decrease in deposit interest expense. New investment purchases at higher yields drove the increase in investment securities income. Higher average deposit balances contributed to the increase in overnight funds income. The decrease in deposit interest expense reflected the aforementioned decrease in our deposit rates.

Our net interest margin for the second quarter of 2025 was 4.30%, an increase of eight basis points over the first quarter of 2025 and an increase of 28 basis points over the second quarter of 2024. For the month of June 2025, our net interest margin was 4.36%. For the first six months of 2025, our net interest margin increased by 25 basis points to 4.26% compared to the same period of 2024. The increase in net interest margin over all prior periods reflected a higher yield in the investment portfolio driven by new purchases at higher yields. Lower deposit cost also contributed to the improvement over both prior year periods. For the second quarter of 2025, our cost of funds was 82 basis points, a decrease of two basis points from the first quarter of 2025 and a 15-basis point decrease from the second quarter of 2024. Our cost of deposits (including noninterest bearing accounts) was 81 basis points, 82 basis points, and 95 basis points, respectively, for the same periods.

Provision for Credit Losses

We recorded a provision expense for credit losses of $0.6 million for the second quarter of 2025 compared to $0.8 million for the first quarter of 2025 and $1.2 million for the second quarter of 2024. For the first six months of 2025, we recorded a provision expense for credit losses of $1.4 million compared to $2.1 million for the first six months of 2024. For the second quarter of 2025, the provision reflected an expense of $0.7 million for loans HFI and a benefit of $0.1 million for unfunded loan commitments. This compares to a $1.1 million expense for loans HFI, and $0.3 million benefit for the first quarter of 2025, and a $1.1 million expense for loans HFI and $0.1 million expense for debt securities in the second quarter of 2024. For the first six months of 2025, the provision reflected a $1.8 million expense for loans HFI and a $0.4 million benefit for unfunded loan commitments compared to a $2.1 million expense for loans HFI, $0.1 million for debt securities, and a $0.1 million benefit for unfunded loan commitments for the first six months of 2024. We discuss the various factors that impacted our provision expense in further detail below under the heading Allowance for Credit Losses.

Noninterest Income

Noninterest income for the second quarter of 2025 totaled $20.0 million compared to $19.9 million for the first quarter of 2025 and $19.6 million for the second quarter of 2024. The $0.1 million, or 0.5%, increase over the first quarter of 2025 was primarily due to a $0.4 million increase in mortgage banking revenues and a $0.3 million increase in deposit fees, partially offset by a $0.6 million decrease in wealth management fees. The decrease in wealth management fees reflected lower insurance commission revenues. Compared to the second quarter of 2024, the $0.4 million, or 2.1%, increase was primarily due to a $0.8 million increase in wealth management fees, partially offset by a $0.2 million decrease in mortgage banking revenues and a $0.1 million decrease in other income. The increase in wealth management fees reflected increases in trust fees of $0.5 million and retail brokerage fees of $0.4 million.

For the first six months of 2025, noninterest income totaled $39.9 million compared to $37.7 million for the same period of 2024, primarily attributable to a $1.8 million increase in wealth management fees and a $0.7 million increase in mortgage banking revenues that was partially offset by a $0.2 million decrease in deposit fees. The increase in wealth management fees reflected increases in retail brokerage fees of $1.0 million, trust fees of $0.7 million, and insurance commission revenue of $0.1 million. The increases in retail brokerage and trust fees were attributable to a combination of new business, higher account valuations, and fee increases implemented in early 2025. The increase in mortgage banking revenues was due to a higher gain on sale margin.

Noninterest income represented 31.7% of operating revenues (net interest income plus noninterest income) in the second quarter of 2025 compared to 32.4% in the first quarter of 2025 and 33.3% in the second quarter of 2024. For the first six months of 2025, noninterest income represented 32.0% of operating revenues compared to 32.7% for the same period of 2024.

The table below reflects the major components of noninterest income.

	Three Months Ended			Six Months Ended	
(Dollars in Thousands)	**June 30, 2025**	**March 31, 2025**	**June 30, 2024**	**June 30, 2025**	**June 30, 2024**
Deposit Fees	$ 5,320	$ 5,061	$ 5,377	$ 10,381	$ 10,627
Bank Card Fees	3,774	3,514	3,766	7,288	7,386
Wealth Management Fees	5,206	5,763	4,439	10,969	9,121
Mortgage Banking Revenues	4,190	3,820	4,381	8,010	7,259
Other	1,524	1,749	1,643	3,273	3,310
Total Noninterest Income	$ 20,014	$ 19,907	$ 19,606	$ 39,921	$ 37,703

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

Deposit Fees. Deposit fees for the second quarter of 2025 totaled $5.3 million, an increase of $0.3 million, or 5.1%, over the first quarter of 2025, and a decrease of $0.1 million from the second quarter of 2024. For the first six months of 2025, deposit fees totaled $10.4 million, a decrease of $0.2 million, or 2.3%, from the same period of 2024. Compared to the first quarter of 2025, the increase was driven by higher account maintenance and overdraft fees. The decrease from both prior year periods reflected lower overdraft fees and commercial account analysis fee income that was partially offset by higher account maintenance fees.

Bank Card Fees. Bank card fees for the second quarter of 2025 totaled $3.8 million, an increase of $0.3 million, or 7.4%, over the first quarter of 2025, and comparable to the second quarter of 2024. For the first six months of 2025, bank card fees totaled $7.3 million, a decrease of $0.1 million, or 1.3%, from the same period of 2024. Compared to the first quarter of 2025, the increase reflected growth in new checking accounts. The decrease from the prior year periods reflected lower debit card utilization as consumer spending patterns normalize.

Wealth Management Fees. Wealth management fees include trust fees through Capital City Trust (i.e., managed accounts and trusts/estates), retail brokerage fees through Capital City Investments (i.e., investment, insurance products, and retirement accounts), and financial advisory fees through Capital City Strategic Wealth (i.e., including the sale of life insurance, risk management and asset protection services). Wealth management fees for the second quarter of 2025 totaled $5.2 million, a decrease of $0.6 million, or 9.7%, from the first quarter of 2025, and an increase of $0.8 million, or 17.3%, over the second quarter of 2024. Compared to the first quarter of 2025, the decrease reflected lower insurance commission revenue. For the first six months of 2025, wealth management fees totaled $11.0 million, an increase of $1.8 million, or 20.3%, over the same period of 2024, and reflected a $1.0 million increase in retail brokerage fees, a $0.7 million increase in trust fees, and a $0.1 million increase insurance commission revenue. At June 30, 2025, total assets under management were approximately $3.192 billion compared to $3.068 billion at March 31, 2025 and $3.049 billion at December 31, 2024. Compared to the prior periods, the growth in assets under management was primarily due to new retail brokerage accounts and to a lesser extent new managed trust accounts.

Mortgage Banking Revenues. Mortgage banking revenues totaled $4.2 million for the second quarter of 2025, an increase of $0.4 million, or 9.7%, over the first quarter of 2025 and a decrease of $0.2 million, or 4.4%, from the second quarter of 2024. For the first six months of 2025, mortgage banking revenues totaled $8.0 million compared to $7.3 million for the same period of 2024. The increase compared to the first quarter of 2025 was attributable to higher loan sale volume. A higher gain on sale margin drove the favorable variance for the six month period comparison. 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 $1.5 million for the second quarter of 2025, a decrease of $0.2 million, or 12.9%, from the first quarter of 2025, and a decrease of $0.1 million, or 7.2%, from the second quarter of 2024. For the first six months of 2025, other income totaled $3.3 million, comparable to the same period of 2024. The decrease from the first quarter of 2025 was primarily attributable to decreases in loan servicing income and miscellaneous income.

Noninterest Expense

Noninterest expense for the second quarter of 2025 totaled $42.5 million compared to $38.7 million for the first quarter of 2025 and $40.4 million for the second quarter of 2024. The $3.8 million, or 9.9%, increase over the first quarter of 2025, reflected a $3.3 million increase in other expense, a $0.3 million increase in occupancy expense, and a $0.2 million increase in compensation expense. The increase in other expense was driven by a $4.5 million increase in other real estate expense which reflected lower gains from the sale of banking facilities, primarily the sale of our operations center building in the first quarter of 2025, partially offset by a $0.5 million decrease in charitable contribution expense and a $0.6 million decrease in miscellaneous expense. Compared to the second quarter of 2024, the $2.1 million, or 5.2%, increase was primarily due to a $2.1 million increase in compensation expense which reflected a $1.3 million increase in salary expense and a $0.8 million increase in associate benefit expense.

For the first six months of 2025, noninterest expense totaled $81.2 million compared to $80.6 million for the same period of 2024 with the $0.6 million, or 0.8%, increase due to a $3.9 million increase in compensation expense that was partially offset by a $3.2 million decrease in other expense and a $0.1 million decrease in occupancy expense. The increase in compensation was due to a $2.5 million increase in salary expense and a $1.4 million increase in associate benefit expense. The decrease in other expense was primarily due to a $4.5 million decrease in other real estate expense due to lower gains from the sale of banking facilities, and a $1.0 million decrease in miscellaneous expense (non-service component of pension expense), partially offset by increases in processing expense of $1.1 million (outsource of core processing system), charitable contribution expense of $0.7 million, and professional fees of $0.5 million.

The table below reflects the major components of noninterest expense.

	Three Months Ended			Six Months Ended	
(Dollars in Thousands)	June 30, 2025	March 31, 2025	June 30, 2024	June 30, 2025	June 30, 2024
Salaries	$ 22,013	$ 21,883	$ 20,754	$ 43,896	$ 41,358
Associate Benefits	4,477	4,365	3,652	8,842	7,455
Total Compensation	26,490	26,248	24,406	52,738	48,813
Premises	3,272	3,172	3,043	6,444	6,216
Equipment	3,799	3,621	3,954	7,420	7,775
Total Occupancy	7,071	6,793	6,997	13,864	13,991
Legal Fees	480	504	430	984	865
Professional Fees	1,518	1,622	1,340	3,140	2,598
Processing Services	2,491	2,469	1,938	4,960	3,771
Advertising	801	838	851	1,639	1,666
Telephone	714	719	718	1,433	1,427
Insurance – Other	757	732	749	1,489	1,664
Other Real Estate Owned, net	21	(4,470)	19	(4,449)	37
Pension - Other	(872)	(873)	(419)	(1,745)	(838)
Miscellaneous	3,067	4,119	3,412	7,186	6,618
Total Other	8,977	5,660	9,038	14,637	17,808
Total Noninterest Expense	$ 42,538	$ 38,701	$ 40,441	$ 81,239	$ 80,612

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

Compensation. Compensation expense totaled $26.5 million for the second quarter of 2025, a $0.2 million, or 0.9%, increase over the first quarter of 2025 and a $2.1 million, or 8.5%, increase over the second quarter of 2024. The increase over the first quarter of 2025 reflected a $0.1 million increase in salary expense and a $0.1 million increase in associate benefit expense. Compared to the second quarter of 2024, the $2.1 million, or 8.5%, increase reflected a $1.3 million increase in salary expense and a $0.8 million increase in associate benefit expense. The increase in salary expense was primarily due to increases in incentive plan expense of $0.9 million and base salaries of $0.4 million (merit-based). The increase in associate benefit expense was attributable to a $0.6 million increase in associate insurance expense and a $0.2 million increase in stock compensation expense. For the first six months of 2025, compensation expense totaled $52.7 million compared to $48.8 million for the same period of 2024 with the $3.9 million increase attributable to a $2.5 million increase in salary expense and a $1.4 million increase in associate benefit expense. The increase in salary expense was primarily due to increases in incentive plan expense of $1.2 million, base salaries of $0.9 million (merit-based), and commissions of $0.7 million (retail brokerage and mortgage). The increase in associate benefit expense was attributable to a higher cost for associate insurance.

Occupancy. Occupancy expense totaled $7.1 million for the second quarter of 2025, a $0.3 million, or 4.1%, increase over the first quarter of 2025 and a $0.1 million, or 1.1%, increase over the second quarter of 2024. For the first six months of 2025, occupancy expense totaled $13.9 million compared to $14.0 million for the same period of 2024. Compared to the first quarter of 2025, the increase was primarily due to higher expense for maintenance agreements and banking office leases.

Other. Other expense totaled $9.0 million for the second quarter of 2025 compared to $5.7 million for the first quarter of 2025 and $9.0 million for the second quarter of 2024. For the first six months of 2025, other expense totaled $14.6 million compared to $17.8 million for the same period of 2024. Compared to the first quarter of 2025, the $3.3 million increase was driven by a $4.5 million increase in other real estate expense which reflected lower gains from the sale of banking facilities, primarily the sale of our operations center building in the first quarter of 2025, partially offset by a $0.5 million decrease in charitable contribution expense and a $0.6 million decrease in miscellaneous expense.

Our operating efficiency ratio (expressed as noninterest expense as a percentage of the sum of taxable-equivalent net interest income plus noninterest income) was 67.26% for the second quarter of 2025 compared to 62.93% for the first quarter of 2025 and 68.61% for the second quarter of 2024. For the first six months of 2025, this ratio was 65.13% compared to 69.81% for the same period of 2024.

Income Taxes

We realized income tax expense of $5.0 million (effective rate of 24.9%) for the second quarter of 2025 compared to $5.1 million (effective rate of 23.3%) for the first quarter of 2025 and $3.2 million (effective rate of 18.5%) for the second quarter of 2024. For the first six months of 2025, we realized income tax expense of $10.1 million (effective rate of 24.1%) compared to $6.7 million (effective rate of 20.6%) for the same period of 2024. A lower level of tax benefit accrued from a solar tax credit equity fund drove the increase in our effective tax rate for all prior period comparisons. Absent discrete items or new tax credit investments, we expect our annual effective tax rate to approximate 24% for 2025.

FINANCIAL CONDITION

Average earning assets totaled $4.032 billion for the second quarter of 2025, an increase of $38.1 million, or 1.0%, over the first quarter of 2025, and an increase of $110.1 million, or 2.8%, over the fourth quarter of 2024. The increase over both prior periods was driven by higher average deposit balances (see below – *Deposits*). Compared to the first quarter of 2025, the change in the earning asset mix reflected a $27.8 million increase in overnight funds and a $25.7 million increase in investment securities that was partially offset by a $13.3 million decrease in loans held for investment (“HFI”) and a $2.1 million decrease in loans held for sale (“HFS”). Compared to the fourth quarter of 2024, the change in the earning asset mix reflected a $92.8 million increase in investment securities and a $50.5 million increase in overnight funds sold partially offset by a $24.8 million decrease in loans HFI and a $8.4 million decrease in loans HFS.

Investment Securities

Average investments totaled $1.008 billion, a $25.7 million, or 2.6%, increase over the first quarter of 2025 and $92.8 million, or 10.1%, increase over the fourth quarter of 2024. Our investment portfolio represented 25.0% of our average earning assets for the second quarter of 2025 compared to 24.6% for the first quarter of 2025 and 23.3% for the fourth quarter of 2024. For the remainder of 2025, 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 flow 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 June 30, 2025, $462.6 million, or 46.3%, of the investment portfolio was classified as HTM and $533.5 million, or 53.4%, was classified as AFS. The average maturity of our total portfolio at June 30, 2025 was 2.66 years compared to 2.64 years at March 31, 2025 and 2.54 years at December 31, 2024. The duration of our investment portfolio at June 30, 2025 was 2.14 years compared to 2.10 years at March 31, 2025 and 2.19 years at December 31, 2024. 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 shareowners’ equity. HTM securities are acquired or owned with the intent of holding them to maturity. HTM investments are measured at amortized cost. We do not trade, nor do we presently intend to begin trading investment securities for the purpose of recognizing gains and therefore we do not maintain a trading portfolio.

At June 30, 2025, there were 788 positions (combined AFS and HTM) with unrealized losses pre-tax totaling $33.0 million. 48 of these positions are U.S. Treasury bonds and carry the full faith and credit of the U.S. Government. 650 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. At June 30, 2025, all collateralized mortgage obligation securities, mortgage-backed securities, Small Business Administration securities, U.S. Agency, and U.S. Treasury bonds held were AAA rated. The remaining 90 positions (municipal securities and corporate bonds) have a credit component. At June 30, 2025, corporate debt securities had an allowance for credit losses of $69,000 and municipal securities had an allowance of less than $1,000. None of the securities held by the Company were past due or in nonaccrual status at June 30, 2025.

Loans HFI

Average loans HFI decreased by $13.3 million, or 0.5%, from the first quarter of 2025 and decreased by $24.8 million, or 0.9%, from the fourth quarter of 2024. Compared to the first quarter of 2025, the decrease was due to decreases in construction loans of $24.6 million, consumer loans (primarily indirect auto) of $1.9 million, and commercial loans of $3.4 million, partially offset by increases to residential real estate loans of $10.2 million, commercial real estate loans of $2.1 million, and home equity loans of $4.1 million. Compared to the fourth quarter of 2024, the decline was primarily attributable to decreases in construction loans of $33.2 million, commercial loans of $9.2 million, and consumer loans (primarily indirect auto) of $4.0 million, partially offset by increases in home equity loans of $10.8 million, residential real estate loans of $9.9 million, and commercial real estate loans of $1.9 million.

Loans HFI at June 30, 2025 decreased by $29.3 million, or 1.1%, from March 31, 2025 and decreased by $20.1 million, or 0.8%, from December 31, 2024. Compared to the first quarter of 2025, the decline was primarily due to decreases in construction loans of $18.2 million, consumer loans (primarily indirect auto) of $8.7 million, commercial loans of $4.4 million, and commercial real estate loans of $4.4 million, partially offset by increases in residential real estate loans of $5.8 million and home equity loans of $2.2 million. Compared to December 31, 2024, the decrease was primarily attributable to decreases in construction loans of $45.9 million, commercial loans of $9.2 million, and consumer loans (primarily indirect auto) of $2.0 million, partially offset by increases in commercial real estate loans of $23.4 million, residential real estate loans of $17.9 million, and home equity loans of $8.1 million.

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

Credit Quality

Nonperforming assets (nonaccrual loans and other real estate) totaled $6.6 million at June 30, 2025 compared to $4.4 million at March 31, 2025 and $6.7 million at December 31, 2024. At June 30, 2025, nonperforming assets as a percentage of total assets was 0.15%, compared to 0.10% at March 31, 2025 and 0.15% at December 31, 2024. Nonaccrual loans totaled $6.4 million at June 30, 2025, a $2.2 million increase over March 31, 2025 and a $0.1 million increase over December 31, 2024 with the increase over the first quarter of 2025 primarily attributable to two home equity loans totaling $1.8 million. Classified loans totaled $28.6 million at June 30, 2025, a $9.4 million increase over March 31, 2025 and a $8.7 million increase over December 31, 2024. The increase over the prior periods was primarily due to the downgrade of four residential real estate loans totaling $4.2 million and two commercial real estate loans totaling $4.3 million.

Allowance for Credit Losses

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

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

At June 30, 2025, the allowance for credit losses for loans HFI totaled $29.9 million compared to $29.7 million at March 31, 2025 and $29.3 million at December 31, 2024. Activity within the allowance is provided in Note 3 – Loans Held for Investment and Allowance for Credit Losses in the Notes to Consolidated Financial Statements. The slight increase in the allowance over March 31, 2025 and December 31, 2024 was primarily attributable to qualitative factor adjustments that were partially offset by lower loan balances. Net loan charge-offs for both the second quarter of 2025 and the first quarter of 2025 were comparable at nine basis points of average loans. At June 30, 2025, the allowance represented 1.13% of loans HFI compared to 1.12% at March 31, 2025, and 1.10% at December 31, 2024.

At June 30, 2025, the allowance for credit losses for unfunded commitments totaled $1.7 million compared to $1.8 million and $2.2 million at March 31, 2025 and December 31, 2024, respectively. The decline in the allowance for unfunded commitments from March 31, 2025 and December 31, 2024 reflected a lower level of unfunded loan commitments. The allowance for unfunded commitments is recorded in other liabilities.

Deposits

Average total deposits were $3.681 billion for the second quarter of 2025, an increase of $15.2 million, or 0.4%, over the first quarter of 2025 and an increase of $80.3 million, or 2.2%, over the fourth quarter of 2024. Compared to the first quarter of 2025, the increase was attributable to higher core deposit balances (primarily noninterest bearing checking and money market), partially offset by a decline in public funds balances (primarily NOW accounts) due to the seasonal reduction in those balances. The increase over the fourth quarter of 2024 reflected strong growth in core deposit balances and a seasonal increase in public funds balances (primarily NOW) which are received/deposited by those clients starting in December and peak on average in the first quarter.

At June 30, 2025, total deposits were $3.705 billion, a decrease of $79.0 million, or 2.1%, from March 31, 2025, and an increase of $32.9 million, or 0.9%, over December 31, 2024. The decrease from March 31, 2025 was primarily due to a seasonal decline in public funds balances, (primarily money market and noninterest bearing). The increase over December 31, 2024 reflected higher core deposit balances, primarily noninterest bearing accounts. Public funds totaled $596.6 million at June 30, 2025, $648.0 million at March 31, 2025, and $660.9 million at December 31, 2024.

Business deposit transaction accounts classified as repurchase agreements averaged $22.6 million for the second quarter of 2025, a decrease of $7.3 million from the first quarter of 2025 and a decrease of $5.5 million from the fourth quarter of 2024. At June 30, 2025, repurchase agreement balances were $21.8 million compared to $22.8 million at March 31, 2025 and $26.2 million at December 31, 2024.

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 embedded 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 400bp 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

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%
June 30, 2025	19.2%	14.4%	9.6%	5.0%	-5.3%	-11.1%	-17.5%	-23.3%
March 31, 2025	17.3%	13.0%	8.7%	4.5%	-4.7%	-9.8%	-15.3%	-20.9%

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%
June 30, 2025	39.3%	31.0%	22.5%	14.4%	-3.8%	-14.4%	-26.2%	-37.0%
March 31, 2025	39.1%	31.1%	23.0%	15.2%	-1.9%	-11.7%	-22.5%	-32.8%

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 first quarter of 2025, these metrics generally became more favorable in the rising rate scenarios and less favorable in the falling rate scenarios primarily due to the increase in loan prepayment speed assumptions. The instantaneous parallel rate shock results over the next 12-month and 24-month periods are outside of policy in the rates down 200 bps, 300 bps, and 400 bps scenarios largely due to the limited ability to decrease deposit rates the full extent of this rate change, and to a lesser extent the increase in variable rate overnight funds.

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

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%
June 30, 2025	29.4%	23.9%	17.1%	9.2%	-11.5%	-23.9%	-34.8%	-40.8%
March 31, 2025	29.0%	23.7%	17.1%	9.3%	-11.2%	-23.1%	-33.7%	-40.3%
EVE Ratio (policy minimum 5.0%)	31.6%	29.7%	27.6%	25.4%	19.9%	16.8%	14.2%	12.8%

At June 30, 2025, the economic value of equity was favorable in all rising rate environments and unfavorable in the falling rate environments. Compared to March 31, 2025, EVE metrics remained stable. EVE is currently in compliance with policy in all rate scenarios as the EVE ratio exceeds the policy minimum of 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 June 30, 2025, we had the ability to generate approximately $1.603 billion (excludes overnight funds position of $395 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. We believe the liquidity available to us at June 30, 2025 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. Our portfolio consists of debt issued by the U.S. Treasury, U.S. governmental agencies, municipal governments, and corporate entities. Additional information on our investment portfolio is provided within Note 2 – Investment Securities.

The Bank maintained an average net overnight funds (i.e., deposits with banks plus FED funds sold less FED funds purchased) sold position of $348.8 million in the second quarter of 2025 compared to $320.9 million in the first quarter of 2025 and $298.3 million in the fourth quarter of 2024. Compared to both prior periods, the increase reflected higher average deposits and lower average loans.

We expect our capital expenditures will be approximately $10.0 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 $33.1 million for the second quarter of 2025 compared to $37.3 million for the first quarter of 2025 and $34.5 million for the fourth quarter of 2024. The decrease from both prior periods reflected lower repurchase agreement balances, partially offset by an increase in mortgage warehouse borrowings. Additional detail on 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. In the second quarter of 2025, we made a principal payment of $5.1 million on this note. The second note for $32.0 million was issued to CCBG Capital Trust II in May 2005. In the second quarter of 2025, we made a principal payment of $5.1 million on this note. 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.

In 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 34. At June 30, 2025, our regulatory capital ratios exceeded the threshold to be designated as "well-capitalized" under the Basel III capital standards.

Shareowners' equity was $526.4 million at June 30, 2025 compared to $512.6 million at March 31, 2025 and $495.3 million at December 31, 2024. For the first six months of 2025, shareowners' equity was positively impacted by net income attributable to shareowners of $31.9 million, a net $5.5 million decrease in the accumulated other comprehensive loss, the issuance of common stock of $2.8 million, and stock compensation accretion of $0.9 million. The net favorable change in accumulated other comprehensive loss reflected a $6.4 million decrease in the investment securities loss that was partially offset by a $0.9 million decrease in the fair value of the interest rate swap related to subordinated debt. Shareowners' equity was reduced by common stock dividends of $8.2 million ($0.48 per share) and net adjustments totaling $1.8 million related to transactions under our stock compensation plans.

At June 30, 2025, our total risk-based capital ratio was 19.60% compared to 19.20% at March 31, 2025 and 18.64% at December 31, 2024. Our common equity tier 1 capital ratio was 16.81%, 16.08%, and 15.54%, respectively, on these dates. Our leverage ratio was 11.14%, 11.17%, and 11.05%, respectively, on these dates. At June 30, 2025, 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 10.09% at June 30, 2025 compared to 9.61% and 9.51% at March 31, 2025 and December 31, 2024, respectively. If the unrealized loss for held-to-maturity securities of $9.9 million (after-tax) was recognized in accumulated other comprehensive loss, our adjusted tangible capital ratio would be 9.86%.

Our tangible capital ratio is also impacted by the recording of our unfunded pension liability through other comprehensive income in accordance with Accounting Standards Codification Topic 715. At June 30, 2025, the net pension asset reflected in other comprehensive loss was $9.7 million comparable to March 31, 2025 and December 31, 2024. 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, Item7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of our 2024 Form 10-K.

OFF-BALANCE SHEET ARRANGEMENTS

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

At June 30, 2025, we had $672.3 million in commitments to extend credit and $7.4 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 $1.7 million at June 30, 2025.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in our 2024 Form 10-K. The preparation of our Consolidated Financial Statements in accordance with GAAP and reporting practices applicable to the banking industry requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates.

We have identified accounting for (i) the allowance for credit losses, (ii) 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 2024 Form 10-K.

TABLE I

AVERAGE BALANCES & INTEREST RATES (UNAUDITED)

	Three Months Ended June 30,						**Six Months Ended June 30,**					
	2025			**2024**			**2025**			**2024**		
(Dollars in Thousands)	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Assets:												
Loans Held for Sale	$ 22,668	$ 475	8.40%	$ 26,281	$ 517	5.26%	$ 23,692	$ 965	8.21%	$ 26,797	$ 1,080	5.62%
Loans Held for Investment[(1)(2)]	2,652,572	40,436	6.11	2,726,748	40,683	6.03	2,659,204	80,465	6.10	2,727,688	80,879	5.99
Taxable Securities	1,006,514	6,666	2.65	918,989	3,998	1.74	994,068	12,468	2.52	935,658	8,237	1.76
Tax-Exempt Securities[(2)]	1,467	17	4.50	843	9	4.36	1,158	26	4.43	850	18	4.35
Federal Funds Sold and Interest Bearing Deposits	348,787	3,909	4.49	262,419	3,624	5.56	334,944	7,405	4.46	201,454	5,517	5.51
Total Earning Assets	4,032,008	51,503	5.12%	3,935,280	48,831	4.99%	4,013,066	101,329	5.09%	3,892,447	95,731	4.94%
Cash & Due From Banks	65,761			74,803			69,593			75,283		
Allowance For Credit Losses	(30,492)			(29,564)			(30,251)			(29,797)		
Other Assets	302,984			291,669			300,336			293,473		
TOTAL ASSETS	$ 4,370,261			$ 4,272,188			$ 4,352,744			$ 4,231,406		
Liabilities:												
Noninterest Bearing Deposits	1,342,304			1,346,546			1,329,933			1,345,367		
NOW Accounts	$ 1,225,697	$ 3,750	1.23%	$ 1,207,643	$ 4,425	1.47%	$ 1,237,759	$ 7,604	1.24%	$ 1,204,337	$ 8,922	1.49%
Money Market Accounts	431,774	2,340	2.17	407,387	2,752	2.72	425,949	4,527	2.14	380,489	4,737	2.50
Savings Accounts	507,950	174	0.14	519,374	176	0.14	507,813	350	0.14	529,374	364	0.14
Other Time Deposits	172,982	1,141	2.65	160,078	1,226	3.08	171,682	2,307	2.71	149,203	2,150	2.90
Total Interest Bearing Deposits	2,338,403	7,405	1.27	2,294,482	8,579	1.50	2,343,203	14,788	1.27	2,263,403	16,173	1.44
Total Deposits	3,680,707	7,405	0.81	3,641,028	8,579	0.95	3,673,136	14,788	0.81	3,608,770	16,173	0.90
Repurchase Agreements	22,557	156	2.78	26,999	217	3.24	26,169	320	2.47	26,362	418	3.19
Other Short-Term Borrowings	10,503	179	6.82	6,592	68	4.16	8,978	296	6.64	5,176	107	4.16
Subordinated Notes Payable	51,981	530	4.03	52,887	630	4.71	52,432	1,090	4.13	52,887	1,258	4.70
Other Long-Term Borrowings	792	5	2.41	258	3	4.31	793	16	4.04	270	6	4.56
Total Interest Bearing Liabilities	2,424,236	8,275	1.37%	2,381,218	9,497	1.60%	2,431,575	16,510	1.37%	2,348,098	17,962	1.54%
Other Liabilities	76,138			72,634			70,705			70,464		
TOTAL LIABILITIES	3,842,678			3,800,398			3,832,213			3,763,929		
Temporary Equity	-			6,493			-			6,821		
TOTAL SHAREOWNERS' EQUITY	527,583			465,297			520,531			460,656		
TOTAL LIABILITIES, TEMPORARY AND SHAREOWNERS' EQUITY	$ 4,370,261			$ 4,272,188			$ 4,352,744			$ 4,231,406		
Interest Rate Spread			3.75%			3.38%			3.72%			3.40%
Net Interest Income		$ 43,228			$ 39,334			$ 84,819			$ 77,769	
Net Interest Margin[(3)]			4.30%			4.02%			4.26%			4.01%

[(1)]Average Balances include net loan fees, discounts and premiums and nonaccrual loans. Interest income includes loan costs of $0.3 million and $0.7 million for the three and six months ended June 30, 2025, and net loan fees of $0.2 and $0.3 million for the three and six month periods ended June 30, 2024.

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

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See “Market Risk and Interest Rate Sensitivity” in Management’s Discussion and Analysis of Financial Condition and Results of Operations, above, which is incorporated herein by reference. Management has determined that no additional disclosures are necessary to assess changes in information about market risk that have occurred since December 31, 2024.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

At June 30, 2025, 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 effective.

Our management, including our Chief Executive Officer and Chief Financial Officer, has reviewed our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934). During the quarter ended June 30, 2025, 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 2024 Form 10-K, as updated in our subsequent quarterly reports. The risks described in our 2024 Form 10-K, and our subsequent quarterly reports are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None.

Item 3. Defaults Upon Senior Securities
None.

Item 4. Mine Safety Disclosure
Not Applicable.

Item 5. Other Information

(c) Rule 10b5-1 Trading Plans

During the three months ended June 30, 2025, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted, modified 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

3.1	Amended and Restated Articles of Incorporation - incorporated herein by reference to Exhibit 3.1 of the Registrant's Form 8-K (filed 5/3/21) (No. 0-13358).
3.2	Amended and Restated Bylaws - incorporated herein by reference to Exhibit 3.1 of the Registrant's Form 8-K (filed 12/20/2024) (No. 0-13358).
31.1	Certification of William G Smith, Jr., Chairman 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 Jeptha 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 and Chief Executive Officer of Capital City Bank Group, Inc., Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Jeptha 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/ Jeptha E. Larkin
Jeptha 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 31, 2025

Exhibit 31.1

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

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

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

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

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

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

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

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

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

Date: July 31, 2025

Exhibit 31.2

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

I, Jeptha 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/ Jeptha E. Larkin
Jeptha E. Larkin
Executive Vice President and
Chief Financial Officer

Date: July 31, 2025

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 and Chief Executive Officer of Capital City Bank Group, Inc., hereby certify that to my knowledge (1) this Quarterly Report of the Company on Form 10-Q for the period ended June 30, 2025, 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 and Chief Executive Officer

Date: July 31, 2025

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, Jeptha 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 June 30, 2025, 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/ Jeptha E. Larkin
Jeptha E. Larkin
Executive Vice President and
Chief Financial Officer

Date: July 31, 2025

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.