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

FORM 10-Q/A
(Amendment No.1)

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

For the Quarterly Period Ended March 31, 2023

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 [ ] No [X]

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 [ ] No [X]

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 April 28, 2023, 17,021,748 shares of the Registrant's Common Stock, $.01 par value, were outstanding.

EXPLANATORY NOTE

Capital City Bank Group, Inc. (the “Company”) is filing this Amendment No. 1 on Form 10-Q/A (the “Amendment” or “Form 10-Q/A”) to amend and restate certain items in its Quarterly Report on Form 10-Q for the three months ended March 31, 2023, originally filed with the U.S. Securities and Exchange Commission (the “SEC”) on May 1, 2023 (the “Original Form 10-Q”). Except as described below, no other information included in the Original Form 10-Q is being amended or updated by this Amendment and this Amendment does not purport to reflect any information or events subsequent to the Original Form 10-Q.

Restatement Background

As previously disclosed in the Company’s Current Report on Form 8-K filed with the SEC on November 13, 2023, the Company identified certain inter-company transactions between its subsidiaries, Capital City Home Loans Inc. (“CCHL”), and Capital City Bank (“CCB” or “the Bank”), involving residential mortgage loan purchases that were not properly recorded. The inaccuracies materially impacted the Company’s previously issued financial statements as of and for the annual period ended December 31, 2022, the three months ended March 31, 2022 and 2023, the three and six months ended June 30, 2022 and 2023, and the three and nine months ended September 30, 2022 (the “Impacted Financials”). In connection with these transactions, CCHL recorded mortgage banking revenue and a mortgage servicing right. On an ongoing basis, CCHL recognized noninterest income for servicing these loans on behalf of CCB.

Because these inter-company transactions were not properly eliminated and net loan fees were not properly recorded, management, after discussion with the Company’s independent registered public accounting firm, FORVIS, LLP (“FORVIS”), and the chair of the Audit Committee of the Company’s Board of Directors, determined that the Impacted Financials should no longer be relied upon, and certain consolidated statement of financial condition line items, including loans, other assets, other liabilities, and equity, and consolidated statement of income line items, including mortgage banking revenues, loan interest income, compensation expense, other income, income taxes, and net income, needed to be restated. For additional information on the restatements, see “Part I – Item 1 Financial Information – Note 1 – Restatement of Previously Issued Consolidated Financial Statements” in this Form 10-Q/A.

The Company determined that it would file amendments to the Annual Report on Form 10-K for the year ended December 31, 2022, the Original Form 10-Q, and its Quarterly Report on Form 10-Q for the three and six months ended June 30, 2023, including restated financial statements and related disclosures (collectively, the “Amended Reports”). All material restatement information will be included in the Amended Reports, and we do not intend to separately amend the Quarterly Reports on Form 10-Q that the Company has previously filed with the SEC for the three months ended March 31, 2022, the three and six months ended June 30, 2022, and the three and nine months ended September 30, 2022 (collectively, the “2022 Form 10-Qs”). As a result, the 2022 Form 10-Qs should no longer be relied upon.

Restatement of Previously Issued Consolidated Financial Statements

This Form 10-Q/A includes unaudited restated consolidated financial statements as of March 31, 2023 and for the three-month period ended March 31, 2023, and the audited restated consolidated statements of financial condition as of December 31, 2022. In addition to correcting the accounting treatment for the inter-company transactions described above, the restated consolidated financial statements included herein also correct previously identified errors that the Company determined to be immaterial, both individually and in the aggregate.

For additional information on the restatements, see “Part I – Item 1 Financial Information – Note 1 – Restatement of Previously Issued Consolidated Financial Statements” in this Form 10-Q/A.

This Form 10-Q/A also amends and restates the following items included in the Original Form 10-Q as appropriate to reflect the restatement and revision of the relevant periods: Part I – Item 1 Financial Information; Item 2. Management’s Discussions and Analysis of Financial Condition and Results of Operations; Item 3. Quantitative and Qualitative Disclosures About Market Risk; Item 4. Controls and Procedures; and Part II – Item 6. Exhibits.

In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), the Company is also including with this Form 10-Q/A currently dated certifications of the Company’s Chief Executive Officer and Chief Financial Officer (attached as Exhibits 31.1, 31.2, 32.1, and 32.2).

Except as discussed above and as further described herein, the Company has not modified or updated the disclosures presented in the Original Form 10-Q. Accordingly, this Form 10-Q/A does not reflect events occurring after the filing of the Original Form 10-Q or modify or update those disclosures affected by any such subsequent events. Information not affected by the restatements reflects disclosures made at the time of the filing of the Original Form 10-Q. Forward-looking statements included in this Form 10-Q/A represent management’s views as of the date of the Original Form 10-Q and should not be assumed to be accurate as of any date thereafter. This Form 10-Q/A should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the Original Form 10-Q, including any amendment to those filings.

Control Considerations

In connection with the restatements discussed above, management has re-assessed the effectiveness of the Company’s internal control over financial reporting and disclosure controls and procedures as of March 31, 2023, as further described in “Part I – Item 4. Controls and Procedures.” Based on this assessment, the Company identified a material weakness in its internal control over financial reporting for the review of significant inter-company mortgage sales and servicing. As a result, the Company’s Chief Financial Officer concluded that the internal control over financial reporting and disclosure controls and procedures were not effective as of March 31, 2023. Management has taken steps towards remediating the material weakness in the Company’s internal control over financial reporting. For additional information related to the material weakness in internal control over financial and the related remedial measures, see Part II Item 9A – Controls and Procedures in the Company’s Form 10-K/A for the year ended December 31, 2022, which was filed with the SEC on December 22, 2023 (the “2022 Form 10-K/A”) for a description of these matters.

CAPITAL CITY BANK GROUP, INC.
QUARTERLY REPORT ON FORM 10-Q
FOR THE THREE MONTHS ENDED MARCH 31, 2023
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INTRODUCTORY NOTE
Caution Concerning Forward-Looking Statements

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

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

Our ability to achieve our financial objectives could be adversely affected by the factors discussed in detail in Part I, Item 2. “Management's Discussion and Analysis of Financial Condition and Results of Operations” and Part II, Item 1A. “Risk Factors” in this Quarterly Report on Form 10-Q/A and the following sections of the 2022 2022 Form 10-K/A: (a) “Introductory Note” in Part I, Item 1. “Business”; (b) “Risk Factors” in Part I, Item 1A, as updated in our subsequent quarterly reports filed on Form 10-Q/A; and (c) “Introduction” in “Management's Discussion and Analysis of Financial Condition and Results of Operations,” in Part II, Item 7, as well as:

- our ability to successfully manage credit risk, interest rate risk, liquidity risk, and other risks inherent to our industry;
- legislative or regulatory changes;
- adverse developments in the financial services industry generally, such as the recent bank failures and any related impact on depositor behavior;
- the effects of changes in the level of checking or savings account deposits and the competition for deposits on our funding costs, net interest margin and ability to replace maturing deposits and advances, as necessary;
- the effects of actions taken by governmental agencies to stabilize the recent volatility in the financial system and the effectiveness of such actions;
- changes in monetary and fiscal policies of the U.S. Government;
- inflation, interest rate, market and monetary fluctuations;
- the effects of security breaches and computer viruses that may affect our computer systems or fraud related to debit card products;
- the accuracy of our financial statement estimates and assumptions, including the estimates used for our allowance for credit losses, deferred tax asset valuation and pension plan;
- changes in our liquidity position;
- changes in accounting principles, policies, practices or guidelines;
- the frequency and magnitude of foreclosure of our loans;
- the effects of our lack of a diversified loan portfolio, including the risks of loan segments, geographic and industry concentrations;
- the strength of the United States economy in general and the strength of the local economies in which we conduct operations;
- our ability to declare and pay dividends, the payment of which is subject to our capital requirements;
- changes in the securities and real estate markets;
- structural changes in the markets for origination, sale and servicing of residential mortgages;
- uncertainty in the pricing of residential mortgage loans that we sell, as well as competition for the mortgage servicing rights related to these loans and related interest rate risk or price risk resulting from retaining mortgage servicing rights and the potential effects of higher interest rates on our loan origination volumes;
- the effect of corporate restructuring, acquisitions or dispositions, including the actual restructuring and other related charges and the failure to achieve the expected gains, revenue growth or expense savings from such corporate restructuring, acquisitions or dispositions;
- the effects of natural disasters, harsh weather conditions (including hurricanes), widespread health emergencies (including pandemics, such as the COVID-19 pandemic), military conflict, terrorism, civil unrest or other geopolitical events;
- our ability to comply with the extensive laws and regulations to which we are subject, including the laws for each jurisdiction where we operate;
- the impact of the restatement of the Impacted Financials;
- any inability to implement and maintain effective internal control over financial reporting and/or disclosure control or inability to remediate any existing material weaknesses in our internal control over financial reporting and/or disclosure controls deemed ineffective;
- the willingness of clients to accept third-party products and services rather than our products and services and vice versa;
- increased competition and its effect on pricing;
- technological changes;
- the outcomes of litigation or regulatory proceedings;
- negative publicity and the impact on our reputation;
- changes in consumer spending and saving habits;
- growth and profitability of our noninterest income;
- the limited trading activity of our common stock;
- the concentration of ownership of our common stock;
- anti-takeover provisions under federal and state law as well as our Articles of Incorporation and our Bylaws;
- other risks described from time to time in our filings with the Securities and Exchange Commission; and
- our ability to manage the risks involved in the foregoing.

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

PART I. FINANCIAL INFORMATION

Item 1.

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

(Dollars in Thousands, Except Par Value)	(Unaudited) (As Restated) March 31, 2023	(As Restated) December 31, 2022
ASSETS		
Cash and Due From Banks	$ 84,549	$ 72,114
Federal Funds Sold and Interest Bearing Deposits	303,403	528,536
Total Cash and Cash Equivalents	387,952	600,650
Investment Securities, Available for Sale, at fair value (amortized cost of $ 438,068 and $455,232)	402,943	413,294
Investment Securities, Held to Maturity (fair value of $ 612,200 and $612,701)	651,755	660,744
Equity Securities	1,883	10
Total Investment Securities	1,056,581	1,074,048
Loans Held For Sale, at fair value	28,475	26,909
Loans Held for Investment	2,657,147	2,547,685
Allowance for Credit Losses	(26,808)	(25,068)
Loans Held for Investment, Net	2,630,339	2,522,617
Premises and Equipment, Net	82,055	82,138
Goodwill and Other Intangibles	93,053	93,093
Other Real Estate Owned	13	431
Other Assets	123,294	119,337
Total Assets	$ 4,401,762	$ 4,519,223
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$ 1,601,388	$ 1,653,620
Interest Bearing Deposits	2,222,532	2,285,697
Total Deposits	3,823,920	3,939,317
Short-Term Borrowings	26,632	56,793
Subordinated Notes Payable	52,887	52,887
Other Long-Term Borrowings	463	513
Other Liabilities	85,878	73,675
Total Liabilities	3,989,780	4,123,185
Temporary Equity	8,722	8,757
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; 17,021,748 and 16,986,785 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	170	170
Additional Paid-In Capital	37,512	37,331
Retained Earnings	397,654	387,009
Accumulated Other Comprehensive Loss, net of tax	(32,076)	(37,229)
Total Shareowners' Equity	403,260	387,281
Total Liabilities, Temporary Equity, and Shareowners' Equity	$ 4,401,762	$ 4,519,223

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)	(As Restated) Three Months Ended March 31, 2023	2022
INTEREST INCOME		
Loans, including Fees	$ 34,891	$ 22,429
Investment Securities:		
Taxable Securities	4,912	2,890
Tax Exempt Securities	12	6
Federal Funds Sold and Interest Bearing Deposits	4,111	409
Total Interest Income	43,926	25,734
INTEREST EXPENSE		
Deposits	2,488	224
Short-Term Borrowings	461	192
Subordinated Notes Payable	571	317
Other Long-Term Borrowings	6	9
Total Interest Expense	3,526	742
NET INTEREST INCOME	40,400	24,992
Provision for Credit Losses	3,099	32
Net Interest Income After Provision for Credit Losses	37,301	24,960
NONINTEREST INCOME		
Deposit Fees	5,239	5,191
Bank Card Fees	3,726	3,763
Wealth Management Fees	3,928	6,070
Mortgage Banking Revenues	2,871	4,055
Other	1,994	1,733
Total Noninterest Income	17,758	20,812
NONINTEREST EXPENSE		
Compensation	23,524	22,298
Occupancy, Net	6,762	6,093
Other	7,389	8,132
Total Noninterest Expense	37,675	36,523
INCOME BEFORE INCOME TAXES	17,384	9,249
Income Tax Expense	3,710	1,720
NET INCOME	$ 13,674	$ 7,529
Loss (Income) Attributable to Noncontrolling Interests	35	(591)
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	$ 13,709	$ 6,938
BASIC NET INCOME PER SHARE	$ 0.81	$ 0.41
DILUTED NET INCOME PER SHARE	$ 0.80	$ 0.41
Average Basic Shares Outstanding	17,016	16,931
Average Diluted Shares Outstanding	17,045	16,946

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

CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	(As Restated) Three Months Ended March 31,	
(Dollars in Thousands)	**2023**	**2022**
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	$ 13,709	$ 6,938
Other comprehensive income (loss), before tax:		
Investment Securities:		
Change in net unrealized gain (loss) on securities available for sale	6,808	(25,448)
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	865	3
Derivative:		
Change in net unrealized (loss) gain on effective cash flow derivative	(801)	1,836
Benefit Plans:		
Pension Settlement	-	209
Total Benefit Plans	-	209
Other comprehensive income (loss), before tax	6,872	(23,400)
Deferred tax expense (benefit) related to other comprehensive income	1,719	(5,871)
Other comprehensive income (loss), net of tax	5,153	(17,529)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 18,862	$ (10,591)

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, January 1, 2023 (As Restated)	16,986,785	$ 170	$ 37,331	$ 387,009	$ (37,229)	$ 387,281
Net Income Attributable to Common Shareowners	-	-	-	13,709	-	13,709
Other Comprehensive Income, net of tax	-	-	-	-	5,153	5,153
Cash Dividends ($0.1800 per share)	-	-	-	(3,064)	-	(3,064)
Repurchase of Common Stock	(25,241)	-	(819)	-	-	(819)
Stock Based Compensation	-	-	536	-	-	536
Stock Compensation Plan Transactions, net	60,204	-	464	-	-	464
Balance, March 31, 2023 (As Restated)	17,021,748	$ 170	$ 37,512	$ 397,654	$ (32,076)	$ 403,260
Balance, January 1, 2022 (As Restated)	16,892,060	$ 169	$ 34,423	$ 364,788	$ (16,214)	$ 383,166
Net Income Attributable to Common Shareowners	-	-	-	6,938	-	6,938
Other Comprehensive Loss, net of tax	-	-	-	-	(17,529)	(17,529)
Cash Dividends ($0.1600 per share)	-	-	-	(2,712)	-	(2,712)
Stock Based Compensation	-	-	245	-	-	245
Stock Compensation Plan Transactions, net	55,542	-	520	-	-	520
Balance, March 31, 2022 (As Restated)	16,947,602	$ 169	$ 35,188	$ 369,014	$ (33,743)	$ 370,628

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)	**(As Restated) Three Months Ended March 31, 2023**	**2022**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income Attributable to Common Shareowners	$ 13,709	$ 6,938
Adjustments to Reconcile Net Income to		
Cash Provided by Operating Activities:		
Provision for Credit Losses	3,099	32
Depreciation	1,969	1,907
Amortization of Premiums, Discounts and Fees, net	1,067	2,610
Amortization of Intangible Asset	40	40
Pension Plan Settlement Charge	-	209
Originations of Loans Held-for-Sale	(213,240)	(242,253)
Proceeds From Sales of Loans Held-for-Sale	214,545	252,584
Mortgage Banking Revenues	(2,871)	(4,055)
Net Additions for Capitalized Mortgage Servicing Rights	(91)	364
Stock Compensation	536	245
Net Tax Benefit From Stock-Based Compensation	-	(19)
Deferred Income Taxes (Benefit)	(1,170)	(6,682)
Net Change in Operating Leases	(3)	(27)
Net Gain on Sales and Write-Downs of Other Real Estate Owned	(1,858)	-
Net Decrease (Increase) in Other Assets	(4,349)	1,897
Net Increase in Other Liabilities	12,471	7,036
Net Cash Provided By Operating Activities	23,854	20,826
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities Held to Maturity:		
Purchases	-	(194,448)
Proceeds from Payments, Maturities, and Calls	8,820	14,441
Securities Available for Sale:		
Purchases	(2,017)	(25,139)
Proceeds from Sale of Securities	-	3,365
Proceeds from Payments, Maturities, and Calls	16,559	24,824
Purchases of Loans Held for Investment	(121,029)	(26,713)
Net Decrease (Increase) in Loans Held for Investment	9,629	(31,260)
Proceeds From Sales of Other Real Estate Owned	2,699	-
Purchases of Premises and Equipment	(1,886)	(1,013)
Noncontrolling Interest Contributions	-	1,838
Net Cash Used In Investing Activities	(87,225)	(234,105)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase in Deposits	(115,397)	52,645
Net Decrease in Short-Term Borrowings	(30,161)	(3,692)
Repayments of Other Long-Term Borrowings	(50)	(78)
Dividends Paid	(3,064)	(2,712)
Payments to Repurchase Common Stock	(819)	-
Proceeds from Issuance of Common Stock Under Purchase Plans	164	190
Net Cash (Used In) Provided by Financing Activities	(149,327)	46,353
NET DECREASE IN CASH AND CASH EQUIVALENTS	(212,698)	(166,926)
Cash and Cash Equivalents at Beginning of Period	600,650	1,035,354
Cash and Cash Equivalents at End of Period	$ 387,952	$ 868,428
Supplemental Cash Flow Disclosures:		
Interest Paid	$ 3,723	$ 715
Income Taxes Paid	$ 7,466	$ 20
Noncash Investing and Financing Activities:		
Loans Transferred to Other Real Estate Owned	$ 423	$ -

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

CAPITAL CITY BANK GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BUSINESS AND BASIS OF PRESENTATION

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

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

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

The Consolidated Statement of Financial Condition at December 31, 2022 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 annual report on Form 10-K/A for the year ended December 31, 2022.

Accounting Standards Updates

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

Proposed Accounting Standards , *ASU 2023-01, “Leases (Topic 842)* : Common Control Arrangements.” ASU 2023-01 requires entities to amortize leasehold improvements associated with common control leases over the useful life to the common control group. ASU 2023-01 also provides certain practical expedients applicable to private companies and not-for-profit organizations. ASU 2023-01 will be effective for us on January 1, 2024, though early adoption is permitted. The Company is evaluating the effect that ASU 2023-01 will have on its consolidated financial statements and related disclosures.

ASU No. 2023-02, “Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method.” ASU 2023-02 is intended to improve the accounting and disclosures for investments in tax credit structures. ASU 2023-02 allows entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. Previously, this method was only available for qualifying tax equity investments in low-income housing tax credit structures. ASU 2023-02 will be effective for us on January 1, 2024, though early adoption is permitted. The Company is evaluating the effect that ASU 2023-02 will have on its consolidated financial statements and related disclosures.

Restatement of Previously Issued Consolidated Financial Statements

We have restated herein our unaudited consolidated financial statements for the three months ended March 31, 2023. We have also restated financial statement periods for the year of 2022 and restated the impacted amounts within the accompanying notes to the consolidated financial statements.

Restatement Background

CCHL sold residential mortgage loans to CCB. CCHL recorded mortgage banking revenue and a mortgage servicing right. On an ongoing basis, CCHL recognized noninterest income for servicing these loans on behalf of CCB. As a result of this misstatement, assets are overstated by $1.2 million as of March 31, 2023 and net income is overstated by $1.2 million for the three months ended March 31, 2023. This represents 0.03% of previously reported total assets as of March 31, 2023 and 8.33% of previously reported net income for the three months ended March 31, 2023. As a result, diluted EPS decreases from $0.88 per share to $0.80 per share.

Description of Misstatements

Misstatements Associated with Mortgage Loan Sale Transactions

a) Loan Origination Costs & Gain on Sale of Loan

CCHL originated certain mortgage loans that were sold to the Bank for a premium. The gain recorded by CCHL and the corresponding loan purchase premium recorded by the Bank were not eliminated in consolidation. Additionally, the Company did not defer net loan origination costs on these loans. The impacts of the loan origination costs & gain on sale of loan misstatements on each period are presented in this note.

b) Mortgage Servicing Right ("MSR") Asset

CCHL recorded an MSR asset and recognized a corresponding gain related to the aforementioned loans sold to and serviced for the Bank. As the MSR asset is recorded at amortized cost, CCHL also recorded amortization expense in each period in other non-interest expense. The MSR asset, gain, and amortization expense should have been eliminated in consolidation. The impacts of the MSR Asset misstatements on each period are presented in this note.

c) Mortgage Servicing

The Bank recorded servicing fee expense and CCHL recorded servicing income; these amounts should have been eliminated in consolidation. The impacts of the mortgage servicing misstatements on each period are presented in this note.

d) Statement of Financial Condition Misclassification

CCHL classifies all mortgage production as loans held for sale. The portion of this production that was designated to be sold to the Bank should have been designated as loans held for investment for the Consolidated Financial Statements. This classification also reflects the reversal of the related mark-to-market adjustment and the establishment of the Allowance for Credit Losses ("ACL") on these loans. While previously the mark-to-market adjustment had been reversed and the ACL established at the time the loans were sold to CCB, this correction reflects those entries in the appropriate periods. The impacts of the restatement on each period are presented in this note.

Description of Restatement Tables

The following tables present the amounts previously reported and a reconciliation of the restatement amounts reported on the restated Consolidated Statement of Financial Condition as of March 31, 2023 and December 31, 2022, the restated Consolidated Statements of Income for the three months ended March 31, 2023 and 2022, restated Consolidated Statement of Comprehensive Income for the three months ended March 31, 2023 and 2022, restated Consolidated Statements of Changes in Shareowners' Equity for the three months ended March 31, 2023 and 2022, and the restated Consolidated Statements of Cash Flows for the three months ended March 31, 2023. The amounts previously reported for the three months ended March 31, 2023 were derived from our Quarterly Report on Form 10-Q for the three months ended March 31, 2023, originally filed May 1, 2023.

PART I. FINANCIAL INFORMATION

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

(Dollars in Thousands, Except Par Value)	(Unaudited) March 31, 2023 As Previously Reported	March 31, 2023 As Restated	December 31, 2022 As Previously Reported	December 31, 2022 As Restated
ASSETS				
Cash and Due From Banks	$ 84,549	$ 84,549	$ 72,114	$ 72,114
Federal Funds Sold and Interest Bearing Deposits	303,403	303,403	528,536	528,536
Total Cash and Cash Equivalents	387,952	387,952	600,650	600,650
Investment Securities, Available for Sale, at fair value (amortized cost of $438,068 and $455,232)	402,943	402,943	413,294	413,294
Investment Securities, Held to Maturity (fair value of $ 612,200 and $ 612,701)	651,755	651,755	660,744	660,744
Equity Securities	1,883	1,883	10	10
Total Investment Securities	1,056,581	1,056,581	1,074,048	1,074,048
Loans Held For Sale, at fair value	55,118	28,475	54,635	26,909
Loans Held for Investment	2,636,884	2,657,147	2,525,180	2,547,685
Allowance for Credit Losses	(26,507)	(26,808)	(24,736)	(25,068)
Loans Held for Investment, Net	2,610,377	2,630,339	2,500,444	2,522,617
Premises and Equipment, Net	82,055	82,055	82,138	82,138
Goodwill and Other Intangibles	93,053	93,053	93,093	93,093
Other Real Estate Owned	13	13	431	431
Other Assets	124,593	123,294	120,519	119,337
Total Assets	$ 4,409,742	$ 4,401,762	$ 4,525,958	$ 4,519,223
LIABILITIES				
Deposits:				
Noninterest Bearing Deposits	$ 1,601,388	$ 1,601,388	$ 1,653,620	$ 1,653,620
Interest Bearing Deposits	2,222,532	2,222,532	2,285,697	2,285,697
Total Deposits	3,823,920	3,823,920	3,939,317	3,939,317
Short-Term Borrowings	26,632	26,632	56,793	56,793
Subordinated Notes Payable	52,887	52,887	52,887	52,887
Other Long-Term Borrowings	463	463	513	513
Other Liabilities	85,878	85,878	73,675	73,675
Total Liabilities	3,989,780	3,989,780	4,123,185	4,123,185
Temporary Equity	8,722	8,722	8,757	8,757
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; 17,021,748 and 16,986,785 shares issued and outstanding at March 31, 2023 and December 31, 2022, respectively	170	170	170	170
Additional Paid-In Capital	37,512	37,512	37,331	37,331
Retained Earnings	405,634	397,654	393,744	387,009
Accumulated Other Comprehensive Loss, net of tax	(32,076)	(32,076)	(37,229)	(37,229)
Total Shareowners' Equity	411,240	403,260	394,016	387,281
Total Liabilities, Temporary Equity, and Shareowners' Equity	$ 4,409,742	$ 4,401,762	$ 4,525,958	$ 4,519,223

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 March 31, 2023 As Previously Reported	Three Months Ended March 31, 2023 As Restated	Three Months Ended March 31, 2022 As Previously Reported	Three Months Ended March 31, 2022 As Restated
INTEREST INCOME				
Loans, including Fees	$ 34,880	$ 34,891	$ 22,133	$ 22,429
Investment Securities:				
Taxable Securities	4,912	4,912	2,890	2,890
Tax Exempt Securities	12	12	6	6
Federal Funds Sold and Interest Bearing Deposits	4,111	4,111	409	409
Total Interest Income	43,915	43,926	25,438	25,734
INTEREST EXPENSE				
Deposits	2,488	2,488	224	224
Short-Term Borrowings	461	461	192	192
Subordinated Notes Payable	571	571	317	317
Other Long-Term Borrowings	6	6	9	9
Total Interest Expense	3,526	3,526	742	742
NET INTEREST INCOME	40,389	40,400	24,696	24,992
Provision for Credit Losses	3,130	3,099	-	32
Net Interest Income After Provision for Credit Losses	37,259	37,301	24,696	24,960
NONINTEREST INCOME				
Deposit Fees	5,239	5,239	5,191	5,191
Bank Card Fees	3,726	3,726	3,763	3,763
Wealth Management Fees	3,928	3,928	6,070	6,070
Mortgage Banking Revenues	6,995	2,871	8,946	4,055
Other	2,360	1,994	1,848	1,733
Total Noninterest Income	22,248	17,758	25,818	20,812
NONINTEREST EXPENSE				
Compensation	25,636	23,524	24,856	22,298
Occupancy, Net	6,762	6,762	6,093	6,093
Other	8,057	7,389	8,284	8,132
Total Noninterest Expense	40,455	37,675	39,233	36,523
INCOME BEFORE INCOME TAXES	19,052	17,384	11,281	9,249
Income Tax Expense	4,133	3,710	2,235	1,720
NET INCOME	$ 14,919	$ 13,674	$ 9,046	$ 7,529
Loss (Income) Attributable to Noncontrolling Interests	35	35	(591)	(591)
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	$ 14,954	$ 13,709	$ 8,455	$ 6,938
BASIC NET INCOME PER SHARE	$ 0.88	$ 0.81	$ 0.50	$ 0.41
DILUTED NET INCOME PER SHARE	$ 0.88	$ 0.80	$ 0.50	$ 0.41
Average Basic Shares Outstanding	17,016	17,016	16,931	16,931
Average Diluted Shares Outstanding	17,045	17,045	16,946	16,946

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

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

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
(Dollars in Thousands)	**As Previously Reported**	**As Restated**	**As Previously Reported**	**As Restated**
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	$ 14,954	$ 13,709	$ 8,455	$ 6,938
Other comprehensive income (loss), before tax:				
Investment Securities:				
Change in net unrealized gain (loss) on securities available for sale	6,808	6,808	(25,448)	(25,448)
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	865	865	3	3
Derivative:				
Change in net unrealized (loss) gain on effective cash flow derivative	(801)	(801)	1,836	1,836
Benefit Plans:				
Pension Settlement	-	-	209	209
Total Benefit Plans	-	-	209	209
Other comprehensive income (loss), before tax	6,872	6,872	(23,400)	(23,400)
Deferred tax expense (benefit) related to other comprehensive income	1,719	1,719	(5,871)	(5,871)
Other comprehensive income (loss), net of tax	5,153	5,153	(17,529)	(17,529)
TOTAL COMPREHENSIVE INCOME (LOSS)	$ 20,107	$ 18,862	$ (9,074)	$ (10,591)

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)

	Three Months Ended March 31, 2023					
(Dollars in thousands, except per share data)	**Shares Outstanding**	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss, Net of Taxes**	**Total**
As Previously Reported						
Balance, January 1, 2023, as previously reported	16,986,785	$ 170	$ 37,331	$ 393,744	$ (37,229)	$ 394,016
Net Income Attributable to Shareowners				14,954		14,954
Other Comprehensive Loss, Net of Tax					5,153	5,153
Cash Dividends ($0.18 per share)				(3,064)		(3,064)
Repurchase of Common Stock	(25,241)		(819)			(819)
Stock Based Compensation			536			536
Stock Compensation Plan Transactions, net	60,204	-	464			464
Balance, March 31, 2023, as previously reported	17,021,748	$ 170	$ 37,512	$ 405,634	$ (32,076)	$ 411,240
As Restated						
Balance, January 1, 2023, as restated	16,986,785	$ 170	$ 37,331	$ 387,009	$ (37,229)	$ 387,281
Net Income Attributable to Shareowners				13,709		13,709
Other Comprehensive Loss, Net of Tax					5,153	5,153
Cash Dividends ($0.18 per share)				(3,064)		(3,064)
Repurchase of Common Stock	(25,241)		(819)			(819)
Stock Based Compensation			536			536
Stock Compensation Plan Transactions, net	60,204	-	464			464
Balance, March 31, 2023, as restated	17,021,748	$ 170	$ 37,512	$ 397,654	$ (32,076)	$ 403,260

	Three Months Ended March 31, 2022					
(Dollars in thousands, except per share data)	**Shares Outstanding**	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss, Net of Taxes**	**Total**
As Previously Reported						
Balance, January 1, 2022, as previously reported	16,892,060	$ 169	$ 34,423	$ 364,788	$ (16,214)	$ 383,166
Net Income Attributable to Shareowners				8,455		8,455
Other Comprehensive Loss, Net of Tax					(17,529)	(17,529)
Cash Dividends ($0.16 per share)				(2,712)		(2,712)
Stock Based Compensation			245			245
Stock Compensation Plan Transactions, net	55,542	-	520			520
Balance, March 31, 2022, as previously reported	16,947,602	$ 169	$ 35,188	$ 370,531	$ (33,743)	$ 372,145
As Restated						
Balance, January 1, 2022, as restated	16,892,060	$ 169	$ 34,423	$ 364,788	$ (16,214)	$ 383,166
Net Income Attributable to Shareowners				6,938		6,938
Other Comprehensive Loss, Net of Tax					(17,529)	(17,529)
Cash Dividends ($0.16 per share)				(2,712)		(2,712)
Stock Based Compensation			245			245
Stock Compensation Plan Transactions, net	55,542	-	520			520
Balance, March 31, 2022, as restated	16,947,602	$ 169	$ 35,188	$ 369,014	$ (33,743)	$ 370,628

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

	Three Months Ended March 31, 2023		Three Months Ended March 31, 2022	
(Dollars in Thousands)	As Previously Reported	As Restated	As Previously Reported	As Restated
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income Attributable to Common Shareowners	$ 14,954	$ 13,709	$ 8,455	$ 6,938
Adjustments to Reconcile Net Income to				
Provision for Credit Losses	3,130	3,099	-	32
Depreciation	1,969	1,969	1,907	1,907
Amortization of Premiums, Discounts, and Fees, net	1,080	1,067	2,907	2,610
Amortization of Intangible Assets	40	40	40	40
Pension Settlement Charge	-	-	209	209
Originations of Loans Held-for-Sale	(212,085)	(213,240)	(246,887)	(242,253)
Proceeds From Sales of Loans Held-for-Sale	218,597	214,545	257,550	252,584
Mortgage Banking Revenues	(6,995)	(2,871)	(8,946)	(4,055)
Net Additions for Capitalized Mortgage Servicing Rights	(633)	(91)	227	364
Stock Compensation	536	536	245	245
Net Tax Benefit From Stock-Based Compensation	-	-	(19)	(19)
Deferred Income Taxes (Benefit)	(747)	(1,170)	(6,167)	(6,682)
Net Change in Operating Leases	(3)	(3)	(27)	(27)
Net (Gain) Loss on Sales and Write-Downs of Other Real Estate Owned	(1,858)	(1,858)	-	-
Net Decrease (Increase) in Other Assets	(4,349)	(4,349)	1,441	1,897
Net (Decrease) Increase in Other Liabilities	12,471	12,471	7,036	7,036
Net Cash Provided (Used In) By Operating Activities	26,107	23,854	17,971	20,826
CASH FLOWS FROM INVESTING ACTIVITIES				
Securities Held to Maturity:				
Purchases	-	-	(194,448)	(194,448)
Payments, Maturities, and Calls	8,820	8,820	14,441	14,441
Securities Available for Sale:	-	-	-	-
Purchases	(2,017)	(2,017)	(25,139)	(25,139)
Proceeds from Sale of Securities	-	-	3,365	3,365
Payments, Maturities, and Calls	16,559	16,559	24,824	24,824
Purchase of loans held for investment	(121,029)	(121,029)	(26,713)	(26,713)
Net Decrease (Increase) in Loans Held for Investment	7,376	9,629	(28,405)	(31,260)
Proceeds From Sales of Other Real Estate Owned	2,699	2,699	-	-
Purchases of Premises and Equipment	(1,886)	(1,886)	(1,013)	(1,013)
Noncontrolling interest contributions received	-	-	1,838	1,838
Net Cash Used In Investing Activities	(89,478)	(87,225)	(231,250)	(234,105)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net Increase in Deposits	(115,397)	(115,397)	52,645	52,645
Net (Decrease) Increase in Other Short-Term Borrowings	(30,161)	(30,161)	(3,692)	(3,692)
Repayments of Other Long-Term Borrowings	(50)	(50)	(78)	(78)
Dividends Paid	(3,064)	(3,064)	(2,712)	(2,712)
Payments to Repurchase Common Stock	(819)	(819)	-	-
Issuance of Common Stock Under Compensation Plans	164	164	190	190
Net Cash Provided By Financing Activities	(149,327)	(149,327)	46,353	46,353
NET DECREASE IN CASH AND CASH EQUIVALENTS	(212,698)	(212,698)	(166,926)	(166,926)
Cash and Cash Equivalents at Beginning of Period	600,650	600,650	1,035,354	1,035,354
Cash and Cash Equivalents at End of Period	$ 387,952	$ 387,952	$ 868,428	$ 868,428
Supplemental Cash Flow Disclosures:				
Interest Paid	$ 3,723	$ 3,723	$ 715	$ 715
Income Taxes Paid	$ 7,466	$ 7,466	$ 20	$ 20
Noncash Investing and Financing Activities:				
Loans and Premises Transferred to Other Real Estate Owned	$ 423	$ 423	$ -	$ -

CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

(Dollars in Thousands, except per share data)	(Unaudited) As of March 31, 2023 As Previously Reported	2022 Restatement Impact	2023 Restatement Impact	As Restated
ASSETS:				
Cash and Due From Banks	$ 84,549	$ -	$ -	$ 84,549
Federal Funds Sold and Interest Bearing Deposits	303,403	-	-	303,403
Total Cash and Cash Equivalents	387,952	-	-	387,952
Investment Securities Available for Sale (amortized cost of $438,068)	402,943	-	-	402,943
Investment Securities Held to Maturity (fair value of $ 612,200)	651,755	-	-	651,755
Other Equity Securities	1,883	-	-	1,883
Total Investment Securities	1,056,581	-	-	1,056,581
Loans Held For Sale	55,118	(27,726)	1,083	28,475
Loans, Net of Unearned Income	2,636,884	22,505	(2,242)	2,657,147
Allowance for Loan Losses	(26,507)	(332)	31	(26,808)
Loans, Net	2,610,377	22,173	(2,211)	2,630,339
Premises and Equipment, Net	82,055	-	-	82,055
Goodwill	93,053	-	-	93,053
Other Real Estate Owned	13	-	-	13
Other Assets	124,593	(1,182)	(117)	123,294
Total Assets	4,409,742	(6,735)	(1,245)	4,401,762
LIABILITIES				
Deposits:				
Noninterest Bearing Deposits	1,601,388	-	-	1,601,388
Interest Bearing Deposits	2,222,532	-	-	2,222,532
Total Deposits	3,823,920	-	-	3,823,920
Short-Term Borrowings	26,632	-	-	26,632
Subordinated Notes Payable	52,887	-	-	52,887
Other Long-Term Borrowings	463	-	-	463
Other Liabilities	85,878	-	-	85,878
Total Liabilities	3,989,780	-	-	3,989,780
Temporary Equity	8,722	-	-	8,722
SHAREOWNERS' EQUITY				
Preferred Stock: $ .01 par value 3,000,000 shares authorized				
no shares issues and outstanding	-	-	-	-
Common Stock, $ .01 par value 90,000,000 shares authorized				
17,021,748 shares issued and outstanding	170	-	-	170
Additional Paid-In Capital	37,512	-	-	37,512
Retained Earnings	405,634	(6,735)	(1,245)	397,654
Accumulated Other Comprehensive Loss, Net of Tax	(32,076)	-	-	(32,076)
Total Shareowners' Equity	411,240	(6,735)	(1,245)	403,260
Total Liabilities, Temporary Equity, and Shareowners' Equity	$ 4,409,742	$ (6,735)	$ (1,245)	$ 4,401,762

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

(Dollars in thousands, except per share data)	For Three Months Ended March 31, 2023 As Previously Reported	Restatement Impact	As Restated
INTEREST INCOME			
Loans, Including Fees	$ 34,880	$ 11	$ 34,891
Taxable Securities	4,912	-	4,912
Tax Exempt Securities	12	-	12
Funds Sold	4,111	-	4,111
Total Interest Income	43,915	11	43,926
INTEREST EXPENSE			
Deposits	2,488	-	2,488
Short-Term Borrowings	461	-	461
Subordinated Notes Payable	571	-	571
Other Long-Term Borrowings	6	-	6
Total Interest Expense	3,526	-	3,526
Net Interest Income	40,389	11	40,400
Provision for Loan Losses	3,130	(31)	3,099
Net Interest Income After Provision For Loan Losses	37,259	42	37,301
NONINTEREST INCOME			
Deposit Fees	5,239	-	5,239
Bank Card Fees	3,726	-	3,726
Wealth Management Fees	3,928	-	3,928
Mortgage Banking Fees	6,995	(4,124)	2,871
Other	2,360	(366)	1,994
Total Noninterest Income	22,248	(4,490)	17,758
NONINTEREST EXPENSE			
Compensation	25,636	(2,112)	23,524
Occupancy, Net	6,762	-	6,762
Other	8,057	(668)	7,389
Total Noninterest Expense	40,455	(2,780)	37,675
INCOME BEFORE INCOME TAXES	19,052	(1,668)	17,384
Income Tax Expense	4,133	(423)	3,710
NET INCOME	14,919	(1,245)	13,674
Pre-Tax Income Attributable to Noncontrolling Interests	35	-	35
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	**$ 14,954**	**$ (1,245)**	**$ 13,709**
BASIC NET INCOME PER SHARE	**$ 0.88**	**$ (0.07)**	**$ 0.81**
DILUTED NET INCOME PER SHARE	**$ 0.88**	**$ (0.08)**	**$ 0.80**
AVERAGE SHARES:			
Basic	17,016	-	17,016
Diluted	17,045	-	17,045

CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended March 31, 2023 As Previously Reported	Restatement Impact	As Restated
NET INCOME	$ 14,954	$ (1,245)	$ 13,709
Other comprehensive income (loss), before tax:			
Investment Securities:			
Change in net unrealized (loss) gain on securities available for sale	6,808	-	6,808
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	865	-	865
Derivative:			
Change in net unrealized gain on effective cash flow derivative	(801)	-	(801)
Benefit Plans:			
Other comprehensive income (loss), before tax:	6,872	-	6,872
Deferred tax expense related to other comprehensive income	1,719	-	1,719
Other comprehensive income (loss), net of tax	5,153	-	5,153
TOTAL COMPREHENSIVE INCOME	$ 20,107	$ (1,245)	$ 18,862

CAPITAL CITY BANK GROUP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREOWNERS' EQUITY

(Unaudited)

(Dollars in thousands, except per share data)	Three Months Ended March 31, 2023					
	Shares Outstanding	**Common Stock**	**Additional Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Loss, Net of Taxes**	**Total**
As Previously Reported						
Balance, January 1, 2023, as previously reported	16,986,785	$170	$37,331	$393,744	$(37,229)	$394,016
Net Income Attributable to Common Shareowners				14,954		14,954
Other Comprehensive Loss, Net of Tax					5,153	5,153
Cash Dividends ($0.18 per share)				(3,064)		(3,064)
Repurchase of Common Stock	(25,241)		(819)			(819)
Stock Based Compensation			536			536
Stock Compensation Plan Transactions, net	60,204	-	464			464
Balance, March 31, 2023, as previously reported	17,021,748	$170	$37,512	$405,634	$(32,076)	$411,240
Restatement Impacts						
Balance, January 1, 2023, as restated	-	-	-	(6,735)	-	(6,735)
Net Income Attributable to Common Shareowners				(1,245)		(1,245)
Balance, March 31, 2023, as restated	-	-	-	(7,980)	-	(7,980)
As Restated						
Balance, January 1, 2023, as restated	16,986,785	$170	$37,331	$387,009	$(37,229)	$387,281
Net Income Attributable to Common Shareowners				13,709		13,709
Other Comprehensive Loss, Net of Tax					5,153	5,153
Cash Dividends ($0.18 per share)				(3,064)		(3,064)
Repurchase of Common Stock	(25,241)		(819)			(819)
Stock Based Compensation			536			536
Stock Compensation Plan Transactions, net	60,204	-	464			464
Balance, March 31, 2023, as restated	17,021,748	$170	$37,512	$397,654	$(32,076)	$403,260

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

	Three Months Ended March 31, 2023		
(Dollars in Thousands)	**As Previously Reported**	**Restatement Impact**	**As Restated**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Income Attributable to Common Shareowners	$ 14,954	$ (1,245)	$ 13,709
Adjustments to Reconcile Net Income to			
Provision for Credit Losses	3,130	(31)	3,099
Depreciation	1,969	-	1,969
Amortization of Premiums, Discounts, and Fees, net	1,080	(13)	1,067
Amortization of Intangible Assets	40	-	40
Originations of Loans Held-for-Sale	(212,085)	(1,155)	(213,240)
Proceeds From Sales of Loans Held-for-Sale	218,597	(4,052)	214,545
Mortgage Banking Revenues	(6,995)	4,124	(2,871)
Net Additions for Capitalized Mortgage Servicing Rights	(633)	542	(91)
Stock Compensation	536	-	536
Deferred Income Taxes (Benefit)	(747)	(423)	(1,170)
Net Change in Operating Leases	(3)	-	(3)
Net (Gain) Loss on Sales and Write-Downs of Other Real Estate Owned	(1,858)	-	(1,858)
Net Decrease (Increase) in Other Assets	(4,349)	-	(4,349)
Net (Decrease) Increase in Other Liabilities	12,471	-	12,471
Net Cash Provided (Used In) By Operating Activities	26,107	(2,253)	23,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Securities Held to Maturity:			
Payments, Maturities, and Calls	8,820	-	8,820
Securities Available for Sale:			
Purchases	(2,017)	-	(2,017)
Payments, Maturities, and Calls	16,559	-	16,559
Purchase of loans held for investment	(121,029)	-	(121,029)
Net Decrease in Loans Held for Investment	7,376	2,253	9,629
Proceeds From Sales of Other Real Estate Owned	2,699	-	2,699
Purchases of Premises and Equipment	(1,886)	-	(1,886)
Net Cash Used In Investing Activities	(89,478)	2,253	(87,225)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Increase in Deposits	(115,397)	-	(115,397)
Net (Decrease) Increase in Other Short-Term Borrowings	(30,161)	-	(30,161)
Repayment of Other Long-Term Borrowings	(50)	-	(50)
Dividends Paid	(3,064)	-	(3,064)
Payments to Repurchase Common Stock	(819)	-	(819)
Issuance of Common Stock Under Compensation Plans	164	-	164
Net Cash Provided By Financing Activities	(149,327)	-	(149,327)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(212,698)	-	(212,698)
Cash and Cash Equivalents at Beginning of Period	600,650	-	600,650
Cash and Cash Equivalents at End of Period	$ 387,952	$ -	$ 387,952
Supplemental Cash Flow Disclosures:			
Interest Paid	$ 3,723	$ -	$ 3,723
Income Taxes Paid	$ 7,466	$ -	$ 7,466
Noncash Investing and Financing Activities:			
Loans and Premises Transferred to Other Real Estate Owned	$ 423	$ -	$ 423

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**
March 31, 2023					
U.S. Government Treasury	$ 23,984	$ -	$ 1,611	$ -	$ 22,373
U.S. Government Agency	184,294	127	10,131	-	174,290
States and Political Subdivisions	47,143	7	5,663	(8)	41,479
Mortgage-Backed Securities [1]	79,148	3	10,137	-	69,014
Corporate Debt Securities	96,144	34	7,718	(28)	88,432
Other Securities [2]	7,355	-	-	-	7,355
Total	$ 438,068	$ 171	$ 35,260	$ (36)	$ 402,943
December 31, 2022					
U.S. Government Treasury	$ 23,977	$ 1	$ 1,928	$ -	$ 22,050
U.S. Government Agency	198,888	27	12,863	-	186,052
States and Political Subdivisions	47,197	-	6,855	(13)	40,329
Mortgage-Backed Securities [1]	80,829	2	11,426	-	69,405
Corporate Debt Securities	97,119	19	8,874	(28)	88,236
Other Securities [2]	7,222	-	-	-	7,222
Total	$ 455,232	$ 49	$ 41,946	$ (41)	$ 413,294

	Held to Maturity			
(Dollars in Thousands)	**Amortized Cost**	**Unrealized Gains**	**Unrealized Losses**	**Fair Value**
March 31, 2023				
U.S. Government Treasury	$ 457,446	$ -	$ 20,272	$ 437,174
Mortgage-Backed Securities [1]	194,309	19	19,302	175,026
Total	$ 651,755	$ 19	$ 39,574	$ 612,200
December 31, 2022				
U.S. Government Treasury	$ 457,374	$ -	$ 25,641	$ 431,733
Mortgage-Backed Securities [1]	203,370	8	22,410	180,968
Total	$ 660,744	$ 8	$ 48,051	$ 612,701

(1) *Comprised of residential mortgage-backed securities*

(2) *Includes Federal Home Loan Bank and Federal Reserve Bank stock, recorded at cost of $ 2.3 million and $ 5.1 million, respectively, at March 31, 2023 and $ 2.1 million and $ 5.1 million, respectively, at December 31, 2022.*

At March 31, 2023 and December 31, 2022, the investment portfolio had $ 1.9 million and $ 0.01 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 $ 660.1 million and $ 656.1 million at March 31, 2023 and December 31, 2022, respectively, were pledged to secure public deposits and for other purposes.

The Bank, as a member of the Federal Home Loan Bank of Atlanta (“FHLB”), is required to own capital stock in the FHLB based generally upon the balances of residential and commercial real estate loans and FHLB advances. FHLB stock, which is included in other securities, is pledged to secure FHLB advances. No ready market exists for this stock, and it has no quoted fair value; however, redemption of this stock has historically been at par value.

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

During the third quarter of 2022, the Company transferred certain securities from the AFS to HTM classification. Transfers are made at fair value on the date of the transfer. The 33 securities had an amortized cost basis and fair value of $168.4 million and $159.0 million, respectively at the time of transfer. The net unamortized, unrealized loss on the transferred securities included in accumulated other comprehensive loss in the accompanying statement of financial condition at March 31, 2023 totaled $7.1 million. This amount will continue to be amortized out of accumulated other comprehensive loss over the remaining life of the underlying securities as an adjustment of the yield on those securities.

Investment Sales. There were no significant sales of investment securities for the three months ended March 31, 2023 and $3.4 million in sales of investment securities for the three months ended March 31, 2022.

Maturity Distribution. At March 31, 2023, the Company's investment securities had the following maturity distribution based on contractual maturity. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations. Mortgage-backed securities ("MBS") and certain amortizing U.S. government agency securities are shown separately because they are not due at a certain maturity date.

	Available for Sale		Held to Maturity	
(Dollars in Thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 36,233	$ 35,696	$ -	$ -
Due after one year through five years	159,994	147,344	457,446	437,174
Due after five year through ten years	50,961	42,970	-	-
Mortgage-Backed Securities	79,148	69,014	194,309	175,026
U.S. Government Agency	104,377	100,564	-	-
Other Securities	7,355	7,355	-	-
Total	$ 438,068	$ 402,943	$ 651,755	$ 612,200

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

(Dollars in Thousands)	Less Than 12 Months Fair Value	Less Than 12 Months Unrealized Losses	Greater Than 12 Months Fair Value	Greater Than 12 Months Unrealized Losses	Total Fair Value	Total Unrealized Losses
March 31, 2023						
Available for Sale						
U.S. Government Treasury	$ 994	$ -	$ 19,481	$ 1,611	$ 20,475	$ 1,611
U.S. Government Agency	29,035	354	133,057	9,777	162,092	10,131
States and Political Subdivisions	-	-	39,905	5,663	39,905	5,663
Mortgage-Backed Securities	-	-	68,892	10,137	68,892	10,137
Corporate Debt Securities	10,009	215	74,472	7,503	84,481	7,718
Total	$ 40,038	$ 569	$ 335,807	$ 34,691	$ 375,845	$ 35,260
Held to Maturity						
U.S. Government Treasury	4,827	106	432,346	20,166	437,173	20,272
Mortgage-Backed Securities	9,360	297	164,217	19,005	173,577	19,302
Total	$ 14,187	$ 403	$ 596,563	$ 39,171	$ 610,750	$ 39,574
December 31, 2022						
Available for Sale						
U.S. Government Treasury	$ 983	$ -	$ 19,189	$ 1,928	$ 20,172	$ 1,928
U.S. Government Agency	63,112	2,572	113,004	10,291	176,116	12,863
States and Political Subdivisions	1,425	2	38,760	6,853	40,185	6,855
Mortgage-Backed Securities	6,594	959	60,458	10,467	67,052	11,426
Corporate Debt Securities	26,959	878	58,601	7,996	85,560	8,874
Total	$ 99,073	$ 4,411	$ 290,012	$ 37,535	$ 389,085	$ 41,946
Held to Maturity						
U.S. Government Treasury	177,552	11,018	254,181	14,623	431,733	25,641
Mortgage-Backed Securities	88,723	6,814	91,462	15,596	180,185	22,410
Total	$ 266,275	$ 17,832	$ 345,643	$ 30,219	$ 611,918	$ 48,051

At March 31, 2023, there 896 positions (combined AFS and HTM) with unrealized losses totaling $74.8 million. 87 of these positions are U.S. Treasury bonds and carry the full faith and credit of the U.S. Government. 684 are U.S. government agency securities issued by U.S. government sponsored entities. We believe the long history of no credit losses on government securities indicates that the expectation of nonpayment of the amortized cost basis is effectively zero. The remaining 125 positions (municipal securities and corporate bonds) have a credit component. At March 31, 2023, all collateralized mortgage obligations ("CMOs"), MBS, Small Business Administration securities ("SBA"), U.S. Agency, and U.S. Treasury bonds held were AAA rated. At March 31, 2023, corporate debt securities had an allowance for credit losses of 28,000 and municipal securities had an allowance of $8,000.

Credit Quality Indicators

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

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

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

(Dollars in Thousands)	(As Restated) March 31, 2023	(As Restated) December 31, 2022
Commercial, Financial and Agricultural	$ 236,263	$ 247,362
Real Estate – Construction	253,903	234,519
Real Estate – Commercial Mortgage	798,438	782,557
Real Estate – Residential (1)	855,357	749,513
Real Estate – Home Equity	206,931	208,217
Consumer (2)	306,255	325,517
Loans Held For Investment, Net of Unearned Income	$ 2,657,147	$ 2,547,685

(1) *Includes loans in process balances of $ 8.5 million and $ 6.1 million at March 31, 2023 and December 31, 2022, respectively.*

(2) *Includes overdraft balances of $ 0.9 million and $ 1.1 million at March 31, 2023 and December 31, 2022, respectively.*

Net deferred loan costs, which include premiums on purchased loans, included in loans were $ 5.7 million at March 31, 2023 and $ 5.1 million at December 31, 2022.

Accrued interest receivable on loans which is excluded from amortized cost totaled $ 8.6 million at March 31, 2023 and 8.0 million at December 31, 2022, and is reported separately in Other Assets.

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

Loan Purchase and Sales. The Company will periodically purchase newly originated 1-4 family real estate secured adjustable rate loans from Capital City Home Loans ("CCHL"), a related party. Residential loan purchases from CCHL totaled 120.1 million and $26.3 million for the three months ended March 31, 2023 and March 31, 2022, respectively, and were not credit impaired.

Allowance for Credit Losses. The methodology for estimating the amount of credit losses reported in the allowance for credit losses ("ACL") has two basic components: first, an asset-specific component involving loans that do not share risk characteristics and the measurement of expected credit losses for such individual loans; and second, a pooled component for expected credit losses for pools of loans that share similar risk characteristics. This allowance methodology is discussed further in Note 1 – Significant Accounting Policies in the 2022 Form 10-K/A.

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

(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 March 31, 2023 (As Restated)							
Beginning Balance	$ 1,506	$ 2,654	$ 4,815	$ 10,741	$ 1,864	$ 3,488	$ 25,068
Provision for Credit Losses	78	704	7	1,152	(10)	1,329	3,260
Charge-Offs	(164)	-	(120)	-	-	(2,366)	(2,650)
Recoveries	95	1	8	57	25	944	1,130
Net (Charge-Offs) Recoveries	(69)	1	(112)	57	25	(1,422)	(1,520)
Ending Balance	$ 1,515	$ 3,359	$ 4,710	$ 11,950	$ 1,879	$ 3,395	$ 26,808
Three Months Ended March 31, 2022 (As Restated)							
Beginning Balance	$ 2,191	$ 3,302	$ 5,810	$ 4,129	$ 2,296	$ 3,878	$ 21,606
Provision for Credit Losses	(161)	(714)	(181)	346	(405)	1,068	(47)
Charge-Offs	(73)	-	(266)	-	(33)	(1,402)	(1,774)
Recoveries	165	8	29	27	58	716	1,003
Net (Charge-Offs) Recoveries	92	8	(237)	27	25	(686)	(771)
Ending Balance	$ 2,122	$ 2,596	$ 5,392	$ 4,502	$ 1,916	$ 4,260	$ 20,788

For the three months ended March 31, 2023, the allowance for HFI loans increased by $1.7 million and reflected a provision expense of $3.2 million and net loan charge-offs of $1.5 million. The increase was primarily driven by incremental reserves needed for loan growth. For the three months ended March 31, 2022, the allowance decreased by $0.8 million and reflected a provision benefit of $0.05 million and net loan charge-offs of $0.8 million. The decrease reflected improvement in the forecasted level of unemployment and its potential effect on rates of default. 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**
March 31, 2023 (As Restated)							
Commercial, Financial and Agricultural	$ 248	$ 4	$ -	$ 252	$ 235,999	$ 12	$ 236,263
Real Estate – Construction	1,137	-	-	1,137	252,766	-	253,903
Real Estate – Commercial Mortgage	64	66	-	130	795,747	2,561	798,438
Real Estate – Residential [(1)]	1,040	-	-	1,040	853,551	766	855,357
Real Estate – Home Equity	54	-	-	54	206,195	682	206,931
Consumer	2,175	273	-	2,448	303,239	568	306,255
Total	$ 4,718	$ 343	$ -	$ 5,061	$ 2,647,497	$ 4,589	$ 2,657,147
December 31, 2022 (As Restated)							
Commercial, Financial and Agricultural	$ 109	$ 126	$ -	$ 235	$ 247,086	$ 41	$ 247,362
Real Estate – Construction	359	-	-	359	234,143	17	234,519
Real Estate – Commercial Mortgage	158	149	-	307	781,605	645	782,557
Real Estate – Residential	845	530	-	1,375	747,899	239	749,513
Real Estate – Home Equity	-	35	-	35	207,411	771	208,217
Consumer	3,666	1,852	-	5,518	319,415	584	325,517
Total	$ 5,137	$ 2,692	$ -	$ 7,829	$ 2,537,559	$ 2,297	$ 2,547,685

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.

	March 31, 2023			**December 31, 2022**		
(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	$ -	$ 12	$ -	$ -	$ 41	$ -
Real Estate – Construction	-	-	-	-	17	-
Real Estate – Commercial Mortgage	2,438	123	-	389	256	-
Real Estate – Residential	-	766	-	-	239	-
Real Estate – Home Equity	-	682	-	-	771	-
Consumer	-	568	-	-	584	-
Total Nonaccrual Loans	$ 2,438	$ 2,151	$ -	$ 389	$ 1,908	$ -

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

	March 31, 2023		December 31, 2022	
(Dollars in Thousands)	Real Estate Secured	Non Real Estate Secured	Real Estate Secured	Non Real Estate Secured
Commercial, Financial and Agricultural	$ -	$ -	$ -	$ -
Real Estate – Construction	-	-	-	-
Real Estate – Commercial Mortgage	2,207	-	389	-
Real Estate – Residential	-	-	160	-
Real Estate – Home Equity	231	-	130	-
Consumer	-	-	21	-
Total Collateral Dependent Loans	$ 2,438	$ -	$ 700	$ -

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

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

Residential Real Estate Loans In Process of Foreclosure. At March 31, 2023 and December 31, 2022, the Company had $0.4 million and $0.6 million, respectively, in 1-4 family residential real estate loans for which formal foreclosure proceedings were in process.

For the three-month period ended March 31, 2023, the Company did not modify any loans made to borrowers experiencing financial difficulty.

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

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

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

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

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

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

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

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

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

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

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

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

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

The following table summarizes gross loans held for investment and current period gross write-offs at March 31, 2023 by years of origination and internally assigned credit risk ratings (refer to Credit Risk Management section for detail on risk rating system).

	Term Loans by Origination Year							
(Dollars in Thousands)	**(As Reported) 2023**	**(As Reported) 2022**	**2021**	**2020**	**2019**	**Prior**	**Revolving Loans**	**(As Restated) Total**
Commercial, Financial, Agriculture:								
Pass	$ 9,753	$ 86,415	$ 40,206	$ 17,534	$ 12,291	$ 15,965	$ 49,582	$ 231,746
Special Mention	1,200	-	748	71	2	47	2,322	4,390
Substandard	-	80	-	-	4	43	-	127
Total	$ 10,953	$ 86,495	$ 40,954	$ 17,605	$ 12,297	$ 16,055	$ 51,904	$ 236,263
Current-Period Gross Write-offs	$ -	$ 105	$ 22	$ 14	$ -	$ 10	$ 13	$ 164
Real Estate Construction:								
Pass	$ 34,114	$ 149,982	$ 52,697	$ 7,275	$ 397	$ 123	$ 6,881	$ 251,469
Special Mention	-	-	859	25	453	-	-	1,337
Substandard	-	-	-	1,097	-	-	-	1,097
Total	$ 34,114	$ 149,982	$ 53,556	$ 8,397	$ 850	$ 123	$ 6,881	$ 253,903
Real Estate Commercial Mortgage:								
Pass	$ 34,848	$ 245,205	$ 159,795	$ 131,444	$ 51,973	$ 137,449	$ 26,056	$ 786,770
Special Mention	995	339	992	240	1,402	2,819	300	7,087
Substandard	-	822	966	753	642	763	635	4,581
Total	$ 35,843	$ 246,366	$ 161,753	$ 132,437	$ 54,017	$ 141,031	$ 26,991	$ 798,438
Current-Period Gross Write-offs	$ -	$ -	$ -	$ -	$ -	$ 120	$ -	$ 120
Real Estate - Residential:								
Pass	$ 116,896	$ 473,235	$ 92,988	$ 44,541	$ 28,365	$ 80,711	$ 9,109	$ 845,845
Special Mention	-	92	356	525	-	632	-	1,605
Substandard	-	1,042	1,133	1,725	953	3,054	-	7,907
Total	$ 116,896	$ 474,369	$ 94,477	$ 46,791	$ 29,318	$ 84,397	$ 9,109	$ 855,357
Real Estate - Home Equity:								
Performing	$ -	$ 149	$ 133	$ 12	$ 387	$ 1,192	$ 204,376	$ 206,249
Nonperforming	-	-	-	-	14	76	592	682
Total	$ -	$ 149	$ 133	$ 12	$ 401	$ 1,268	$ 204,968	$ 206,931
Consumer:								
Performing	$ 15,735	$ 122,092	$ 100,617	$ 32,203	$ 17,726	$ 12,242	$ 5,072	$ 305,687
Nonperforming	-	269	170	19	84	26	-	568
Total	$ 15,735	$ 122,361	$ 100,787	$ 32,222	$ 17,810	$ 12,268	$ 5,072	$ 306,255
Current-Period Gross Write-offs	$ 646	$ 915	$ 488	$ 110	$ 113	$ 47	$ 47	$ 2,366

NOTE 4 – MORTGAGE BANKING ACTIVITIES

The Company's mortgage banking activities include mandatory delivery loan sales, forward sales contracts used to manage residential loan pipeline price risk, utilization of warehouse lines to fund secondary market residential loan closings, and residential mortgage servicing.

Residential Mortgage Loan Production

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

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

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

	(As Restated)		(As Restated)	
	March 31, 2023		December 31, 2022	
(Dollars in Thousands)	Unpaid Principal Balance/Notional	Fair Value	Unpaid Principal Balance/Notional	Fair Value
Residential Mortgage Loans Held for Sale	$ 28,204	$ 28,475	$ 26,274	$ 26,909
Residential Mortgage Loan Commitments ("IRLCs") (1)	51,984	1,346	36,535	819
Forward Sales Contracts (2)	34,000	(216)	15,500	187
		$ 29,605		$ 27,915

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

(2) *Recorded in other liabilities and other assets at fair value at March 31, 2023 and December 31, 2022, respectively*

At March 31, 2023, the Company had $ 0.3 million in residential mortgage loans held for sale 30-89 days past due and $ 0.3 million of loans were on nonaccrual status. At December 31, 2022, the Company had $ 0.6 million of residential mortgage loans held for sale 30-89 days past due and $ 0.1 million of loans were on nonaccrual status.

Mortgage banking revenue was as follows:

	(As Restated)	
	Three Months Ended March 31,	
(Dollars in Thousands)	2023	2022
Net realized gains on sales of mortgage loans	$ 1,194	$ 2,140
Net change in unrealized gain on mortgage loans held for sale	457	(900)
Net change in the fair value of mortgage loan commitments (IRLCs)	527	(141)
Net change in the fair value of forward sales contracts	(402)	857
Pair-Offs on net settlement of forward sales contracts	(1)	2,255
Mortgage servicing rights additions	191	4
Net origination fees	905	(160)
Total mortgage banking revenues	$ 2,871	$ 4,055

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)	(As Restated) March 31, 2023	(As Restated) December 31, 2022
Number of residential mortgage loans serviced for others	1,806	1,769
Outstanding principal balance of residential mortgage loans serviced for others	$ 418,150	$ 410,740
Weighted average interest rate	3.95%	3.62%
Remaining contractual term (in months)	304	298

Conforming conventional loans serviced by the Company are sold to Federal National Mortgage Association ("FNMA") on a non-recourse basis, whereby foreclosure losses are generally the responsibility of FNMA and not the Company. The government loans serviced by the Company are secured through the Government National Mortgage Association ("GNMA"), whereby the Company is insured against loss by the Federal Housing Administration or partially guaranteed against loss by the Veterans Administration. At March 31, 2023, the servicing portfolio balance consisted of the following loan types: FNMA (86.9%), GNMA (0.5%), and private investor (12.6%). FNMA and private investor loans are structured as actual/actual payment remittance.

The Company had no delinquent residential mortgage loans in GNMA pools serviced by the Company at March 31, 2023 and $0.3 at December 31, 2022, respectively. The right to repurchase these loans and the corresponding liability has been recorded in other assets and other liabilities, respectively, in the Consolidated Statement of Financial Condition. For the three months ended March 31, 2023 and March 31, 2022, the Company repurchased $0.9 million and $0.4 million in delinquent residential loans from the GNMA pools. When delinquent residential loans are repurchased, the Company has the intention to modify their terms and include the loans in new GNMA pools.

Activity in the capitalized mortgage servicing rights was as follows:

(Dollars in Thousands)	(As Restated) Three Months Ended March 31, 2023	2022
Beginning balance	$ 2,599	$ 3,774
Additions due to loans sold with servicing retained	191	4
Deletions and amortization	(99)	(368)
Sale of servicing rights	101	-
Ending balance	$ 2,792	$ 3,410

At March 31, 2023, we recorded the sale of $334 million (unpaid principal balance) in FNMA mortgage servicing rights that is pending FNMA approval. The book value of the mortgage servicing rights of $2.3 million and the pending gain on sale of $1.38 million were recorded as a secured borrowing in Other Liabilities within the Consolidated Financial Statement of Condition. Subsequent to March 31, 2023, FNMA approval was obtained.

The Company did not record any permanent impairment losses on mortgage servicing rights for the three months ended March 31, 2023 or 2022.

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

	(As Restated) March 31, 2023 Minimum	Maximum	(As Restated) December 31, 2022 Minimum	Maximum
Discount rates	9.51%	12.00%	9.50%	12.00%
Annual prepayment speeds	13.45%	21.56%	12.33%	20.23%
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 18.60% at March 31, 2023 and 13.42% at December 31, 2022.

Warehouse Line Borrowings

The Company has the following warehouse lines of credit and master repurchase agreements with various financial institutions at March 31, 2023.

(Dollars in Thousands)		**Amounts Outstanding**
$75 million master repurchase agreement without defined expiration. Interest is at the SOFR rate plus 2.00% to 3.00%, with a floor rate of 3.25%. A cash pledge deposit of $ 0.5 million is required by the lender.		8,309
$60 million warehouse line of credit agreement expiring December 2023. Interest is at the SOFR plus 2.25%, to 3.25%.		13,864
Total Warehouse Borrowings	$	22,173

Warehouse line borrowings are classified as short-term borrowings. At December 31, 2022, warehouse line borrowings totaled $50.2 million. At March 31, 2023, the Company had residential mortgage loans held for sale and construction loans held for investment pledged as collateral under the above warehouse lines of credit and master repurchase agreements. The above agreements also contain covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, and maximum debt to net worth ratio, as defined in the agreements. The Company was in compliance with all significant debt covenants at March 31, 2023.

The Company has extended a $50 million warehouse line of credit to CCHL, a 51% owned subsidiary entity. Balances and transactions under this line of credit are eliminated in the Company's consolidated financial statements and thus not included in the total short term borrowings noted on the Consolidated Statement of Financial Condition. The balance of this line of credit at March 31, 2023 and December 31, 2022 was $32.8 million and $ 22.9 million, respectively.

NOTE 5 – DERIVATIVES

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

<u>Cash Flow Hedges of Interest Rate Risk</u>

Interest rate swaps with notional amounts totaling $30 million at March 31, 2023 were designated as a cash flow hedge for subordinated debt. Under the swap arrangement, the Company will pay a fixed interest rate of 2.50% and receive a variable interest rate based on three-month LIBOR plus a weighted average margin of 1.83%.

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

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

(Dollars in Thousands)	**Statement of Financial Condition Location**		**Notional Amount**		**Fair Value**	**Weighted Average Maturity (Years)**
March 31, 2023						
Interest rate swaps related to subordinated debt	Other Assets	$	30,000	$	5,394	7.3
December 31, 2022						
Interest rate swaps related to subordinated debt	Other Assets	$	30,000	$	6,195	7.5

The following table presents the net gains (losses) recorded in AOCI and the consolidated statements of income related to the cash flow derivative instruments (interest rate swaps related to subordinated debt) for the three months ended March 31, 2023.

(Dollars in Thousands)	**Category**	**Amount of (Loss) Gain Recognized in AOCI**	**Amount of (Loss) Gain Reclassified from AOCI to Income**
Three months ended March 31, 2023	Interest expense	$ (598)	$ 309
Three months ended March 31, 2022	Interest expense	1,370	(28)

The Company estimates there will be approximately $1.2 million reclassified as a decrease to interest expense within the next 12 months.

The Company had a collateral liability of $5.4 million and $5.8 million at March 31, 2023 and December 31, 2022, respectively.

NOTE 6 – LEASES

Operating leases in which the Company is the lessee are recorded as operating lease right of use (“ROU”) assets and operating liabilities, included in other assets and liabilities, respectively, on its Consolidated Statement of Financial Condition.

The Company’s operating leases primarily relate to banking offices with remaining lease terms from 1 to 43 years. The Company’s leases are not complex and do not contain residual value guarantees, variable lease payments, or significant assumptions or judgements in applying the requirements of Topic 842. Operating leases with an initial term of 12 months or less are not recorded on the Consolidated Statement of Financial Condition and the related lease expense is recognized on a straight-line basis over the lease term. At March 31, 2023, the operating lease ROU assets and liabilities were $24.7 million and $25.1 million, respectively. At December 31, 2022, ROU assets and liabilities were $22.3 million and $22.7 million, respectively. The Company does not have any finance leases or any significant lessor agreements.

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

(Dollars in Thousands)	**Three Months Ended March 31, 2023**	**2022**
Operating lease expense	$ 700	$ 384
Short-term lease expense	139	179
Total lease expense	$ 839	$ 563
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 706	$ 429
Right-of-use assets obtained in exchange for new operating lease liabilities	2,906	592
Weighted average remaining lease term — operating leases (in years)	18.6	24.9
Weighted average discount rate — operating leases	3.3%	2.0%

The table below summarizes the maturity of remaining lease liabilities:

(Dollars in Thousands)	**March 31, 2023**
2023	$ 2,354
2024	2,666
2025	2,438
2026	2,320
2027	2,245
2028 and thereafter	21,045
Total	$ 33,068
Less: Interest	(8,002)
Present Value of Lease liability	$ 25,066

At March 31, 2023, the Company had no additional operating lease obligations for banking offices that have not yet commenced.

A related party is the lessor in an operating lease with the Company. The Company's minimum payment is $0.2 million annually through 2052, for an aggregate remaining obligation of $2.4 million at March 31, 2023.

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 March 31,	
(Dollars in Thousands)	**2023**	**2022**
Service Cost	$ 872	$ 1,572
Interest Cost	1,458	1,166
Expected Return on Plan Assets	(1,701)	(2,675)
Prior Service Cost Amortization	1	4
Net Loss Amortization	234	428
Pension Settlement	-	209
Net Periodic Benefit Cost	$ 864	$ 704
Discount Rate Used for Benefit Cost	5.63%	3.11%
Long-term Rate of Return on Assets	6.75%	6.75%

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

	Three Months Ended March 31,	
(Dollars in Thousands)	**2023**	**2022**
Service Cost	$ 4	$ 8
Interest Cost	130	79
Prior Service Cost Amortization	38	69
Net Loss Amortization	(155)	180
Net Periodic Benefit Cost	$ 17	$ 336
Discount Rate Used for Benefit Cost	5.45%	2.80%

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

NOTE 8 - COMMITMENTS AND CONTINGENCIES

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

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

(Dollars in Thousands)	March 31, 2023 Fixed	Variable	Total	December 31, 2022 Fixed	Variable	Total
Commitments to Extend Credit (1)	$ 248,660	$ 577,180	$ 825,840	$ 243,614	$ 531,873	$ 775,487
Standby Letters of Credit	5,677	-	5,677	5,619	-	5,619
Total	$ 254,337	$ 577,180	$ 831,517	$ 249,233	$ 531,873	$ 781,106

(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.

(Dollars in Thousands)	Three Months Ended March 31, 2023	2022
Beginning Balance	$ 2,989	$ 2,897
Provision for Credit Losses	(156)	79
Ending Balance	$ 2,833	$ 2,976

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. Furthermore, 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 and a commitment of up to $7.0 million in a solar tax credit equity fund. At March 31, 2023, the Company had contributed $0.3 million of the bank tech commitment and $2.8 million of the solar fund commitment. At December 31, 2022, the Company had contributed $0.2 million of the bank tech commitment and $1.0 million of the solar fund commitment.

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

Indemnification Obligation. The Company is a member of the Visa U.S.A. network. Visa U.S.A member banks are required to indemnify the Visa U.S.A. network for potential future settlement of certain litigation (the "Covered Litigation") that relates to several antitrust lawsuits challenging the practices of Visa and MasterCard International. In 2008, the Company, as a member of the Visa U.S.A. network, obtained Class B shares of Visa, Inc. upon its initial public offering. Since its initial public offering, Visa, Inc. has funded a litigation reserve for the Covered Litigation resulting in a reduction in the Class B shares held by the Company. During the first quarter of 2011, the Company sold its remaining Class B shares. Associated with this sale, the Company entered into a swap contract with the purchaser of the shares that requires a payment to the counterparty in the event that Visa, Inc. makes subsequent revisions to the conversion ratio for its Class B shares. Conversion ratio payments and ongoing fixed quarterly charges are reflected in earnings in the period incurred. Fixed charges included in the swap liability are payable quarterly until the litigation reserve is fully liquidated and at which time the aforementioned swap contract will be terminated. Quarterly fixed payments approximate $0.3 million.

NOTE 9 – FAIR VALUE MEASUREMENTS

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

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

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

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

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

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

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

Fair Value Swap. The Company entered into a stand-alone derivative contract with the purchaser of its Visa Class B shares. The valuation represents the amount due and payable to the counterparty based upon the revised share conversion rate, if any, during the period. At March 31, 2023, there were no amounts payable and at December 31, 2022, there was a $0.1 million payable.

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

(Dollars in Thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
March 31, 2023 (As Restated)				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	$ 22,373	$ -	$ -	$ 22,373
U.S. Government Agency	-	174,290	-	174,290
States and Political Subdivisions	-	41,479	-	41,479
Mortgage-Backed Securities	-	69,014	-	69,014
Corporate Debt Securities	-	88,432	-	88,432
Loans Held for Sale	-	28,475	-	28,475
Interest Rate Swap Derivative	-	5,394	-	5,394
Mortgage Banking IRLC Derivative	-	-	1,346	1,346
LIABILITIES:				
Mortgage Banking Hedge Derivative	$ -	$ 216	$ -	$ 216
December 31, 2022 (As Restated)				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	$ 22,050	$ -	$ -	$ 22,050
U.S. Government Agency	-	186,052	-	186,052
States and Political Subdivisions	-	40,329	-	40,329
Mortgage-Backed Securities	-	69,405	-	69,405
Corporate Debt Securities	-	88,236	-	88,236
Loans Held for Sale	-	26,909	-	26,909
Interest Rate Swap Derivative	-	6,195	-	6,195
Mortgage Banking Hedge Derivative	-	187	-	187
Mortgage Banking IRLC Derivative	-	-	819	819

Mortgage Banking Activities. The Company had Level 3 issuances and transfers related to mortgage banking activities of $4.3 million and $6.7 million, respectively, for the three months ended March 31, 2023, and $4.3 million and $13.6 million, respectively, for the three months ended March 31, 2022. 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 costs to sell. 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 $2.4 million with no valuation allowance at March 31, 2023 and a carrying value of $0.7 million and a $0.1 million valuation allowance at December 31, 2022.

Other Real Estate Owned. During the first three months of 2023, certain foreclosed assets, upon initial recognition, were measured and reported at fair value through a charge-off to the allowance for credit losses based on the fair value of the foreclosed asset less estimated cost to sell. The fair value of the foreclosed asset is determined by an independent valuation or professional appraisal in conformance with banking regulations. On an ongoing basis, we obtain updated appraisals on foreclosed assets and realize valuation adjustments as necessary. The fair value of foreclosed assets is estimated using Level 3 inputs due to the judgment and estimation involved in the real estate valuation process.

Mortgage Servicing Rights. Residential mortgage loan servicing rights are evaluated for impairment at each reporting period based upon the fair value of the rights as compared to the carrying amount. Fair value is determined by a third-party valuation model using estimated prepayment speeds of the underlying mortgage loans serviced and stratifications based on the risk characteristics of the underlying loans (predominantly loan type and note interest rate). The fair value is estimated using Level 3 inputs, including a discount rate, weighted average prepayment speed, and the cost of loan servicing. Further detail on the key inputs utilized are provided in Note 4 – Mortgage Banking Activities. At each of March 31, 2023 and December 31, 2022, 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."

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. Pursuant to the adoption of ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, 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:

(Dollars in Thousands)	(As Restated) March 31, 2023 Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	$ 84,549	$ 84,549	$ -	$ -
Short-Term Investments	303,403	303,403	-	-
Investment Securities, Held to Maturity	651,755	437,174	175,026	-
Equity Securities (1)	1,883	-	1,883	-
Other Equity Securities (2)	2,848	-	2,848	-
Mortgage Servicing Rights	2,792	-	-	4,824
Loans, Net of Allowance for Credit Losses	2,630,339	-	-	2,482,705
LIABILITIES:				
Deposits	$ 3,823,920	$ -	$ 3,284,249	$ -
Short-Term Borrowings	26,632	-	26,632	-
Subordinated Notes Payable	52,887	-	45,365	-
Long-Term Borrowings	463	-	464	-

(Dollars in Thousands)	(As Restated) December 31, 2022 Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	$ 72,114	$ 72,114	$ -	$ -
Short-Term Investments	528,536	528,536	-	-
Investment Securities, Held to Maturity	660,774	431,733	180,968	-
Equity Securities (1)	10	-	10	-
Other Equity Securities (2)	2,848	-	2,848	-
Mortgage Servicing Rights	2,599	-	-	4,491
Loans, Net of Allowance for Credit Losses	2,522,617	-	-	2,377,229
LIABILITIES:				
Deposits	$ 3,939,317	$ -	$ 3,310,383	$ -
Short-Term Borrowings	56,793	-	56,793	-
Subordinated Notes Payable	52,887	-	45,763	-
Long-Term Borrowings	513	-	513	-

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

(2) 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, 2023	$ (37,349)	$ 4,625	$ (4,505)	$ (37,229)
Other comprehensive income (loss) during the period	5,751	(598)	-	5,153
Balance as of March 31, 2023	$ (31,598)	$ 4,027	$ (4,505)	$ (32,076)
Balance as of January 1, 2022	$ (4,588)	$ 1,530	$ (13,156)	$ (16,214)
Other comprehensive (loss) income during the period	(19,055)	1,370	156	(17,529)
Balance as of March 31, 2022	$ (23,643)	$ 2,900	$ (13,000)	$ (33,743)

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 2023 compares with prior years. Throughout this section, Capital City Bank Group, Inc., and subsidiaries, collectively, is referred to as "CCBG," "Company," "we," "us," or "our."

We have restated our previously issued consolidated financial statements contained in this Form 10-Q/A. For background on the restatement, the fiscal periods impacted, control considerations and other information, see "Explanatory Note" preceding "Part I – Item 1. Consolidated Financial Statement (Unaudited)" above. In addition, this MD&A is being restated to conform to the restated financial statements. For additional information related to the restatements, see "Part I – Item 1 Financial Information – Note 1 – Restatement of Previously Issued Consolidated Financial Statements" above.

CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

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

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. Please see the Introductory Note of this quarterly report on Form 10-Q/A as well as the Introductory Note and *Item 1A. Risk Factors* of our 2022 Form 10-K/A, as updated in our subsequent quarterly reports filed on Form 10-Q/A, 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 60 full-service offices located in Florida, Georgia, and Alabama. We provide a full range of banking services, including traditional deposit and credit services, mortgage banking, asset management, trust, merchant services, bankcards, securities brokerage services and financial advisory services, including life insurance products, risk management and asset protection services.

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

We have included a detailed discussion of the economic conditions in our markets and our long-term strategic objectives as part of the MD&A section of our 2022 Form 10-K/A.

NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

We present a tangible common equity ratio and a tangible book value per diluted share that, in each case, removes the effect of goodwill and other intangibles that resulted from merger and acquisition activity. We believe these measures are useful to investors because it allows investors to more easily compare our capital adequacy to other companies in the industry. The generally accepted accounting principles (“GAAP”) to non-GAAP reconciliation for each quarter presented is provided below.

		(As Restated)	(As Restated)			
		2023	**2022**			
(Dollars in Thousands, except per share data)		First	Fourth	Third	Second	First
Shareowners' Equity (GAAP)		$ 403,260	$ 387,281	$ 368,485	$ 368,705	$ 370,628
Less: Goodwill and Other Intangibles (GAAP)		93,053	93,093	93,133	93,173	93,213
Tangible Shareowners' Equity (non-GAAP)	A	310,207	294,188	275,352	275,532	277,415
Total Assets (GAAP)		4,401,762	4,519,223	4,327,991	4,351,327	4,308,528
Less: Goodwill and Other Intangibles (GAAP)		93,053	93,093	93,133	93,173	93,213
Tangible Assets (non-GAAP)	B	$ 4,308,709	$ 4,426,130	$ 4,234,858	$ 4,258,154	$ 4,215,315
Tangible Common Equity Ratio (non-GAAP)	**A/B**	**7.20%**	**6.65%**	**6.50%**	**6.47%**	**6.58%**
Actual Diluted Shares Outstanding (GAAP)	C	17,049,913	17,039,401	16,998,177	16,981,614	16,962,362
Tangible Book Value per Diluted Share (non-GAAP)	**A/C**	**18.19**	**17.27**	**16.20**	**16.23**	**16.35**

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	(As Restated) 2023	(As Restated) 2022			
(Dollars in Thousands, Except Per Share Data)	First	Fourth	Third	Second	First
Summary of Operations:					
Interest Income	$ 43,926	$ 41,218	$ 35,442	$ 29,516	$ 25,734
Interest Expense	3,526	3,122	2,037	987	742
Net Interest Income	40,400	38,096	33,405	28,529	24,992
Provision for Credit Losses	3,099	3,616	2,154	1,692	32
Net Interest Income After					
Provision for Credit Losses	37,301	34,480	31,251	26,837	24,960
Noninterest Income	17,758	15,296	18,509	20,564	20,812
Noninterest Expense	37,675	39,262	37,699	38,150	36,523
Income Before Income Taxes	17,384	10,514	12,061	9,251	9,249
Income Tax Expense	3,710	1,900	2,493	1,685	1,720
Income Attributable to NCI	35	995	37	(306)	(591)
Net Income Attributable to CCBG	13,709	9,609	9,605	7,260	6,938
Net Interest Income (FTE)[1]	40,500	38,185	33,488	28,604	25,070
Per Common Share:					
Net Income Basic	$ 0.81	$ 0.56	$ 0.57	$ 0.43	$ 0.41
Net Income Diluted	0.80	0.56	0.57	0.43	0.41
Cash Dividends Declared	0.18	0.17	0.17	0.16	0.16
Diluted Book Value	23.65	22.73	21.68	21.71	21.85
Diluted Tangible Book Value[2]	18.19	17.27	16.20	16.23	16.35
Market Price:					
High	36.86	36.23	33.93	28.55	28.88
Low	28.18	31.14	27.41	24.43	25.96
Close	29.31	32.50	31.11	27.89	26.36
Selected Average Balances:					
Investment Securities	$ 1,064,212	$ 1,081,092	$ 1,120,728	$ 1,144,757	$ 1,059,145
Loans Held for Investment	2,582,395	2,439,379	2,264,075	2,084,679	1,963,578
Earning Assets	4,062,688	4,032,733	4,009,951	3,974,221	3,938,824
Total Assets	4,411,865	4,381,825	4,357,678	4,321,388	4,266,775
Deposits	3,817,314	3,803,042	3,769,864	3,765,329	3,714,062
Shareowners' Equity	404,067	380,570	379,305	373,365	383,956
Common Equivalent Average Shares:					
Basic	17,016	16,963	16,960	16,949	16,931
Diluted	17,045	17,016	16,996	16,971	16,946
Performance Ratios:					
Return on Average Assets	1.26 %	0.87 %	0.87 %	0.67 %	0.66 %
Return on Average Equity	13.76	10.02	10.05	7.80	7.33
Net Interest Margin (FTE)	4.04	3.76	3.32	2.89	2.58
Noninterest Income as % of Operating Revenue	30.53	28.65	35.65	41.89	45.44
Efficiency Ratio	64.67	73.41	72.51	77.59	79.60
Asset Quality:					
Allowance for Credit Losses ("ACL")	$ 26,808	$ 25,068	$ 22,747	$ 21,463	$ 20,788
Nonperforming Assets ("NPAs")	4,602	2,728	2,422	3,231	2,745
ACL to Loans HFI	1.01 %	0.98 %	0.96 %	0.96 %	1.05 %
NPAs to Total Assets	0.10	0.06	0.06	0.07	0.06
NPAs to Loans HFI plus OREO	0.17	0.11	0.10	0.14	0.14
ACL to Non-Performing Loans	584.18	1,091.34	944.36	683.35	762.00
Net Charge-Offs to Average Loans HFI	0.24	0.21	0.12	0.22	0.16
Capital Ratios:					
Tier 1 Capital	14.23 %	14.27 %	14.59 %	14.97 %	15.91 %
Total Capital	15.29	15.30	15.58	15.95	16.95
Common Equity Tier 1	12.40	12.38	12.62	12.91	13.70
Leverage	9.09	8.91	8.80	8.70	8.74
Tangible Common Equity[2]	7.20	6.65	6.50	6.47	6.58

[1] *Fully Tax Equivalent*

[2] *Non-GAAP financial measure. See non-GAAP reconciliation on page 45.*

FINANCIAL OVERVIEW

Results of Operations

Performance Summary. Net income attributable to common shareowners of $13.7 million, or $0.80 per diluted share, for the first quarter of 2023 compared to $9.6 million, or $0.56 per diluted share, for the fourth quarter of 2022, and $6.9 million, or $0.41 per diluted share, for the first quarter of 2022.

Net Interest Income. Tax-equivalent net interest income for the first quarter of 2023 totaled $40.5 million, compared to $38.2 million for the fourth quarter of 2022, and $25.1 million for the first quarter of 2022. Compared to both prior periods, the increase reflected strong loan growth and higher interest rates across a majority of our earning assets, partially offset by higher deposit costs.

Provision and Allowance for Credit Losses. We recorded a provision for credit losses of $3.1 million for the first quarter of 2023 compared to $3.6 million for the fourth quarter of 2022 and $0.03 million for the first quarter of 2022. Compared to the fourth quarter of 2022, the decrease reflected a lower level of loan growth. The provision for the first quarter of 2022 reflected lower reserves required needed post-pandemic.

Noninterest Income. Noninterest income for the first quarter of 2023 totaled $17.8 million, an increase of $2.5 million, or 16.1%, over the fourth quarter of 2022 and a decrease of $3.1 million, or 14.7%, from the first quarter of 2022. The increase over the fourth quarter of 2022 was primarily due to higher mortgage banking revenues (higher rate locks and gain on sale margin) partially offset by lower deposit fees (two less processing days). The decrease from the first quarter 2022 was driven by lower wealth management fees due to lower insurance commissions - the first quarter of 2022 was higher than normal due to closing of several large insurance policies. Lower mortgage revenues (lower rate locks and gain on sale margin) also contributed to the decrease but was partially offset by an increase in other income.

Noninterest Expense. Noninterest expense for the first quarter of 2023 totaled $37.7 million compared to $39.3 million for the fourth quarter of 2022 and $36.5 million for the first quarter of 2022. Compared to the fourth quarter of 2022, the $1.6 million decrease reflected a decrease in other expense of $2.6 million that was partially offset by an increase in occupancy expense of $0.5 million and compensation expense of $0.5 million. The decrease in other expense was primarily attributable to lower other real estate expense of $1.6 million due to a gain on the sale of a banking office. Further, pension expense (non-service-related component) for the first quarter of 2023 totaled $0.2 million compared to $1.1 million for the fourth quarter of 2022 which included a $1.8 million pension settlement charge. Compared to the first quarter of 2022, the $1.2 million increase reflected increases in compensation expense of $1.2 million and occupancy expense of $0.7 million that were partially off by a decrease in other expense of $0.7 million. The addition of banking offices and staffing in new markets drove the variance in salary and occupancy expenses. Further, compensation expense reflected a $0.7 million decrease in pension service cost that was partially offset by an increase in stock-based compensation expense of $0.4 million.

Financial Condition

Earning Assets. Average earning assets totaled $4.063 billion for the first quarter of 2023, an increase of $30.0 million, or 0.7%, over the fourth quarter of 2022, and an increase of $123.9 million, or 3.1%, over the first quarter of 2022. The increase over both prior periods was primarily driven by higher deposit balances. The mix of earning assets continues to improve driven by strong loan growth.

Loans. Average loans held for investment ("HFI") increased $143.0 million, or 5.9%, over the fourth quarter of 2022 and increased $618.8 million, or 31.5%, over the first quarter of 2022. Period end loans increased $109.5 million, or 4.3%, over the fourth quarter of 2022 and $668.5 million, or 33.6%, over the first quarter of 2022. Compared to the fourth quarter of 2022, a majority of the increase was realized in the residential real estate category, and to a lesser extent, the construction and commercial real estate mortgage categories. Compared to the first quarter of 2022, loan growth was broad based, with increases realized in all categories except consumer loans. The slowdown in the secondary market residential loan sales has allowed us to book a steady flow of CCHL's adjustable-rate production in our loan portfolio throughout 2022 and the first quarter of 2023.

Credit Quality. Overall credit quality remains stable. Nonperforming assets (nonaccrual loans and other real estate) totaled $4.3 million at March 31, 2023 compared to $2.7 million at December 31, 2022, and $2.7 million at March 31, 2022. At March 31, 2023, nonperforming assets as a percent of total assets totaled 0.10% compared to 0.06% at December 31, 2022 and 0.06% at March 31, 2022. Nonaccrual loans totaled $4.6 million at March 31, 2023, a $2.3 million increase over December 31, 2022, and a $1.9 million increase over March 31, 2022. At March 31, 2023, the increase was primarily due to the addition of one large business loan relationship totaling $1.8 million to nonaccrual status – it is in the process of collection and is adequately secured and reserved for.

Deposits. Average total deposits were $3.817 billion for the first quarter of 2023, an increase of $14.3 million, or 0.4%, over the fourth quarter of 2022 and $103.3 million, or 2.8%, over the first quarter of 2022. Growth over the fourth quarter of 2022 was primarily attributable to an increase in NOW account balances, primarily due to a seasonal increase in our public fund deposits that occurred late in the fourth quarter. Compared to the first quarter of 2022, we had strong growth in our NOW accounts and, to a lesser extent, our savings account balances.

Capital. At March 31, 2023, we were well-capitalized with a total risk-based capital ratio of 15.29% and a tangible common equity ratio (a non-GAAP financial measure) of 7.20% compared to 15.30% and 6.65%, respectively at December 31, 2022 and 16.95% and 6.58%, respectively, at March 31, 2022. At March 31, 2023, 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.

	(As Restated)		
	Three Months Ended		
(Dollars in Thousands, except per share data)	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Interest Income	$ 43,926	$ 41,218	$ 25,734
Taxable Equivalent Adjustments	100	88	78
Total Interest Income (FTE)	44,026	41,306	25,812
Interest Expense	3,526	3,122	742
Net Interest Income (FTE)	40,500	38,184	25,070
Provision for Credit Losses	3,099	3,616	32
Taxable Equivalent Adjustments	100	88	78
Net Interest Income After Provision for Credit Losses	37,301	34,480	24,960
Noninterest Income	17,758	15,296	20,812
Noninterest Expense	37,675	39,262	36,523
Income Before Income Taxes	17,384	10,514	9,249
Income Tax Expense	3,710	1,900	1,720
Income Attributable to Noncontrolling Interests	35	995	(591)
Net Income Attributable to Common Shareowners	$ 13,709	$ 9,609	$ 6,938
Basic Net Income Per Share	$ 0.81	$ 0.56	$ 0.41
Diluted Net Income Per Share	$ 0.80	$ 0.56	$ 0.41

Net Interest Income

Net interest income represents our single largest source of earnings and is equal to interest income and fees generated by earning assets less interest expense paid on interest bearing liabilities. This information is provided on a "taxable equivalent" basis to reflect the tax-exempt status of income earned on certain loans and state and local government debt obligations. We provide an analysis of our net interest income including average yields and rates in Table I on page 58.

Tax-equivalent net interest income for the first quarter of 2023 totaled $40.5 million, compared to $38.2 million for the fourth quarter of 2022, and $25.1 million for the first quarter of 2022. Compared to both prior periods, the increase reflected strong loan growth and higher rates across a majority of our earning assets, partially offset by higher deposit costs.

Our net interest margin for the first quarter of 2023 was 4.04%, an increase of 28 basis points over the fourth quarter of 2022 and 146 basis points over the first quarter of 2022, both driven by higher interest rates and an overall improved earning asset mix. For the month of March 2023, our net interest margin was 4.07%. For the first quarter of 2023, our cost of funds was 35 basis points, an increase of four basis points over the fourth quarter of 2022 and 27 basis points over the first quarter of 2022. Our cost of interest bearing deposits was 46 basis points, 35 basis points, and 4 basis points, respectively, for the same periods. Our total cost of deposits (including noninterest bearing accounts) was 26 basis points, 20 basis points, and 2 basis points, respectively, for the same periods.

Provision for Credit Losses

We recorded a provision for credit losses of $3.1 million for the first quarter of 2023 compared to $3.6 million for the fourth quarter of 2022 and $0.03 million for the first quarter of 2022. The decrease in the provision compared to the fourth quarter of 2022 was primarily attributable to a lower level of loan growth. The credit loss provision for the first quarter of 2022 generally reflected lower required reserves needed post-pandemic. We discuss the allowance for credit losses further below.

Noninterest Income

Noninterest income for the first quarter of 2023 totaled $17.8 million compared to $15.3 million for the fourth quarter of 2022 and $20.8 million for the first quarter of 2022. The $2.5 million increase over the fourth quarter of 2022 was primarily attributable to higher mortgage banking revenues at CCHL of $2.8 million partially offset by lower deposit fees $0.3 million. The increase in mortgage banking revenues reflected a higher level of rate locks and gain on sale margin. The decrease in deposit fees was partially attributable to two less processing days in the first quarter. Compared to the first quarter of 2022, the $3.1 million decrease reflected lower wealth management fees of $2.1 million and mortgage banking revenues of $1.2 million, partially offset by higher other income of $0.3 million. The decrease in wealth management fees was due to lower insurance commission revenues which reflected higher than normal revenues in the first quarter of 2022 related to the closing of several large insurance policies. The decline in mortgage banking revenues was attributable to a lower level of rate locks and gain on sale margin. The increase in other income was primarily due to higher loan servicing income and miscellaneous income.

Noninterest income represented 30.5% of operating revenues (net interest income plus noninterest income) for the first quarter of 2023 compared to 28.7% for the fourth quarter of 2022 and 45.4% for the first quarter of 2022.

The table below reflects the major components of noninterest income.

	(As Restated)		
	Three Months Ended		
(Dollars in Thousands)	March 31, 2023	December 31, 2022	March 31, 2022
Deposit Fees	$ 5,239	$ 5,536	$ 5,191
Bank Card Fees	3,726	3,744	3,763
Wealth Management Fees	3,928	3,649	6,070
Mortgage Banking Revenues	2,871	102	4,055
Other	1,994	2,265	1,733
Total Noninterest Income	$ 17,758	$ 15,296	$ 20,812

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

Deposit Fees. Deposit fees for the first quarter of 2023 totaled $5.2 million, a decrease of $0.3 million, or 5.4%, from the fourth quarter of 2022 and comparable to the first quarter of 2022. The decline from the fourth quarter of 2022 reflected two less days of processing.

Bank Card Fees. Bank card fees for the first quarter of 2023 totaled $3.7 million, comparable to the fourth quarter of 2022 and a decrease of $0.1 million, or 1.0%, from the first quarter of 2022. The decline from the first quarter of 2022 was primarily attributable to lower debit card usage and reflected lower consumer spending.

Wealth Management Fees. Wealth management fees, which include both trust fees (i.e., managed accounts and trusts/estates), brokerage fees (i.e., investment, retail insurance products, and retirement accounts), and insurance commission revenues, totaled $3.9 million for the first quarter of 2023, an increase of $0.3 million, or 7.7%, over the fourth quarter of 2022 and a decrease of $2.1 million, or 35.3%, from the first quarter of 2022. The increase over the fourth quarter of 2022 was primarily attributable to higher retail brokerage fees. The decrease from the first quarter of 2022 was due to lower insurance commission revenues which reflected higher than normal revenues in the first quarter of 2022 related to the closing of several large insurance policies. At March 31, 2023, assets under management were approximately $2.330 billion compared to $2.273 billion at December 31, 2022 and $2.329 billion at March 31, 2022.

Mortgage Banking Revenues. Mortgage banking revenues totaled $2.9 million for the first quarter of 2023, an increase of $2.8 million over the fourth quarter of 2022 and a decrease of $1.2 million from the first quarter of 2022. Compared to the fourth quarter of 2022, the increase reflected a higher level of rate locks and gain on sale margin. The decrease from the first quarter of 2022 was attributable to lower rate lock volume and gain on sale margin. 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 $2.0 million for the first quarter of 2023, a decrease of $0.3 million, or 12.0%, from the fourth quarter of 2022 and an increase of $0.3 million, or 15.1%, over the first quarter of 2022. Compared to both prior periods, the change was driven by variances in miscellaneous income.

Noninterest Expense

Noninterest expense for the first quarter of 2023 totaled $37.7 million compared to $39.3 million for the fourth quarter of 2022 and $36.5 million for the first quarter of 2022. Compared to the fourth quarter of 2022, the $1.6 million decrease reflected a decrease in other expense of $2.6 million that was partially offset by an increase in occupancy expense of $0.5 million and compensation expense of $0.5 million. The decrease in other expense was primarily attributable to lower other real estate expense of $1.6 million due to a gain on the sale of a banking office.
Further, pension expense (non-service-related component) decreased $1.1 million from the fourth quarter of 2022 which included a $1.8 million pension settlement charge. Compared to the first quarter of 2022, the $1.2 million increase reflected increases in compensation expense of $1.2 million and occupancy expense of $0.7 million that were partially off by a decrease in other expense of $0.7 million. The addition of banking offices and staffing in new markets drove the variance in salary and occupancy expenses. Further, compensation expense reflected a $0.7 million decrease in pension service cost that was partially offset by an increase in stock-based compensation expense of $0.4 million. The reduction in other expense was primarily due to lower pension expense (non-service related component).
The table below reflects the major components of noninterest expense.

	(As Restated)		
	Three Months Ended		
(Dollars in Thousands)	**March 31, 2023**	**December 31, 2022**	**March 31, 2022**
Salaries	$ 19,517	$ 18,581	$ 18,106
Associate Benefits	4,007	4,452	4,192
Total Compensation	23,524	23,033	22,298
Premises	3,245	2,907	2,759
Equipment	3,517	3,346	3,334
Total Occupancy	6,762	6,253	6,093
Legal Fees	362	390	349
Professional Fees	1,324	1,441	1,332
Processing Services	1,742	1,368	1,637
Advertising	874	729	773
Telephone	706	690	728
Insurance - Other	831	649	510
Other Real Estate Owned, net	(1,827)	(241)	25
Pension - Other	7	1,371	(654)
Pension Settlement	-	(291)	102
Miscellaneous	3,370	3,870	3,330
Total Other	7,389	9,976	8,132
Total Noninterest Expense	$ 37,675	$ 39,262	$ 36,523

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

Compensation. Compensation expense totaled $23.5 million for the first quarter of 2023, an increase of $0.5 million, or 2.1%, over the fourth quarter of 2022 and an increase of $1.2 million, or 5.5%, over the first quarter of 2022. Compared to the fourth quarter of 2022, the $0.5 million increase in compensation expense reflected an increase in salary expense of $0.9 million that was partially offset by a decrease in associate benefits expense of $0.4 million. The increase in salary expense was primarily attributable to a decrease in realized loan cost (credit to salary expense) and higher payroll tax expense which reflected the annual re-set of this tax as well as payroll taxes related to a high level of cash/stock incentives paid in the first quarter. The decrease in associate benefit expense reflected a decrease of $0.7 million in pension service cost that was partially offset by increases in stock compensation (higher expected pay-out for long-term incentive plan), associate insurance, and other associate benefit expense (annual sales/service awards). Compared to the first quarter of 2022, the increase reflected higher salary expense of $1.4 million partially offset by lower associate benefit expense of $0.2 million. The increase in salary expense was primarily due to a decrease in realized loan cost and the addition of banking offices and staffing in new markets. The decrease in associate benefit expense was primarily due to a decrease in pension service cost of $0.7 million that was partially offset by an increase in stock-based compensation expense of $0.4 million.

Occupancy. Occupancy expense (including premises and equipment) totaled $6.8 million for the first quarter of 2023, an increase of $0.5 million, or 8.1% over the fourth quarter of 2022 and an increase of $0.7 million, or 11.0%, over the first quarter of 2022. The increase over both prior periods was primarily attributable to the three recently opened full-service offices and the re-location of one office.

Other. Other noninterest expense totaled $7.4 million for the first quarter of 2023, a decrease of $2.6 million, or 25.9%, from the fourth quarter of 2022 and a decrease of $0.7 million, or 9.1%, from the first quarter of 2022. The decrease from the fourth quarter of 2022 was primarily attributable a decrease in other real estate expense of $1.6 million due to a gain from the sale of a banking office and lower pension settlement expense of $1.8 million, partially offset by higher pension expense (non-service-related component) of $0.8 million. Compared to the first quarter of 2022, the decrease was primarily driven by lower other real estate expense of $1.8 million due to a gain in other real estate from the sale of a banking office that was partially offset by higher pension expense (non-service-related component) of $0.8 million and higher FDIC assessments of $0.3 million.

Our operating efficiency ratio (expressed as noninterest expense as a percent of the sum of taxable-equivalent net interest income plus noninterest income) was 64.67% for the first quarter of 2023 compared to 73.41% for the fourth quarter of 2022 and 79.60% for the first quarter of 2022. The improvement over both prior periods reflected higher net interest income.

Income Taxes

We realized income tax expense of $3.7 million (effective rate of 21.3%) for the first quarter of 2023 compared to $1.9 million (effective rate of 18.1%) for the fourth quarter of 2022 and $1.7 million (effective rate of 18.6%) for the first quarter of 2022. A discrete tax item of $0.4 million related our SERP plan favorably impacted the effective tax rate for the fourth quarter of 2022. Absent discrete items, we expect our annual effective tax rate to approximate 21%-22% in 2023. The increase in the effective tax rate for 2023 reflects a lower level of pre-tax income from CCHL in relation to our consolidated income as the non-controlling interest adjustment for CCHL is accounted for as a permanent tax adjustment.

FINANCIAL CONDITION

Average earning assets totaled $4.063 billion for the first quarter of 2023, an increase of $30.0 million, or 0.7%, over the fourth quarter of 2022, and an increase of $123.9 million, or 3.1%, over the first quarter of 2022. The increase over both prior periods was primarily driven by higher deposit balances (see below – *Deposits*). The mix of earning assets continues to improve driven by strong loan growth.

Investment Securities

Average investments decreased $16.9 million, or 1.6%, from the fourth quarter of 2022 and increased $5.1 million, or 0.5%, over the first quarter of 2022. Our investment portfolio represented 26.2% of our average earning assets for the first quarter of 2023 compared to 26.8% for the fourth quarter of 2022 and 26.9% for the first quarter of 2022. For the remainder of 2023, we will continue to monitor our overall liquidity position and allow cash flow from the investment portfolio to run-off to overnight funds.

The investment portfolio is a significant component of our operations and, as such, it functions as a key element of liquidity and asset/liability management. Two types of classifications are approved for investment securities which are Available-for-Sale ("AFS") and Held-to-Maturity ("HTM"). At March 31, 2023, $402.9 million, or 38.1%, of our investment portfolio was classified as AFS and $651.8 million, or 61.8%, classified as HTM. The average maturity of our total portfolio at March 31, 2023 was 3.34 years compared to 3.57 years at December 31, 2022 and 3.63 years at March 31, 2022. The duration of our investment portfolio at March 31, 2023 was 2.99 years. In the third quarter of 2022, to mitigate risk to accumulated other comprehensive income due to higher rates, we reclassified 33 U.S. Treasury obligations totaling $168.4 million with unrealized losses of $9.4 million from AFS to HTM. At March 31, 2023, $7.1 million was remaining in unrealized losses relating to these 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 recordednet 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 March 31, 2023, there were 896 positions (combined AFS and HTM) with pre-tax unrealized losses totaling $74.8 million (See Note 2 – Investment Securities in the Notes to Consolidated Financial Statements for detail by category). 87 of these positions are U.S. Treasury bonds and carry the full faith and credit of the U.S. Government. 684 are U.S. government agency securities issued by U.S. government sponsored entities. We believe the long history of no credit losses on government securities indicates that the expectation of nonpayment of the amortized cost basis is effectively zero. The remaining 125 positions (Municipal securities and corporate bonds) have a credit component. At March 31, 2023, corporate debt securities had an allowance for credit losses of $28,000 and municipal securities had an allowance of $8,000. At March 31, 2023, all CMO, MBS, SBA, U.S. Agency, and U.S. Treasury bonds held were AAA rated.

Loans HFI

Average loans held for investment ("HFI") increased $143.0 million, or 5.9%, over the fourth quarter of 2022 and $618.8 million, or 31.5%, over the first quarter of 2022. Period end loans increased $109.5 million, or 4.3%, over the fourth quarter of 2022 and $668.5 million, or 33.6%, over the first quarter of 2022. Compared to the fourth quarter of 2022, a majority of the increase was realized in the residential real estate category, and to a lesser extent, the construction and commercial real estate mortgage categories. Compared to the first quarter of 2022, loan growth was broad based, with increases realized in all categories except consumer loans.

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

Credit Quality

Overall credit quality remains stable. Nonperforming assets (nonaccrual loans and other real estate) totaled $4.6 million at March 31, 2023 compared to $2.7 million at December 31, 2022 and $2.7 million at March 31, 2022. At March 31, 2023, the increase was primarily due to the addition of one large business loan relationship totaling $1.8 million to nonaccrual status is in the process of collection and is adequately secured and reserved for. At March 31, 2023, nonperforming assets as a percentage of total assets totaled 0.14% compared to 0.06% at December 31, 2022 and 0.06% at March 31, 2022. Nonaccrual loans totaled $4.6 million at March 31, 2023, a $2.3 million increase over December 31, 2022 and a $1.9 million increase over March 31, 2022. Further, classified loans totaled $12.2 million at March 31, 2023, a $7.2 million decrease from December 31, 2022 and a $10.2 million decrease from March 31, 2022.

Allowance for Credit Losses

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

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

At March 31, 2023, the allowance for credit losses for HFI loans totaled $26.8 million compared to $25.1 million at December 31, 2022 and $20.8 million at March 31, 2022. Activity within the allowance is provided in Note 3 to the consolidated financial statements. The increase in the allowance over the prior periods was primarily driven by loan growth. At March 31, 2023, net charge-offs totaled $1.5 million, an increase of $0.2 million over the fourth quarter of 2022, and $0.7 million over the first quarter of 2022. At March 31, 2023, the allowance represented 1.01% of HFI loans and provided coverage of 584% of nonperforming loans compared to 0.98% and 1,091%, respectively, at December 31, 2022, and 1.05% and 762%, respectively, at March 31, 2022.

At March 31, 2023, the allowance for credit losses for unfunded commitments totaled $2.8 million compared to $3.0 million at December 31, 2022 and $3.0 million at March 31, 2022. The allowance for unfunded commitments is recorded in other liabilities.

Deposits

Average total deposits were $3.817 billion for the first quarter of 2023, an increase of $14.3 million, or 0.4%, over the fourth quarter of 2022 and $103.3 million, or 2.8%, over the first quarter of 2022. Compared to the fourth quarter of 2022, the increase reflected higher NOW account balances, primarily due to a seasonal increase in our public fund deposits that occurred late in the fourth quarter. Compared to the first quarter of 2022, we experienced strong growth in our NOW accounts, and to a lesser degree, our savings accounts. Period end total deposits declined $115.4 million from the fourth quarter of 2022, and reflected lower balances in noninterest bearing accounts, NOW accounts, and savings accounts, partially offset by slight growth in money market accounts and certificates of deposit Noninterest bearing accounts decreased $52.2 million from the fourth quarter of 2022, largely due to the migration of two commercial clients into interest bearing NOW accounts, in addition to clients seeking a higher yielding investment account at Capital City Investments (approximately $30 million, which is predominantly attributable to clients with higher balances). Interest bearing deposits decreased $63.2 million from the fourth quarter of 2022, including a $47.8 million decline in the NOW account balance that was largely driven by an anticipated seasonal decline in public fund balances of $66 million, partially offset by the previously mentioned migration of two clients from noninterest bearing accounts. Savings account balances decreased $20.1 million from the fourth quarter of 2022, primarily attributable to clients seeking higher yielding investment products outside of the Bank. Money market account balances increased $4.5 million over the fourth quarter of 2022 (also due to some migration from noninterest bearing accounts), in addition to growth in our new markets which offered a promotional rate.

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

MARKET RISK AND INTEREST RATE SENSITIVITY

Market Risk and Interest Rate Sensitivity

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

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

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

The statement of financial condition is subject to testing for interest rate shock possibilities to indicate the inherent interest rate risk. We prepare a current base case and several alternative interest rate simulations (-400, -300, -200, -100, +100, +200, +300, and +400 basis points (bp)), at least once per quarter, and report the analysis to ALCO, our Market Risk Oversight Committee ("MROC"), our Enterprise Risk Oversight Committee ("EROC") and the Board of Directors. The -400bp rate scenario was reintroduced into the model beginning in the fourth quarter of 2022 due to the higher interest rate environment. We augment our interest rate shock analysis with alternative interest rate scenarios on a quarterly basis that may include ramps, parallel shifts, and a flattening or steepening of the yield curve (non-parallel shift). In addition, more frequent forecasts may be produced when interest rates are particularly uncertain or when other business conditions so dictate.

Our goal is to structure the statement of financial condition so that net interest earnings at risk over 12-month and 24-month periods and the economic value of equity at risk do not exceed policy guidelines at the various interest rate shock levels. We attempt to achieve this goal by balancing, within policy limits, the volume of floating-rate liabilities with a similar volume of floating-rate assets, by keeping the average maturity of fixed-rate asset and liability contracts reasonably matched, by managing the mix of our core deposits, and by adjusting our rates to market conditions on a continuing basis.

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

ESTIMATED CHANGES IN NET INTEREST INCOME [1]

Percentage Change (12-month shock)	+400 bp	+300 bp	+200 bp	+100 bp	-100 bp	-200 bp	-300 bp	-400 bp
Policy Limit	-15.0%	-12.5%	-10.0%	-7.5%	-7.5%	-10.0%	-12.5%	-15.0%
March 31, 2023	7.1%	5.2%	3.4%	1.8%	-3.3%	-8.8%	-15.5%	-21.2%
December 31, 2022	11.3%	8.4%	5.5%	2.8%	-5.0%	-12.3%	-20.0%	-27.1%

Percentage Change (24-month shock)	+400 bp	+300 bp	+200 bp	+100 bp	-100 bp	-200 bp	-300 bp	-400 bp
Policy Limit	-17.5%	-15.0%	-12.5%	-10.0%	-10.0%	-12.5%	-15.0%	-17.5%
March 31, 2023	28.0%	22.7%	17.2%	12.2%	-0.5%	-10.9%	-22.5%	-31.2%
December 31, 2022	31.3%	25.2%	19.0%	13.1%	-2.0%	-13.8%	-25.7%	-36.3%

The Net Interest Income ("NII") at Risk position indicates that in the short-term, all rising rate environments will positively impact the net interest margin of the Company, while declining rate environments will have a negative impact on the net interest margin. Compared to the fourth quarter of 2022, these metrics became less favorable in the rising rate scenarios primarily due to loan growth, which reduced our level of overnight funds and made us slightly less asset sensitive. The converse is applicable in the down rate scenarios where the metrics became more favorable due to loan growth which increased asset duration and therefore protection against falling rates. The percent change over both a 12-month and 24-month shock are outside of policy in the rates down 300 bps and 400 bps scenarios due to our limited ability to lower our deposit rates relative to the decline in market rate.

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

ESTIMATED CHANGES IN ECONOMIC VALUE OF EQUITY [1]

Changes in Interest Rates	+400 bp	+300 bp	+200 bp	+100 bp	-100 bp	-200 bp	-300 bp	-400 bp
Policy Limit	-30.0%	-25.0%	-20.0%	-15.0%	-15.0%	-20.0%	-25.0%	-30.0%
March 31, 2023	11.6%	9.6%	7.0%	4.0%	-7.1%	-17.9%	-31.3%	-35.7%
December 31, 2022	11.0%	9.0%	6.4%	3.6%	-7.4%	-18.8%	-30.9%	-40.1%
EVE Ratio (policy minimum 5.0%)	20.6%	19.9%	19.0%	18.2%	15.6%	13.5%	11.2%	10.3%

(1) The down 400 bp rate scenario was added in the fourth quarter of 2022.

At March 31, 2023, the economic value of equity was favorable in all rising rate environments and unfavorable in the falling rate environments. Compared to the fourth quarter of 2022, EVE metrics became slightly more favorable in all rate environments except the down 300 environment, primarily due to a change in the shape and position of the yield curve, along with seasonal outflows of some rate sensitive funding sources (public funds). EVE is currently in compliance with policy in all rate scenarios as the EVE ratio in each rate scenario exceeds 5.0%.

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

At March 31, 2023, we had the ability to generate $1.428 billion in additional liquidity through all of our available resources (this excludes $303.4 million in overnight funds sold). In addition to the primary borrowing outlets mentioned above, we also have the ability to generate liquidity by borrowing from the Federal Reserve Discount Window and through brokered deposits. We recognize the importance of maintaining liquidity and have developed a Contingent Liquidity Plan, which addresses various liquidity stress levels and our response and action based on the level of severity. We periodically test our credit facilities for access to the funds, but also understand that as the severity of the liquidity level increases that certain credit facilities may no longer be available. We conduct a liquidity stress test on a quarterly basis based on events that could potentially occur at the Bank and report results to ALCO, our Market Risk Oversight Committee, Risk Oversight Committee, and the Board of Directors. At March 31, 2023, we believe the liquidity available to us was sufficient to meet our on-going needs and execute our business strategy.

We also view our investment portfolio as a liquidity source and have the option to pledge securities in our portfolio as collateral for borrowings or deposits, and/or to sell selected securities. Our portfolio consists of debt issued by the U.S. Treasury, U.S. governmental agencies, municipal governments, and corporate entities. At March 31, 2023, the weighted-average life and duration of our portfolio were 3.34 years and 2.99 years, respectively, and the available-for-sale portfolio had a net unrealized pre-tax loss of $135.0 million.

We maintained an average net overnight funds (interest deposits with banks plus FED funds sold less FED funds purchased) sold position of $361.0 million in the first quarter of 2023 compared to $469.4 million in the fourth quarter of 2022 and $873.1 million in the first quarter of 2022. The declining overnight funds position reflects growth in average loans.

We expect our capital expenditures will be approximately $8.0 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 $47.1 million for the first quarter of 2023 compared to $50.8 million for the fourth quarter of 2022 and $32.4 million for the first quarter of 2022. The variance compared to both prior periods was primarily attributable to an increase in short-term repurchase agreements and the fluctuation in CCHL's warehouse line. Additional detail on these borrowings is provided in Note 4 – Mortgage Banking Activities in the Consolidated Financial Statements.

We have issued two junior subordinated deferrable interest notes to our wholly owned Delaware statutory trusts. The first note for $30.9 million was issued to CCBG Capital Trust I in November 2004, of which $10 million was retired in April 2016. The second note for $32.0 million was issued to CCBG Capital Trust II in May 2005. The interest payment for the CCBG Capital Trust I borrowing is due quarterly and adjusts quarterly to a variable rate of three-month LIBOR plus a margin of 1.90%. This note matures on December 31, 2034. The interest payment for the CCBG Capital Trust II borrowing is due quarterly and adjusts quarterly to a variable rate of three-month LIBOR plus a margin of 1.80%. This note matures on June 15, 2035. Effective June 30, 2023, in accordance with the trust agreements and the Adjustable Interest Rate (LIBOR) Act of 2021, LIBOR will be replaced with 3-month Term SOFR (secured overnight financing rate) as the interest rate index. The proceeds from these borrowings were used to partially fund acquisitions. Under the terms of each junior subordinated deferrable interest note, in the event of default or if we elect to defer interest on the note, we may not, with certain exceptions, declare or pay dividends or make distributions on our capital stock or purchase or acquire any of our capital stock.

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

Capital

Our capital ratios are presented in the Selected Quarterly Financial Data table on page 46. At March 31, 2023, our regulatory capital ratios exceeded the threshold to be designated as "well-capitalized" under the Basel III capital standards.

Shareowners' equity was $403.3 million at March 31, 2023 compared to $387.3 million at December 31, 2022 and $370.6 million at March 31, 2022. For the first three months of 2023, shareowners' equity was positively impacted by net income attributable to common shareowners of $13.7 million, a $5.8 million decrease in the unrealized loss on investment securities, the issuance of stock of $1.8 million, and stock compensation accretion of $0.5 million. Shareowners' equity was reduced by common stock dividends of $3.1 million ($0.18 per share), the repurchase of stock of $0.8 million (25,241 shares), net adjustments totaling $1.4 million related to transactions under our stock compensation plans, and a $0.5 million decrease in the fair value of the interest rate swap related to subordinated debt.

At March 31, 2023, our total risk-based capital ratio was 15.29% compared to 15.30% at December 31, 2022 and 16.95% at March 2022. Our common equity tier 1 capital ratio was 12.40%, 12.38%, and 13.70%, respectively, on those dates. Our leverage ratio was 9.09%, 8.91%, and 8.74%, respectively, on those dates. At March 31, 2023, all our regulatory capital ratios exceeded the threshold to be designated as "well-capitalized" under the Basel III capital standards. Further, our tangible common equity ratio was 7.20% at March 31, 2023 compared to 6.65% and 6.58% at December 31, 2022 and March 31, 2022, respectively. If our unrealized HTM securities losses of $29.5 million (after-tax) were recognized in accumulated other comprehensive loss, our adjusted tangible capital ratio would be 6.51%.

Our tangible capital ratio is also impacted by the recording of our unfunded pension liability through other comprehensive income in accordance with ASC Topic 715. At March 31, 2023, the net pension liability reflected in other comprehensive loss was $4.5 million compared to $4.5 million at December 31, 2022 and $13.0 million at March 31, 2022. 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 remeasured. The discount rate assumption used to calculate the pension liability is subject to longterm corporate bond rates at December 31st. These assumptions are sensitivities are discussed in our 2022 Form 10-K/A "Critical Accounting Policies".

OFF-BALANCE SHEET ARRANGEMENTS

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

At March 31, 2023, we had $825.8 million in commitments to extend credit and $5.7 million in standby letters of credit. Commitments to extend credit are agreements to lend to a client so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued by us to guarantee the performance of a client to a third party. We use the same credit policies in establishing commitments and issuing letters of credit as we do for on-balance sheet instruments.

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

Certain agreements provide that the commitments are unconditionally cancellable by the bank and for those agreements no allowance for credit losses has been recorded. We have recorded an allowance for credit losses on loan commitments that are not unconditionally cancellable by the bank, which is included in other liabilities on the consolidated statements of financial condition and totaled $2.8 million at March 31, 2023.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in our 2022 Form 10-K/A. The preparation of our Consolidated Financial Statements in accordance with GAAP and reporting practices applicable to the banking industry requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates.

We have identified accounting for (i) the allowance for credit losses, (ii) goodwill, (iii) pension assumptions, and (iv) income taxes as our most critical accounting policies and estimates in that they are important to the portrayal of our financial condition and results, and they require our subjective and complex judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. These accounting policies, including the nature of the estimates and types of assumptions used, are described throughout this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2022 Form 10-K/A.

TABLE I
AVERAGE BALANCES & INTEREST RATES

	(As Restated)								
	Three Months Ended								
	March 31, 2023			December 31, 2022			March 31, 2022		
(Dollars in Thousands)	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Assets:									
Loans Held for Sale	$ 55,110	$ 644	4.74%	$ 42,910	$ 582	5.38%	$ 43,004	$ 397	3.19%
Loans Held for Investment[1][2]	2,582,395	34,342	5.39	2,439,379	31,409	5.11	1,963,578	22,107	4.57
Taxable Securities	1,061,372	4,911	1.86	1,078,265	4,835	1.78	1,056,736	2,889	1.10
Tax-Exempt Securities[2]	2,840	18	2.36	2,827	17	2.36	2,409	10	1.60
Federal Funds Sold and Interest Bearing Deposits	360,971	4,111	4.62	469,352	4,463	3.77	873,097	409	0.19
Total Earning Assets	4,062,688	44,026	4.39%	4,032,733	41,306	4.07%	3,938,824	25,812	2.66%
Cash & Due From Banks	74,639			74,178			74,253		
Allowance For Credit Losses	(25,637)			(22,596)			(21,655)		
Other Assets	300,175			297,510			275,353		
TOTAL ASSETS	$ 4,411,865			$ 4,381,825			$ 4,266,775		
Liabilities:									
NOW Accounts	$ 1,228,928	$ 2,152	0.71%	$ 1,133,733	$ 1,725	0.60%	$ 1,079,906	$ 86	0.03%
Money Market Accounts	267,573	208	0.31	273,328	63	0.09	285,406	33	0.05
Savings Accounts	629,388	76	0.05	641,153	80	0.05	599,359	72	0.05
Other Time Deposits	89,675	52	0.24	92,385	34	0.15	97,054	33	0.14
Total Interest Bearing Deposits	2,215,564	2,488	0.46	2,140,599	1,902	0.35	2,061,725	224	0.04
Short-Term Borrowings	47,109	461	3.97	50,844	690	5.38	32,353	192	2.40
Subordinated Notes Payable	52,887	571	4.32	52,887	522	3.86	52,887	317	2.40
Other Long-Term Borrowings	480	6	4.80	530	8	4.80	833	9	4.49
Total Interest Bearing Liabilities	2,316,040	3,526	0.62%	2,244,860	3,122	0.55%	2,147,798	742	0.14%
Noninterest Bearing Deposits	1,601,750			1,662,443			1,652,337		
Other Liabilities	81,206			84,585			72,166		
TOTAL LIABILITIES	3,998,996			3,991,888			3,872,301		
Temporary Equity	8,802			9,367			10,518		
TOTAL SHAREOWNERS' EQUITY	404,067			380,570			383,956		
TOTAL LIABILITIES, TEMPORARY AND SHAREOWNERS' EQUITY	$ 4,411,865			$ 4,381,825			$ 4,266,775		
Interest Rate Spread			3.77%			3.52%			2.52%
Net Interest Income		$ 40,500			$ 38,184			$ 25,070	
Net Interest Margin[3]			4.04%			3.76%			2.58%

(1) Average Balances include net loan fees, discounts and premiums and nonaccrual loans. Interest income includes loan fees of $0.1 million, $0.2 million and less than $0.1 million for the three months ended March 31, 2023, December 31, 2022 and March 31, 2022, respectively.
(2) Interest income includes the effects of taxable equivalent adjustments using a 21% tax rate.
(3) Taxable equivalent net interest income divided by average earnings assets.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Market Risk and Interest Rate Sensitivity" in Management's Discussion and Analysis of Financial Condition and Results of Operations, above, which is incorporated herein by reference. Management has determined that no additional disclosures are necessary to assess changes in information about market risk that have occurred since December 31, 2022.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

At March 31, 2023, the end of the period covered by this Form 10-Q/A, 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, at the time the Original Form 10-Q was filed, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, these disclosure controls and procedures were effective. Subsequent to that evaluation, management conducted a reevaluation, concluding that our disclosure controls and procedures were ineffective as of March 31, 2023 due to the identification of the material weakness discussed below.

Previously Reported Material Weakness in Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining effective internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. As reported in our 2022 Form 10-K/A, we did not maintain effective internal control as of December 31, 2022 as a result of a material weakness in our internal control over financial reporting for the review of certain inter-company mortgage sales and servicing. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual interim financial statements will not be prevented or detected on a timely basis. Refer to our 2022 Form 10-K/A for a description of our material weakness.

Ongoing Remediation Efforts to Address Material Weakness

Our material weakness was not remediated as of the filing of this Form 10-Q/A. Since identifying the material weakness described above, management, with oversight from the Audit Committee and input from the Board of Directors, has devoted substantial resources to the ongoing implementation of remediation efforts. These remediation efforts, summarized below, which either have already been implemented or are continuing to be implemented, are intended to address both the identified material weakness and to enhance the Company's overall internal control over financial reporting and disclosure controls and procedures.

Certain internal control and procedural enhancements and remedial actions are in the process of completion, including:

- Enhance the precision level for the review of existing accounts subject to elimination and confirmation of proper elimination in consolidation;
- Enhance the procedures for identifying new inter-company accounts and activities subject to elimination in consolidation;
- Increase the granularity of general ledger mapping for inter-company accounts subject to elimination in consolidation; and
- Enhance financial close checklist and pre-close meeting agenda to ensure proper and timely identification of inter-company activities subject to elimination.

Management believes the foregoing effects will effectively remediate the material weakness described above. As the Company continues to evaluate and improve its internal control over financial reporting and disclosure controls and procedures, management may determine to take additional measures to improve controls and determine to modify the remediation plan described above. The Company is working to remediate the material weakness as efficiently and effectively as possible. Procedures to implement the remediation plan have required significant amounts of time, allocation of internal resources and external costs, and remediation efforts will continue to place significant demands on financial and operational resources until this plan is completed.

The material weakness described above cannot be considered remediated until the applicable controls have operated for a sufficient period of time and management has concluded, through testing, that these controls are designed and operating effectively. Accordingly, management will continue to monitor and evaluate the effectiveness of our internal control over financial reporting in the activities affected by the material weakness described above.

Changes in Internal Control

Except as identified above with respect to remediation of the material weakness, during the quarter ended on March 31, 2023, there were no significant changes in our internal control over financial reporting during our most recently completed fiscal quarter that 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 2022 Form 10-K/A, as updated in our subsequent quarterly reports. The risks described in our 2022 Form 10-K/A and our subsequent quarterly reports are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

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

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased under our share repurchase program (1)	Maximum Number of shares remaining for purchase under our share repurchase program
January 1, 2023 to January 31, 2023	25,000	$32.39	25,000	548,048
February 1, 2023 to February 28, 2023	-	-	-	548,048
March 1, 2023 to March 31, 2023	241	32.65	241	547,807
Total	25,241	$32.39	25,241	547,807

(1) This amount represents the number of shares that were repurchased during the first quarter of 2023 through the Capital City Bank Group, Inc. Share Repurchase Program (the "Program"), which was approved on January 31, 2019 for a five-year period, under which we were authorized to repurchase up to 750,000 shares of our common stock. The Program is flexible and shares are acquired from the public markets and other sources using free cash flow. No shares are repurchased outside of the Program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

(A) Exhibits

31.1	Certification of William G Smith, Jr., Chairman, President and Chief Executive Officer of Capital City Bank Group, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
31.2	Certification of 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, President 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: December 22, 2023

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/A of Capital City Bank Group, Inc.;

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

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

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

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

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

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

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

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

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

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

/s/ William G. Smith, Jr.

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

Date: December 22, 2023

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/A 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: December 22, 2023

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, William G. Smith Jr., Chairman, President, and Chief Executive Officer of Capital City Bank Group, Inc., hereby certify that to my knowledge (1) this Quarterly Report of the Company on Form 10-Q/A for the period ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition of the Company and its results of operations as of and for the periods covered therein.

/s/ William G. Smith, Jr.

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

Date: December 22, 2023

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/A for the period ended March 31, 2023, 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: December 22,
2023

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.