

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended September 30, 2024

☐ OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-13358

Capital City Bank Group, Inc.
(Exact name of Registrant as specified in its charter)

Florida 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 filing requirements for the past 90 days. Yes ☒ No ☐

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

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

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

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

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

At October 30, 2024, 16,944,467 shares of the Registrant's Common Stock, \$0.01 par value, were outstanding.

**CAPITAL CITY BANK GROUP, INC.
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE PERIOD ENDED SEPTEMBER 30, 2024
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INTRODUCTORY
Caution Concerning Forward-Looking
Statements

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

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

Our ability to achieve our financial objectives could be adversely affected by the factors discussed in detail in Part II, Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q and in Part I, Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2023, as amended (the "2023 Form 10-K"), as updated in our subsequent quarterly reports filed on Form 10-Q, as well as other factors:

- our ability to successfully manage credit risk, interest rate risk, liquidity risk, and other risks inherent to our business;
- the effects of changes in the level of checking or savings account deposits and the competition for deposits on our funding costs, interest margin and ability to replace maturing deposits and advances;
- legislative or regulatory changes;
- changes in developments in the financial services industry generally;
- inflation, interest rate, market and monetary policy;
- fluctuations in the pricing of residential mortgage loans that we sell, as well as competition for the mortgage servicing rights related to these loans;
- interest rate risk and price risk resulting from retaining mortgage servicing rights and the effects of higher interest rates on our origination volumes;
- changes in monetary and fiscal policies of the U.S.
- the extent and effects of cybersecurity incidents or other failures, interruptions, or security breaches of our systems or those of our customers or third-party service providers;
- the effects of fraud related to debit card transactions;
- the accuracy of our financial statement estimates and disclosures;
- changes in accounting principles, policies, practices or procedures;
- the frequency and magnitude of foreclosure of our loans;
- the effects of our lack of a diversified loan portfolio;
- the strength of the local economies in which we operate;
- our ability to declare and pay dividends;
- significant changes in the markets for origination, sale and servicing of residential mortgage loans;
- our ability to retain key personnel;
- the effects of natural disasters (including hurricanes), widespread health emergencies (including pandemics), military conflict, terrorism or other geopolitical events;
- our ability to comply with the extensive laws and regulations to which we are subject;
- the impact of the restatement of our previously issued consolidated statements of cash flows;
- any deficiencies in the processes undertaken to effect these restatements and to identify and correct all errors in our historical financial statements that may require restatement;
- our inability to implement and maintain effective internal control over financial reporting and/or disclosure control or inability to remediate our existing material weaknesses in our internal controls deemed to be deficiencies;
- the willingness of clients to accept third-party products and services rather than our products and services;
- technological changes;
- the outcomes of litigation or regulatory proceedings;
- our reputation and publicity and the impact on our business;
- changes in consumer spending and saving habits;
- the growth and profitability of our noninterest-bearing deposits;
- the limited trading activity of our common stock;
- the concentration of ownership of our common stock;
- takeover provisions under federal and state law as well as our Articles of Incorporation and our Bylaws;
- the 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" 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

	(Unaudited)	
	September 30,	December 31,
<i>(Dollars in Thousands, Except Par Value)</i>	2024	2023
ASSETS		
Cash and Due From Banks	\$ 83,431	\$ 83,118
Federal Funds Sold and Interest Bearing Deposits	261,779	228,949
Total Cash and Cash Equivalents	345,210	312,067
Investment Securities, Available for Sale, at fair value (amortized cost of \$563,994 and \$367,747)	336,187	337,902
Investment Securities, Held to Maturity (fair value of \$2,328 and \$91,751)	561,480	625,022
Equity Securities	6,976	3,450
Total Investment Securities	904,643	966,374
Loans Held For Sale, at fair value	31,251	28,211
Loans Held for Investment	2,683,096	2,733,918
Allowance for Credit Losses	(29,836)	(29,941)
Loans Held for Investment, Net	2,653,260	2,703,977
Premises and Equipment, Net	81,876	81,266
Goodwill and Other Intangibles	92,813	92,933
Other Real Estate Owned	650	1
Other Assets	115,613	119,648
Total Assets	<u>\$ 4,225,316</u>	<u>\$ 4,304,477</u>
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	\$ 1,330,715	\$ 1,377,934
Interest Bearing Deposits	2,248,362	2,323,888
Total Deposits	3,579,077	3,701,822
Short-Term Borrowings	37,268	35,341
Subordinated Notes Payable	52,887	52,887
Other Long-Term Borrowings	794	315
Other Liabilities	71,974	66,080
Total Liabilities	3,742,000	3,856,445
Temporary Equity	6,817	7,407
SHAREOWNERS' EQUITY		
Preferred Stock, \$0.01 par value; 3,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, \$0.01 par value; 90,000,000 shares authorized; 16,944,370 and 16,950,222 shares issued and outstanding at September 30, 2024 and December 31, 2023, respectively	169	170
Additional Paid-In Capital	36,070	36,326
Retained Earnings	454,342	426,275
Accumulated Other Comprehensive Loss, net of tax	(14,082)	(22,146)
Total Shareowners' Equity	476,499	440,625
Total Liabilities, Temporary Equity, and Shareowners' Equity	<u>\$ 4,225,316</u>	<u>\$ 4,304,477</u>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>(Dollars in Thousands, Except Per Share Data)</i>				
INTEREST INCOME				
Loans, including Fees	\$ 41,659	\$ 39,344	\$ 123,480	\$ 111,845
Investment Securities:				
Taxable	4,149	4,550	12,385	14,265
Tax Exempt	6	11	18	35
Funds Sold and Interest Bearing Deposits	3,514	1,848	9,031	8,741
Total Interest Income	49,328	45,753	144,914	134,886
INTEREST EXPENSE				
Deposits	8,223	5,214	24,396	11,710
Short-Term Borrowings	273	630	798	1,542
Subordinated Notes Payable	610	625	1,868	1,800
Other Long-Term Borrowings	11	4	17	15
Total Interest Expense	9,117	6,473	27,079	15,067
NET INTEREST INCOME	40,211	39,280	117,835	119,819
Provision for Credit Losses	1,206	2,393	3,330	7,689
Net Interest Income After Provision For Credit Losses	39,005	36,887	114,505	112,130
NONINTEREST INCOME				
Deposit Fees	5,512	5,456	16,139	16,021
Bank Card Fees	3,624	3,684	11,010	11,205
Wealth Management Fees	4,770	3,984	13,891	12,061
Mortgage Banking Revenues	3,966	1,839	11,225	8,072
Other	1,641	1,765	4,951	7,093
Total Noninterest Income	19,513	16,728	57,216	54,452
NONINTEREST EXPENSE				
Compensation	25,800	23,003	74,613	69,965
Occupancy, Net	7,098	6,980	21,089	20,562
Other	10,023	9,122	27,831	26,539
Total Noninterest Expense	42,921	39,105	123,533	117,066
INCOME BEFORE INCOME TAXES	15,597	14,510	48,188	49,516
Income Tax Expense	2,980	3,004	9,705	10,130
NET INCOME	12,617	11,506	38,483	39,386
Loss Attributable to Noncontrolling Interests	501	1,149	1,342	1,153
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	\$ 13,118	\$ 12,655	\$ 39,825	\$ 40,539
BASIC NET INCOME PER SHARE	\$ 0.77	\$ 0.75	\$ 2.35	\$ 2.38
DILUTED NET INCOME PER SHARE	\$ 0.77	\$ 0.74	\$ 2.35	\$ 2.38
Average Common Basic Shares Outstanding	16,943	16,985	16,942	17,001
Average Common Diluted Shares Outstanding	16,979	17,025	16,966	17,031

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
<i>(Dollars in Thousands)</i>	2024	2023	2024	2023
NET INCOME ATTRIBUTABLE TO COMMON SHAREOWNERS	\$ 13,118	\$ 12,655	\$ 39,825	\$ 40,539
Other comprehensive income (loss), before tax:				
Investment Securities:				
Change in net unrealized loss on securities available for sale	9,505	(3,405)	9,099	516
Amortization of unrealized losses on securities transferred from available for sale to held to maturity	785	887	2,521	2,628
Derivative:				
Change in net unrealized gain on effective cash flow derivative	(1,261)	770	(873)	553
Benefit Plans:				
Pension plan settlement	-	-	-	(217)
Total Benefit Plans	-	-	-	(217)
Other comprehensive income (loss), before tax	9,029	(1,748)	10,747	3,480
Deferred tax expense (benefit) related to other comprehensive income	2,435	(444)	2,683	927
Other comprehensive income (loss), net of tax	6,594	(1,304)	8,064	2,553
TOTAL COMPREHENSIVE INCOME	<u>\$ 19,712</u>	<u>\$ 11,351</u>	<u>\$ 47,889</u>	<u>\$ 43,092</u>

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)

	Shares	Common	Additional	Retained	Accumulated Other Comprehensive	
(Dollars In Thousands, Except Share Data)	Outstanding	Stock	Paid-In Capital	Earnings	(Loss) Income, Net of Taxes	Total
Balance, July 1, 2024	16,941,553	\$ 169	\$ 35,547	\$ 445,959	\$ (20,676)	\$ 460,999
Net Income Attributable to Common Shareowners	-	-	-	13,118	-	13,118
Reclassification to Temporary Equity	-	-	-	(838)	-	(838)
Other Comprehensive Income, net of tax	-	-	-	-	6,594	6,594
Cash Dividends (\$2300per share)	-	-	-	(3,897)	-	(3,897)
Stock Based Compensation	-	-	425	-	-	425
Stock Compensation Plan Transactions, net	2,817	-	98	-	-	98
Balance, September 30, 2024	<u>16,944,370</u>	<u>\$ 169</u>	<u>\$ 36,070</u>	<u>\$ 454,342</u>	<u>\$ (14,082)</u>	<u>\$ 476,499</u>
Balance, July 1, 2023	16,991,634	\$ 170	\$ 36,853	\$ 408,771	\$ (33,372)	\$ 412,422
Net Income Attributable to Common Shareowners	-	-	-	12,655	-	12,655
Other Comprehensive Loss, net of tax	-	-	-	-	(1,304)	(1,304)
Cash Dividends (\$1800per share)	-	-	-	(3,396)	-	(3,396)
Repurchase of Common Stock	(36,411)	-	(1,099)	-	-	(1,099)
Stock Based Compensation	-	-	346	-	-	346
Stock Compensation Plan Transactions, net	2,530	-	82	-	-	82
Balance, September 30, 2023	<u>16,957,753</u>	<u>\$ 170</u>	<u>\$ 36,182</u>	<u>\$ 418,030</u>	<u>\$ (34,676)</u>	<u>\$ 419,706</u>
Balance, January 1, 2024	16,950,222	\$ 170	\$ 36,326	\$ 426,275	\$ (22,146)	\$ 440,625
Net Income Attributable to Common Shareowners	-	-	-	39,825	-	39,825
Reclassification to Temporary Equity	-	-	-	(751)	-	(751)
Other Comprehensive Income, net of tax	-	-	-	-	8,064	8,064
Cash Dividends (\$6500per share)	-	-	-	(11,007)	-	(11,007)
Repurchase of Common Stock	(82,540)	-	(2,330)	-	-	(2,330)
Stock Based Compensation	-	-	1,139	-	-	1,139
Stock Compensation Plan Transactions, net	76,688	(1)	935	-	-	934
Balance, September 30, 2024	<u>16,944,370</u>	<u>\$ 169</u>	<u>\$ 36,070</u>	<u>\$ 454,342</u>	<u>\$ (14,082)</u>	<u>\$ 476,499</u>
Balance, January 1, 2023	16,986,785	\$ 170	\$ 37,331	\$ 387,009	\$ (37,229)	\$ 387,281
Net Income Attributable to Common Shareowners	-	-	-	40,539	-	40,539
Other Comprehensive Income, net of tax	-	-	-	-	2,553	2,553
Cash Dividends (\$3600per share)	-	-	-	(9,518)	-	(9,518)
Repurchase of Common Stock	(102,147)	-	(3,121)	-	-	(3,121)
Stock Based Compensation	-	-	1,110	-	-	1,110
Stock Compensation Plan Transactions, net	73,115	-	862	-	-	862
Balance, September 30, 2023	<u>16,957,753</u>	<u>\$ 170</u>	<u>\$ 36,182</u>	<u>\$ 418,030</u>	<u>\$ (34,676)</u>	<u>\$ 419,706</u>

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

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

	Nine Months Ended September 30,	
<i>(Dollars in Thousands)</i>	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income Attributable to Common Shareowners	\$ 39,825	\$ 40,539
Adjustments to Reconcile Net Income to		
Cash Provided by Operating Activities:		
Provision for Credit Losses	3,330	7,689
Depreciation	5,798	5,920
Amortization of Premiums, Discounts and Fees, net	3,130	3,216
Amortization of Intangible Asset	120	120
Pension Plan Settlement Gain	-	(291)
Originations of Loans Held-for-Sale	(366,700)	(308,263)
Proceeds From Sales of Loans Held-for-Sale	369,063	303,731
Mortgage Banking Revenues	(11,225)	(8,072)
Net Additions for Capitalized Mortgage Servicing Rights	(138)	(392)
Stock Compensation	1,139	1,110
Deferred Income Taxes (Benefit)	1,400	(2,464)
Net Change in Operating Leases	208	(12)
Net Loss (Gain) on Sales and Write-Downs of Other Real Estate Owned	1	(1,915)
Net Decrease in Other Assets	1,738	8,207
Net Increase in Other Liabilities	4,645	1,069
Net Cash Provided By Operating Activities	52,334	50,192
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities Held to Maturity:		
Purchases	(20,287)	-
Proceeds from Payments, Maturities, and Calls	83,657	28,159
Securities Available for Sale:		
Purchases	(49,436)	(9,399)
Proceeds from Sale of Securities	-	30,420
Proceeds from Payments, Maturities, and Calls	55,229	53,045
Equity Securities:		
Net Decrease in Equity Securities	158	-
Purchases of Loans Held for Investment	(302)	(2,249)
Proceeds from Sales of Loans	31,462	39,125
Net Decrease (Increase) in Loans Held for Investment	19,779	(194,631)
Proceeds From Sales of Other Real Estate Owned	33	3,840
Purchases of Premises and Equipment	(6,442)	(5,459)
Net Cash Provided by (Used In) Investing Activities	113,851	(57,149)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Decrease in Deposits	(122,745)	(398,872)
Net Increase (Decrease) in Short-Term Borrowings	1,729	(15,097)
Net Increase (Decrease) in Other Long-Term Borrowings	677	(149)
Dividends Paid	(11,007)	(9,518)
Payments to Repurchase Common Stock	(2,330)	(3,121)
Proceeds from Issuance of Common Stock Under Purchase Plans	634	562
Net Cash Used In by Financing Activities	(133,042)	(426,195)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	33,143	(433,152)
Cash and Cash Equivalents at Beginning of Period	312,067	600,650
Cash and Cash Equivalents at End of Period	<u>\$ 345,210</u>	<u>\$ 167,498</u>
Supplemental Cash Flow Disclosures:		
Interest Paid	<u>\$ 26,143</u>	<u>\$ 15,026</u>
Income Taxes Paid	<u>\$ 5,741</u>	<u>\$ 7,395</u>
Noncash Investing Activities:		
Loans and Premises Transferred to Other Real Estate Owned	<u>\$ 683</u>	<u>\$ 1,495</u>
Loans Transferred from Held for Investment to Held for Sale, net	<u>\$ 25,640</u>	<u>\$ 33,625</u>

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 related services to individuals and corporate clients through its wholly owned subsidiary, Capital City Bank ("CCB" or the "Bank"). The Company's banking offices are 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 agencies.

Basis of Presentation The consolidated financial statements in this Quarterly Report on Form 10-Q include the accounts of CCBG and CCB. All material inter-company transactions and accounts have been eliminated. Certain previously reported amounts have been reclassified to conform to the current year's presentation.

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

The Consolidated Statement of Financial Condition at December 31, 2023 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and notes thereto included in the 2023 Form 10-K, as amended.

Accounting Standards Updates

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

ASU 2023-02, "Investments—Equity Method and Joint Ventures (Topic 323) Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." ASU 2023-02 is intended to improve the accounting and disclosures for investments in tax credit structures. ASU 2023-02 allows entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. Previously, this method was only available for qualifying tax equity investments in low-income housing tax credit structures. The standard was effective for the Company on January 1, 2024. As the Company does not have any such investments in tax credit structures that are using the proportional amortization method, adoption of this standard did not have any immediate impact on its consolidated financial statements or disclosures.

ASU 2023-06, "Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative." ASU 2023-06 is intended to clarify or improve disclosure and presentation requirements of a variety of topics, which allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the requirements and align the requirements in the FASB accounting standard codification with the SEC's requirements. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated statements.

ASU 2023-07, "Improvements to Reportable Segment Disclosures." ASU 2023-07 requires disclosure of significant segment and other segment items on an interim and annual basis. The standard is effective for fiscal years beginning after December 15, 2023, and interim periods beginning after December 15, 2024. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated statements.

ASU 2023-09, "Income Taxes (Topic 740) – Improvements to Income Tax Disclosures." ASU 2023-09 is intended to increase transparency about income tax information by requiring consistent categories and greater disaggregation of information in the reconciliation and income taxes paid, disaggregated by jurisdiction. This guidance will be effective for annual periods beginning December 15, 2024. The Company is currently evaluating the provisions of the amendments and the impact on its future consolidated statements.

NOTE 2 – INVESTMENT SECURITIES

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

	Available for Sale				
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Allowance for Credit Losses	Fair Value
September 30, 2024					
U.S. Government Treasury	\$ 51,082	\$ 222	\$ 658	\$ -	\$ 50,646
U.S. Government Agency	130,176	63	4,909	-	125,330
States and Political Subdivisions	43,258	2	3,239	(4)	40,017
Mortgage-Backed Securities ⁽¹⁾	68,054	1	8,274	-	59,781
Corporate Debt Securities	56,328	-	3,932	(79)	52,317
Other Securities ⁽²⁾	8,096	-	-	-	8,096
Total	\$ 356,994	\$ 288	\$ 21,012	\$ (83)	\$ 336,187
December 31, 2023					
U.S. Government Treasury	\$ 25,947	\$ 1	\$ 1,269	\$ -	\$ 24,679
U.S. Government Agency	152,983	104	8,053	-	145,034
States and Political Subdivisions	43,951	1	4,861	(8)	39,083
Mortgage-Backed Securities ⁽¹⁾	73,015	2	9,714	-	63,303
Corporate Debt Securities	63,600	-	6,031	(17)	57,552
Other Securities ⁽²⁾	8,251	-	-	-	8,251
Total	\$ 367,747	\$ 108	\$ 29,928	\$ (25)	\$ 337,902
	Held to Maturity				
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	
September 30, 2024					
U.S. Government Treasury	\$ 397,977	\$ -	\$ 7,424	\$ 390,553	
Mortgage-Backed Securities ⁽¹⁾	163,503	156	11,884	151,775	
Total	\$ 561,480	\$ 156	\$ 19,308	\$ 542,328	
December 31, 2023					
U.S. Government Treasury	\$ 457,681	\$ -	\$ 16,492	\$ 441,189	
Mortgage-Backed Securities ⁽¹⁾	167,341	13	16,792	150,562	
Total	\$ 625,022	\$ 13	\$ 33,284	\$ 591,751	

⁽¹⁾ Comprised of residential mortgage-backed securities.

⁽²⁾ Includes Federal Home Loan Bank and Federal Reserve Bank stock, recorded at cost of \$2.0 million and \$5.1 million, respectively, at September 30, 2024 and \$1.2 million and \$5.1 million, respectively, at December 31, 2023.

At September 30, 2024 and December 31, 2023, the investment portfolio was \$7.4 million and \$3.5 million, respectively, in equity securities. These securities do not have a readily determinable fair value and were not credit impaired.

Securities with an amortized cost of \$3.6 million and \$578.5 million at September 30, 2024 and December 31, 2023, 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 generally upon the balances of residential and commercial real estate loans and FHLB advances. The Bank's investment in FHLB is a restricted investment carried at par value (\$5 per share), which approximates its fair value. No ready market exists for FHLB stock, and it has no quoted market value; however, the Bank may request redemption at par value of any stock in excess of the Bank is required to hold. Stock redemptions are made at the discretion of the FHLB.

Investment Sales There were no sales of investment securities for the three and nine months ended September 30, 2024 and \$ million in sales for the three and nine months ended September 30, 2023.

Maturity Distribution . At September 30, 2024, the Company's investment securities had the following maturity distribution contractual maturity. Reported maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations. Mortgage-backed securities ("MBS") and certain amortizing U.S. government agency securities are shown separately because they are not due at a certain maturity date.

<i>(Dollars in Thousands)</i>	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 32,570	\$ 31,822	\$ 227,491	\$ 224,457
Due after one year through five years	152,256	145,849	170,486	166,096
Due after five year through ten years	26,898	23,813	-	-
Mortgage-Backed Securities	68,054	59,781	163,503	151,775
U.S. Government Agency	69,120	66,826	-	-
Other Securities	8,096	8,096	-	-
Total	<u>\$ 356,994</u>	<u>\$ 336,187</u>	<u>\$ 561,480</u>	<u>\$ 542,328</u>

The following table summarizes the available for sale and held to maturity securities with unrealized losses aggregated by security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		Greater Than 12 Months		Total	
(Dollars in Thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2024						
Available for Sale						
U.S. Government Treasury	\$ -	\$ -	\$ 17,490	\$ 658	\$ 17,490	\$ 658
U.S. Government Agency	10,677	32	106,912	4,877	117,589	4,909
States and Political Subdivisions	1,904	140	37,262	3,099	39,166	3,239
Mortgage-Backed Securities	-	-	59,709	8,274	59,709	8,274
Corporate Debt Securities	979	112	51,417	3,820	52,396	3,932
Total	<u>\$ 13,560</u>	<u>\$ 284</u>	<u>\$ 272,790</u>	<u>\$ 20,728</u>	<u>\$ 286,350</u>	<u>\$ 21,012</u>
Held to Maturity						
U.S. Government Treasury	117,561	1,063	272,992	6,361	390,553	7,424
Mortgage-Backed Securities	2,954	4	130,035	11,880	132,989	11,884
Total	<u>\$ 120,515</u>	<u>\$ 1,067</u>	<u>\$ 403,027</u>	<u>\$ 18,241</u>	<u>\$ 523,542</u>	<u>\$ 19,308</u>
December 31, 2023						
Available for Sale						
U.S. Government Treasury	\$ -	\$ -	\$ 19,751	\$ 1,269	\$ 19,751	\$ 1,269
U.S. Government Agency	12,890	74	121,220	7,979	134,110	8,053
States and Political Subdivisions	1,149	31	37,785	4,830	38,934	4,861
Mortgage-Backed Securities	23	-	63,195	9,714	63,218	9,714
Corporate Debt Securities	-	-	57,568	6,031	57,568	6,031
Total	<u>\$ 14,062</u>	<u>\$ 105</u>	<u>\$ 299,519</u>	<u>\$ 29,823</u>	<u>\$ 313,581</u>	<u>\$ 29,928</u>
Held to Maturity						
U.S. Government Treasury	153,880	3,178	287,310	13,314	441,190	16,492
Mortgage-Backed Securities	786	14	148,282	16,778	149,068	16,792
Total	<u>\$ 154,666</u>	<u>\$ 3,192</u>	<u>\$ 435,592</u>	<u>\$ 30,092</u>	<u>\$ 590,258</u>	<u>\$ 33,284</u>

At September 30, 2024, there were 818 positions (combined AFS and HTM) with unrealized losses totaling \$21.0 million. 73 of these positions are U.S. Treasury bonds and carry the full faith and credit of the U.S. Government. 651 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 that the expectation of nonpayment of the amortized cost basis is effectively zero. At September 30, 2024, all mortgage-backed securities, mortgage-backed securities, Small Business Administration securities, U.S. Agency, and U.S. Treasury were AAA rated. The remaining 94 positions (municipal securities and corporate bonds) have a credit component. At September 30, 2024, corporate debt securities had an allowance for credit losses of \$5,000 and municipal securities had an allowance of \$4,000.

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 are pre-refunded and secured by government guaranteed treasuries. Therefore, for the aforementioned securities, the Company assesses or records expected credit losses due to the zero loss assumption. The Company monitors the credit quality of municipal and corporate securities portfolio via credit ratings which are updated on a quarterly basis. On a quarterly basis, and corporate securities in an unrealized loss position are evaluated to determine if the loss is attributable to credit related factors and an allowance for credit loss is needed.

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

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

<i>(Dollars in Thousands)</i>	September 30, 2024	December 31, 2023
Commercial, Financial and Agricultural	\$ 194,625	\$ 225,190
Real Estate – Construction	218,899	196,091
Real Estate – Commercial Mortgage	819,955	825,456
Real Estate – Residential	1,023,946	1,004,219
Real Estate – Home Equity	210,988	210,920
Consumer ⁽²⁾	214,683	272,042
Loans Held For Investment, Net of Unearned Income	<u>\$ 2,683,096</u>	<u>\$ 2,733,918</u>

⁽¹⁾ Includes loans in process balances of \$1.5 million and \$3.2 million at September 30, 2024 and December 31, 2023, respectively.

⁽²⁾ Includes overdraft balances of \$4 million and \$1.0 million at September 30, 2024 and December 31, 2023, respectively.

Net deferred loan costs, which include premiums on purchased loans, included in loans receivable at September 30, 2024 and December 31, 2023, were \$7.9 million and \$7.8 million, respectively.

Accrued interest receivable on loans which is excluded from amortized cost totaled \$1.6 million at September 30, 2024 and \$1.1 million at December 31, 2023, and is reported separately in Other Assets.

The Company has pledged a blanket floating lien on all 1-4 family residential mortgage loans, commercial real estate mortgage loans, and consumer 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 mortgage loans from CCHL, a related party. Residential loan purchases from CCHL totaled \$1.1 million and \$293.1 million for the nine months ended September 30, 2024 and September 30, 2023, respectively, and were not credit impaired.

Allowance for Credit Losses The methodology for estimating the amount of credit losses reported in the allowance for credit ("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 loans that share similar risk characteristics. This allowance methodology is discussed further in Note 1 – Significant Accounting Policies in the Company's 2023 Form 10-K, as amended.

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.

	Commercial, Financial, Agricultural	Real Estate Construction	Real Estate Commercial Mortgage	Real Estate Residential	Real Estate Home Equity	Consumer	Total
<i>(Dollars in millions)</i>							
Three Months Ended							
September 30, 2024							
Beginning	\$ 1,575	\$ 1,751	\$ 6,076	\$ 14,788	\$ 1,865	\$ 3,164	\$ 29,219
Provision for Credit Losses	134	442	547	(240)	(49)	1,045	1,879
Charge-Offs	(331)	-	(3)	-	(23)	(1,926)	(2,283)
Recoveries	176	-	5	88	59	693	1,021
Net (Charge-Offs)	(155)	-	2	88	36	(1,233)	(1,262)
Ending Balance	\$ 1,554	\$ 2,193	\$ 6,625	\$ 14,636	\$ 1,852	\$ 2,976	\$ 29,836
Nine Months Ended							
September 30, 2024							
Beginning	\$ 1,482	\$ 2,502	\$ 5,782	\$ 15,056	\$ 1,818	\$ 3,301	\$ 29,941
Provision for Credit Losses	809	(309)	618	(551)	13	3,310	3,890
Charge-Offs	(1,013)	-	(3)	(17)	(99)	(5,746)	(6,878)
Recoveries	276	-	228	148	120	2,111	2,883
Net (Charge-Offs)	(737)	-	225	131	21	(3,635)	(3,995)
Ending Balance	\$ 1,554	\$ 2,193	\$ 6,625	\$ 14,636	\$ 1,852	\$ 2,976	\$ 29,836
Three Months Ended							
September 30, 2023							
Beginning	\$ 1,446	\$ 2,848	\$ 5,453	\$ 13,388	\$ 1,783	\$ 3,325	\$ 28,243
Provision for Credit Losses	(59)	(536)	84	1,356	(71)	1,219	1,993
Charge-Offs	(76)	-	-	-	-	(1,999)	(2,075)
Recoveries	28	-	17	30	53	794	922
Net Charge-Offs	(48)	-	17	30	53	(1,205)	(1,153)
Ending Balance	\$ 1,339	\$ 2,312	\$ 5,554	\$ 14,774	\$ 1,765	\$ 3,339	\$ 29,083
Nine Months Ended							
September 30, 2023							
Beginning	\$ 1,506	\$ 2,654	\$ 4,815	\$ 10,741	\$ 1,864	\$ 3,488	\$ 25,068
Provision for Credit Losses	(67)	(344)	823	3,814	(269)	3,218	7,175
Charge-Offs	(294)	-	(120)	-	(39)	(6,252)	(6,705)
Recoveries	194	2	36	219	209	2,885	3,545
Net Charge-Offs	(100)	2	(84)	219	170	(3,367)	(3,160)
Ending Balance	\$ 1,339	\$ 2,312	\$ 5,554	\$ 14,774	\$ 1,765	\$ 3,339	\$ 29,083

For the nine months ended September 30, 2024, the allowance for loans HFI decreased by \$1.0 million and reflected a provision expense of \$0.9 million and net loan charge-offs of \$0.0 million. The decrease in the allowance was primarily due to lower loan balances offset by higher loss rates and loan grade migration. For the nine months ended September 30, 2023, the allowance for loans increased by \$1.0 million and reflected a provision expense of \$1.2 million and net loan charge-offs of \$0.2 million. The increase was primarily driven by incremental reserves needed for loan growth and a higher loss rate for the residential real estate portfolio due to slower payment speeds. Unemployment forecast scenarios were utilized to estimate probability of default and are based on management's estimate of probability. See Note 8 – Commitments and Contingencies for information on the allowance for 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 past due ("DPD"). 30 days

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
September 30, 2024							
Commercial, Financial and Agricultural	\$ 669	\$ 10	\$ -	\$ 679	\$ 193,816	\$ 130	\$ 194,625
Real Estate – Construction	2,025	-	-	2,025	216,552	322	218,899
Real Estate – Commercial Mortgage	703	-	-	703	818,870	382	819,955
Real Estate – Residential	1,070	389	-	1,459	1,018,892	3,595	1,023,946
Real Estate – Home Equity	629	-	-	629	209,478	881	210,988
Consumer	3,697	196	-	3,893	209,508	1,282	214,683
Total	\$ 8,793	\$ 595	\$ -	\$ 9,388	\$ 2,667,116	\$ 6,592	\$ 2,683,096
December 31, 2023							
Commercial, Financial and Agricultural	\$ 311	\$ 105	\$ -	\$ 416	\$ 224,463	\$ 311	\$ 225,190
Real Estate – Construction	206	-	-	206	195,563	322	196,091
Real Estate – Commercial Mortgage	794	-	-	794	823,753	909	825,456
Real Estate – Residential	670	34	-	704	1,000,525	2,990	1,004,219
Real Estate – Home Equity	268	-	-	268	209,653	999	210,920
Consumer	3,693	774	-	4,467	266,864	711	272,042
Total	\$ 5,942	\$ 913	\$ -	\$ 6,855	\$ 2,720,821	\$ 6,242	\$ 2,733,918

Nonaccrual Loans Loans are generally placed on nonaccrual status if principal or interest payments become 90 days past due and management deems the collectability of the principal and/or interest to be doubtful. Loans are returned to accrual status when 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 by class of loans.

(Dollars in Thousands)	September 30, 2024			December 31, 2023		
	Nonaccrual With No ACL	Nonaccrual With ACL	90 + Days Still Accruing	Nonaccrual With No ACL	Nonaccrual With ACL	90 + Days Still Accruing
Commercial, Financial and Agricultural	\$ -	\$ 130	\$ -	\$ -	\$ 311	\$ -
Real Estate – Construction	275	47	-	-	322	-
Real Estate – Commercial Mortgage	229	153	-	781	128	-
Real Estate – Residential	2,293	1,302	-	1,705	1,285	-
Real Estate – Home Equity	-	881	-	-	999	-
Consumer	-	1,282	-	-	711	-
Total Nonaccrual Loans	\$ 2,797	\$ 3,795	\$ -	\$ 2,486	\$ 3,756	\$ -

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

	September 30, 2024		December 31, 2023	
	Real Estate Secured	Non Real Estate Secured	Real Estate Secured	Non Real Estate Secured
<i>(Dollars in Thousands)</i>				
Commercial, Financial and Agricultural	\$ -	\$ 101	\$ -	\$ 30
Real Estate – Construction	275	-	275	-
Real Estate – Commercial Mortgage	229	-	1,296	-
Real Estate – Residential	2,999	-	1,706	-
Real Estate – Home Equity	-	-	-	-
Consumer	-	-	-	-
Total Collateral Dependent Loans	\$ 3,503	\$ 101	\$ 3,277	\$ 30

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

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

Residential Real Estate Loans In Process of Foreclosure At September 30, 2024 and December 31, 2023, the Company had \$ million and \$0.5 million, respectively, in 1-4 family residential real estate loans for which formal foreclosure proceedings were in process.

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

At September 30, 2024, and December 31, 2023, the Company did not have any modified loans made to borrowers due to the borrower experiencing financial difficulty.

Credit Risk Management The Company has adopted comprehensive lending policies, underwriting standards and loan review procedures designed to maximize loan income within an acceptable level of risk. Management and the Board of Directors periodically review 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 loan potential problem loans. Management and the Credit Risk Oversight Committee periodically review our lines of business for asset quality trends and the appropriateness of credit policies. In addition, total borrower exposure limits are established and risk is monitored. As part of this process, the overall composition of the portfolio is reviewed to gauge diversification in concentrations, industry group, loan type, geographic area, or other relevant classifications of loans. Specific segments of the portfolio are monitored and reported to the Board on a quarterly basis and have strategic plans in place to support 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 ratios 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, etc. 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, 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 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 on 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 construction loans is made in relation to the progress of the project and as such these loans are closely monitored by inspections.

Real Estate Commercial Mortgage – Loans in this category consists of commercial mortgage loans secured by property that is 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 do not make the scheduled payments with full consideration to underwriting factors such as current income, employment status, 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 originates sub-prime loans.

Real Estate Home Equity – Home equity loans and lines are made to qualified individuals for legitimate purposes generally secured by first 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 credit reports.

Credit Quality Indicators As part of the ongoing monitoring of the Company's loan portfolio quality, management categorizes 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 relationships over a predetermined amount and review of smaller balance homogenous loan pools. The Company uses the definitions 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 caused by credit problems. Loans in this category may not meet required underwriting criteria and have no mitigating factors. More than a normal 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. 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 added uncertainty that makes collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

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

The following tables summarize gross loans held for investment at September 30, 2024 and December 31, 2023 and current gross write-offs for the nine months ended September 30, 2024 and twelve months ended December 31, 2023 by years of origination and assigned credit risk ratings (refer to Credit Risk Management section for detail on risk rating system).

(Dollars in Thousands)

	Term Loans by Origination Year						Revolving	
As of September 30, 2024	2024	2023	2022	2021	2020	Prior	Loans	Total
Commercial, Financial, Agriculture:								
Pass	\$ 28,841	\$ 45,675	\$ 41,999	\$ 20,867	\$ 6,012	\$ 10,488	\$ 39,124	\$ 193,006
Special Mention	200	309	393	18	2	-	79	1,001
Substandard	-	25	221	88	100	86	98	618
Total	<u>\$ 29,041</u>	<u>\$ 46,009</u>	<u>\$ 42,613</u>	<u>\$ 20,973</u>	<u>\$ 6,114</u>	<u>\$ 10,574</u>	<u>\$ 39,301</u>	<u>\$ 194,625</u>
Current-Period Gross Writeoffs	\$ 8	\$ 248	\$ 392	\$ 86	\$ 124	\$ -	\$ 155	\$ 1,013
Real Estate - Construction:								
Pass	\$ 72,961	\$ 101,277	\$ 34,631	\$ 4,129	\$ -	\$ 185	\$ 667	\$ 213,850
Special Mention	3,472	-	1,255	-	-	-	-	4,727
Substandard	-	-	47	275	-	-	-	322
Total	<u>\$ 76,433</u>	<u>\$ 101,277</u>	<u>\$ 35,933</u>	<u>\$ 4,404</u>	<u>\$ -</u>	<u>\$ 185</u>	<u>\$ 667</u>	<u>\$ 218,899</u>
Real Estate - Commercial Mortgage:								
Pass	\$ 60,755	\$ 117,689	\$ 234,557	\$ 124,203	\$ 90,813	\$ 128,123	\$ 23,897	\$ 780,037
Special Mention	173	2,947	14,385	-	518	5,349	647	24,019
Substandard	5,162	2,330	3,477	755	2,526	1,649	-	15,899
Total	<u>\$ 66,090</u>	<u>\$ 122,966</u>	<u>\$ 252,419</u>	<u>\$ 124,958</u>	<u>\$ 93,857</u>	<u>\$ 135,121</u>	<u>\$ 24,544</u>	<u>\$ 819,955</u>
Current-Period Gross Writeoffs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 3
Real Estate - Residential:								
Pass	\$ 117,374	\$ 330,178	\$ 367,873	\$ 72,716	\$ 31,994	\$ 80,541	\$ 11,118	\$ 1,011,794
Special Mention	-	266	-	1,176	611	554	-	2,607
Substandard	-	117	2,091	2,568	1,173	3,596	-	9,545
Total	<u>\$ 117,374</u>	<u>\$ 330,561</u>	<u>\$ 369,964</u>	<u>\$ 76,460</u>	<u>\$ 33,778</u>	<u>\$ 84,691</u>	<u>\$ 11,118</u>	<u>\$ 1,023,946</u>
Current-Period Gross Writeoffs	\$ -	\$ 13	\$ -	\$ -	\$ -	\$ 4	\$ -	\$ 17
Real Estate - Home Equity:								
Performing	\$ 493	\$ 527	\$ 41	\$ 123	\$ 10	\$ 840	\$ 208,073	\$ 210,107
Nonperforming	-	-	-	-	-	-	881	881
Total	<u>\$ 493</u>	<u>\$ 527</u>	<u>\$ 41</u>	<u>\$ 123</u>	<u>\$ 10</u>	<u>\$ 840</u>	<u>\$ 208,954</u>	<u>\$ 210,988</u>
Current-Period Gross Writeoffs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99	\$ 99
Consumer:								
Performing	\$ 24,067	\$ 49,898	\$ 63,085	\$ 48,338	\$ 13,116	\$ 5,851	\$ 9,045	\$ 213,400
Nonperforming	180	376	351	241	110	12	13	1,283
Total	<u>\$ 24,247</u>	<u>\$ 50,274</u>	<u>\$ 63,436</u>	<u>\$ 48,579</u>	<u>\$ 13,226</u>	<u>\$ 5,863</u>	<u>\$ 9,058</u>	<u>\$ 214,683</u>
Current-Period Gross Writeoffs	\$ 1,871	\$ 1,142	\$ 1,690	\$ 684	\$ 144	\$ 72	\$ 143	\$ 5,746

(Dollars in Thousands)

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

NOTE 4 – MORTGAGE BANKING ACTIVITIES

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

Residential Mortgage Loan Production

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

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

The unpaid principal balance of residential mortgage loans held for sale, notional amounts of derivative contracts related to residential mortgage loan commitments, such as interest rate lock commitments ("IRLC's") and forward contract sales and their related fair values are set forth below.

	September 30, 2024		December 31, 2023	
	Unpaid Principal Balance/Notional	Fair Value	Unpaid Principal Balance/Notional	Fair Value
<i>(Dollars in Thousands)</i>				
Residential Mortgage Loans Held for Sale	\$ 30,186	\$ 31,251	\$ 27,944	\$ 28,211
Residential Mortgage Loan Commitments ("IRLC's")	29,734	556	23,545	523
Forward Sales Contracts	31,500	3	24,500	209

⁽¹⁾ Recorded in other assets at fair value

⁽²⁾ Recorded in other assets and other liabilities at fair value, respectively

At September 30, 2024, the Company had residential mortgage loans held for sale 30-89 days past due and \$0.7 million of loans were on nonaccrual status. At December 31, 2023, the Company had residential mortgage loans held for sale 30-89 days past due and \$0.7 million of loans were on nonaccrual status.

Mortgage banking revenue was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
<i>(Dollars in Thousands)</i>				
Net realized gains on sales of mortgage loans	\$ 3,664	\$ 1,350	\$ 8,499	\$ 4,843
Net change in unrealized gain on mortgage loans held for sale	143	(1,223)	312	(1,700)
Net change in the fair value of IRLC's	(135)	(412)	32	39
Net change in the fair value of forward sales contracts	(52)	80	212	(5)
Pair-Offs on net settlement of forward sales contracts	(383)	359	(173)	454
Mortgage servicing rights additions	50	184	292	471
Net origination fees	679	1,501	2,051	3,970
Total mortgage banking revenues	\$ 3,966	\$ 1,839	\$ 11,225	\$ 8,072

Residential Mortgage Servicing

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

The following represents a summary of mortgage servicing rights.

<i>(Dollars in Thousands)</i>	September 30, 2024	December 31, 2023
Number of residential mortgage loans serviced for others	483	450
Outstanding principal balance of residential mortgage loans serviced for others	\$ 130,292	\$ 108,897
Weighted average interest rate	5.74%	5.37%
Remaining contractual term (in months)	350	309

Conforming conventional loans serviced by the Company are sold to Federal National Mortgage Association ("FNMA") on a non-recourse basis, whereby foreclosure losses are generally the responsibility of FNMA and not the Company. The government loans serviced by the Company are secured through the Government National Mortgage Association ("GNMA"), whereby the Company is insured against loss by the Federal Housing Administration or partially guaranteed against loss by the Veterans Administration. At September 30, 2024, the servicing portfolio balance consisted of the following loan types: FNMA (54%), GNMA (4%), and private investor (39%). 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 September 30, 2024 and December 31, 2023, respectively. The Company had repurchases for the three and nine months ended September 30, 2024, and \$0.8 million and \$2.2 million for the three and nine months ended September 30, 2023, in delinquent residential loans from the GNMA pools. When delinquent residential loans are repurchased, the Company has the intention to modify their terms and include them in new GNMA pools.

Activity in the capitalized mortgage servicing rights was as follows:

<i>(Dollars in Thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning balance	\$ 965	\$ 565	\$ 831	\$ 2,599
Additions due to loans sold with servicing retained	50	184	292	471
Deletions and amortization	(46)	(45)	(154)	(79)
Sale of servicing rights	-	-	-	(2,287)
Ending balance	<u>\$ 969</u>	<u>\$ 704</u>	<u>\$ 969</u>	<u>\$ 704</u>

The Company did not record any permanent impairment losses on mortgage servicing rights for the three months ended September 30, 2024 or 2023.

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

	September 30, 2024		December 31, 2023	
	Minimum	Maximum	Minimum	Maximum
Discount rates	9.50%	12.00%	9.50%	12.00%
Annual prepayment speeds	9.79%	20.51%	11.23%	17.79%
Cost of servicing (per loan)	\$ 85	\$ 95	\$ 85	\$ 95

Changes in residential mortgage interest rates directly affect the prepayment speeds used in valuing the Company's mortgage servicing rights. A separate third party model is used to estimate prepayment speeds based on interest rates, housing turnover rates estimated loan curtailment, anticipated defaults, and other relevant factors. The weighted average annual prepayment speed was 14.18% at September 30, 2024 and 14.22% at December 31, 2023.

Warehouse Line Borrowings

The Company has the following warehouse lines of credit and master repurchase agreements with various financial institutions at September 30, 2024.

<i>(Dollars in Thousands)</i>	Amounts Outstanding
\$25 million master repurchase agreement without defined expiration. Interest is at the SOFR rate plus 3.00%, with a floor rate of 3.25% to 4.25%. A cash pledge deposit of \$1 million is required by the lender.	\$ 1,954
\$25 million warehouse line of credit agreement expiring December 2024 Interest is at the SOFR plus 75% to 3.25%	5,810
Total Warehouse Borrowings	<u>\$ 7,764</u>

Warehouse line borrowings are classified as short-term borrowings. At December 31, 2023, warehouse line borrowings totaled \$ million. At September 30, 2024, the Company had residential mortgage loans held for sale pledged as collateral under the above warehouse lines of credit and master repurchase agreements. The above agreements also contain covenants which include certain financial requirements, including maintenance of minimum tangible net worth, minimum liquid assets, and maximum debt to net worth ratio, as defined in the agreements. The Company was in compliance with all significant debt covenants at September 30, 2024.

The Company has extended \$5 million warehouse line of credit to CCHL, 51% owned subsidiary entity. Balances and transactions under this line of credit are eliminated in the Company's consolidated financial statements and thus not included in the total short term borrowings noted on the Consolidated Statement of Financial Condition. The balance of this line of credit was \$ million and \$31.4 million at September 30, 2024 and December 31, 2023, respectively.

NOTE 5 – DERIVATIVES

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

Cash Flow Hedges of Interest Rate Risk

Interest rate swaps with notional amounts totaling \$30 million at September 30, 2024 were designed as a cash flow hedge for subordinated debt. Under the swap arrangement, the Company will pay a fixed interest rate of 2.50% and receive a variable interest rate based on three-month CME Term SOFR (secured overnight financing rate).

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in 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 are reclassified to interest expense as interest payments are made on the Company's variable-rate subordinated debt.

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

<i>(Dollars in Thousands)</i>	Statement of Financial Condition Location	Notional Amount	Fair Value	Weighted Average Maturity (Years)
September 30, 2024				
Interest rate swaps related to subordinated debt	Other Assets	\$ 30,000	\$ 4,444	5.8
December 31, 2023				
Interest rate swaps related to subordinated debt	Other Assets	\$ 30,000	\$ 5,317	6.5

The following table presents the change in net gains (losses) recorded in AOCI and the consolidated statements of income related to flow derivative instruments (interest rate swaps related to subordinated debt) for the three and nine months ended September 30, 2024.

(Dollars in Thousands)	Category	Change in Gain (Loss) Recognized in AOCI		Amount of Gain (Loss) Reclassified from AOCI to Income	
Three months ended September 30, 2024	Interest expense	\$	(941)	\$	377
Three months ended September 30, 2023	Interest expense		574		375
Nine months ended September 30, 2024	Interest expense	\$	(652)	\$	1,128
Nine months ended September 30, 2023	Interest expense		413		1,016

The Company estimates there will be approximately \$0.6 million reclassified as a decrease to interest expense within the next months.

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The Company had a collateral liability of \$4 million and \$5.5 million at September 30, 2024 and December 31, 2023, respectively.

NOTE 6 – LEASES

Operating leases in which the Company is the lessee are recorded as operating lease right of use (“ROU”) assets and 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 4 to 20 years. The Company's leases are not complex and do not contain residual value guarantees, variable lease payments, or significant assumptions or judgments applying the requirements of Topic 842. Operating leases with an initial term of 12 months or less are not recorded on Consolidated Statement of Financial Condition and the related lease expense is recognized on a straight-line basis over the lease term. As of September 30, 2024, the operating lease ROU assets and liabilities were \$25.2 million and \$25.8 million, respectively. At December 31, 2023, ROU assets and liabilities were \$27.5 million and \$27.4 million, respectively. The Company does not have any finance leases and has recognized \$0.5 million of income for a short-term operating lease agreement in which the Company is a lessor.

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

(Dollars in Thousands)	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Operating lease expense	\$ 841	\$ 710	\$ 2,509	\$ 2,114
Short-term lease expense	229	167	618	438
Total lease expense	\$ 1,070	\$ 877	\$ 3,127	\$ 2,552
Other information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 1,095	\$ 720	\$ 2,315	\$ 2,131
Right-of-use assets obtained in exchange for new operating lease liabilities	29	55	69	3,048
Weighted average remaining lease term — operating leases (in years)	16.7	18.4	16.7	18.4
Weighted average discount rate — operating leases	3.5%	3.3%	3.5%	3.3%

The table below summarizes the maturity of remaining lease liabilities:

<i>(Dollars in Thousands)</i>	September 30, 2024
2024	\$ 1,098
2025	3,093
2026	2,957
2027	2,888
2028	2,633
2029 and thereafter	20,690
Total	\$ 33,359
Less: Interest	(7,541)
Present Value of Lease liability	\$ 25,818

At September 30, 2024, the Company had an additional operating lease obligation for a banking office (to be constructed) that not yet commenced. The lease has payments totaling \$1.8 million based on an initial contract term of 5 years. Payments for the banking office are expected to commence after the construction period ends, which is expected to occur during the fourth quarter of 2024.

A related party is the lessor in a land lease with the Company. The payments under the lease agreement provide for annual payments of approximately \$1.1 million annually through December 2033, and thereafter, increase by 5% every 10 years until 2053 at which time the rent amount will adjust based on reappraisal of the parcel rental value. The Company has successive options to extend the lease for five years each with rental increases of 5% at each extension. The aggregate remaining obligation of the totaled \$2.2 million at September 30, 2024.

NOTE 7 - EMPLOYEE BENEFIT PLANS

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

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

<i>(Dollars in Thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Service Cost	\$ 929	\$ 872	\$ 2,786	\$ 2,616
Interest Cost	1,524	1,458	4,572	4,374
Expected Return on Plan Assets	(2,029)	(1,701)	(6,087)	(5,104)
Prior Service Cost Amortization	-	1	-	4
Net Loss Amortization	41	234	123	701
Net Periodic Benefit Cost	\$ 465	\$ 864	\$ 1,394	\$ 2,591
Discount Rate	5.29%	5.63%	5.29%	5.63%
Long-term Rate of Return on Assets	6.75%	6.75%	6.75%	6.75%

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

(Dollars in Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Service Cost	\$ 9	\$ 4	\$ 27	\$ 13
Interest Cost	114	120	341	381
Prior Service Cost Amortization	-	38	-	114
Net Loss Amortization	(71)	(111)	(210)	(420)
Pension Settlement Gain	-	-	-	(291)
Net Periodic Benefit Cost	\$ 52	\$ 51	\$ 158	\$ (203)
Discount Rate	5.11%	5.33%	5.11%	5.41%

During the month of June 2023, lump sum payments made under the SERP triggered settlement accounting and ~~plan amendments~~ ~~in June 2023~~. In accordance with applicable accounting guidance for retirement benefit plans, the Company ~~settled a gain of \$3 million in June 2023.~~

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~~

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 to meet the financing ~~needs~~ of its clients. These financial instruments consist of commitments to extend credit and standby ~~letters of~~

The Company's maximum exposure to credit loss under standby letters of credit and commitments to extend credit is ~~represented by~~ amount of those instruments. The Company uses the same credit policies in establishing commitments and ~~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)	September 30, 2024			December 31, 2023		
	Fixed	Variable	Total	Fixed	Variable	Total
Commitments to Extend Credit ⁽¹⁾	\$ 214,353	\$ 499,853	\$ 714,206	\$ 207,605	\$ 534,745	\$ 742,350
Standby Letters of Credit	6,126	-	6,126	6,094	-	6,094
Total	\$ 220,479	\$ 499,853	\$ 720,332	\$ 213,699	\$ 534,745	\$ 748,444

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

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

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a client to a ~~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, losses~~ arising from such transactions are reserved for in the same manner as management reserves for its other ~~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 ~~include~~ deposits held in financial institutions; U.S. Treasury securities; other marketable securities; real estate; accounts ~~receivable~~; plant and equipment; and inventory.

The allowance for credit losses for off-balance sheet credit commitments that are not unconditionally cancellable by the 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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Beginning Balance	\$ 3,139	\$ 3,120	\$ 3,191	\$ 2,989
Provision for Credit Losses	(617)	382	(669)	513
Ending Balance	\$ 2,522	\$ 3,502	\$ 2,522	\$ 3,502

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

The Company has an outstanding commitment of up to \$100 million in a bank tech venture capital fund focused on finding and funding technology solutions for community banks and commitments of up to \$5 million for a solar tax credit equity fund investment. At September 30, 2024, the amount remaining to be funded for the bank tech venture capital and solar tax credit investment fund commitments was \$0.4 million and \$1.2 million, respectively.

Contingencies The Company is a party to lawsuits and claims arising out of the normal course of business. In management's view, 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~~ 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. ~~Following~~ After 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~~ adjustments to the conversion ratio for its Class B shares. Conversion ratio payments and ongoing fixed quarterly charges are ~~accrued~~ in the period incurred. Fixed charges included in the swap liability are payable quarterly until the litigation reserve is ~~fully~~ updated and at which time the aforementioned swap contract will be terminated. Quarterly fixed payments approximate \$ million. There was a \$0.5 million counterparty payment accrued and payable at September 30, 2024 due to a revision to the conversion rate related to ~~additional~~ funding by VISA of the merchant litigation reserve.

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 ~~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 ~~approach~~ and/or the cost approach. Such valuation techniques are consistently applied. Inputs to valuation techniques include ~~assumptions~~ that market participants would use in pricing an asset or liability. Accounting Standards Codification Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for ~~identical~~ assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- **Level 1 Inputs** - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has 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 or indirectly. These ~~may~~ include quoted prices for similar assets or liabilities in active markets, quoted prices for ~~identical~~ assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the ~~liability~~ (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from ~~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 available for sale are reported at fair value utilizing Level 2 inputs. For these securities, the Company obtains fair value from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, 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 investments, nearly all of which are U.S. Treasury obligations, federal agency bullet or mortgage pass-through securities, obligation or revenue-based municipal bonds. Pricing for such instruments is easily obtained. At least annually, the Company compares the prices supplied by the independent pricing service by comparing them to prices obtained from an independent third-party.

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

Loans Held for Sale The fair value of residential mortgage loans held for sale based on Level 2 inputs is determined, when using either quoted secondary-market prices or investor commitments. If no such quoted price exists, the fair value is determined based on prices for a similar asset or assets, adjusted for the specific attributes of that loan, which would be used by other 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, 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, 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, period. There was \$5.5 million counterparty payment accrued and payable at September 30, 2024, and amounts payable at December 31, 2023.

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

(Dollars in Thousands)	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
September 30, 2024				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	\$ 50,646	\$ -	\$ -	\$ 50,646
U.S. Government Agency	-	125,330	-	125,330
States and Political Subdivisions	-	40,017	-	40,017
Mortgage-Backed Securities	-	59,781	-	59,781
Corporate Debt Securities	-	52,317	-	52,317
Equity Securities	-	-	6,976	6,976
Loans Held for Sale	-	31,251	-	31,251
Residential Mortgage Loan Commitments ("IRLCs")	-	-	556	556
Interest Rate Swap Derivative	-	4,444	-	4,444
Forward Sales Contracts	-	3	-	3
LIABILITIES:				
Fair Value Swap	-	-	548	548
December 31, 2023				
ASSETS:				
Securities Available for Sale:				
U.S. Government Treasury	\$ 24,679	\$ -	\$ -	\$ 24,679
U.S. Government Agency	-	145,034	-	145,034
States and Political Subdivisions	-	39,083	-	39,083
Mortgage-Backed Securities	-	63,303	-	63,303
Corporate Debt Securities	-	57,552	-	57,552
Equity Securities	-	-	3,450	3,450
Loans Held for Sale	-	28,211	-	28,211
Residential Mortgage Loan Commitments ("IRLCs")	-	-	523	523
Interest Rate Swap Derivative	-	5,317	-	5,317
LIABILITIES:				
Forward Sales Contracts	-	209	-	209

Mortgage Banking Activities The Company had Level 3 issuances and transfers related to mortgage banking activities of \$1.1 million and \$1.0 million, respectively, for the nine months ended September 30, 2024, and \$1.1 million and \$1.3 million, respectively, for the nine months ended September 30, 2023. Issuances are valued based on the change in fair value of the underlying mortgage loans from the date of origination to the date of sale. Transfers are valued based on the change in fair value of the underlying mortgage loans from the date of origination to the date of transfer. 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. The fair value of collateral is determined by an independent valuation or professional appraisal in conformance with applicable regulations. Collateral values are estimated using Level 3 inputs due to the volatility in the real estate market, and the judgment 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 periods. Collateral-dependent loans had a carrying value of \$3.6 million with a valuation allowance of \$0.1 million at September 30, 2024 and a carrying value of \$3.3 million and a \$0.1 million valuation allowance at December 31, 2023.

Other Real Estate Owned During the first nine months of 2024, certain foreclosed assets, upon initial recognition, were 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 accordance with banking regulations. On an ongoing basis, we obtain updated appraisals on foreclosed assets and realize adjustments as necessary. The fair value of foreclosed assets is estimated using Level 3 inputs due to the judgment and estimation in the real estate valuation process.

Mortgage Servicing Rights Residential mortgage loan servicing rights are evaluated for impairment at each reporting period upon the fair value of the rights as compared to the carrying amount. Fair value is determined by a third party valuation model estimating 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 September 30, 2024 and December 31, 2023, there was no 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, the short time frame to maturity argues such assets do not present unanticipated credit concerns.

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

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

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

Deposits. The fair value of Noninterest Bearing Deposits, NOW Accounts, Money Market Accounts and Savings Accounts are amounts payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using present 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 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:

September 30, 2024				
<i>(Dollars in Thousands)</i>	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	\$ 83,431	\$ 83,431	\$ -	\$ -
Fed Funds Sold and Interest Bearing Deposits	261,779	261,779	-	-
Investment Securities, Held to Maturity	561,480	390,553	151,775	-
Other Equity Securities	2,848	-	2,848	-
Mortgage Servicing Rights	969	-	-	1,484
Loans, Net of Allowance for Credit Losses	2,653,260	-	-	2,529,755
LIABILITIES:				
Deposits	\$ 3,579,077	\$ -	\$ 3,140,058	\$ -
Short-Term Borrowings	37,268	-	37,268	-
Subordinated Notes Payable	52,887	-	42,259	-
Long-Term Borrowings	794	-	794	-
December 31, 2023				
<i>(Dollars in Thousands)</i>	Carrying Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
ASSETS:				
Cash	\$ 83,118	\$ 83,118	\$ -	\$ -
Fed Funds Sold and Interest Bearing Deposits	228,949	228,949	-	-
Investment Securities, Held to Maturity	625,022	441,189	150,562	-
Other Equity Securities	2,848	-	2,848	-
Mortgage Servicing Rights	831	-	-	1,280
Loans, Net of Allowance for Credit Losses	2,703,977	-	-	2,510,529
LIABILITIES:				
Deposits	\$ 3,701,822	\$ -	\$ 3,243,896	\$ -
Short-Term Borrowings	35,341	-	35,341	-
Subordinated Notes Payable	52,887	-	44,323	-
Long-Term Borrowings	315	-	315	-

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

NOTE 10 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

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

<i>(Dollars in Thousands)</i>	Securities Available for Sale	Interest Rate Swap	Retirement Plans	Accumulated Other Comprehensive (Loss) Income
Balance as of January 1, 2024	\$ (25,691)	\$ 3,970	\$ (425)	\$ (22,146)
Other comprehensive income (loss) during the period	8,716	(652)	-	8,064
Balance as of September 30, 2024	<u>\$ (16,975)</u>	<u>\$ 3,318</u>	<u>\$ (425)</u>	<u>\$ (14,082)</u>
Balance as of January 1, 2023	\$ (37,349)	\$ 4,625	\$ (4,505)	\$ (37,229)
Other comprehensive income (loss) during the period	2,357	413	(217)	2,553
Balance as of September 30, 2023	<u>\$ (34,992)</u>	<u>\$ 5,038</u>	<u>\$ (4,722)</u>	<u>\$ (34,676)</u>

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

Management's discussion and analysis ("MD&A") provides supplemental information, which sets forth the major factors that have affected our financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and related notes. The following information should provide a better understanding of the major factors and trends that affect our earnings performance and financial condition, and how our performance during the third quarter of 2024 compares with prior periods. Throughout this section, Capital City Bank Group, Inc., and subsidiaries, collectively, is referred to as "CCBG," "Company," "we," "us," or "our."

CAUTION CONCERNING FORWARD -LOOKING STATEMENTS

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

All forward-looking statements, by their nature, are subject to risks and uncertainties. Our actual future results may differ materially from those set forth in our forward-looking statements. Please see the Introductory Note of this quarterly report on Form 10-Q as well as the Introductory Note and *Item 1A. Risk Factors* of our 2023 Form 10-K, as amended, as updated in our subsequent quarterly reports filed on Form 10-Q, and in our other filings made from time to time with the SEC after the date of this report.

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

BUSINESS OVERVIEW

We are a financial holding company headquartered in Tallahassee, Florida, and we are the parent of our wholly owned subsidiary, Capital City Bank (the "Bank" or "CCB"). We offer a broad array of products and services through a total of 63 full-service offices and 105 ATMs/ITMs located in Florida, Georgia, and Alabama. Through Capital City Home Loans, LLC ("CCHL"), we have 29 additional offices in the Southeast for our mortgage banking business. We provide a full range of banking services, including traditional deposit and credit services, mortgage banking, asset management, trust, merchant services, bankcards, securities brokerage and financial advisory services, including life insurance products, risk management and asset protection services.

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

We have included a detailed discussion of our long-term strategic objectives as part of the MD&A section of our 2023 Form 10-K, as amended.

NON-GAAP FINANCIAL MEASURES (UNAUDITED)

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

		2024			2023	
(Dollars in Thousands, except per share)		Third	Second	First	Fourth	Third
Shareowners' Equity		\$ 476,499	\$ 460,999	\$ 448,314	\$ 440,625	\$ 419,706
Goodwill and Other Intangibles		92,813	92,853	92,893	92,933	92,973
Shareowners' Equity (non-GAAP)	A	383,686	368,146	355,421	347,692	326,733
Assets		4,225,316	4,225,695	4,259,922	4,304,477	4,138,287
Goodwill and Other Intangibles		92,813	92,853	92,893	92,933	92,973
Assets (non-GAAP)	B	\$ 4,132,503	\$ 4,132,842	\$ 4,167,029	\$ 4,211,544	\$ 4,045,314
Tangible Common Equity Ratio (non-GAAP)	A/B	9.28%	8.91%	8.53%	8.26%	8.08%
Actual Diluted Shares Outstanding	C	16,980,686	16,970,228	16,947,204	17,000,758	16,997,886
Tangible Book Value per Diluted Share (non-GAAP)	B/C	22.60	21.69	20.97	20.45	19.22

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	2024			2023	
	Third	Second	First	Fourth	Third
<i>(Dollars in Thousands, Except Per Share)</i>					
Summary of Operations:					
Net Interest Income	\$ 49,328	\$ 48,766	\$ 46,820	\$ 46,184	\$ 45,753
Interest Expense	9,117	9,497	8,465	7,013	6,473
Net Interest	40,211	39,269	38,355	39,171	39,280
Provision for Credit Losses	1,206	1,204	920	2,025	2,393
Net Interest Income					
Provision for Credit Losses	39,005	38,065	37,435	37,146	36,887
Noninterest	19,513	19,606	18,097	17,157	16,728
Noninterest Expense	42,921	40,441	40,171	39,958	39,105
Income Before Income Taxes	15,597	17,230	15,361	14,345	14,510
Tax Expense	2,980	3,189	3,536	2,909	3,004
Loss Attributable to NCI	501	109	732	284	1,149
Net Income Attributable to	13,118	14,150	12,557	11,720	12,655
Net Interest Income ⁽¹⁾	40,260	39,334	38,435	39,264	39,367
(FTE)					
Per Common Share:					
Net Income	\$ 0.77	\$ 0.84	\$ 0.74	\$ 0.69	\$ 0.75
Net Income	0.77	0.83	0.74	0.70	0.74
Dividends Declared	0.23	0.21	0.21	0.20	0.20
Diluted Book	28.06	27.17	26.45	25.92	24.69
Diluted Tangible Book ⁽²⁾	22.60	21.69	20.97	20.45	19.22
Market Price:					
High	36.67	28.58	31.34	32.56	33.44
Low	26.72	25.45	26.59	26.12	28.64
Close	35.29	28.44	27.70	29.43	29.83
Selected Average Balances:					
Investment Securities	\$ 908,456	\$ 919,832	\$ 953,184	\$ 963,184	\$ 1,005,003
Loans Held for Investment	2,693,533	2,726,748	2,728,629	2,711,243	2,672,653
Earning Assets	3,883,414	3,935,280	3,849,615	3,823,980	3,876,980
Total Assets	4,215,862	4,272,188	4,190,623	4,166,777	4,218,855
Deposits	3,572,034	3,641,028	3,576,513	3,548,506	3,596,816
Shareowners'	480,137	465,297	456,014	435,116	427,580
Equity on Equivalent Average Bases:					
Shareholders'	16,943	16,931	16,951	16,947	16,985
Diluted	16,979	16,960	16,969	16,997	17,025
Performance Ratios:					
Return on Average Assets	1.24 %	1.33 %	1.21 %	1.12 %	1.19 %
Return on Average Equity	10.87	12.23	11.07	10.69	11.74
(Net Income) Margin (FTE)	4.12	4.02	4.01	4.07	4.03
Noninterest Income as % of Operating	32.67	33.30	32.06	30.46	29.87
Efficiency Ratio	71.81	68.61	71.06	70.82	69.88
Asset Quality:					
Allowance for Credit Losses	\$ 29,836	\$ 29,219	\$ 29,329	\$ 29,941	\$ 29,083
Nonperforming Assets ("NPAs")	7,242	6,165	6,799	6,243	4,695
ACL to Loans	1.11 %	1.09 %	1.07 %	1.10 %	1.08 %
NPAs to Total Assets	0.17	0.15	0.16	0.15	0.11
NPAs to Loans HFI plus	0.27	0.23	0.25	0.23	0.17
Non-Performing Loans	452.64	529.79	431.46	479.70	619.58
Net Charge-Offs to Average Loans	0.19	0.18	0.22	0.23	0.17
Capital Ratios:					
Tier 1	16.77 %	16.31 %	15.67 %	15.37 %	15.11 %
Capital	17.97	17.50	16.84	16.57	16.30
Capital on Equity Tier	14.88	14.44	13.82	13.52	13.26
Leverage	10.89	10.51	10.45	10.30	9.98
Tangible Common Equity ⁽²⁾	9.28	8.91	8.53	8.26	8.08

⁽¹⁾Fully Tax Equivalent

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

FINANCIAL OVERVIEW

Results of Operations

Performance Summary Net income attributable to common shareowners totaled \$13.1 million, or \$0.77 per diluted share, for the third quarter of 2024 compared to \$14.2 million, or \$0.83 per diluted share, for the second quarter of 2024, and \$12.7 million, or \$0.74 per diluted share, for the third quarter of 2023. For the first nine months of 2024, net income attributable to common shareowners totaled \$39.8 million, or \$2.35 per diluted share, compared to net income of \$40.5 million, or \$2.38 per diluted share, for the same period of 2023.

Net Interest Income. Tax-equivalent net interest income for the third quarter of 2024 totaled \$40.2 million, compared to \$39.3 million for the second quarter of 2024, and \$39.4 million for the third quarter of 2023. Compared to the second quarter of 2024, the increase was primarily due to increases in loan and investment interest income and a decrease in deposit interest expense, partially offset by decrease in overnight funds interest income. One additional calendar day also contributed to the increase. Favorable repricing of existing adjustable/fixed rate loans at higher rates drove the increase in loan interest income. Compared to the third quarter of 2023, the \$0.9 million increase was primarily driven by an increase in loan interest income and to a lesser extent overnight funds interest income, partially offset by an increase in deposit interest expense. For the first nine months of 2024, tax-equivalent net interest income totaled \$118.0 million compared to \$120.1 million for the same period of 2023 with the decrease primarily attributable to an increase in deposit interest expense and a decrease in investment interest income, partially offset by an increase in loan interest income. Our net interest margin for the third quarter of 2024 was 4.12%, an increase of 10 basis points over the second quarter of 2024 and an increase of nine basis points over the third quarter of 2023.

Provision and Allowance for Credit Losses. We recorded a provision expense for credit losses of \$1.2 million for the third quarter of 2024, comparable to the second quarter of 2024 and a \$1.2 million decrease from the third quarter of 2023. Compared to the second quarter of 2024, the provision reflected a \$0.7 million increase in the provision expense for loans held for investment ("HFI"), a \$0.6 million provision benefit for unfunded loan commitments, and a \$0.1 million provision benefit for debt securities. For the first nine months of 2024, we recorded a provision expense for credit losses of \$3.3 million compared to \$7.7 million for the same period of 2023. The decrease reflected a \$3.2 million decrease in the provision expense for loans HFI and a \$1.2 million decrease in the provision for unfunded loan commitments. The decrease in the provision for loans HFI was primarily due to lower new loan volume in 2024 and lower loan balances. The decrease in the provision for unfunded loan commitments reflected a lower level of loan commitments. At September 30, 2024, the allowance represented 1.11% of loans HFI compared to 1.09% at June 30, 2024, and 1.10% at December 31, 2023.

Noninterest Income Noninterest income for the third quarter of 2024 totaled \$19.5 million compared to \$19.6 million for the second quarter of 2024 and \$16.7 million for the third quarter of 2023. The slight decrease from the second quarter of 2024 reflected a \$0.4 million decrease in mortgage banking revenues partially offset by a \$0.3 million increase in wealth management fees. Compared to the third quarter of 2023, the \$2.8 million increase was primarily attributable to a \$2.1 million increase in mortgage banking revenues driven by a higher gain on sale margin, and a \$0.8 million increase in wealth management fees. For the first nine months of 2024, noninterest income totaled \$57.2 million compared to \$54.5 million for the same period of 2023, primarily attributable to a \$3.2 million increase in mortgage banking revenues and a \$1.8 million increase in wealth management fees, partially offset by a \$2.1 million decrease in other income.

Noninterest Expense Noninterest expense for the third quarter of 2024 totaled \$42.9 million compared to \$40.4 million for the second quarter of 2024 and \$39.1 million for the third quarter of 2023. The \$2.5 million increase over the second quarter of 2024 was primarily due to a \$1.4 million increase in compensation and a \$1.0 million increase in other expense. Compared to the third quarter of 2023, the \$3.8 million increase was primarily attributable to a \$2.8 million increase in compensation expense and a \$0.9 million increase in other expense. For the first nine months of 2024, noninterest expense totaled \$123.5 million compared to \$117.1 million for the same period of 2023 with the \$6.4 million increase primarily attributable to increases in compensation expense of \$4.6 million, occupancy expense of \$0.5 million, and other expense of \$1.3 million.

Financial Condition

Earning Assets Average earning assets totaled \$3.883 billion for the third quarter of 2024, a decrease of \$51.9 million, or 1.3%, from the second quarter of 2024, and an increase of \$59.4 million, or 1.6%, over the fourth quarter of 2023. The change for both prior periods was driven by variances in deposit balances. Compared to the second quarter of 2024, the change in the earning asset mix reflected a \$33.2 million decrease in loans HFI, a \$11.4 million decline in investment securities, and a \$5.6 million decrease in overnight funds sold. Compared to the fourth quarter of 2023, the change in the earning asset mix reflected a \$157.1 million increase in overnight funds that was partially offset by a \$17.7 million decrease in loans HFI, a \$54.7 million decrease in investment securities and a \$25.2 million decline in loans held for sale.

Loans. Average loans HFI decreased \$33.2 million, or 1.2%, from the second quarter of 2024 and decreased \$17.7 million, or 0.7%, from the fourth quarter of 2023. Period end loans HFI decreased \$7.1 million, or 0.3%, from the second quarter of 2024 and decreased \$50.8 million, or 1.9%, from the fourth quarter of 2023.

Credit Quality. Nonperforming assets (nonaccrual loans and other real estate) totaled \$7.2 million at September 30, 2024 compared \$6.2 million at June 30, 2024 and \$6.2 million at December 31, 2023. At September 30, 2024, nonperforming assets as a percent of total assets equaled 0.17%, compared to 0.15% at June 30, 2024 and 0.15% at December 31, 2023. Nonaccrual loans totaled \$6.6 million at September 30, 2024, a \$1.1 million increase over June 30, 2024 and a \$0.3 million increase over December 31, 2023. Further, classified loans totaled \$25.5 million at September 30, 2024, a \$0.1 million decrease from June 30, 2024 and a \$3.3 million increase over December 31, 2023.

Deposits Average total deposits were \$3.572 billion for the third quarter of 2024, a decrease of \$69.0 million, or 1.9%, from the second quarter of 2024 and an increase of \$23.5 million, or 0.7%, over the fourth quarter of 2023. At September 30, 2024, total deposits were \$3.579 billion, a decrease of \$29.5 million, or 0.8%, from June 30, 2024, and a decrease of \$122.7 million, or 3.3%, from December 31, 2023.

Capital. At September 30, 2024, we were "well-capitalized" with a total risk-based capital ratio of 17.97% and a tangible common equity ratio (a non-GAAP financial measure) of 9.28% compared to 17.50% and 8.91%, respectively, at June 30, 2024 and 16.57% and 8.26%, respectively, at December 31, 2023. At September 30, 2024, all of our regulatory capital ratios exceeded the threshold to be "well-capitalized" under the Basel III capital standards.

RESULTS OF OPERATIONS

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

	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(Dollars in Thousands, except per share data)</i>					
Interest Income	\$ 49,328	\$ 48,766	\$ 45,753	\$ 144,914	\$ 134,886
Taxable Equivalent Adjustments	49	65	87	194	274
Total Interest Income (FTE)	49,377	48,831	45,840	145,108	135,160
Interest Expense	9,117	9,497	6,473	27,079	15,067
Net Interest Income (FTE)	40,260	39,334	39,367	118,029	120,093
Provision for Credit Losses	1,206	1,204	2,393	3,330	7,689
Taxable Equivalent Adjustments	49	65	87	194	274
Net Interest Income After Provision for Credit Losses	39,005	38,065	36,887	114,505	112,130
Noninterest Income	19,513	19,606	16,728	57,216	54,452
Noninterest Expense	42,921	40,441	39,105	123,533	117,066
Income Before Income Taxes	15,597	17,230	14,510	48,188	49,516
Income Tax Expense	2,980	3,189	3,004	9,705	10,130
Pre-Tax Loss Attributable to Noncontrolling Interest	501	109	1,149	1,342	1,153
Net Income Attributable to Common Shareowners	\$ 13,118	\$ 14,150	\$ 12,655	\$ 39,825	\$ 40,539
Basic Net Income Per Share	\$ 0.77	\$ 0.84	\$ 0.75	\$ 2.35	\$ 2.38
Diluted Net Income Per Share	\$ 0.77	\$ 0.83	\$ 0.74	\$ 2.35	\$ 2.38

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 1, "Average Balances & Interest Rates," on page 48.

Tax-equivalent net interest income for the third quarter of 2024 totaled \$40.2 million, compared to \$39.3 million for the second quarter of 2024, and \$39.4 million for the third quarter of 2023. Compared to the second quarter of 2024, the increase was primarily due to increases in loan and investment interest income and a decrease in deposit interest expense, partially offset by a decrease in overnight interest income. One additional calendar day also contributed to the increase. Favorable repricing of existing adjustable/fixed rate loans at higher rates drove the increase in loan interest income. The increase in investment interest income was due to the reinvestment of maturing securities at higher rates. The decrease in deposit interest expense was attributable to lower average NOV account balances and average rate, in addition to lower rates on promotional deposit products.

Compared to the third quarter of 2023, the \$0.9 million increase was primarily driven by an increase in loan interest income and to a lesser extent overnight funds interest income, partially offset by an increase in deposit interest expense. For the first nine months of 2024, tax-equivalent net interest income totaled \$118.0 million compared to \$120.1 million for the same period of 2023 with the decrease primarily attributable to an increase in deposit interest expense and a decrease in investment interest income, partially offset by an increase in loan interest income.

Our net interest margin for the third quarter of 2024 was 4.12%, an increase of 10 basis points over the second quarter of 2024 and an increase of nine basis points over the third quarter of 2023. For the month of September 2024, our net interest margin was 4.16%. For the first nine months of 2024, our net interest margin was 4.05% compared to 4.04% for the same period of 2023. The increase over the second quarter of 2024 reflected favorable loan and investment repricing, partially offset by a lower overnight funds rate. The increase over both prior year periods reflected higher loan rates partially offset by a higher cost of deposits. For the third quarter of 2024, our cost of funds was 93 basis points, a decrease of four basis points from the second quarter of 2024 and an increase of 27 basis points over the third quarter of 2023. Our cost of deposits (including noninterest bearing accounts) was 92 basis points, 95 basis points, and 58 basis points, respectively, for the same periods.

Provision for Credit Losses

We recorded a provision expense for credit losses of \$1.2 million for the third quarter of 2024, comparable to the second quarter of 2024 and a \$1.2 million decrease from the third quarter of 2023. Compared to the second quarter of 2024, the provision reflected a \$0.7 million increase in the provision expense for loans HFI, a \$0.6 million provision benefit for unfunded loan commitments, and a \$0.1 million provision benefit for debt securities. The increase in the provision for loans HFI was primarily due to loan grade migration and slightly higher loss rates partially offset by lower loan balances. A lower level of commitments drove the provision benefit for unfunded loan commitments. For the first nine months of 2024, we recorded a provision expense for credit losses of \$3.3 million compared to \$7.7 million for the same period of 2023. The decrease reflected a \$3.2 million decrease in the provision expense for loans HFI and a \$1.2 million decrease in the provision for unfunded loan commitments. The decrease in the provision for loans HFI was primarily due to lower new loan volume in 2024 and lower loan balances. The decrease in the provision for unfunded loan commitments reflected a lower level of loan commitments. We discuss the allowance for credit losses further below.

Noninterest Income

Noninterest income for the third quarter of 2024 totaled \$19.5 million compared to \$19.6 million for the second quarter of 2024 and \$16.7 million for the third quarter of 2023. The slight decrease from the second quarter of 2024 reflected a \$0.4 million decrease in mortgage banking revenues partially offset by a \$0.3 million increase in wealth management fees. Compared to the third quarter of 2023, the \$2.8 million increase was primarily attributable to a \$2.1 million increase in mortgage banking revenues driven by a higher gain on sale margin, and a \$0.8 million increase in wealth management fees.

For the first nine months of 2024, noninterest income totaled \$57.2 million compared to \$54.5 million for the same period of 2023, primarily attributable to a \$3.2 million increase in mortgage banking revenues and a \$1.8 million increase in wealth management fees partially offset by a \$2.1 million decrease in other income. The increase in mortgage banking revenues was due to a higher gain on sale margin. The increase in wealth management fees was primarily driven by higher retail brokerage fees and to a lesser extent fees, primarily attributable to both new account growth and higher account values driven by higher market returns. The decrease in other income was primarily attributable to a \$1.4 million gain from the sale of mortgage servicing rights in the second quarter of 2023, and to a lesser extent a decrease in vendor bonus income and miscellaneous income.

Noninterest income represented 32.7% of operating revenues (net interest income plus noninterest income) in the third quarter of 2024 compared to 33.3% in the second quarter of 2024 and 29.9% in the third quarter of 2023. For the first nine months of 2024, noninterest income represented 32.7% of operating revenues compared to 31.2% for the same period of 2023.

The table below reflects the major components of noninterest income.

	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(Dollars in Thousands)</i>					
Deposit Fees	\$ 5,512	\$ 5,377	\$ 5,456	\$ 16,139	\$ 16,021
Bank Card Fees	3,624	3,766	3,684	11,010	11,205
Wealth Management Fees	4,770	4,439	3,984	13,891	12,061
Mortgage Banking Revenues	3,966	4,381	1,839	11,225	8,072
Other	1,641	1,643	1,765	4,951	7,093
Total Noninterest Income	\$ 19,513	\$ 19,606	\$ 16,728	\$ 57,216	\$ 54,452

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

Deposit Fees Deposit fees for the third quarter of 2024 totaled \$5.5 million, an increase of \$0.1 million, or 2.5%, over the second quarter of 2024, and an increase of \$0.1 million, or 1.0%, over the third quarter of 2023. For the first nine months of 2024, deposit fees totaled \$16.1 million, an increase of \$0.1 million, or 0.7%, over the same period of 2023. Compared to the second quarter of 2024, the increase was driven by higher overdraft fees. The increase over both prior year periods was primarily due to higher commercial account analysis fee income.

Bank Card Fees Bank card fees for the third quarter of 2024 totaled \$3.6 million, a decrease of \$0.1 million, or 3.8%, from the second quarter of 2024, and a decrease of \$0.1 million, or 1.6% from the third quarter of 2023. For the first nine months of 2024, bank card fees totaled \$11.0 million, a decrease of \$0.2 million, or 1.7%, from the same period of 2023. The slight change in fees between all periods reflected variance in debit card utilization as consumer spending patterns normalize.

Wealth Management Fees Wealth management fees include trust fees through Capital City Trust (i.e., managed accounts and trusts/estates), retail brokerage fees through Capital City Investments (i.e., investment, insurance products, and retirement accounts), and financial advisory fees through Capital City Strategic Wealth (i.e., including the sale of life insurance, risk management and asset protection services). Wealth management fees for the third quarter of 2024 totaled \$4.8 million, an increase of \$0.3 million, or 7.5%, over the second quarter of 2024, and an increase of \$0.8 million, or 19.7%, over the third quarter of 2023. For the first nine months of 2024, wealth management fees totaled \$13.9 million, an increase of \$1.8 million, or 15.2%, over the same period of 2023, and reflected an \$1.4 million increase in retail brokerage fees and a \$0.6 million increase in trust fees that was partially offset by a \$0.2 million decrease in insurance commission revenue. The increase in retail brokerage assets was driven by increased fixed income and equity product sales and the increase in trust fees reflected both new account growth and higher account values/returns reflective of the improved market returns. At September 30, 2024, total assets under management were approximately \$2.950 billion compared to \$2.770 billion at June 30, 2024 and \$2.588 billion at December 31, 2023.

Mortgage Banking Revenue Mortgage banking revenues totaled \$4.0 million for the third quarter of 2024, a decrease of \$0.4 million, or 9.5%, from the second quarter of 2024 and an increase of \$2.1 million, or 115.7%, over the third quarter of 2023. For the first nine months of 2024, mortgage banking revenues totaled \$11.2 million compared to \$8.1 million for the same period of 2023. The decrease compared to the second quarter of 2024 was attributable to slightly lower loan sale volume. Compared to the prior year periods, the increase was attributable to a higher gain on sale margin which reflected a higher percentage of secondary market/mandatory delivery loan sales. We provide a detailed overview of our mortgage banking operation, including a detailed breakdown of mortgage banking revenues, mortgage servicing activity, and warehouse funding within Note 4 – Mortgage Banking Activities in the Notes to Consolidated Financial Statements.

Other. Other income totaled \$1.6 million for the third quarter of 2024, comparable to the second quarter of 2024 and a decrease of \$0.1 million, or 7.0%, from the third quarter of 2023. For the first nine months of 2024, other income totaled \$5.0 million compared to \$7.1 million for the same period of 2023. The decrease from 2023 was primarily attributable to a \$1.4 million gain from the sale of mortgage servicing rights realized in the second quarter of 2023, and to a lesser extent a decrease in vendor bonus income and miscellaneous income.

Noninterest Expense

Noninterest expense for the third quarter of 2024 totaled \$42.9 million compared to \$40.4 million for the second quarter of 2024 and \$39.1 million for the third quarter of 2023. The \$2.5 million increase over the second quarter of 2024 was primarily due to a \$1.4 million increase in compensation and a \$1.0 million increase in other expense. The increase in compensation reflected a \$0.9 million increase in salary expense and a \$0.5 million increase in associate benefit expense. The increase in salary expense was driven by annual merit adjustments, and the increase in other associate benefit expense was primarily attributable to higher health insurance and to a lesser extent higher stock-based compensation expense. The increase in other expense was primarily due to a \$0.5 million increase in professional fees, a \$0.3 million increase in processing fees, and higher miscellaneous expense, which included a \$0.5 million payment to the counterparty for our VISA Class B share swap due to revision to the share conversion rate related to additional funding by VISA of the merchant litigation reserve. Compared to the third quarter of 2023, the \$3.8 million increase was primarily attributable to a \$2.8 million increase in compensation expense and a \$0.9 million increase in other expense. The unfavorable variance in compensation expense reflected a \$2.2 million increase in salary expense and a \$0.6 million increase in associate benefit expense, with the salary variance driven by merit adjustments and the associate benefit expense variance reflective of higher health insurance cost. Further, salary expense was unfavorably impacted by a \$1.0 million decrease in realized loan cost (credit offset to salary expense) which reflected lower loan volume in 2024. The increase in other expense was attributable to a \$0.6 million increase in professional fees and higher miscellaneous expense due to the aforementioned \$0.5 million share swap payment in the third quarter.

For the first nine months of 2024, noninterest expense totaled \$123.5 million compared to \$117.1 million for the same period of 2023 with the \$6.4 million increase primarily attributable to increases in compensation expense of \$4.6 million, occupancy expense of \$0.5 million, and other expense of \$1.3 million. The increase in compensation expense reflected a \$3.9 million increase in salary expense and a \$0.7 million increase in associate benefit expense. The increase in salary expense was primarily due to a \$2.9 million increase in realized loan cost (credit offset to salary expense and lower new loan volume) and a \$1.9 million increase in base salary expense (primarily annual merit raises), partially offset by a decrease in commission expense of \$1.3 million (lower residential mortgage volume). The increase in occupancy was primarily attributable to an increase in maintenance agreement expense (security upgrades and addition of interactive teller machines). The increase in other expense was primarily due to a \$1.8 million gain from the sale of a banking office in the first quarter of 2023 and higher miscellaneous expense due to the aforementioned \$0.5 million share swap payment in 2024, which was partially offset by a \$1.0 million decrease in pension plan expense (service cost).

The table below reflects the major components of noninterest expense.

	Three Months Ended			Nine Months Ended	
	September 30, 2024	June 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
<i>(Dollars in Thousands)</i>					
Salaries	\$ 21,637	\$ 20,754	\$ 19,459	\$ 62,995	\$ 59,020
Associate Benefits	4,163	3,652	3,544	11,618	10,945
Total Compensation	25,800	24,406	23,003	74,613	69,965
Premises	3,245	3,043	3,217	9,461	9,632
Equipment	3,853	3,954	3,763	11,628	10,930
Total Occupancy	7,098	6,997	6,980	21,089	20,562
Legal Fees	407	430	366	1,272	1,147
Professional Fees	1,869	1,340	1,254	4,467	4,617
Processing Services	2,260	1,938	1,874	6,030	5,488
Advertising	654	851	756	2,320	2,590
Telephone	692	718	658	2,119	2,044
Insurance – Other	737	749	703	2,401	2,406
Other Real Estate Owned, net	46	19	9	83	(1,846)
Pension - Other	(419)	(419)	32	(1,256)	45
Pension Settlement Gain	-	-	-	-	(291)
Miscellaneous	3,777	3,412	3,470	10,395	10,339
Total Other	10,023	9,038	9,122	27,831	26,539
Total Noninterest Expense	\$ 42,921	\$ 40,441	\$ 39,105	\$ 123,533	\$ 117,066

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

Compensation. Compensation expense totaled \$25.8 million for the third quarter of 2024, a \$1.4 million, or 5.7%, increase over the second quarter of 2024 and a \$2.8 million, or 12.2%, increase over the third quarter of 2023. The increase over the second quarter of 2024 reflected a \$0.9 million increase in salary expense and a \$0.5 million increase in associate benefit expense. The increase in salary expense was driven by annual merit adjustments, and the increase in other associate benefit expense was primarily attributable to higher health insurance cost, and to a lesser extent higher stock-based compensation expense. Compared to the third quarter of 2023, the unfavorable variance was attributable to a \$2.2 million increase in salary expense and a \$0.6 million increase in associate benefit expense, with the salary variance driven by merit adjustments and the associate benefit expense variance reflective of higher health insurance cost. Further, salary expense was unfavorably impacted by a \$1.0 decrease in realized loan cost (credit offset to salary expense) which reflected lower loan volume in 2024. For the first nine months of 2024, compensation expense totaled \$74.6 million compared to \$70.0 million for the same period of 2023 with the \$4.6 million increase attributable to a \$3.9 million increase in salary expense and a \$0.7 million increase in associate benefit expense. The increase in salary expense was primarily due to a \$2.9 million decrease in realized loan cost (credit offset to salary expense) (lower new loan volume) and a \$1.9 million increase in base salary expense (primarily annual merit raises), partially offset by a \$1.3 million decrease in commission expense (lower residential mortgage volume). Higher health care cost drove the increase in associate benefit expense.

Occupancy Occupancy expense totaled \$7.1 million for the third quarter of 2024, a \$0.1 million increase over both the second quarter of 2024 and the third quarter of 2023. For the first nine months of 2024, occupancy expense totaled \$21.1 million compared to \$20.6 million for the same period of 2023. Compared to both prior year periods, the increase in occupancy expense was primarily due to higher expense for maintenance agreements (security upgrades and interactive teller machines).

Other. Other expense totaled \$10.0 million for the third quarter of 2024 compared to \$9.0 million for the second quarter of 2024 and \$9.1 million for the third quarter of 2023. For the first nine months of 2024, other expense totaled \$27.8 million compared to \$26.5 million for the same period of 2023. Compared to the second quarter of 2024, the \$1.0 million increase was primarily due to a \$0.5 million increase in professional fees, a \$0.3 million increase in processing fees, and higher miscellaneous expense, which included a \$0.5 million payment to the counterparty for our VISA Class B share swap due to revision to the share conversion rate related to additional funding by VISA of the merchant litigation reserve. The \$0.9 million increase over the third quarter of 2023 was driven by a \$0.6 million increase in professional fees and higher miscellaneous expense due to the aforementioned \$0.5 million share swap payment in the third quarter of 2024. For the nine-month period, the \$1.3 million increase was primarily due to a \$1.8 million gain from the sale of a banking office in the first quarter of 2023 and higher miscellaneous expense in 2024 due to the aforementioned \$0.5 million share swap payment, which was partially offset by a \$1.0 million decrease in pension plan expense (service cost).

Our operating efficiency ratio (expressed as noninterest expense as a percentage of the sum of taxable-equivalent net interest plus noninterest income) was 71.81% for the third quarter of 2024 compared to 68.61% for the second quarter of 2024 and 69.88% for the third quarter of 2023. For the first nine months of 2024, this ratio was 70.49% compared to 67.07% for the same period of 2023.

Income Taxes

We realized income tax expense of \$3.0 million (effective rate of 19.1%) for the third quarter of 2024 compared to \$3.2 million (effective rate of 18.5%) for the second quarter of 2024 and \$3.0 million (effective rate of 20.7%) for the third quarter of 2023. For the first nine months of 2024, we realized income tax expense of \$9.7 million (effective rate of 20.1%) compared to \$10.1 million (effective rate of 20.5%) for the same period of 2023. The decrease in our effective tax rate from both prior year periods was primarily due to a higher level of tax benefit accrued from investments in solar tax credit equity funds. Absent discrete items, we expect our annual effective tax rate to approximate 20-21% for 2024.

FINANCIAL CONDITION

Average earning assets totaled \$3.883 billion for the third quarter of 2024, a decrease of \$51.9 million, or 1.3%, from the second quarter of 2024, and an increase of \$59.4 million, or 1.6%, over the fourth quarter of 2023. The change for both prior periods was driven by variances in deposit balances (see below *Deposits*). Compared to the second quarter of 2024, the change in the earning asset mix reflected a \$33.2 million decrease in loans HFI, a \$11.4 million decline in investment securities, and a \$5.6 million decrease in overnight funds sold. Compared to the fourth quarter of 2023, the change in the earning asset mix reflected a \$157.1 million increase in overnight funds that was partially offset by a \$17.7 million decrease in loans HFI, a \$54.7 million decrease in investment securities and a \$25.2 million decline in loans held for sale.

Investment Securities

Average investments decreased \$11.4 million, or 1.2%, from the second quarter of 2024 and \$54.7 million, or 5.7%, from the fourth quarter of 2023. Our investment portfolio represented 23.4% of our average earning assets for each of the second and the third quarters of 2024 compared to 25.2% for the fourth quarter of 2023. For the remainder of 2024, we will continue to monitor our overall liquidity position and market conditions to determine if cash flow from the investment portfolio should be reinvested or allowed to run-off into overnight funds.

The investment portfolio is a significant component of our operations and, as such, it functions as a key element of liquidity and asset/liability management. Two types of classifications are approved for investment securities which are Available -for-Sale ("AFS") and Held-to-Maturity ("HTM"). At September 30, 2024, \$561.5 million, or 62.5%, of the investment portfolio was classified as HTM and \$336.2 million, or 37.5%, was classified as AFS. The average maturity of our total portfolio at September 30, 2024 was 2.51 compared to 2.67 years at June 30, 2024 and 2.91 years at December 31, 2023. The duration of our investment portfolio at September 30, 2024 was 2.17 years compared to 2.16 years at June 30, 2024 and 2.91 years at December 31, 2023. Additional information on unrealized gains/losses in the AFS and HTM portfolios is provided in Note 2 – Investment Securities.

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

At September 30, 2024, there were 818 positions (combined AFS and HTM) with unrealized losses totaling \$40.3 million. 73 of these positions are U.S. Treasuries and carry the full faith and credit of the U.S. Government. 651 were U.S. government agency securities issued by U.S. government sponsored entities. The remaining 94 positions (municipal securities and corporate bonds) have a credit component. At September 30, 2024, corporate debt securities had an allowance for credit losses of \$79,000 and municipal securities had an allowance of \$4,000. At September 30, 2024, all collateralized mortgage obligation securities, mortgage-backed securities, Small Business Administration securities, U.S. Agency, and U.S. Treasury bonds held were AAA rated.

Loans HFI

Average loans HFI decreased \$33.2 million, or 1.2%, from the second quarter of 2024 and decreased \$17.7 million, or 0.7%, from the fourth quarter of 2023. Compared to the second quarter of 2024, the decrease was driven by a \$19.4 million decrease in consumer loans (primarily indirect auto), a \$13.2 million decrease in commercial loans, and a \$7.7 million decrease in commercial real estate loans, partially offset by a \$7.4 million increase in residential real estate loans. Compared to the fourth quarter of 2023, the decrease was primarily attributable to a \$54.5 million decrease in consumer loans (primarily indirect auto) and a \$24.2 million decrease in commercial loans (primarily tax-exempt loans) that were partially offset by a \$59.2 million increase in residential real estate loans.

Period end loans HFI decreased \$7.1 million, or 0.3%, from the second quarter of 2024 and decreased \$50.8 million, or 1.9%, from the fourth quarter of 2023. Compared to the second quarter of 2024, the decline reflected a \$20.9 million decrease in consumer loans (primarily indirect auto), a \$10.4 million decrease in commercial loans, and a \$3.2 million decline in commercial real estate loans, partially offset by a \$10.9 million increase in residential real estate loans and a \$18.1 million increase in construction loans. The decrease from the fourth quarter of 2023 was primarily attributable to a \$57.7 million decrease in consumer loans (primarily indirect auto), a \$30.6 million decline in commercial loans, and a \$5.5 million decrease in commercial real estate loans, partially offset by a \$22.2 million increase in residential real estate loans and a \$22.8 million increase in construction real estate 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

Nonperforming assets (nonaccrual loans and other real estate) totaled \$7.2 million at September 30, 2024 compared to \$6.2 million at June 30, 2024 and \$6.2 million at December 31, 2023. At September 30, 2024, nonperforming assets as a percent of total assets equaled 0.17%, compared to 0.15% at June 30, 2024 and 0.15% at December 31, 2023. Nonaccrual loans totaled \$6.6 million at September 30, 2024, a \$1.1 million increase over June 30, 2024 and a \$0.3 million increase over December 31, 2023. Further, classified loans totaled \$25.5 million at September 30, 2024, a \$0.1 million decrease from June 30, 2024 and a \$3.3 million increase over December 31, 2023.

Allowance for Credit Losses

The allowance for credit losses is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. The allowance for credit losses is adjusted by a credit loss provision which is reported in earnings and reduced by the charge-off of loan amounts (net of recoveries). Loans are charged off against the allowance when management believes the uncollectability of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of 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 September 30, 2024, the allowance for credit losses for loans HFI totaled \$29.8 million compared to \$29.2 million at June 30, 2024 and \$29.9 million at December 31, 2023. Activity within the allowance is provided in Note 3 – Loans Held for Investment and Allowance for Credit Losses in the Notes to Consolidated Financial Statements. The increase in the allowance over June 30, 2024 was primarily attributable to a slightly higher credit loss provision driven by a higher forecasted unemployment rate utilized in calculating loan loss rates and loan grade migration (see above – Provision for Credit Losses). The change in the allowance from December 31, 2023 reflected lower loan balances offset by higher loss rates and loan grade migration. At September 30, 2024, the allowance represented 1.11% of loans HFI compared to 1.09% at June 30, 2024, and 1.10% at December 31, 2023.

At September 30, 2024, the allowance for credit losses for unfunded commitments totaled \$2.5 million compared to \$3.1 million and \$3.2 million at June 30, 2024 and December 31, 2023, respectively. The decline in the allowance from June 30, 2024 and December 31, 2023 reflected a lower level of unfunded loan commitments. The allowance for unfunded commitments is recorded in other liabilities.

Deposits

Average total deposits were \$3.572 billion for the third quarter of 2024, a decrease of \$69.0 million, or 1.9%, from the second quarter of 2024 and an increase of \$23.5 million, or 0.7%, over the fourth quarter of 2023. Compared to the second quarter of 2024, the decrease was primarily attributable to lower NOW account balances primarily due to the seasonal decline in our public fund balances. The increase over the fourth quarter of 2023 reflected growth in both money market and certificate of deposit balances which, reflected a combination of balances migrating from savings and noninterest bearing accounts, in addition to receiving new deposits from existing and new clients via various deposit strategies.

At September 30, 2024, total deposits were \$3.579 billion, a decrease of \$29.5 million, or 0.8%, from June 30, 2024, and a decrease of \$122.7 million, or 3.3%, from December 31, 2023. The decrease from June 30, 2024 was primarily due to lower noninterest bearing, money market, and savings account balances. The decrease from December 31, 2023 was primarily due to lower NOW account balances, primarily due to the seasonal decline in our public funds, partially offset by higher money market and certificate of deposit balances from both new and existing clients. Total public funds balances were \$516.2 million at September 30, 2024, \$575.0 million at June 30, 2024, and \$709.8 million at December 31, 2023.

Business deposit transaction accounts classified as repurchase agreements averaged \$27.1 million for the third quarter of 2024, an increase of \$0.1 million over the second quarter of 2024 and an increase of \$0.3 million over the fourth quarter of 2023. At September 30, 2024, repurchase agreement balances were \$29.3 million compared to \$22.5 million at June 30, 2024 and \$27.0 million at December 31, 2023.

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

MARKET RISK AND INTEREST RATE SENSITIVITY

Market Risk and Interest Rate Sensitivity

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

Interest Rate Risk Management. Our net income is largely dependent on net interest income. Net interest income is susceptible to interest rate risk to the degree that interest-bearing liabilities mature or reprice on a different basis than interest-earning assets. When interest-bearing liabilities mature or reprice more quickly than interest-earning assets in a given period, a significant increase in market rates of interest could adversely affect net interest income. Similarly, when interest-earning assets mature or reprice more quickly than interest-bearing liabilities, falling market interest rates could result in a decrease in net interest income. Net interest income is also affected by changes in the portion of interest-earning assets that are funded by interest-bearing liabilities rather than by other sources of funds, such as noninterest-bearing deposits and shareholders' 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, prepayments, and withdrawals of time and other deposits, may deviate significantly from assumptions used in the model. Finally, the methodology does not measure or reflect the impact that higher rates may have on adjustable-rate loan clients' ability to service their debts, or the impact of rate changes on demand for loan and deposit products.

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

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

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

ESTIMATED CHANGES IN NET INTEREST INCOME ⁽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%
September 30, 2024	13.8%	10.3%	6.8%	3.5%	-3.8%	-8.2%	-12.9%	-18.0%
June 30, 2024	15.0%	11.2%	7.3%	3.8%	-4.1%	-8.5%	-13.4%	-18.3%

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%
September 30, 2024	40.9%	33.1%	25.2%	17.8%	1.3%	-8.4%	-19.1%	-29.2%
June 30, 2024	41.8%	33.9%	26.0%	18.6%	2.2%	-7.4%	-18.1%	-28.6%

The Net Interest Income ("NII") at Risk position of an instantaneous, parallel rate shock indicates that in the short-term (over the next 12 months), all rising rate environments will positively impact the net interest margin of the Company, while declining rate environments will have a negative impact on the net interest margin. Compared to the second quarter of 2024, these metrics generally less favorable in the rising rate scenarios and more favorable in the falling rate scenarios. This was attributable to slightly lower new volume asset rates, in addition to \$50 million in investment purchases which provide a benefit in a falling rate environment with a negative effect in rising rate scenarios. The instantaneous, parallel rate shock results over the next 12-month and 24-month periods are outside of policy in the rates down 300 bps and 400 bps scenario largely due to the limited ability to decrease deposit rates to the full extent of this rate change.

The measures of equity value at risk indicate our ongoing economic value by considering the effects of changes in interest rates on all 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%
September 30, 2024	30.6%	24.5%	17.4%	9.6%	-11.4%	-21.7%	-31.3%	-31.7%
June 30, 2024	20.2%	16.5%	11.7%	6.1%	-9.5%	-19.0%	-26.1%	-28.8%

EVE Ratio (policy minimum 5.0%)	25.2%	23.6%	21.9%	20.1%	15.7%	13.6%	11.8%	11.7%
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At September 30, 2024, the economic value of equity was favorable in all rising rate environments and unfavorable in the falling rate environments. Compared to the second quarter of 2024, EVE metrics were more favorable in the rising rate environment and less favorable in falling rate environments as slower decay rates were assumed for our nonmaturity deposit portfolio, resulting in longer assumed average lives. EVE is currently in compliance with policy in all rate scenarios as the EVE ratio exceeds the policy minimum of 5.0% in each shock scenario.

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

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

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

At September 30, 2024, we had the ability to generate approximately \$1.522 billion (excludes overnight funds position of \$262 million) in additional liquidity through various sources including various federal funds purchased lines, Federal Home Loan Bank borrowings, the Federal Reserve Discount Window, and brokered deposits. We recognize the importance of maintaining liquidity and have developed a Contingent Liquidity Plan, which addresses various liquidity stress levels and our response and action based on the level of severity. We periodically test our credit facilities for access to the funds, but also understand that as the severity of the liquidity level increases that certain credit facilities may no longer be available. We conduct a liquidity stress test on a quarterly basis based on events that could potentially occur at the Bank and report results to our ALCO, MROC, EROC, and Board of Directors. We believe the liquidity available to us at September 30, 2024 was sufficient to meet our on-going needs and execute our business strategy.

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

The Bank maintained an average net overnight funds (i.e., deposits with banks plus FED funds sold less FED funds purchased) sold position of \$256.9 million in the third quarter of 2024 compared to \$262.4 million in the second quarter of 2024 and \$99.8 million in the fourth quarter of 2023. Compared to the second quarter of 2024, the decrease reflected lower average deposits (primarily pass-through funds) that was substantially offset by a decline in average loans. Compared to the fourth quarter of 2023, the increase was primarily driven by higher average deposits and lower average investments.

We expect our capital expenditures will be approximately \$12.0 million over the next 12 months, which will primarily consist of construction of new offices, office remodeling, office equipment/furniture, and technology purchases. Management expects that these capital expenditures will be funded with existing resources without impairing our ability to meet our on-going obligations.

Borrowings

Average short-term borrowings totaled \$29.8 million for the third quarter of 2024 compared to \$33.6 million for the second quarter of 2024 and \$43.8 million for the fourth quarter of 2023. The decrease from both prior periods reflected a lower balance maintained on CCHL's warehouse line. Additional detail on warehouse borrowings is provided in Note 4 – Mortgage Banking Activities in the Consolidated Financial Statements.

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

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

Capital

Our capital ratios are presented in the Selected Quarterly Financial Data table on page 34. At September 30, 2024, our regulatory capital ratios exceeded the threshold to be designated as “well-capitalized” under the Basel III capital standards.

Shareowners' equity was \$476.5 million at September 30, 2024 compared to \$461.0 million at June 30, 2024 and \$440.6 million at December 31, 2023. For the first nine months of 2024, shareowners' equity was positively impacted by net income attributable to shareowners of \$39.8 million, a \$8.7 million decrease in the net unrealized loss on available for sale securities, net adjustments totaling \$0.9 million related to transactions under our stock compensation plans, and stock compensation accretion of \$1.1 million. Shareowners' equity was reduced by a common stock dividend of \$11.0 million (\$0.65 per share), the repurchase of common stock of \$2.3 million (82,540 shares), a \$0.6 million increase in the fair value of the interest rate swap related to subordinated debt, and a \$0.7 million reclassification to temporary equity.

At September 30, 2024, our total risk-based capital ratio was 17.97% compared to 17.50% at June 30, 2024 and 16.57% at December 31, 2023. Our common equity tier 1 capital ratio was 14.88%, 14.44%, and 13.52%, respectively, on these dates. Our leverage ratio was 10.89%, 10.51%, and 10.30%, respectively, on these dates. At September 30, 2024, all our regulatory capital ratios exceeded thresholds to be designated as “well-capitalized” under the Basel III capital standards. Further, our tangible common equity ratio (non-GAAP financial measure) was 9.28% at September 30, 2024 compared to 8.91% and 8.26% at June 30, 2024 and December 31, 2023, respectively. If our unrealized held-to-maturity securities losses of \$12.9 million (after-tax) were recognized in accumulated other comprehensive loss, our adjusted tangible capital ratio would be 9.00%.

Our tangible capital ratio is also impacted by the recording of our unfunded pension liability through other comprehensive income in accordance with Accounting Standards Codification Topic 715. At September 30, 2024, the net pension liability reflected in other comprehensive loss was \$0.4 million compared to \$0.4 million at June 30, 2024 and December 31, 2023. This liability is re-measured annually on December 31 based on an actuarial calculation of our pension liability. Significant assumptions used in calculating the liability include the weighted average discount rate used to measure the present value of the pension liability, the weighted average expected long-term rate of return on pension plan assets, and the assumed rate of annual compensation increases, all of which will vary when re-measured. The discount rate assumption used to calculate the pension liability is subject to long-term corporate bond rates at December 31. These assumptions and sensitivities are discussed in the section entitled “Critical Accounting Policies and Estimates” in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, of our 2023 Form 10-K, as amended.

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 clients.

At September 30, 2024, we had \$714.2 million in commitments to extend credit and \$6.1 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 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~~ 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 \$2.5 million at September 30, 2024.

CRITICAL ACCOUNTING POLICIES

Our significant accounting policies are described in Note 1 to the Consolidated Financial Statements included in our 2023 Form 10-K, as amended. 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, ~~and~~ expenses, and to disclose contingent assets and liabilities. Actual results could differ from those estimates.

We have identified accounting for (i) the allowance for credit losses, (ii) goodwill, (iii) pension assumptions, and (iv) income taxes as our most critical accounting policies and estimates in that they are important to the portrayal of our financial condition and results, and they require our subjective and complex judgment as a result of the need to make estimates about the effects of matters that are inherently uncertain. These accounting policies, including the nature of the estimates and types of assumptions used, are described throughout this Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, and Part II, Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2023 Form 10-K, as amended.

TABLE I

AVERAGE BALANCES & INTEREST RATES (UNAUDITED)

(Dollars in Thousands)	Three Months Ended September 30,						Nine Months Ended September 30,					
	2024			2023			2024			2023		
	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate	Average Balances	Interest	Average Rate
Assets:												
Loans Held for Sale	\$ 24,570	\$ 720	7.49%	\$ 62,768	\$ 971	6.14%	\$ 26,050	\$ 1,800	6.22%	\$ 57,438	\$ 2,416	5.62%
Loans Held for Investment ⁽¹⁾	2,693,533	40,985	6.09	2,672,653	38,455	5.71	2,716,220	121,864	6.02	2,637,911	109,688	5.56
Taxable Securities	907,610	4,148	1.82	1,002,547	4,549	1.80	926,241	12,385	1.78	1,034,825	14,265	1.84
Tax-Exempt Securities	846	10	4.33	2,456	17	2.66	848	28	4.34	2,649	50	2.49
Federal Funds Sold and Interest Bearing Deposits	256,855	3,514	5.44	136,556	1,848	5.37	220,056	9,031	5.48	237,987	8,741	4.91
Total Earning Assets	3,883,414	49,377	5.06%	3,876,980	45,840	4.69%	3,889,415	145,108	4.98%	3,970,810	135,160	4.55%
Cash & Due From Banks	70,994			75,941			73,843			75,483		
Allowance For Credit Losses ⁽²⁾	(29,905)			(29,172)			(29,833)			(27,581)		
Other Assets	291,359			295,106			292,762			297,688		
TOTAL ASSETS	\$ 4,215,862			\$ 4,218,855			\$ 4,226,187			\$ 4,316,400		
Liabilities:												
Noninterest Bearing Deposits	1,332,305			1,474,574			1,340,981			1,538,268		
NOW Accounts	\$ 1,145,544	\$ 4,087	1.42%	\$ 1,125,171	\$ 3,489	1.23%	\$ 1,184,596	\$ 13,009	1.47%	\$ 1,184,453	\$ 8,679	0.98%
Money Market Accounts	418,625	2,694	2.56	322,623	1,294	1.59	393,294	7,431	2.52	293,089	2,249	1.03
Savings Accounts	512,098	180	0.14	579,245	200	0.14	523,573	544	0.14	603,643	396	0.09
Other Time Deposits	163,462	1,262	3.07	95,203	231	0.96	153,991	3,412	2.96	90,970	386	0.57
Total Interest Bearing Deposits	2,239,729	8,223	1.46	2,122,242	5,214	0.97	2,255,454	24,396	1.44	2,172,155	11,710	0.72
Total Deposits	3,572,034	8,223	0.92	3,596,816	5,214	0.58	3,596,435	24,396	0.91	3,710,423	11,710	0.42
Repurchase Agreements	27,126	221	3.24	25,356	190	2.98	26,619	639	3.21	17,588	314	2.39
Other Short-Term Borrowings	2,673	52	7.63	24,306	440	7.17	4,334	159	4.88	26,586	1,228	6.17
Subordinated Notes Payable	52,887	610	4.52	52,887	625	4.62	52,887	1,868	4.64	52,887	1,800	4.49
Other Long-Term Borrowings	795	11	5.55	387	4	4.73	447	17	5.16	433	15	4.78
Total Interest Bearing Liabilities	2,323,210	9,117	1.56%	2,225,178	6,473	1.15%	2,339,741	27,079	1.55%	2,269,649	15,067	0.89%
Other Liabilities	73,767			83,099			71,574			82,877		
TOTAL LIABILITIES	3,729,282			3,782,851			3,752,296			3,890,794		
Temporary Equity	6,443			8,424			6,694			8,719		
TOTAL SHAREOWNERS' EQUITY	480,137			427,580			467,197			416,887		
TOTAL LIABILITIES, TEMPORARY AND SHAREOWNERS' EQUITY	\$ 4,215,862			\$ 4,218,855			\$ 4,226,187			\$ 4,316,400		
Interest Rate Spread			3.49%			3.54%			3.43%			3.66%
Net Interest Income	\$ 40,260			\$ 39,367			\$ 118,029			\$ 120,093		
Net Interest Margin		4.12%			4.03%			4.05%			4.04%	

⁽¹⁾ Average Balances include net loan fees, discounts and premiums and nonaccrual loans. Interest income includes loan costs of \$0.2 million and \$0.5 million for the three and nine months ended September 30, 2024. Net loan fees of \$0.1 million for the three and nine month periods ended September 30, 2023.

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

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

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

See "Market Risk and Interest Rate Sensitivity" in Management's Discussion and Analysis of Financial Condition and Results of Operations, above, which is incorporated herein by reference. Management has determined that no additional disclosures are necessary to assess changes in information about market risk that have occurred since December 31, 2023.

Item 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

At September 30, 2024, the end of the period covered by this Form 10-Q, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934). Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report our disclosure controls and procedures were ineffective due to the identification of the material weakness discussed below.

Previously Reported Material Weakness in Internal Control Over Financial Reporting

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

Remediation Plan

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

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

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

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

Change in Internal Control

Except as identified above with respect to remediation of the material weakness, there have been no significant changes in our internal control over financial reporting during our most recently completed fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in Part I, Item 1A. "Risk Factors" in our 2023 Form 10-K, as amended, as updated in our subsequent quarterly reports. The risks described in our 2023 Form 10-K, as amended, and our subsequent quarterly reports are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

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

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosure

Not Applicable.

Item 5. Other Information

(c) Rule 10b5-1 Trading Plans

During the three months ended September 30, 2024, none of our directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) entered into, modified, or terminated any contract, instruction or written plan for the purchase or sale of our securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act or any "Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

Item 6. Exhibits

(A) Exhibits

- 31.1 [Certification of William G. Smith, Jr., Chairman, President and Chief Executive Officer of Capital City Bank Group, Inc., Pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934.](#)
- 31.2 [Certification of Jephtha E. Larkin, Executive Vice President and Chief Financial Officer of Capital City Bank Group, Inc., Pursuant to Rule 13a-14\(a\) of the Securities Exchange Act of 1934.](#)
- 32.1 [Certification of William G. Smith, Jr., Chairman, President and Chief Executive Officer of Capital City Bank Group, Inc., Pursuant to 18 U.S.C. Section 1350.](#)
- 32.2 [Certification of Jephtha E. Larkin, Executive Vice President and Chief Financial Officer of Capital City Bank Group, Inc., Pursuant to 18 U.S.C. Section 1350.](#)
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

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

CAPITAL CITY BANK GROUP, INC.
(Registrant)

/s/ Jephtha E. Larkin

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

Date: November 4, 2024

Exhibit 31.1

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

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

1. I have reviewed this quarterly report on Form 10-Q of Capital City Bank Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the 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.

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, Jephtha E. Larkin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Capital City Bank Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which the 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.

Exhibit 32.1

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, William G. Smith, Jr.,

Chairman, President, and Chief Executive Officer of Capital City Bank Group, Inc., hereby certify that to my knowledge (1) this

Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange

Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act

of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition

of the Company and its results of operations as of and for the periods covered therein.

/s/ William G. Smith, Jr.

William G. Smith, Jr.

Chairman, President, and

Chief Executive Officer

Date: November 4, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise

adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has

been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its

staff upon request.

Exhibit 32.2

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, I, Jephtha E. Larkin,

Executive Vice President and Chief Financial Officer of Capital City Bank Group, Inc., hereby certify that to my knowledge (1) this

Quarterly Report of the Company on Form 10-Q for the period ended September 30, 2024, as filed with the Securities and Exchange

Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act

of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition

of the Company and its results of operations as of and for the periods covered therein.

/s/ Jephtha E. Larkin

Jephtha E. Larkin

Executive Vice President and

Chief Financial Officer

Date: November 4, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging or otherwise

adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has

been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its

staff upon request.

