Form 10-K

Securities and Exchange Commission
Washington, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

For the Fiscal Year Ended December 31, 2003

Commission File Number 0-13358

CAPITAL CITY BANK GROUP, INC.

Incorporated in the State of Florida

I.R.S. Employer Identification Number 59-2273542

Address: 217 North Monroe Street, Tallahassee, Florida 32301

Telephone: (850) 671-0300

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock - $.01 par value

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [x]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

As of June 30, 2003, there were issued and outstanding 13,221,031 shares of the registrant's common stock. The registrant's voting stock is listed on the National Association of Securities Dealers Automated Quotation ("Nasdaq") National Market under the symbol "CCBG." The aggregate market value of the voting stock held by nonaffiliates of the registrant, based on the average of the bid and asked prices of the registrant's common stock as quoted on Nasdaq on June 30, 2003, was $477 million.

As of February 27, 2004, 13,273,494 shares of the Registrant's Common Stock, $.01 par value, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement (pursuant to Regulation 14A), to be filed not more than 120 days after the end of the fiscal year covered by this report, are incorporated by reference into Part III.

CAPITAL CITY BANK GROUP, INC.
ANNUAL REPORT FOR 2003 ON FORM 10-K

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INTRODUCTORY NOTE

This Report and other Company communications and statements may contain "forward-looking statements," including statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions. These statements are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. For information concerning these factors and related matters, see Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

PART I

Item 1. Business

General

Capital City Bank Group, Inc. ("CCBG" or the "Company"), is a financial holding company registered under the Gramm-Leach-Bliley Act of 1999 ("Gramm-Leach-Bliley Act") and is subject to the Bank Holding Company Act of 1956. CCBG was organized under Florida law on December 13, 1982, to acquire five national banks and one state bank that all subsequently became part of CCBG's bank subsidiary, Capital City Bank ("CCB" or the "Bank").

At December 31, 2003, the Company had consolidated total assets of $1.8 billion and shareowners' equity of $203 million. Its principal asset is the capital stock of the Bank. CCB accounted for approximately 100% of the consolidated assets at December 31, 2003, and 100% of consolidated net income of the Company for the year ended December 31, 2003. In addition to its banking subsidiary, the Company has seven other indirect subsidiaries, Capital City Trust Company, Capital City Mortgage Company (inactive), Capital City Securities, Inc., Capital City Services Company, First Insurance Agency of Grady County, Inc., Southern Oaks, Inc., and FNB Financial Services, Inc., all of which are wholly-owned subsidiaries of Capital City Bank.

On January 8, 2004, the Company announced the signing of a definitive agreement to acquire the Quincy State Bank, located in Quincy Florida from Synovus Financial Corp. Quincy State Bank is a $127 million asset institution (as of December 31, 2003) with offices in Quincy and Havana, Florida. Both markets adjoin Leon County, home to the Company's Tallahassee headquarters. The purchase price is $26.1 million in cash and the closing is scheduled for late in the first quarter of 2004.

Dividends and management fees received from the Bank are the Company's only source of income. Dividend payments by the Bank to CCBG depend on the capitalization, earnings and projected growth of the Bank, and are limited by various regulatory restrictions. See the section entitled "Regulatory Considerations" in this Item 1 and Note 15 in the Notes to Consolidated Financial Statements for additional information. The Company had a total of 795 (full-time equivalent) associates at February 27, 2004. Page 18 contains other financial and statistical information about the Company.

Banking Services

CCB is a Florida chartered full-service bank engaged in the commercial and

retail banking business.

Significant services offered by the Bank include:

* Business Banking - The Bank provides banking services to corporations and other business clients. Loans are made for a wide variety of general business purposes, including financing for commercial business properties, equipment, inventories and accounts receivable, as well as commercial leasing, letters of credit, treasury management services, and merchant credit card transaction processing.

* Commercial Real Estate Lending - The Bank provides a wide range of products to meet the financing needs of commercial developers and investors, residential builders and developers, and community development.

* Residential Real Estate Lending - The Bank provides products to help meet the home financing needs of consumers, including conventional permanent and construction/ permanent (fixed or adjustable rate) financing arrangements, and FHA/VA loan products.

The Bank offers these products through its existing network of branch offices. Geographical expansion of the delivery of this product line has occurred over the past three years through the opening of four mortgage lending offices in Gainesville (Alachua County), Lakeland (Polk County), Ocala (Marion County), and Panacea (Wakulla County).

* Retail Credit - The Bank provides a full range of loan products to meet the needs of consumers, including personal loans, automobile loans, boat/RV loans, home equity loans, and credit card programs.

* Institutional Banking - The Bank provides banking services to meet the needs of state and local governments, public schools and colleges, charities, membership and not-for-profit associations including customized checking and savings accounts, cash management systems, tax-exempt loans, lines of credit, and term loans.

* Retail Banking - The Bank provides a full range of consumer banking services, including checking accounts, savings programs, automated teller machines, overdraft facilities, debit/credit cards, night deposit services, safe deposit facilities, and PC/Internet banking. Customers can use the "Star-Line" system to gain 24-hour access to their deposit and loan account information, and transfer funds between linked accounts. The Bank is a member of the "Star" ATM Network that permits banking customers to access cash at automatic teller machines ("ATMs") or point of sale merchants at locations throughout the United States.

Data Processing Services

Capital City Services Company provides data processing services to financial institutions (including CCB), government agencies and commercial customers located throughout North Florida and South Georgia. As of February 27, 2004, the Services Company is providing computer services to six correspondent banks, which have relationships with Capital City Bank.

Trust Services and Asset Management

Capital City Trust Company is the investment management arm of Capital City Bank. The Trust Company provides asset management for individuals through agency, personal trust, IRA's and personal investment management accounts.

Administration of pension, profit sharing and 401(k) plans is a significant product line. Associations, endowments and other non-profit entities hire the Trust Company to manage their investment portfolios. Individuals requiring the services of a trustee, personal representative or a guardian are served by a staff of well trained professionals. The market value of trust assets under discretionary management exceeded $404 million as of December 31, 2003, with total assets under administration exceeding $470 million.

Brokerage Services

The Company offers access to retail investment products through Capital City Securities, Inc., a wholly-owned subsidiary of Capital City Bank. These products are offered through INVEST Financial Corporation, a member of NASD and SIPC. Non-deposit investment and insurance products are: (1) not FDIC insured; (2) not deposits, obligations, or guaranteed by any bank; and (3) subject to investment risk, including the possible loss of principal amount invested. Capital City Securities, Inc.'s brokers are licensed through INVEST Financial Corporation, and offer a full line of retail securities products, including U.S. Government bonds, tax-free municipal bonds, stocks, mutual

funds, unit investment trusts, annuities, life insurance and long-term health care. CCBG and its subsidiary are not affiliated with INVEST Financial Corporation.

Expansion of Business

Since 1984, the Company has completed twelve acquisitions totaling $1.2 billion in deposits within existing and new markets. In addition, in 2003, the Company opened four new offices - two in Tallahassee and one each in Springhill and Starke (replacement office) - to improve service and product delivery within these Florida markets.

The Company plans to continue its expansion, emphasizing a combination of growth in existing markets and acquisitions. Acquisitions will be focused on a three state area including Florida, Georgia, and Alabama with a particular focus on acquiring banks and branches, which are $100 million to $400 million in asset size, located on the outskirts of major metropolitan areas. The Company will evaluate de novo expansion opportunities in attractive new markets in the event that acquisition opportunities are not feasible. Other expansion opportunities that will be evaluated include asset management, insurance, and mortgage banking. Management anticipates that roughly half of the Company's future earnings growth will be generated through growth in existing markets and half through acquisitions.

Competition

The banking business is rapidly changing and CCBG and its subsidiary operate in a highly competitive environment, especially with respect to services and pricing. The on-going consolidation of the banking industry has altered and continues to significantly alter the competitive environment within the Florida, Georgia, and Alabama markets. Management believes this consolidation further enhances the Company's competitive position and opportunities in many of its markets. CCBG's primary market area is 17 counties in Florida, four counties in Georgia and one county in Alabama. In these markets, the Bank competes against a wide range of banking and nonbanking institutions including savings and loan associations, credit unions, money market funds, mutual fund advisory companies, mortgage banking companies, investment banking companies, finance companies and other types of financial institutions.

All of Florida's major banking concerns have a presence in Leon County. Capital City Bank's Leon County deposits totaled $602.6 million, or 40.9%, of the Company's consolidated deposits at December 31, 2003.

The following table depicts CCBG's market share percentage within each respective county, based on total commercial bank deposits within the county.

<TABLE>
<CAPTION>

	Market Share as of September 30,		
	2003	2002	2001
<S>	<C>	<C>	<c>
Florida:<F1><F2>			
Bradford County	35.1%	38.4%	41.4%
Citrus County	3.5%	3.3%	3.7%
Clay County	2.7%	3.2%	4.0%
Dixie County	15.5%	17.5%	18.7%
Gadsden County	31.1%	29.4%	30.7%
Gilchrist County	41.8%	38.5%	39.2%
Gulf County	28.5%	23.5%	23.1%
Hernando County	1.8%	1.0%	1.5%
Jefferson County	27.0%	27.1%	28.6%
Leon County	17.9%	18.4%	23.2%
Levy County	33.3%	34.0%	37.3%
Madison County	18.1%	19.0%	23.7%
Pasco County	.4%	.4%	.8%
Putnam County	12.8%	12.5%	15.5%
Suwannee County	8.6%	9.1%	10.4%
Taylor County	27.7%	29.0%	33.4%
Washington County	25.6%	20.4%	22.5%
Georgia:<F3>			
Bibb County	3.1%	3.1%	3.6%
Burke County	11.0%	12.4%	11.4%
Grady County	24.5%	31.5%	43.3%
Troup County	10.0%	10.9%	11.2%

Alabama:[F3]			
Chambers County	4.1%	3.3%	3.4%

<FN>
<F1> Obtained from the September 30 Office Level Report published by the Florida Bankers Association.

<F2> Does not include Alachua, Marion, Polk and Wakulla counties where Capital City Bank maintains residential mortgage lending offices only.

<F3> Obtained from the June 30 FDIC/OTS Summary of Deposits Report.
</FN>
</TABLE>

The following table sets forth the number of commercial banks and offices, including the Company and its competitors, within each of the respective counties.

County	Number of Commercial Banks	Number of Commercial Bank Offices
Florida:[F1]		
Bradford	3	3
Citrus	10	40
Clay	11	26
Dixie	3	4
Gadsden	4	7
Gilchrist	3	5
Gulf	4	6
Hernando	12	33
Jefferson	2	2
Leon	13	66
Levy	3	11
Madison	5	5
Pasco	16	82
Putnam	5	11
Suwannee	4	4
Taylor	3	4
Washington	3	3
Georgia:[F2]		
Bibb	10	53
Burke	5	10
Grady	5	8
Troup	9	22
Alabama:[F2]		
Chambers	5	10

<FN>
<F1> Obtained from the September 30 Office Level Report published by the Florida Bankers Association.

<F2> Obtained from the June 30 FDIC/OTS Summary of Deposits Report.
</FN>
</TABLE>

REGULATORY CONSIDERATIONS

The Company and the Bank must comply with state and federal banking laws and regulations that control virtually all aspects of operations. These laws and regulations generally aim to protect depositors, not shareholders. Any changes in applicable laws or regulations may materially affect the business and prospects of the Company. Such legislative or regulatory changes may also affect the operations of the Company and the Bank. The following description summarizes some of the laws and regulations to which the Company and the Bank are subject. References to applicable statutes and regulations are brief summaries, do not purport to be complete, and are qualified in their entirety by reference to such statutes and regulations.

The Company

The Company is registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve") as a financial holding company under the Gramm-Leach-Bliley Act and is registered with the Federal Reserve as a bank holding company under the Bank Holding Company Act of 1956 ("BHCA").

As a result, the Company is subject to supervisory regulation and examination by the Federal Reserve. The Gramm-Leach-Bliley Act, the BHCA, and other federal laws subject financial holding companies to particular restrictions

on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations.

Financial Holding Companies

Permitted Activities. The Gramm-Leach-Bliley Act, enacted on November 12, 1999, repealed two anti-affiliation provisions of the Glass-Steagall Act: Section 20, which restricted the affiliation of Federal Reserve Member Banks with firms "engaged principally" in specified securities activities and Section 32, which restricted officer, director, or employee interlocks between a member bank and any company or person "primarily engaged" in specified securities activities. In addition, the Gramm-Leach-Bliley Act expressly preempts most state laws restricting state banks from owning or acquiring interests in financial affiliates, such as insurance companies. The general effect of the law was to establish a comprehensive framework to permit affiliations among commercial banks, insurance companies, securities firms, and other financial service providers. A bank holding company may now engage in a full range of activities that are financial in nature by electing to become a "Financial Holding Company." Activities that are financial in nature are broadly defined to include not only banking, insurance, and securities activities, but also merchant banking and additional activities that the Federal Reserve, in consultation with the Secretary of the Treasury, determines to be financial in nature, incidental to such financial activities, or complementary activities that do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally.

In contrast to financial holding companies, bank holding companies are limited to managing or controlling banks, furnishing services to or performing services for its subsidiaries, and engaging in other activities that the Federal Reserve determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Except for the activities relating to financial holding companies permissible under the Gramm-Leach-Bliley Act, these restrictions will apply to the Company. In determining whether a particular activity is permissible, the Federal Reserve must consider whether the performance of such an activity reasonably can be expected to produce benefits to the public that outweigh possible adverse effects. Possible benefits include greater convenience, increased competition, and gains in efficiency. Possible adverse effects include undue concentration of resources, decreased or unfair competition, conflicts of interest, and unsound banking practices. The Federal Reserve has determined the following activities, among others, to be permissible for bank holding companies: factoring accounts receivable, acquiring or servicing loans, leasing personal property, conducting discount securities brokerage activities, performing certain data processing services, acting as agent or broker and selling credit life insurance and certain other types of insurance in connection with credit transactions, and performing certain insurance underwriting activities. There are no territorial limitations on permissible non-banking activities of financial holding companies. Despite prior approval, the Federal Reserve may order a bank holding company or its subsidiaries to terminate any activity or to terminate ownership or control of any subsidiary when the Federal Reserve has reasonable cause to believe that a serious risk to the financial safety, soundness or stability of any bank subsidiary of that bank holding company may result from such an activity.

Changes in Control. Subject to certain exceptions, the BHCA and the Change in Bank Control Act, together with regulations thereunder, require Federal Reserve approval (or, depending on the circumstances, no notice of disapproval) prior to any person or company acquiring "control" of a financial holding company, such as the Company. A conclusive presumption of control exists if an individual or company acquires 25% or more of any class of voting securities of the financial holding company. A rebuttable presumption of control exists if a person acquires 10% or more but less than 25% of any class of voting securities and either the Company has registered securities under Section 12 of the Securities Exchange Act of 1934 (the "Exchange Act"), or no other person will own a greater percentage of that class of voting securities immediately after the transaction.

The BHCA requires, among other things, the prior approval of the Federal Reserve in any case where a financial holding company proposes to (i) acquire all or substantially all of the assets of a bank, (ii) acquire direct or indirect ownership or control of more than 5% of the outstanding voting stock of any bank (unless it owns a majority of such bank's voting shares), or (iii) merge or consolidate with any other financial holding company or bank holding company.

Under Florida law, a person or entity proposing to directly or indirectly acquire control of a Florida bank must first obtain permission from the State of Florida. Florida statutes define "control" as either (a) indirectly or directly owning, controlling or having power to vote 25% or more of the voting securities of a bank; (b) controlling the election of a majority of directors of a bank; (c) owning, controlling or having power to vote 10% or more of the voting securities as well as directly or indirectly exercising a controlling influence over management or policies of a bank; or (d) as determined by the Florida Department of Financial Services (the "Florida Department"). These requirements will affect the Company because CCB is chartered under Florida law and changes in control of the Company are indirect changes in control of CCB.

Tying. Financial holding companies and their affiliates are prohibited from tying the provision of certain services, such as extending credit, to other services offered by the holding company or its affiliates.

Capital; Dividends; Source of Strength. The Federal Reserve imposes certain capital requirements on the Company under the BHCA, including a minimum leverage ratio and a minimum ratio of "qualifying" capital to risk-weighted assets. These requirements are described below under "Capital Regulations." Subject to its capital requirements and certain other restrictions, the Company is able to borrow money to make a capital contribution to the Bank, and such loans may be repaid from dividends paid from the Bank to the Company.

The ability of the Bank to pay dividends, however, will be subject to regulatory restrictions which are described below under "Dividends." The Company is also able to raise capital for contributions to the Bank by issuing securities without having to receive regulatory approval, subject to compliance with federal and state securities laws.

In accordance with Federal Reserve policy, the Company is expected to act as a source of financial strength to the Bank and to commit resources to support the Bank in circumstances in which the Company might not otherwise do so. In furtherance of this policy, the Federal Reserve may require a financial holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the financial holding company. Further, federal bank regulatory authorities have additional discretion to require a financial holding company to divest itself of any bank or nonbank subsidiary if the agency determines that divestiture may aid the depository institution's financial condition.

Capital City Bank

CCB is a banking institution that is chartered by and operated in the State of Florida, and it is subject to supervision and regulation by the Florida Department. The Florida Department supervises and regulates all areas of CCB's operations including, without limitation, the making of loans, the issuance of securities, the conduct of CCB's corporate affairs, the satisfaction of capital adequacy requirements, the payment of dividends, and the establishment or closing of branches. CCB is also a member bank of the Federal Reserve System, which makes CCB's operations subject to broad federal regulation and oversight by the Federal Reserve. In addition, CCB's deposit accounts are insured by the FDIC to the maximum extent permitted by law, and the FDIC has certain enforcement powers over CCB.

As a state chartered banking institution in the State of Florida, CCB is empowered by statute, subject to the limitations contained in those statutes, to take savings and time deposits and pay interest on them, to accept demand deposits, to make loans on residential and other real estate, to make consumer and commercial loans, to invest, with certain limitations, in equity securities and in debt obligations of banks and corporations and to provide various other banking services on behalf of CCB's customers. Various consumer laws and regulations also affect the operations of CCB, including state usury laws, laws relating to fiduciaries, consumer credit and equal credit opportunity laws, and fair credit reporting. In addition, the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA") prohibits insured state chartered institutions from conducting activities as principal that are not permitted for national banks. A bank, however, may engage in an otherwise prohibited activity if it meets its minimum capital requirements and the FDIC determines that the activity does not present a significant risk to the deposit insurance funds.

Reserves

The Federal Reserve requires all depository institutions to maintain reserves

against some transaction accounts (primarily NOW and Super NOW checking accounts). The balances maintained to meet the reserve requirements imposed by the Federal Reserve may be used to satisfy liquidity requirements. An institution may borrow from the Federal Reserve Bank "discount window." As a secondary source of funds, provided that the institution meets the Federal Reserve Bank's credit standards.

Dividends

CCB is subject to legal limitations on the frequency and amount of dividends that can be paid to the Company. The Federal Reserve may restrict the ability of CCB to pay dividends if such payments would constitute an unsafe or unsound banking practice. These regulations and restrictions may limit the Company's ability to obtain funds from CCB for its cash needs, including funds for acquisitions and the payment of dividends, interest and operating expenses.

In addition, Florida law also places certain restrictions on the declaration of dividends from state chartered banks to their holding companies. Pursuant to Section 658.37 of the Florida Banking Code, the board of directors of state chartered banks, after charging off bad debts, depreciation and other worthless assets, if any, and making provisions for reasonably anticipated future losses on loans and other assets, may quarterly, semi-annually or annually declare a dividend of up to the aggregate net profits of that period combined with the bank's retained net profits for the preceding two years and, with the approval of the Florida Department, declare a dividend from retained net profits which accrued prior to the preceding two years. Before declaring such dividends, 20% of the net profits for the preceding period as is covered by the dividend must be transferred to the surplus fund of the bank until this fund becomes equal to the amount of the bank's common stock then issued and outstanding. A state chartered bank may not declare any dividend if (i) its net income from the current year combined with the retained net income for the preceding two years is a loss or (ii) the payment of such dividend would cause the capital account of the bank to fall below the minimum amount required by law, regulation, order or any written agreement with the Florida Department or a federal regulatory agency.

Insurance of Accounts and Other Assessments

The deposit accounts of CCB are insured by the Bank Insurance Fund of the FDIC generally up to a maximum of $100,000 per separately insured depositor, and the Bank is subject to FDIC deposit insurance assessments. The federal banking agencies may prohibit any FDIC-insured institution from engaging in any activity they determine by regulation or order poses a serious threat to the insurance fund. Pursuant to FDICIA, the FDIC adopted a risk-based system for determining deposit insurance assessments under which all insured institutions were placed into one of nine categories and assessed insurance premiums, ranging from 0.0% to 0.27% of insured deposits, based upon

their level of capital and supervisory evaluation. Because the FDIC sets the assessment rates based upon the level of assets in the insurance fund, premium rates rise and fall as the number and size of bank failures increase and decrease, respectively. Under the system, institutions are assigned to one of three capital categories based solely on the level of an institution's capital, "well capitalized," "adequately capitalized" and "undercapitalized." These three groups are then divided into three subgroups that reflect varying levels of supervisory concern, from those that are considered to be healthy to those that are considered to be of substantial supervisory concern. Bank Insurance Fund and Savings Association Insurance Fund deposits may be assessed at different rates. Furthermore, the Economic Growth and Regulatory Paperwork Reduction Act of 1996 requires Bank Insurance Fund insured banks to participate in the payment of interest due on Financing Corporation bonds used to finance the thrift bailout.

Transactions With Affiliates

The authority of the Bank to engage in transactions with related parties or "affiliates" or to make loans to insiders is limited by certain provisions of law and regulations. Commercial banks, such as the Bank, are prohibited from making extensions of credit to any affiliate that engages in an activity not permissible under the regulations of the Federal Reserve for a bank holding company. Pursuant to Sections 23A and 23B of the Federal Reserve Act ("FRA"), member banks are subject to restrictions regarding transactions with affiliates ("Covered Transactions").

With respect to any Covered Transaction, the term "affiliate" includes any company that controls or is controlled by a company that controls the Bank, a bank or savings association subsidiary of the Bank, any persons who own, control or vote more than 25% of any class of stock of the Bank or the Company and any persons who the Board of Directors determines exercises a controlling influence over the management of the Bank or the Company. The

term "affiliate" also includes any company controlled by controlling stockholders of the Bank or the Company and any company sponsored and advised on a contractual basis by the Bank or any subsidiary or affiliate of the Bank.

Such transactions between the Bank and their respective affiliates are subject to certain requirements and limitations, including limitations on the amounts of such Covered Transactions that may be undertaken with any one affiliate and with all affiliates in the aggregate. The federal banking agencies may further restrict such transactions with affiliates in the interest of safety and soundness.

Section 23A of the FRA limits Covered Transactions with any one affiliate to 10% of an institution's capital stock and surplus and limits aggregate affiliate transactions to 20% of the Bank's capital stock and surplus.

Sections 23A and 23B of the FRA provide that a loan transaction with an affiliate generally must be collateralized (but may not be collateralized by a low quality asset or securities issued by an affiliate) and that all Covered Transactions, as well as the sale of assets, the payment of money or the provision of services by the Bank to affiliates, must be on terms and conditions that are substantially the same, or at least as favorable to the Bank, as those prevailing for comparable nonaffiliated transactions. A Covered Transaction generally is defined as a loan to an affiliate, the purchase of securities issued by an affiliate, the purchase of assets from an affiliate, the acceptance of securities issued by an affiliate as collateral for a loan, or the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In addition, the Bank generally may not purchase securities issued or underwritten by affiliates.

On October 31, 2002, the Federal Reserve issued a new regulation, Regulation W, effective April 1, 2003, that comprehensively implements Sections 23A and 23B of the FRA. Regulation W unifies in one public document the Federal Reserve's interpretations of Sections 23A and 23B, including several new interpretive proposals and addresses new issues arising as a result of the expanded scope of non-banking activities engaged in

by banks and bank holding companies in recent years and those authorized for financial holding companies under the Gramm-Leach-Bliley Act.

Loans to executive officers, directors or to any person who directly or indirectly, or acting through or in concert with one or more persons, owns, controls or has the power to vote more than 10% of any class of voting securities of a bank ("Principal Shareholders") and their related interests (i.e., any company controlled by such executive officer, director, or Principal Shareholders), or to any political or campaign committee the funds or services of which will benefit such executive officers, directors, or Principal Shareholders or which is controlled by such executive officers, directors or Principal Shareholders, are subject to Sections 22(g) and 22(h) of the FRA and the regulations promulgated thereunder (Regulation O) and Section 13(k) of the Exchange Act relating to the prohibition on personal loans to executives which exempts financial institutions in compliance with the insider lending restrictions of Section 22(h) of the FRA.

Among other things, these loans must be made on terms substantially the same as those prevailing on transactions made to unaffiliated individuals and certain extensions of credit to such persons must first be approved in advance by a disinterested majority of the entire board of directors. Section 22(h) of the FRA prohibits loans to any such individuals where the aggregate amount exceeds an amount equal to 15% of an institution's unimpaired capital and surplus plus an additional 10% of unimpaired capital and surplus in the case of loans that are fully secured by readily marketable collateral, or when the aggregate amount on all such extensions of credit outstanding to all such persons would exceed the bank's unimpaired capital and unimpaired surplus. Section 22(g) identifies limited circumstances in which the Bank is permitted to extend credit to executive officers.

Community Reinvestment Act

The Community Reinvestment Act of 1977 ("CRA") and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their service area, including low and moderate income neighborhoods, consistent with the safe and sound operations of the banks. These regulations also provide for regulatory assessment of a bank's record in meeting the needs of its service area when considering applications to establish branches, merger applications and applications to acquire the assets and assume the liabilities of another bank. Federal banking agencies are required to make public a rating of a bank's performance under the CRA. In the case of a financial holding company, the CRA performance record of the banks involved in the transaction are reviewed in connection with the filing of an application to acquire ownership or control of shares or assets of a

bank or to merge with any other financial holding company. An unsatisfactory record can substantially delay or block the transaction.

Capital Regulations

The Federal Reserve has adopted risk-based, capital adequacy guidelines for financial holding companies and their subsidiary state-chartered banks that are members of the Federal Reserve System. The risk-based capital guidelines are designed to make regulatory capital requirements more sensitive to differences in risk profiles among banks and financial holding companies, to account for off-balance sheet exposure, to minimize disincentives for holding liquid assets and to achieve greater consistency in evaluating the capital adequacy of major banks throughout the world. Under these guidelines assets and off-balance sheet items are assigned to broad risk categories each with designated weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance sheet items.

The current guidelines require all financial holding companies and federally regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier I Capital. Tier I Capital, which includes common stockholders' equity, noncumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock, less certain goodwill items and other intangible assets, is

required to equal at least 4% of risk-weighted assets. The remainder ("Tier II Capital") may consist of (i) an allowance for loan losses of up to 1.25% of risk-weighted assets, (ii) excess of qualifying perpetual preferred stock, (iii) hybrid capital instruments, (iv) perpetual debt, (v) mandatory convertible securities, and (vi) subordinated debt and intermediate-term preferred stock up to 50% of Tier I Capital. Total capital is the sum of Tier I and Tier II Capital less reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the appropriate regulator (determined on a case by case basis or as a matter of policy after formal rule making).

In computing total risk-weighted assets, bank and financial holding company assets are given risk-weights of 0%, 20%, 50% and 100%. In addition, certain off-balance sheet items are given similar credit conversion factors to convert them to asset equivalent amounts to which an appropriate risk-weight will apply. Most loans will be assigned to the 100% risk category, except for performing first mortgage loans fully secured by residential property, which carry a 50% risk rating. Most investment securities (including, primarily, general obligation claims on states or other political subdivisions of the United States) will be assigned to the 20% category, except for municipal or state revenue bonds, which have a 50% risk-weight, and direct obligations of the U.S. Treasury or obligations backed by the full faith and credit of the U.S. Government, which have a 0% risk-weight. In covering off-balance sheet items, direct credit substitutes, including general guarantees and standby letters of credit backing financial obligations, are given a 100% conversion factor. Transaction-related contingencies such as bid bonds, standby letters of credit backing non-financial obligations, and undrawn commitments (including commercial credit lines with an initial maturity of more than one year) have a 50% conversion factor. Short-term commercial letters of credit are converted at 20% and certain short-term unconditionally cancelable commitments have a 0% factor.

The federal bank regulatory authorities have also adopted regulations which supplement the risk-based guideline. These regulations generally require banks and financial holding companies to maintain a minimum level of Tier I Capital to total assets less goodwill of 4% (the "leverage ratio"). The Federal Reserve permits a bank to maintain a minimum 3% leverage ratio if the bank achieves a 1 rating under the CAMELS rating system in its most recent examination, as long as the bank is not experiencing or anticipating significant growth. The CAMELS rating is a non-public system used by bank regulators to rate the strength and weaknesses of financial institutions. The CAMELS rating is comprised of six categories: capital, asset quality, management, earnings, liquidity, and interest rate sensitivity.

Banking organizations experiencing or anticipating significant growth, as well as those organizations which do not satisfy the criteria described above, will be required to maintain a minimum leverage ratio ranging generally from 4% to 5%. The bank regulators also continue to consider a "tangible Tier I leverage ratio" in evaluating proposals for expansion or new activities. The tangible Tier I leverage ratio is the ratio of a banking organization's Tier I Capital, less deductions for intangibles otherwise includable in Tier I Capital, to total tangible assets.

Federal law and regulations establish a capital-based regulatory scheme designed to promote early intervention for troubled banks and require the FDIC to choose the least expensive resolution of bank failures. The capital-

based regulatory framework contains five categories of compliance with regulatory capital requirements, including "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." To qualify as a "well capitalized" institution, a bank must have a leverage ratio of no less than 5%, a Tier I risk-based ratio of no less than 6%, and a total risk-based capital ratio of no less than 10%, and the bank must not be under any order or directive from the appropriate regulatory agency to meet and maintain a specific capital level.

Under the regulations, the applicable agency can treat an institution as if it were in the next lower category if the agency determines (after notice and an opportunity for hearing) that the institution is in an unsafe or unsound condition or is engaging in an unsafe or unsound practice. The degree of regulatory scrutiny of a financial institution will increase, and the permissible activities of the institution will decrease, as it moves downward through the capital categories. Institutions that fall into one of the three undercapitalized categories may be required to (i) submit a capital restoration plan; (ii) raise additional capital; (iii) restrict their growth, deposit interest rates, and other activities; (iv) improve their management; (v) eliminate management fees; or (vi) divest themselves of all or a part of their operations. Financial holding companies controlling financial institutions can be called upon to boost the institutions' capital and to partially guarantee the institutions' performance under their capital restoration plans.

It should be noted that the minimum ratios referred to above are merely guidelines and the bank regulators possess the discretionary authority to require higher ratios.

The Company and the Bank currently exceed the requirements contained in the applicable regulations, policies and directives pertaining to capital adequacy, and management of the Company and the Bank is unaware of any material violation or alleged violation of these regulations, policies or directives.

Interstate Banking and Branching

The BHCA was amended in September 1994 by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act"). The Interstate Banking Act provides that adequately capitalized and managed financial holding companies are permitted to acquire banks in any state.

State laws prohibiting interstate banking or discriminating against out-of-state banks are preempted. States were not permitted to enact laws opting out of this provision; however, states were allowed to adopt a minimum age restriction requiring that target banks located within the state be in existence for a period of years, up to a maximum of five years, before such bank may be subject to the Interstate Banking Act. The Interstate Banking Act establishes deposit caps which prohibit acquisitions that result in the acquiring company controlling 30% or more of the deposits of insured banks and thrift institutions held in the state in which the target maintains a branch or 10% or more of the deposits nationwide. States have the authority to waive the 30% deposit cap. State-level deposit caps are not preempted as long as they do not discriminate against out-of-state companies, and the federal deposit caps apply only to initial entry acquisitions.

The Interstate Banking Act also provides that adequately capitalized and managed banks are able to engage in interstate branching by merging with banks in different states. States were permitted to enact legislation authorizing interstate mergers earlier than June 1, 1997, or, unlike the interstate banking provision discussed above, states were permitted to opt out of the application of the interstate merger provision by enacting specific legislation before June 1, 1997.

Florida responded to the enactment of the Interstate Banking Act by enacting the Florida Interstate Branching Act (the "Florida Branching Act"). The purpose of the Florida Branching Act was to permit interstate branching through merger transactions under the Interstate Banking Act. Under the Florida Branching Act, with the prior approval of the Florida Department, a Florida bank may establish, maintain and operate one or more branches in a state other than the State of Florida pursuant to a merger transaction in which the Florida bank is the resulting bank. In addition, the Florida Branching Act provides that one or more Florida banks may enter into a merger transaction with one or more out-of-state banks, and an out-of-state bank resulting from such transaction may maintain and operate the branches of the Florida bank that participated in such merger. An out-of-state bank, however, is not permitted to acquire

a Florida bank in a merger transaction unless the Florida bank has been in existence and continuously operated for more than three years.

USA PATRIOT Act of 2001

On October 26, 2001, the USA PATRIOT Act of 2001 (the "Patriot Act") was enacted in response to the terrorist attacks occurring on September 11, 2001. The Patriot Act is intended to strengthen the U.S. law enforcement and intelligence communities' ability to work together to combat terrorism. Title III of the Patriot Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, amended the Bank Secrecy Act and adopted additional provisions that increased the obligations of financial institutions, including the Bank, to identify their customers, watch for and report upon suspicious transactions, respond to requests for information by federal banking and law enforcement agencies, and share information with other financial institutions. In addition, the collected customer identification information must be verified within a reasonable time after a new account is opened through documentary or non-documentary methods. All new customers must be screened against any Section 326 government lists of known or suspected terrorists within a reasonable time after opening an account.

Consumer Laws and Regulations

The Bank is also subject to certain consumer laws and regulations that are designed to protect consumers in transactions with banks. While the list set forth below is not exhaustive, these laws and regulations include the Truth in Lending Act, the Truth in Savings Act, the Electronic Funds Transfer Act, the Expedited Funds Availability Act, the Equal Credit Opportunity Act, and the Fair Housing Act, among others. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must deal with customers when taking deposits or making loans to such customers. The Bank must comply with the applicable provisions of these consumer protection laws and regulations as part of its ongoing customer relations.

Future Legislative Developments

Various legislation, including proposals to modify the bank regulatory system, expand the powers of banking institutions and financial holding companies and limit the investments that a depository institution may make with insured funds, is from time to time introduced in Congress. Such legislation may change banking statutes and the environment in which the Company and its banking subsidiary operate in substantial and unpredictable ways. We cannot determine the ultimate effect that potential legislation, if enacted, or implementing regulations with respect thereto, would have upon our financial condition or results of operations or that of our banking subsidiary.

Expanding Enforcement Authority

One of the major additional burdens imposed on the banking industry by the FDICIA is the increased ability of banking regulators to monitor the activities of banks and their holding companies. In addition, the Federal Reserve and FDIC are possessed with extensive authority to police unsafe or unsound practices and violations of applicable laws and regulations by depository institutions and their holding companies. For example, the FDIC may terminate the deposit insurance of any institution which it determines has engaged in an unsafe or unsound practice. The agencies can also assess civil money penalties, issue cease and desist or removal orders, seek injunctions, and publicly disclose such actions. FDICIA, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 and other laws have expanded the agencies' authority in recent years, and the agencies have not yet fully tested the limits of their powers.

Effect of Governmental Monetary Policies

The commercial banking business in which the Bank engages is affected not only by general economic conditions, but also by the monetary policies of the Federal Reserve. Changes in the discount rate on member bank borrowing, availability of borrowing at the "discount window," open market operations, the imposition of changes in reserve requirements against member banks' deposits and assets of foreign branches and the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates are some of the instruments of monetary policy available to the Federal Reserve. These monetary policies are used in varying combinations to influence overall growth and distributions of bank loans, investments and deposits, and this use may affect interest rates charged on loans or paid on deposits. The monetary policies of the Federal Reserve have had a significant

effect on the operating results of commercial banks and are expected to do so in the future. The monetary policies of the Federal Reserve are influenced by various factors, including inflation, unemployment, short-term and long-term changes in the international trade balance and in the fiscal policies of the U.S. Government. Future monetary policies and the effect of such policies on the future business and earnings of the Bank cannot be predicted.

Website Access to Company's Reports

The Company's internet website is www.ccbg.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, including any amendments to those reports filed or furnished pursuant to section 13(a) or 15(d), and reports filed pursuant to Section 16, 13(d), and 13(g) of the Exchange Act are available free of charge through our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission.

Item 2. Properties

Capital City Bank Group, Inc., is headquartered in Tallahassee, Florida. The Company's executive office is in the Capital City Bank building located on the corner of Tennessee and Monroe Streets in downtown Tallahassee. The building is owned by the Bank but is located, in part, on land leased under a long-term agreement.

The Bank's Parkway Office is located on land leased from the Smith Interests General Partnership L.L.P. in which several directors and officers have an interest. The annual lease provides for payments of approximately $85,000, to be adjusted for inflation in future years.

As of February 27, 2004, the Bank had 57 banking locations. Of the 57 locations, the Bank leases the land, buildings, or both at 10 locations and owns the land and buildings at the remaining 47.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II

Item 5. Market for the Registrant's Common Equity and Related Shareowner Matters

The Company's common stock trades on the Nasdaq National Market under the symbol "CCBG."

The following table presents the range of high and low closing sales prices reported on the Nasdaq National Market and cash dividends declared for each quarter during the past two years, as adjusted for the Company's stock split on June 13, 2003. The Company had a total of 1,512 shareowners of record as of February 27, 2004.

<TABLE>
<CAPTION>

	2003				2002			
	Fourth Qtr.	Third Qtr.	Second Qtr.	First Qtr.	Fourth Qtr.	Third Qtr.	Second Qtr.	First Qtr.
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Common stock price:								
High	$46.83	$40.93	$36.43	$32.32	$32.04	$29.55	$27.84	$22.00
Low	36.62	35.00	29.74	26.81	22.26	22.32	20.60	18.12
Close	45.99	38.16	36.08	31.29	31.35	26.45	27.62	21.60
Cash dividends declared per share	.180	.170	.170	.136	.136	.122	.122	.122

</TABLE>

Future payment of dividends will be subject to determination and declaration by the Board of Directors. Florida law limits the payment of dividends by the Company. There are also legal limits on the frequency and amount of dividends that can be paid by CCB to the Company. See subsection entitled "Dividends" in the Business section on page 10, in the Management's Discussion and Analysis of Financial Condition and Operating Results on page 41 and Note 15 in the Notes to Consolidated Financial Statements. These restrictions may limit the Company's ability to pay dividends to its shareowners. As of February 27, 2004, the Company does not believe these restrictions will impair the Company's ability to declare and pay its routine and customary dividends.

Item 6. Selected Financial & Other Data

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Data)<F1>

	For the Years Ended December 31,				
	2003	2002	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>
Interest Income	$ 99,487	$ 106,095	$ 118,983	$ 109,334	$ 99,685
Net Interest Income	84,648	83,592	70,734	63,100	58,438
Provision for Loan Losses	3,436	3,297	3,983	3,120	2,440
Net Income	25,193	23,082	16,866	18,153	15,252
Per Common Share:					
Basic Net Income	$ 1.91	$ 1.75	$ 1.27	$ 1.43	$ 1.20
Diluted Net Income	1.90	1.74	1.27	1.43	1.20
Cash Dividends Declared	.656	.502	.476	.436	.442
Diluted Book Value	15.27	14.08	12.86	11.61	10.36
Based on Net Income:					
Return on Average Assets	1.40%	1.34%	0.99%	1.24%	1.06%
Return on Average Equity	12.82	12.85	10.00	12.99	11.64
Dividend Pay-out Ratio	34.51	28.87	37.48	30.49	36.83
Averages for the Year:					
Loans, Net of Unearned Interest	$1,318,080	$1,256,107	$1,184,290	$1,002,122	$ 884,323
Earning Assets	1,624,680	1,556,500	1,534,548	1,315,024	1,291,262
Assets	1,804,895	1,727,180	1,704,167	1,463,612	1,444,069
Deposits	1,431,808	1,424,999	1,442,916	1,207,103	1,237,405
Long-Term Debt	55,594	30,423	15,308	13,070	17,274
Shareowners' Equity	196,588	179,652	168,652	139,738	131,058
Year-End Balances:					
Loans, Net of Unearned Interest	$1,341,632	$1,285,221	$1,243,351	$1,051,832	$ 928,486
Earning Assets	1,648,818	1,636,472	1,626,841	1,369,294	1,263,296
Assets	1,846,502	1,824,771	1,821,423	1,527,460	1,430,520
Deposits	1,474,205	1,434,200	1,550,101	1,268,367	1,202,658
Long-Term Debt	46,475	71,745	13,570	11,707	14,258
Shareowners' Equity	202,809	186,531	171,783	147,607	132,216
Equity to Assets Ratio	10.98%	10.22%	9.43%	9.66%	9.24%
Other Data:					
Basic Average Shares Outstanding	13,222,487	13,225,285	13,241,957	12,732,749	12,718,681
Diluted Average Shares Outstanding	13,251,189	13,274,355	13,292,435	12,768,553	12,745,291
Shareowners of Record<F2>	1,512	1,457	1,473	1,599	1,362
Banking Locations<F2>	57	54	56	56	48
Full-Time Equivalent Associates<F2>	795	781	787	791	678

<FN>
<F1> All share and per share data have been adjusted to reflect the 5-for-4 stock split effective June 13, 2003.

<F2> As of the record date. The record date is on or about March 1st of the following year.
</FN>
</TABLE>

Item 7. 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 the Company's financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and related notes. The MD&A is divided into subsections entitled "Executive Overview," "Earnings Analysis," "Financial Condition," "Liquidity and Capital Resources," "Off-Balance Sheet Arrangements," and "Accounting Policies." Information therein should facilitate a better understanding of the major factors and trends that affect the Company's earnings performance and financial condition, and how the Company's performance during 2003 compares with prior years. Throughout this section, Capital City Bank Group, Inc., and its subsidiary, collectively, are referred to as "CCBG" or the "Company." Capital City Bank is referred to as "CCB" or the "Bank."

The period-to-date averages used in this report are based on daily balances for each respective period. In certain circumstances, comparing average balances for the fourth quarters of consecutive years may be more meaningful than simply analyzing year-to-date averages. Therefore, where appropriate, quarterly averages have been presented for analysis and have been noted as such. See Table 2 for annual averages and Table 15 for financial information presented on a quarterly basis.

This Report and other Company communications and statements may contain "forward-looking statements." 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" and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our financial performance to differ materially from what is contemplated in those forward-looking statements:

* The strength of the United States economy in general and the strength of the local economies in which we conduct operations may be different than expected resulting in, among other things, a deterioration in credit quality or a reduced demand for credit, including the resultant effect on our loan portfolio and allowance for loan losses;

* The effects of, and changes in, trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System;

* Inflation, interest rate, market and monetary fluctuations;

* Adverse conditions in the stock market and other capital markets and the impact of those conditions on our capital markets and capital management activities, including our investment and wealth management advisory businesses and brokerage activities;

* Changes in U.S. foreign or military policy;

* The timely development of competitive new products and services by us and the acceptance of those products and services by new and existing customers;

* The willingness of customers to accept third-party products marketed by us;

* The willingness of customers to substitute competitors' products and services for our products and services and vice versa;

* The impact of changes in financial services laws and regulations (including laws concerning taxes, banking, securities and insurance);

* Technological changes;

* Changes in consumer spending and saving habits;

* The effect of corporate restructuring, acquisitions or dispositions, including the actual restructuring and other related charges and the failure to achieve the expected gains, revenue growth or expense

savings from such corporate restructuring, acquisitions or dispositions;

* The growth and profitability of our noninterest or fee income being less than expected;

* Unanticipated regulatory or judicial proceedings;

* The impact of changes in accounting policies by the Securities and Exchange Commission;

* Adverse changes in the financial performance and/or condition of our borrowers, which could impact the repayment of those borrowers' outstanding loans; and

* Our success at managing the risks involved in the foregoing.

We caution that the foregoing list of important factors is not exhaustive. Also, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by us or on our behalf.

EXECUTIVE OVERVIEW

The Company is a financial holding company and a bank holding company headquartered in Tallahassee, Florida that provides through its wholly owned subsidiary, Capital City Bank, a broad array of products and services in 17 Florida counties, four Georgia counties, and one Alabama county. The Bank also has mortgage lending offices in four additional Florida communities. The Bank offers commercial and retail banking services, as well as trust and asset management, brokerage, and data processing services.

From an industry and national perspective, the Company's profitability, like most financial institutions, is dependent to a large extent upon net interest income, which is the difference between the interest received on earning assets, such as loans and securities, and the interest paid on interest-bearing liabilities, principally deposits and borrowings. Results of operations are also affected by the provision for loan losses, operating expenses such as salaries and employee benefits, occupancy and other operating expenses, including income taxes, and, to a lesser extent, non-interest income such as service charges on deposit accounts, trust service fees, mortgage banking revenues, and data processing revenues. Economic conditions, competition and the monetary and fiscal policies of the Federal government in general, significantly affect financial institutions, including the Company. During 2003, the Federal government's focus was marked by steady low interest rates intended to stabilize the current economy and to provide stimulation to future industrial economic growth. Lending activities are also significantly influenced by regional and local economic factors. Some specific factors may include the demand for and supply of housing, competition among lenders, interest rate conditions and prevailing market rates on competing investments, customer preferences and levels of personal income and savings in the Company's primary market area.

The Company philosophy is to grow and prosper, building long-term relationships based on quality service, high ethical standards, and safe and sound banking practices. The Company is a super-community bank in the relationship banking business with a locally oriented, community-based focus, which is augmented by experienced, centralized support in select specialized areas. The Company's local market orientation is reflected in its network of banking office locations, experienced community executives, and community advisory boards which support the Company's focus of responding to local banking needs. The Company strives to offer a broad array of sophisticated products and to provide quality service by empowering associates to make decisions in their local markets.

The Company plans to continue its expansion, emphasizing a combination of growth in existing markets and acquisitions. Acquisitions will be focused on a three state area including Florida, Georgia, and Alabama with a particular focus on acquiring banks and branches, which are $100 million to $400 million in asset size, located on the outskirts of major metropolitan areas. The Company will evaluate de novo expansion opportunities in attractive new markets in the event that acquisition opportunities are not feasible. Other expansion opportunities that will be evaluated include asset management, insurance, and mortgage banking. Management anticipates that roughly half of the Company's future earnings growth will be generated through growth in existing markets and half through acquisitions.

Pending Acquisition

On January 8, 2004, the Company announced the signing of a definitive agreement to acquire Quincy State Bank, located in Quincy, Florida from Synovus Financial Corp. Quincy State Bank is a $127 million asset

institution (as of December 31, 2003) with offices in Quincy and Havana, Florida. Both markets adjoin Leon County, home to the Company's Tallahassee headquarters. The purchase price is $26.1 million in cash and the closing is scheduled for late in the first quarter of 2004.

Previous Acquisitions

On March 9, 2001, the Company completed a purchase and assumption transaction with Wachovia Bank, NA, formerly First Union National Bank ("Wachovia") and acquired six of Wachovia's offices in Georgia which included real estate, loans and deposits. The transaction resulted in approximately $11.3 million in intangible assets, primarily core deposit intangibles, which are being amortized over a 10-year period. The Company purchased approximately $18 million in loans and assumed deposits of approximately $105 million.

On March 2, 2001, the Company completed its acquisition of First Bankshares of West Point, Inc., and its subsidiary, First National Bank of West Point. At the time of the acquisition, First National Bank of West Point had approximately $144 million in assets with one office in West Point, Georgia, and two offices in the Greater Valley area of Alabama. First Bankshares of West Point, Inc., merged with the Company, and First National Bank of West Point merged with Capital City Bank. The Company issued 3.6419 shares and $17.7543 in cash for each of the 192,481 outstanding shares of First Bankshares of West Point, Inc., resulting in the issuance of 701,000 shares of Company common stock and the payment of $3.4 million in cash for a total purchase price of approximately $17.0 million. The transaction was accounted for as a purchase and resulted in approximately $2.5 million of intangible assets, primarily goodwill.

EARNINGS ANALYSIS

Earnings for 2003 totaled $25.2 million, or $1.90 per diluted share. This compares to $23.1 million, or $1.74 per diluted share in 2002, and $16.9 million, or $1.27 per diluted share in 2001. Return on average assets was 1.40% and return on average shareowners' equity was 12.82% for 2003, compared to 2002's results of 1.34% and 12.85%, respectively, and 2001's performance of .99% and 10.00%, respectively.

The increase in 2003 earnings was primarily attributable to growth in operating revenues (defined as the total of net interest income and noninterest income) of 5.8%, driven by 16.2% growth in noninterest income. The increase in noninterest income reflects higher deposit fees, merchant service fee income and mortgage banking revenues. These and other significant factors are discussed throughout the Financial Review. A condensed earnings summary is presented in Table 1.

Table 1

<TABLE>
<CAPTION>

CONDENSED SUMMARY OF EARNINGS

(Dollars in Thousands, Except Per Share Data)

	For the Years Ended December 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
Interest Income	$ 99,487	$106,095	$118,983
Taxable Equivalent Adjustments	1,413	1,682	1,775
Total Interest Income (FTE)	100,900	107,777	120,758
Interest Expense	14,839	22,503	48,249
Net Interest Income (FTE)	86,061	85,274	72,509
Provision for Loan Losses	3,436	3,297	3,983
Taxable Equivalent Adjustments	1,413	1,682	1,775
Net Interest Income After Provision for Loan Losses	81,212	80,295	66,751
Noninterest Income	41,939	36,103	31,159
Noninterest Expense	84,378	80,625	71,926
Income Before Income Taxes	38,773	35,773	25,984
Income Taxes	13,580	12,691	9,118

Net Income	$ 25,193	$ 23,082	$ 16,866
Basic Net Income Per Share	$ 1.91	$ 1.75	$ 1.27
Diluted Net Income Per Share	$ 1.90	$ 1.74	$ 1.27

</TABLE>

Net Interest Income

Net interest income represents the Company's 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. An analysis of the Company's net interest income, including average yields and rates, is presented in Tables 2 and 3. This information is presented on a "taxable equivalent" basis to reflect the tax-exempt status of income earned on certain loans and investments, the majority of which are state and local government debt obligations.

In 2003, taxable equivalent net interest income increased $787,000, or 1.0%. This follows an increase of $12.8 million, or 17.6%, in 2002, and $7.8 million, or 12.1%, in 2001. The favorable impact was a result of lower funding costs and a shift in earning assets mix, partially offset by declining asset yields attributable to the low interest rate environment. Lower interest rates paid on deposit products and a favorable shift in deposit mix led to a net reduction in interest expense of $7.7 million over 2002. This favorable variance continued to be partially offset by declining yields on earning assets, which produced a decline in taxable equivalent interest income of $6.9 million. Over the last three years, management has aggressively repriced interest bearing liabilities in response to the Federal Reserve's reduction in its target rate on overnight funds.

Table 2

<TABLE>
<CAPTION>

AVERAGE BALANCES AND INTEREST RATES

(Taxable Equivalent Basis - Dollars in Thousands)

	2003			2002			2001		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:									
Loans, Net of Unearned Interest<F1><F2>	$1,318,080	$ 92,264	7.00%	$1,256,107	$ 95,222	7.58%	$1,184,290	$102,737	8.68%
Taxable Investment Securities	124,541	3,724	2.98	135,865	6,941	5.11	170,328	9,619	5.65
Tax-Exempt Investment Securities<F2>	61,387	3,651	5.95	68,915	4,133	6.00	78,928	4,792	6.07
Funds Sold	120,672	1,261	1.03	95,613	1,481	1.53	101,002	3,610	3.55
Total Earning Assets	1,624,680	100,900	6.21	1,556,500	107,777	6.92	1,534,548	120,758	7.87
Cash & Due From Banks	79,625			72,960			69,242		
Allowance For Loan Losses	(12,544)			(12,409)			(11,910)		
Other Assets	113,134			110,129			112,287		
TOTAL ASSETS	$1,804,895			$1,727,180			$1,704,167		

	Average Balance 2003	Interest 2003	Rate 2003	Average Balance 2002	Interest 2002	Rate 2002	Average Balance 2001	Interest 2001	Rate 2001
Liabilities:									
NOW Accounts	$ 264,159	$ 676	0.26%	$ 241,873	$ 1,272	0.53%	$ 214,881	$ 4,046	1.88%
Money Market Accounts	215,597	1,312	0.61	224,275	2,904	1.30	208,526	6,237	2.99
Savings Accounts	109,837	189	0.17	104,967	500	0.48	108,284	1,865	1.72
Time Deposits	433,176	9,390	2.17	493,956	15,875	3.21	604,909	33,066	5.47
Total Interest Bearing Deposits	1,022,769	11,567	1.13	1,065,071	20,551	1.93	1,136,600	45,214	3.98
Short-Term Borrowings	101,274	1,270	1.25	72,594	767	1.06	58,111	2,164	3.72
Long-Term Debt	55,594	2,002	3.60	30,423	1,185	3.90	15,308	871	5.69
Total Interest Bearing Liabilities	1,179,637	14,839	1.26	1,168,088	22,503	1.93	1,210,019	48,249	3.99
Noninterest Bearing Deposits	409,039	--------	----	359,928	--------	----	306,316		
Other Liabilities	19,631			19,512			19,180		
TOTAL LIABILITIES	1,608,307			1,547,528			1,535,515		
Shareowners' Equity:									
Common Stock	132			132			132		
Additional Paid-In Capital	15,272			15,386			18,940		
Retained Earnings	181,184			164,184			149,580		
TOTAL SHAREOWNERS' EQUITY	196,588			179,652			168,652		
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$1,804,895			$1,727,180			$1,704,167		
Interest Rate Spread			4.95%			4.99%			3.88%
Net Interest Income		$ 86,061			$ 85,274			$ 72,509	
Net Interest Margin<F3>			5.30%			5.47%			4.73%

<FN>
<F1> Average balances include nonaccrual loans. Interest income includes fees on loans of approximately $6.4 million, $4.6 million and $4.3 million in 2003, 2002 and 2001, respectively.

<F2> Interest income includes the effects of taxable equivalent adjustments using a 35% tax rate to adjust interest on tax-exempt loans and securities to a taxable equivalent basis.

<F3> Taxable equivalent net interest income divided by average earning assets.
</FN>
</TABLE>

Table 3

<TABLE>
<CAPTION>

RATE/VOLUME ANALYSIS<F1>
(Taxable Equivalent Basis - Dollars in Thousands)

	2003 Changes from 2002			2002 Changes from 2001		
		Due To Average			Due To Average	
	Total	Volume	Rate	Total	Volume	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earning Assets:						
Loans, Net of Unearned Interest<F2>	$(2,958)	$5,916	$ (8,874)	$(7,515)	$6,698	$(14,213)

Investment Securities:						
Taxable	(3,217)	(2,448)	(769)	(2,678)	(1,987)	(691)
Tax-Exempt	(482)	(450)	(32)	(659)	(608)	(51)
Funds Sold	(220)	389	(609)	(2,129)	(215)	(1,914)
Total	(6,877)	3,407	(10,284)	(12,981)	3,888	(16,869)
Interest Bearing Liabilities:						
NOW Accounts	(596)	117	(713)	(2,774)	509	(3,283)
Money Market Accounts	(1,592)	(111)	(1,481)	(3,333)	471	(3,804)
Savings Accounts	(311)	23	(334)	(1,365)	(57)	(1,308)
Time Deposits	(6,485)	(1,953)	(4,532)	(17,191)	(6,065)	(11,126)
Short-Term Borrowings	503	578	(75)	(1,397)	447	(1,844)
Long-Term Debt	817	981	(164)	314	860	(546)
Total	(7,664)	(365)	(7,299)	(25,746)	(3,835)	(21,911)
Changes in Net Interest Income	$ 787	$3,772	$ (2,985)	$12,765	$7,723	$ 5,042

<F1> This table shows the change in taxable equivalent net interest income for comparative periods based on either changes in average volume or changes in average rates for earning assets and interest bearing liabilities. Changes which are not solely due to volume changes or solely due to rate changes have been attributed to rate changes.

<F2> Interest income includes the effects of taxable equivalent adjustments using a 35% tax rate to adjust interest on tax-exempt loans and securities to a taxable equivalent basis.
</FN>
</TABLE>

For the year 2003, taxable equivalent interest income decreased $6.9 million, or 6.4%, over 2002, and $13.0 million, or 10.7%, in 2002 over 2001. New loan production and repricing of existing earning assets produced a 71 basis point reduction in the yield on earning assets, which declined from 6.92% for 2002 to 6.21% for 2003. This compares to a 95 basis point reduction in 2002 over 2001. The unfavorable impact of declining yields was partially mitigated by growth in earning assets of $68.2 million, which produced an overall improvement in the mix. The yield on the investment securities portfolio continued to decline as a result of the low rate environment. As shown in Table 3, both the investment and loan portfolios were significant contributors to the net reduction in interest income. In the current rate environment, portfolio repricing will continue to put pressure on interest income, but may be partially or completely offset by earning asset growth.

Interest expense decreased $7.7 million, or 34.1%, over 2002, and $25.7 million, or 53.4%, in 2002 over 2001. The general decline in interest rates produced favorable rate variances on interest bearing liabilities throughout the year. This was further enhanced by a favorable shift in mix, as certificates of deposit (generally a higher cost deposit product) declined relative to total deposits. Certificates of deposit, as a percent of total average deposits, declined from 34.7% in 2002 to 30.2% in 2003. Lower interest rates and a favorable shift in mix led to a decline in the average rate paid on interest bearing liabilities in 2003 of 67 basis points compared to 2002.

The Company's interest rate spread (defined as the taxable equivalent yield on average earning assets less the average rate paid on interest bearing liabilities) decreased 4 basis points in 2003 and increased 111 basis points in 2002. The decrease in 2003 was attributable to the continued decline in the earning asset yield. The significant increase in 2002 is attributable to management's ability to rapidly adjust the average rate paid on interest bearing liabilities relative to the decline in yield on earning assets.

The Company's net interest margin (defined as taxable equivalent interest income less interest expense divided by average earning assets) was 5.30% in 2003, compared to 5.47% in 2002 and 4.73% in 2001. In 2003, the lower yields on earning assets (partially offset by lower rates paid on interest bearing liabilities) resulted in the 17 basis point decline in the margin.

Loan growth is anticipated to have a favorable impact on the net interest margin during the upcoming year along with any favorable changes in the Federal Reserve's target rate on overnight funds. However, depending on the magnitude of the loan growth, the improvement attributable to growth may be partially or completely offset by unfavorable repricing variances associated with loans and securities and any further unfavorable changes in the Federal Reserve's target rate on overnight funds. A further discussion of the

Company's earning assets and funding sources can be found in the section entitled "Financial Condition."

Provision for Loan Losses

The provision for loan losses was $3.4 million in 2003, compared to $3.3 million in 2002 and $4.0 million in 2001. The slight increase in the 2003 provision reflects a slightly higher level of net charge-offs. The Company's stable provision over the last three-year period reflects continued stable credit quality supported by an adequate allowance for loan losses.

Net charge-offs remain at historically low levels relative to the size of the portfolio. Net charge-offs for 2003 totaled $3.5 million, or .27% of average loans. This compares to $2.9 million, or .23% for 2002. The increase is due primarily to a higher level of consumer loan net charge-offs, primarily automobile loans. In addition, the increase in 2003 over 2002 is reflective of an above normal level of consumer loan recoveries in 2002.

At December 31, 2003, the allowance for loan losses totaled $12.4 million compared to $12.5 million in 2002. At year-end 2003, the allowance represented 0.93% of total loans and provided coverage of 530% of nonperforming loans. Management considers the allowance to be adequate based on the current level of nonperforming loans and the estimate of losses inherent in the portfolio at year-end. See the section entitled "Financial Condition" and Tables 7 and 8 for further information regarding the allowance for loan losses.

Noninterest Income

In 2003, noninterest income increased $5.8 million, or 16.2%, and represented 33.1% of operating revenue, compared to an increase of $4.9 million, or 15.9%, and 30.2%, respectively, in 2002. The increase in the level of noninterest income is attributable primarily to growth in deposit service charges, merchant service fee income, and mortgage banking revenues. The increase in 2002 was attributable to growth in deposit service charges, mortgage banking revenues, and other income (primarily retail brokerage fees and ATM/debit/credit card transaction fees). Factors affecting noninterest income are discussed below.

Service charges on deposit accounts increased $3.6 million, or 28.0%, in 2003, compared to an increase of $2.1 million, or 19.7%, in 2002. Service charge revenues in any one year are dependent on the number of accounts, primarily transaction accounts, the level of activity subject to service charges, and the collection rate. The increase in service charges in 2003 was primarily attributable to growth in NSF/overdraft fees associated with a new overdraft protection program implemented in the fourth quarter of 2002. Integration of acquisitions during 2004 will further enhance deposit service charge revenues. The increase in service charges in 2002 reflects an increase in the number of deposit accounts, primarily attributable to the 2001 Georgia banking office acquisitions, and increased NSF/overdraft fees in the fourth quarter of 2002.

Data processing revenues increased $396,000, or 19.8%, in 2003 versus a decrease of $73,000, or 3.5%, in 2002. The data processing center provides computer services to both financial and non-financial clients in North Florida and South Georgia. The increase in 2003 was due to higher revenues from both financial clients and government contract processing. The Company added one financial client in late 2002 increasing the number currently being processed to six. In addition, government contract processing increased 20.0% during 2003 primarily due to increased processing volume with one client. In 2003, processing revenues for non-financial entities represented approximately 39.3% of total processing, compared to 41.5% in 2002. The decrease in total processing revenues for 2002 was primarily the result of a decline in revenues for financial clients. Management expects data processing revenues to remain stable during 2004.

In 2003, asset management fees increased $129,000, or 5.1%, versus a decrease of $35,000, or 1.4%, in 2002. At year-end 2003, assets under management totaled $404 million, reflecting growth of $61 million, or 17.8% over 2002. This growth is due to an increase in new business in existing markets and appreciation in stock market values over 2002. At year-end 2002, assets under management totaled $343 million, reflecting growth of $6.0 million, or 1.8% over 2001.

The Company continues to be among the leaders in the production of residential mortgage loans in many of its markets. In 2003, mortgage banking revenues increased $588,000, or 10.7%, compared to $2.4 million, or 75.3% in 2002. The increase in 2003 was due to the continued low interest rate environment resulting in a high level of fixed rate loan production through the third quarter of the year. The Company generally sells all fixed rate residential loan production into the secondary market. Fixed rate mortgage

refinancing activity slowed significantly in the fourth quarter of 2003 and as a result mortgage banking revenues declined in the fourth quarter. Management does not expect mortgage banking revenues to remain at the levels experienced in 2003. The increase in

revenue in 2002 was due to higher fixed rate mortgage production driven by the low interest rate environment, and a gain (pre-tax) of $675,000 on the one-time sale of $23.5 million in residential mortgage loans during the fourth quarter of 2002. The level of interest rates, origination volume and percent of fixed rate production have a significant impact on the Company's mortgage banking revenues.

Other noninterest income increased $1.2 million, or 8.7%, in 2003 versus an increase of $580,000, or 4.5% in 2002. The increase in 2003 was attributable primarily to an increase in merchant service fee income and miscellaneous recoveries. Merchant service fee income increased $848,000, or 22.8%, due to increased transaction volume and was partially offset with higher interchange service fees, which is reflected in noninterest expense. Miscellaneous recoveries were $241,000, or 86.5%, higher as a result of recovering legal and settlement costs associated with two lawsuits. The 2002 increase in noninterest income was attributable primarily to higher retail brokerage fees and ATM/debit/credit card transaction fees.

Noninterest income as a percent of average assets increased to 2.32% in 2003, compared to 2.09% in 2002, and 1.83% in 2001, driven primarily by service charge income, mortgage banking revenues and merchant service fee income.

Noninterest Expense

Noninterest expense for 2003 was $84.4 million, an increase of $3.8 million, or 4.7%, over 2002, compared with an increase of $8.7 million, or 12.1%, in 2002. Factors impacting the Company's noninterest expense during 2003 and 2002 are discussed below.

The Company's aggregate compensation expense in 2003 totaled $45.1 million, an increase of $3.0 million, or 7.1%, over 2002. The increase is primarily attributable to associate salary increases, higher performance-based compensation (commissions), increased pension costs, and higher healthcare insurance premiums. The increase in associate salaries reflects normal annual merit increases and higher performance-based compensation, which is reflective of higher commissions paid to mortgage originators. The higher pension cost is a result of an increase in the number of plan participants and the lower than expected return on plan assets resulting from the general stock market decline in recent years. Pension costs are expected to increase in 2004 by approximately 13%. Healthcare premiums are expected to continue to increase due to additional participants and rising costs from healthcare providers. In 2002, aggregate compensation increased $5.3 million, or 14.5%, over 2001. This increase was primarily due to the addition of Georgia and Alabama offices, higher performance-based compensation (profit participation, commissions, and incentives), increased pension costs, and higher healthcare insurance premiums.

Occupancy expense (including furniture, fixtures and equipment) increased by $416,000, or 3.1%, in 2003, compared to $726,000, or 5.7% in 2002. The increase in 2003 was primarily due to higher furniture/fixture, utility, and building depreciation expenses associated with the addition of four new offices. The increase in 2002 was primarily due to the addition of nine offices associated with the Georgia acquisitions, and costs associated with the conversion and full implementation of a new data processing system. Additional increases were experienced for 2002 in office leases and building maintenance/repairs.

Other noninterest expense increased $360,000, or 1.4%, in 2003, compared to $2.6 million, or 11.7%, in 2002. The increase in 2003 was attributable to: (1) higher legal costs of $106,000 primarily resulting from corporate governance compliance work associated with the Sarbanes-Oxley Act; (2) increased processing expenses of $272,000 associated with implementation of new database systems in human resources, and custom programming work performed by the bank's core processing system vendor to facilitate the implementation of new applications (platform automation and home banking); and (3) increased interchange service fees of $717,000 associated with

higher merchant card processing volume. These increases were partially offset with approximately $617,000 lower expense for contingency reserves, and lower seminar/education expense of $123,000.

The increase in 2002 was attributable to: (1) higher legal costs of $351,000

primarily resulting from merchant credit card processing; (2) increased professional fees associated with external audit, tax and pension consulting of $594,000; (3) increased processing expenses of $390,000 associated with customization of a newly implemented data processing system, increased ATM processing and trust account processing; (4) increased contributions of $175,000 attributable to increased funding for Capital City Bank Group Foundation, Inc.; (5) increased telephone costs of $215,000 resulting from Georgia acquisitions and line upgrades to the existing wide-area network; and (6) higher miscellaneous expense of $1.2 million attributable to: loan underwriting/closing costs ($302,000), other losses/cash short ($304,000), credit card interchange fees ($262,000), seminars/education ($139,000), and other miscellaneous ($248,000).

The net noninterest expense ratio (defined as noninterest income minus noninterest expense, net of intangible amortization and conversion/merger-related expenses, as a percent of average assets) was 2.17% in 2003 compared to 2.38% in 2002, and 2.14% in 2001. The Company's efficiency ratio (expressed as noninterest expense, net of intangible amortization and conversion/merger-related expenses, as a percent of taxable equivalent operating revenues) was 63.4%, 63.6%, and 65.2% in 2003, 2002 and 2001, respectively.

Income Taxes

The consolidated provision for federal and state income taxes was $13.6 million in 2003, compared to $12.7 million in 2002, and $9.1 million in 2001. The increase in the 2003 tax provision was a result of higher taxable income and a decline in tax exempt income. The increase in the 2002 tax provision from 2001 was also due to higher taxable income and lower tax exempt income.

The effective tax rate was 35.0% in 2003, 35.5% in 2002, and 35.1% in 2001. The decrease in the effective tax rate for 2003 is due to an adjustment in federal income tax expense in the amount of $500,000 made during the fourth quarter of 2003. Following a recent IRS examination, the Company performed an evaluation of all its tax accounts. Upon completion of this analysis in the fourth quarter of 2003, the Company determined certain tax accounts should be adjusted to more appropriately reflect its current and deferred assets and liabilities. The effective tax rates previously noted differ from the combined federal and state statutory tax rates due primarily to tax-exempt income.

The increase in the effective tax rate for 2002 was primarily attributable to an increase in state taxable income as well as a decline of tax-exempt income relative to pre-tax income.

FINANCIAL CONDITION

Average assets totaled $1.8 billion, an increase of $78.0 million, or 4.5%, in 2003 versus the comparable period in 2002. Average earning assets for 2003 were $1.6 billion, representing an increase of $68.0 million, or 4.4%, over 2002. During 2003, average loans increased $62.0 million, or 4.9%, and average funds sold increased $25.1 million, or 26.2%. These increases were partially offset by a decline in average securities of $19.0 million, or 9.2%. Loan growth during 2003 was primarily funded through existing liquidity and deposit growth.

Table 2 provides information on average balances and rates, Table 3 provides an analysis of rate and volume variances, while Table 4 highlights the changing mix of the Company's earning assets over the last three years.

Loans

Average loans increased $62.0 million, or 4.9%, over the comparable period in 2002. Loan growth was slow for the first quarter of the year, but picked up momentum during the second and third quarters. Loans, on average, increased $27.5 million in the second quarter and $19.4 million in the third quarter. Loan growth fell off during the fourth quarter primarily due to a decline in the residential held-for-sale loan portfolio. Loans as a percent of average earning assets increased to 81.1% for the year, compared to 80.7% for the comparable period of 2002. Loan growth occurred in all loan categories during the year with the exception of residential 1-4 family. The decline in the residential 1-4 family was due to a decline in held-for-sale loans resulting from a slow down in refinancing activity during the fourth quarter of 2003. Management anticipates that the pace of loan refinancing will slow in 2004 resulting in loan production producing greater net growth for the total loan portfolio.

Although management is continually evaluating alternative sources of revenue, lending is a major component of the Company's business and is key to profitability. While management strives to identify opportunities to increase loans outstanding and enhance the portfolio's overall contribution

to earnings, it can do so only by adhering to sound lending principles applied in a prudent and consistent manner. Thus, management will not relax its underwriting standards in order to achieve designated growth goals.

Table 4

<TABLE>
<CAPTION>

SOURCES OF EARNING ASSET GROWTH
(Average Balances - Dollars in Thousands)

	2002 to 2003 Change	Percentage of Total Change	Components of Average Earning Assets		
			2003	2002	2001
<S>	<C>	<C>	<C>	<C>	<C>
Loans:					
Commercial, Financial and Agricultural	$16,100	23.6%	9.2%	8.6%	8.0%
Real Estate - Construction	7,996	11.7	5.5	5.3	5.3
Real Estate - Commercial Mortgage	57,250	84.0	23.4	20.7	17.6
Real Estate - Residential	(35,386)	(51.9)	29.1	32.6	32.8
Consumer	16,013	23.5	13.9	13.5	13.5
Total Loans	61,973	90.9	81.1	80.7	77.2
Securities:					
Taxable	(11,324)	(16.6)	7.7	8.8	11.1
Tax-Exempt	(7,528)	(11.1)	3.8	4.4	5.1
Total Securities	(18,852)	(27.7)	11.5	13.2	16.2
Funds Sold	25,059	36.8	7.4	6.1	6.6
Total Earning Assets	$68,180	100.0%	100.0%	100.0%	100.0%

</TABLE>

The Company's average loan-to-deposit ratio increased to 92.1% in 2003 from 88.1% in 2002. This compares to an average loan-to-deposit ratio in 2001 of 82.1%. The higher average loan-to-deposit ratio in 2003 primarily reflects higher loan growth.

Real estate loans, combined, represented 70.7% of total loans at December 31, 2003, versus 71.7% in 2002. This decline from the prior year reflects the decline in 1-4 family residential loans discussed above. See the section entitled "Risk Element Assets" for a discussion concerning loan concentrations.

The composition of the Company's loan portfolio at December 31, for each of the past five years is shown in Table 5. Table 6 arrays the Company's total loan portfolio as of December 31, 2003, based upon maturities. As a percent of the total portfolio, loans with fixed interest rates represent 32.5% as of December 31, 2003, versus 32.9% at December 31, 2002.

Table 5

<TABLE>
<CAPTION>

LOANS BY CATEGORY

	As of December 31,				
(Dollars in Thousands)	2003	2002	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>
Commercial, Financial and Agricultural	$ 160,048	$ 141,459	$ 128,480	$ 108,340	$ 98,894

Real Estate - Construction	89,149	91,110	72,778	84,133	62,166
Real Estate - Commercial Mortgage	391,250	356,807	302,239	231,099	214,036
Real Estate - Residential	467,790	474,069	530,546	444,489	383,536
Consumer	233,395	221,776	209,308	183,771	169,854
Total Loans, Net of Unearned Interest	$1,341,632	$1,285,221	$1,243,351	$1,051,832	$928,486

</TABLE>

Table 6

<TABLE>
<CAPTION>

LOAN MATURITIES

(Dollars in Thousands)	Maturity Periods: One Year or Less	Over One Through Five Years	Over Five Years	Total
<S>	<C>	<C>	<C>	<C>
Commercial, Financial and Agricultural	$ 66,448	$ 69,703	$ 23,896	$ 160,048
Real Estate	155,684	126,634	665,871	948,189
Consumer<F1>	61,872	141,386	30,138	233,395
Total	$284,004	$337,723	$719,905	$1,341,632
Loans with Fixed Rates	$189,337	$222,813	$ 24,039	$ 436,189
Loans with Floating or Adjustable Rates	94,667	114,910	695,866	905,443
Total	$284,004	$337,723	$719,905	$1,341,632

<FN>
<F1> Demand loans and overdrafts are reported in the category of one year or less.
</FN>
</TABLE>

Allowance for Loan Losses

Management maintains the allowance for loan losses at a level sufficient to provide for the estimated credit losses inherent in the loan portfolio as of the balance sheet date. Credit losses arise from the borrowers' inability and unwillingness to repay, and from other risks inherent in the lending process including collateral risk, operations risk, concentration risk and economic risk. As such, all related risks of lending are considered when assessing the adequacy of the loan loss reserve. The allowance for loan losses is established through a provision charged to expense. Loans are charged against the allowance when management believes collection of the principal is unlikely. The allowance for loan losses is based on management's judgment of overall loan quality. This is a significant estimate based on a detailed analysis of the loan portfolio. The balance can and will change based on changes in the assessment of the portfolio's overall credit quality.

Management evaluates the adequacy of the allowance for loan losses on a quarterly basis. Loans that have been identified as impaired are reviewed for adequacy of collateral, with a specific reserve assigned to those loans when necessary. Impaired loans are defined as those in which the full collection of principal and interest in accordance with the contractual terms is improbable. Impaired loans generally include those that are past due for 90 days or more and those classified as doubtful in accordance with the Company's risk rating system. Loans classified as doubtful have a high possibility of loss, but because of certain factors that may work to strengthen the loan, its classification as a loss is deferred until a more exact status may be determined. Not all loans are considered in the review for impairment; only loans that are for business purposes exceeding $25,000 are considered. The evaluation is based on current financial condition of the borrower or current payment status of the loan.

The method used to assign a specific reserve depends on whether repayment of

the loan is dependent on liquidation of collateral. If repayment is dependent on the sale of collateral, the reserve is equivalent to the recorded investment in the loan less the fair value of the collateral after estimated sales expenses. If repayment is not dependent on the sale of collateral, the reserve is equivalent to the recorded investment in the loan less the estimated cash flows discounted using the loan's effective interest rate. The discounted value of the cash flows is based on the anticipated timing of the receipt of cash payments from the borrower.

The reserve allocations assigned to impaired loans are sensitive to the extent market conditions or the actual timing of cash receipts change.

Once specific reserves have been assigned to impaired loans, general reserves are assigned to the remaining portfolio. General reserves are assigned to commercial purpose loans exceeding $100,000 that are not impaired, but that have weaknesses requiring closer management attention. General reserves are also assigned to commercial purpose loans exceeding $100,000 that do not exhibit weaknesses requiring closer monitoring. Finally, general reserves are assigned to large groups of smaller-balance homogenous loans, including commercial purpose loans less than $100,000, consumer loans, credit card loans and residential mortgage loans.

Large commercial purpose loans exhibiting specific weaknesses are detailed in a monthly Problem Loan Report. These loans are divided into ten different pools based on various risk characteristics and the underlying value of collateral taken to secure specific loans within the pools. These classified loans are monitored for changes in risk ratings that are assigned based on the Bank's Asset Classification Policy, and for the ultimate disposition of the loan. The ultimate disposition may include upgrades in risk ratings, payoff of the loan, or charge-off of the loan. This migration analysis results in a charge-off ratio by loan pool of classified loans that is applied to the balance of the pool to determine general reserves for specifically identified problem loans. This charge-off ratio is adjusted for various environmental factors including past due and nonperforming trends in the loan portfolio, the micro-and macro-economic outlook, and credit administration practices as determined by independent parties.

General reserves are assigned to large commercial purpose loans exceeding $100,000 that do not exhibit weaknesses and pools of smaller-balance homogenous loans based on calculated overall charge-off ratios over the past three years. The charge-off ratios applied are adjusted as detailed above, with further consideration given to the highest charge-off experience of the bank dating back to the recession of the late 1980s.

The allowance for loan losses is compared against the sum of the specific reserves assigned to problem loans plus the general reserves assigned to pools of loans that are not specific problem loans. Adjustments are made when appropriate. A most likely reserve value is determined within the computed range of required calculated reserve, with the actual allowance for loan losses compared to the most likely reserve value. The unallocated reserve is monitored on a regular basis and adjusted based on qualitative factors. Table 7 analyzes the activity in the allowance over the past five years.

Table 7

<TABLE>
<CAPTION>

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES

	For the Years Ended December 31,				
(Dollars in Thousands)	2003	2002	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>
Balance at Beginning of Year	$12,495	$12,096	$10,564	$ 9,929	$9,827
Acquired Reserves	-	-	1,206	-	-
Charge-Offs:					
Commercial, Financial and Agricultural	426	818	483	626	480
Real Estate - Construction	-	-	-	7	-
Real Estate - Commercial Mortgage	91	-	32	-	354
Real Estate - Residential	228	175	159	168	251
Consumer	3,794	3,279	3,976	2,387	2,113
Total Charge-Offs	4,539	4,272	4,650	3,188	3,198

Recoveries:					
Commercial, Financial and Agricultural	142	136	44	52	142
Real Estate - Construction	-	-	-	11	-
Real Estate - Commercial Mortgage	-	20	65	73	84
Real Estate - Residential	18	37	116	54	11
Consumer	877	1,181	768	513	623
Total Recoveries	1,037	1,374	993	703	860
Net Charge-Offs	3,502	2,898	3,657	2,485	2,338
Provision for Loan Losses	3,436	3,297	3,983	3,120	2,440
Balance at End of Year	$12,429	$12,495	$12,096	$10,564	$9,929
Ratio of Net Charge-Offs to Average Loans Outstanding	.27%	.23%	.31%	.25%	.26%
Allowance for Loan Losses as a Percent of Loans at End of Year	.93%	.97%	.97%	1.00%	1.07%
Allowance for Loan Losses as a Multiple of Net Charge-Offs	3.55x	4.31x	3.31x	4.25x	4.25x

</TABLE>

The allowance for loan losses at December 31, 2003 of $12.4 million compares to $12.5 million at year-end 2002. The allowance as a percent of total loans was 0.93% in 2003 and 0.97% in 2002. The allowance for loan losses as a percentage of loans reflects management's current estimation of the credit quality of the Company's loan portfolio. While there can be no assurance that the Company will not sustain loan losses in a particular period that are substantial in relation to the size of the allowance, management's assessment of the loan portfolio does not indicate a likelihood of this occurrence. It is management's opinion that the allowance at December 31, 2003 is adequate to absorb losses inherent in the loan portfolio at year-end.

Table 8 provides an allocation of the allowance for loan losses to specific loan types for each of the past five years. The reserve allocations, as calculated using the above methodology, are assigned to specific loan categories corresponding to the type represented within the components discussed. The greatest losses experienced by the Company have occurred in the consumer loan portfolio, including credit cards. As such, the greatest amount of the allowance is allocated to consumer loans despite its relatively small balance. Management is constantly reviewing the delivery, underwriting and collection of these products to reduce loan losses.

Risk Element Assets

Risk element assets consist of nonaccrual loans, renegotiated loans, other real estate, loans past due 90 days or more, potential problem loans and loan concentrations. Table 9 depicts certain categories of the Company's risk element assets as of December 31 for each of the last five years. Potential problem loans and loan concentrations are discussed within the narrative portion of this section.

The Company's nonperforming loans decreased $164,000, or 6.6% from a level of $2.5 million at December 31, 2002, to $2.3 million at December 31, 2003. During 2003 loans totaling approximately $9.0 million were added, while loans totaling $9.2 million were removed from nonaccruing status. A single loan of $3.7 million was both added and removed during the year. Of the $9.2 million removed, $1.5 million consisted of principal reductions and loan payoffs, $5.1 million represented loans transferred to other real estate, $2.4 million consisted of loans brought current and returned to an accrual status, and $165,000 was charged off. Where appropriate, management has allocated specific reserves to absorb anticipated losses. The majority (83%) of the Company's charge-offs in 2003 were in the consumer portfolio where loans are charged off based on past due status and are not recorded as nonaccruing loans.

All nonaccrual loans exceeding $25,000 not secured by 1-4 family residential properties are reviewed quarterly for impairment. A loan is considered impaired when it is probable that all principal and interest will not be collected according to the contractual terms. When a loan is considered impaired, it is reviewed for exposure to credit loss. If credit loss is probable, a specific reserve is allocated to absorb the anticipated loss. The Company had $1.3 million in loans considered impaired at December 31, 2003. The anticipated loss in those impaired loans is only $178,000.

Table 8

<TABLE>
<CAPTION>

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES

(Dollars in Thousands)	2003 Allowance Amount	2003 Percent of Loans in Each Category To Total Loans	2002 Allowance Amount	2002 Percent of Loans in Each Category To Total Loans	2001 Allowance Amount	2001 Percent of Loans in Each Category To Total Loans	2000 Allowance Amount	2000 Percent of Loans in Each Category To Total Loans	1999 Allowance Amount	1999 Percent of Loans in Each Category To Total Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial, Financial and Agricultural	$ 2,824	11.9%	$ 2,740	11.0%	$ 3,257	10.3%	$ 1,423	10.3%	$1,873	10.7%
Real Estate:										
Construction	313	6.6	348	7.1	600	5.9	424	8.0	477	6.7
Commercial Mortgage	2,831	29.2	2,559	27.8	3,098	24.3	3,157	22.0	3,228	23.0
Residential	853	34.9	1,021	36.9	947	42.7	922	42.3	573	41.3
Consumer	4,169	17.4	4,210	17.2	4,194	16.8	3,423	17.4	3,327	18.3
Not Allocated	1,439	-	1,617	-	-	-	1,215	-	451	-
Total	$12,429	100.0%	$12,495	100.0%	$12,096	100.0%	$10,564	100.0%	$9,929	100.0%

</TABLE>

Table 9

<TABLE>
<CAPTION>

RISK ELEMENT ASSETS

(Dollars in Thousands)	As of December 31, 2003	2002	2001	2000	1999
<S>	<C>	<C>	<C>	<C>	<C>
Nonaccruing Loans	$ 2,346	$ 2,510	$ 2,414	$ 2,919	$ 2,965
Restructured	-	-	20	19	26
Total Nonperforming Loans	2,346	2,510	2,434	2,938	2,991
Other Real Estate	4,955	1,333	1,506	971	934
Total Nonperforming Assets	$ 7,301	$ 3,843	$ 3,940	$ 3,909	$ 3,925
Past Due 90 Days or More	$ 328	$ 2,453	$ 1,065	$ 1,102	$ 781
Nonperforming Loans/Loans	.17%	.20%	.20%	.28%	.32%
Nonperforming Assets/Loans Plus Other Real Estate	.54%	.30%	.32%	.37%	.42%

Nonperforming Assets/Capital<F1>	3.39%	1.93%	2.14%	2.47%	2.76%
Reserve/Nonperforming Loans	529.80%	497.72%	496.96%	359.57%	331.96%

<FN>
<F1> For computation of this percentage, "capital" refers to shareowners' equity plus the allowance for loan losses.
</FN>
</TABLE>

Interest on nonaccrual loans is generally recognized only when received. Cash collected on nonaccrual loans is applied against the principal balance or recognized as interest income based upon management's expectations as to the ultimate collectibility of principal and interest in full. If interest on nonaccruing loans had been recognized on a fully accruing basis, interest income recorded would have been $166,000 higher for the year ended December 31, 2003.

Other real estate totaled $5.0 million at December 31, 2003, versus $1.3 million at December 31, 2002. This category includes property owned by Capital City Bank that was acquired either through foreclosure procedures or by receiving a deed in lieu of foreclosure. During 2003, the Company added properties totaling $5.4 million, and partially or completely liquidated properties totaling $1.7 million, resulting in a net increase in other real estate of approximately $3.7 million. The majority of the increase is the result of foreclosing on a large commercial building in December. The amount of the loan was $3.9 million. The building was under contract at year-end, and was subsequently sold with no loss of principal.

Potential problem loans are defined as those loans which are now current but where management has doubt as to the borrower's ability to comply with present loan repayment terms. Potential problem loans totaled $3.5 million at December 31, 2003.

Loans past due 90 days or more totaled $328,000 at year-end, down from $2.4 million from the previous year. This is primarily the result of the payoff of one loan, and one other loan being brought current.

Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which cause them to be similarly impacted by economic or other conditions and such amount exceeds 10% of total loans. Due to the lack of diversified industry within the markets served by the Bank and the relatively close proximity of the markets, the Company has both geographic concentrations as well as concentrations in the types of loans funded. Specifically, due to the nature of the Company's markets, a significant portion of the portfolio has historically been secured with real estate.

While the Company has a majority of its loans secured by real estate, the primary type of real estate collateral is 1-4 family residential properties. At December 31, 2003, approximately 70.7% of the portfolio consisted of real estate loans. Residential properties comprise approximately 49.3% of the real estate portfolio.

The real estate portfolio, while subject to cyclical pressures, is not typically speculative in nature and is originated at amounts that are within or below regulatory guidelines for collateral values. Management anticipates no significant reduction in the percentage of real estate loans to total loans outstanding.

Management is continually analyzing its loan portfolio in an effort to identify and resolve its problem assets as quickly and efficiently as possible. As of December 31, 2003, management believes it has identified and adequately reserved for such problem assets. However, management recognizes that many factors can adversely impact various segments of its markets, creating financial difficulties for certain borrowers. As such, management continues to focus its attention on promptly identifying and providing for potential losses as they arise.

Investment Securities

In 2003, the Company's average investment portfolio decreased $18.9 million, or 9.2%, from 2002 and $44.5 million, or 17.8%, from 2002 compared to 2001. As a percentage of average earning assets, the investment portfolio represented 11.4% in 2003, compared to 13.2% in 2002. In both years, the decline in the portfolio was attributable to the maturities of investment securities in most categories,, which in anticipation of future loan growth, were not replaced during the period. In 2004, the Company will closely monitor liquidity levels to determine if the Company should purchase

additional investments.

In 2003, average taxable investments decreased $11.3 million, or 8.3%, while tax-exempt investments decreased $7.5 million, or 10.9%. Although the Tax Reform Act of 1986 significantly reduced the tax benefits associated with tax-exempt securities, management will continue to purchase "bank qualified" municipal issues when it considers the yield to be attractive and the Company can do so without adversely impacting its tax position. As of December 31, 2003, the Company may purchase additional tax-exempt securities without adverse tax consequences.

The investment portfolio is a significant component of the Company's operations and, as such, it functions as a key element of liquidity and asset/liability management. As of December 31, 2003, all securities are classified as available-for-sale. Classifying securities as available-for-sale offers management full flexibility in managing its liquidity and interest rate sensitivity without adversely impacting its regulatory capital levels. Securities in the available-for-sale 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 (loss) component of shareowners' equity. At December 31, 2003, shareowners' equity included a net unrealized gain of $1.4 million, compared to a gain of $3.1 million at December 31, 2002. It is neither management's intent nor practice to participate in the trading of investment securities for the purpose of recognizing gains and therefore the Company does not maintain a trading portfolio.

The average maturity of the total portfolio at December 31, 2003 and 2002, was 0.90 and 1.32 years, respectively. See Table 10 for a breakdown of maturities by portfolio.

The weighted average taxable equivalent yield of the investment portfolio at December 31, 2003 was 2.69%, versus 4.98% in 2002. The quality of the municipal portfolio at such date is depicted on page 38. There were no investments in obligations, other than U.S. Governments, of any one state, municipality, political subdivision or any other issuer that exceeded 10% of the Company's shareowners' equity at December 31, 2003.

Table 10 and Note 3 in the Notes to Consolidated Financial Statements present a detailed analysis of the Company's investment securities as to type, maturity and yield.

Table 10

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MATURITY DISTRIBUTION OF INVESTMENT SECURITIES

	As of December 31,								
	2003			2002			2001		
(Dollars in Thousands)	Amortized Cost	Market Value	Weighted<F1> Average Yield	Amortized Cost	Market Value	Weighted<F1> Average Yield	Amortized Cost	Market Value	Weighted<F1> Average Yield
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. GOVERNMENTS									
Due in 1 year or less	$ 82,654	$ 82,749	1.26%	$ 27,037	$ 27,651	4.57%	$ 15,307	$ 15,582	5.24%
Due over 1 year through 5 years	22,706	22,848	2.04	34,476	34,751	3.09	25,996	26,797	5.25
Due over 5 years through 10 years	-	-	-	-	-	-	-	-	-
Due over 10 years	-	-	-	-	-	-	-	-	-
TOTAL	105,360	105,597	1.43	61,513	62,402	3.74	41,303	42,379	5.25

STATE & POLITICAL SUBDIVISIONS

Due in 1 year or less	19,018	19,205	4.18	5,193	5,251	5.48	9,227	9,312	6.56
Due over 1 year through 5 years	36,046	37,337	4.47	56,724	59,264	5.96	60,149	61,236	6.00
Due over 5 years through 10 years	577	610	4.36	928	960	6.41	1,336	1,329	6.32
Due over 10 years	-	-	-	-	-	-	193	188	6.53
	--------	--------	----	--------	--------	----	--------	--------	----
TOTAL	55,641	57,152	4.37	62,845	65,475	5.93	70,905	72,065	6.08
MORTGAGE-BACKED SECURITIES<F2>									
Due in 1 year or less	356	361	5.12	10,593	10,707	4.66	6,707	6,785	5.29
Due over 1 year through 5 years	11,167	11,586	5.29	24,048	25,112	5.61	56,803	57,599	5.71
Due over 5 years through 10 years	95	98	3.26	109	111	4.27	872	864	5.89
Due over 10 years	-	-	-	-	-	-	-	-	-
	--------	--------	----	--------	--------	----	--------	--------	----
TOTAL	11,618	12,045	5.27	34,750	35,930	5.31	64,382	65,248	5.67
OTHER SECURITIES									
Due in 1 year or less	1,003	1,016	6.18	8,515	8,693	5.42	22,284	22,646	5.60
Due over 1 year through 5 years	-	-	-	1,016	1,065	6.18	9,619	9,880	5.53
Due over 5 years through 10 years	2	2	-	127	127	-	-	-	-
Due over 10 years<F3>	5,922	5,922	3.89	6,623	6,623	5.12	6,871	6,855	6.11
	--------	--------	----	--------	--------	----	--------	--------	----
TOTAL	6,927	6,940	4.22	16,281	16,508	5.34	38,774	39,381	5.67
TOTAL INVESTMENT SECURITIES	$179,546	$181,734	2.69%	$175,389	$180,315	4.98%	$215,364	$219,073	5.72%
	========	========	====	========	========	====	========	========	====

<FN>
<F1> Weighted average yields are calculated on the basis of the amortized cost of the security. The weighted average yields on tax-exempt obligations are computed on a taxable equivalent basis using a 35% tax rate.

<F2> Based on weighted average life.

<F3> Federal Home Loan Bank Stock and Federal Reserve Bank Stock are included in this category for weighted average yield, but do not have stated maturities.
</FN>
</TABLE>

<TABLE>
<CAPTION>

AVERAGE MATURITY (In Years)

	AS OF DECEMBER 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
U.S. Governments	.73	.75	1.16
State and Political Subdivisions	1.23	1.99	2.69
Mortgage-Backed Securities	1.56	1.60	2.41
Other Securities	.30	.75	.89
TOTAL	.90	1.32	2.02

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MUNICIPAL PORTFOLIO QUALITY
(Dollars in Thousands)

Moody's Rating   Amortized Cost   Percentage

AAA	$36,854	66.2%
AA-1	2,977	5.4
AA-2	1,057	1.9
AA-3	1,881	3.4
AA	80	.1
A-1	374	.7
A-2	734	1.3
Not Rated<F1>	11,684	21.0
Total	$55,641	100.0%

<F1> All of the securities not rated by Moody's are rated "A" or higher by S&P.

Deposits and Funds Purchased

Average total deposits of $1.4 billion in 2003 increased $6.8 million, or 0.5% from the prior year. Growth of nonmaturity deposits created a favorable shift in deposit mix and a positive impact on the Bank's cost of funds. This was partially offset by the continued decline in certificates of deposit. Average certificates of deposit as a percent of average total deposits have declined from 34.7% in 2002 to 30.2% in 2003. This was primarily a result of increased competition and the relative low level of interest rates.

Table 2 provides an analysis of the Company's average deposits, by category, and average rates paid thereon for each of the last three years. Table 11 reflects the shift in the Company's deposit mix over the last three years and Table 12 provides a maturity distribution of time deposits in denominations of $100,000 and over.

Average short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase, Federal Home Loan Bank advances, and other borrowings, increased $28.7 million, or 39.5%. The increase is primarily attributable to the reclassification of two Federal Home Loan Bank advances totaling $40 million from long-term debt. See Note 9 in the Notes to Consolidated Financial Statements for further information.

Table 11

SOURCES OF DEPOSIT GROWTH
(Average Balances - Dollars in Thousands)

	2002 to 2003 Change	Percentage of Total Change	Components of Total Deposits 2003	2002	2001
Noninterest Bearing Deposits	$49,111	721.2%	28.6%	25.3%	21.2%
NOW Accounts	22,286	327.3	18.4	17.0	14.9
Money Market Accounts	(8,678)	(127.4)	15.1	15.7	14.5
Savings	4,870	71.5	7.7	7.4	7.5
Time Deposits	(60,780)	(892.6)	30.2	34.7	41.9
Total Deposits	$ 6,809	100.0%	100.0%	100.0%	100.0%

Table 12

MATURITY DISTRIBUTION OF CERTIFICATES OF DEPOSIT $100,000 OR OVER

December 31, 2003

(Dollars in Thousands)	Time Certificates of Deposit	Percent
Three months or less	$ 44,033	41.1%
Over three through six months	20,318	19.0
Over six through twelve months	20,220	18.9
Over twelve months	22,610	21.0
Total	$107,181	100.0%

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Liquidity for a banking institution is the availability of funds to meet increased loan demand and/or excessive deposit withdrawals. Management monitors the Company's financial position in an effort to ensure the Company has ready access to sufficient liquid funds to meet normal transaction requirements, can take advantage of investment opportunities and cover unforeseen liquidity demands. In addition to core deposit growth, sources of funds available to meet liquidity demands include cash received through ordinary business activities (e.g., collection of interest and fees), federal funds sold, loan and investment maturities, bank lines of credit for the Company, approved lines for the purchase of federal funds by CCB and Federal Home Loan Bank advances.

The Company ended 2003 with approximately $125 million in liquidity, a decline of approximately $45 million from the previous year-end. The decline was primarily the result of loan growth. The Company intends to use approximately $26.1 million of cash to acquire Quincy State Bank, which may decrease liquidity in the first quarter of 2004. Management expects to use a mixture of debt and stock to fund future acquisition opportunities.

As of December 31, 2003, the Company had a $25.0 million credit facility under which all the funds were currently available. The facility offers the Company an unsecured, revolving line of credit that matures in May 2004 at which time renewal terms will be negotiated. Upon expiration of the revolving line of credit, the outstanding balance may be converted to a term loan and repaid over a period of seven years. The term loan is to be secured by stock of the subsidiary bank equal to at least 125% of the principal balance of the term loan. The Company, at its option, may select from various loan rates including Prime, LIBOR or the lenders' Cost of Funds rate ("COF"), plus or minus increments thereof. The LIBOR or COF rates may be fixed for a period of up to six months. The Company also has the option to select fixed rates for periods of one through five years. As of December 31, 2003, the Company did not have any debt outstanding on the line of credit.

The Company's credit facility imposes certain limitations on the level of the Company's equity capital, and federal and state regulatory agencies have established regulations which govern the payment of dividends to a bank holding company by its bank subsidiaries. As of year-end 2003, the Company was in compliance with all of these contractual and/or regulatory requirements. A further discussion of the Company's credit facility can be found in Note 10 in the Notes to Consolidated Financial Statements.

At December 31, 2003, the Company had $46.5 million in long-term debt outstanding to the Federal Home Loan Bank of Atlanta. The debt consists of 29 loans. The interest rates are fixed and the weighted average rate at December 31, 2003 was 4.27%. Required annual principal reductions approximate $1.5 million, with the remaining balances due at maturity ranging from 2005 to 2023. During 2003, the Company reclassified $40 million, consisting of two advances from the Federal Home

Loan Bank of Atlanta, from long-term to short-term debt. Additions to long-term debt consists of approximately $16 million used to match-fund longer-term, fixed rate loan products, which management elected not to fund internally due to asset/liability management considerations. The debt is secured by 1-4 family residential mortgage loans. See Note 10 in the Notes to Consolidated Financial Statements for additional information as to the Company's long-term debt.

It is anticipated that capital expenditures will approximate $5 million over the next twelve months. These capital expenditures are expected to consist primarily of several new offices in existing markets, office equipment and furniture, and technology purchases. Management believes these capital expenditures can be funded internally without impairing the Company's ability to meet its on-going obligations.

Table 13

Table 13 sets forth certain information about contractual cash obligations at December 31, 2003.

	Payments Due By Period				
(Dollars in Thousands)	1 Year or Less	1 - 3 Years	4 - 5 Years	After 5 Years	Total
Long-Term Debt Obligations	$1,878	$19,790	$5,942	$18,865	$46,475
Operating Lease Obligations	1,107	2,757	1,937	1,009	6,810
Total Contractual Cash Obligations	$2,985	$22,547	$7,879	$19,874	$53,285

Capital

The Company continues to maintain a strong capital position. The ratio of shareowners' equity to total assets at year-end was 10.98%, 10.22% and 9.43%, in 2003, 2002 and 2001, respectively.

The Company is subject to risk-based capital guidelines that measure capital relative to risk weighted assets and off-balance sheet financial instruments. Capital guidelines issued by the Federal Reserve Board require bank holding companies to have a minimum total risk-based capital ratio of 8.00%, with at least half of the total capital in the form of Tier 1 capital. As of December 31, 2003, the Company exceeded these capital guidelines with a total risk-based capital ratio of 13.79% and a Tier 1 ratio of 12.88%, compared to 13.00% and 12.03%, respectively, in 2002.

In addition, a tangible leverage ratio is now being used in connection with the risk-based capital standards and is defined as Tier 1 capital divided by average assets. The minimum leverage ratio under this standard is 3% for the highest-rated bank holding companies which are not undertaking significant expansion programs. An additional 1% to 2% may be required for other companies, depending upon their regulatory ratings and expansion plans. On December 31, 2003, the Company had a leverage ratio of 9.51% compared to 8.46% in 2002. See Note 14 in the Notes to Consolidated Financial Statements for additional information as to the Company's capital adequacy.

Shareowners' equity as of December 31, for each of the last three years is presented below:

Shareowners' Equity
(Dollars in Thousands)

	2003	2002	2001
Common Stock	$ 132	$ 132	$ 132
Additional Paid-in Capital	16,157	14,691	17,152
Retained Earnings	185,134	168,587	152,149
Subtotal	201,423	183,410	169,433
Accumulated Other Comprehensive Income, Net of Tax	1,386	3,121	2,350
Total Shareowners' Equity	$202,809	$186,531	$171,783

At December 31, 2003, the Company's common stock had a book value of $15.27 per diluted share compared to $14.08 in 2002. Beginning in 1994, book value has been impacted by the net unrealized gains and losses on investment securities available-for-sale. At December 31, 2003, the net unrealized gain was $1.4 million compared to a net unrealized gain in 2002 of $3.1 million. The decrease in unrealized gain is a result of changes in the portfolio due to securities which have matured or been called and a slight increase in interest rates.

On March 30, 2000, the Company's Board of Directors authorized the repurchase of up to 625,000 shares of its outstanding common stock. The purchases are made in the open market or in privately negotiated transactions. The Company acquired 155,775 shares during 2002 and 267,500 shares during 2001. On January 24, 2002, the Company's Board of Directors authorized the repurchase of an additional 312,500 shares of its outstanding common stock. From March 30, 2000 through February 27, 2004, the Company repurchased 572,707 shares at an average purchase price of $19.18 per share.

The Company offers an Associate Incentive Plan under which certain associates are eligible to earn shares of CCBG stock based upon achieving established performance goals. In 2003, the Company issued 10,596 shares, valued at approximately $332,000 under this plan.

The Company also offers stock purchase plans, whereby employees and directors may purchase shares at a 10% discount. In 2003, 30,095 shares, valued at approximately $904,000, were issued under these plans.

Dividends

Adequate capital and financial strength is paramount to the stability of the Company and its subsidiary bank. Cash dividends declared and paid should not place unnecessary strain on the Company's capital levels. When determining the level of dividends the following factors are considered:

* Compliance with state and federal laws and regulations;
* The Company's capital position and its ability to meet its financial obligations;
* Projected earnings and asset levels; and
* The ability of the Bank and CCBG to fund dividends.

Although a consistent dividend payment is believed to be favorably viewed by the financial markets and shareowners, the Board of Directors will declare dividends only if the Company is considered to have adequate capital. Future capital requirements and corporate plans are considered when the Board considers a dividend payment.

Dividends declared and paid totaled $.656 per share in 2003. During the second quarter of 2003 the Company declared a dividend of $.170 per share, an increase of 25.0% from $.136 per share paid in the first quarter. The dividend was raised 6.0% in the fourth quarter of 2003 from $.170 per share to $.180 per share. The Company declared dividends of $.502 per share in 2002 and $.476 per share in 2001. The dividend payout ratio was 34.51%, 28.87% and 37.48% for 2003, 2002 and 2001, respectively. Total cash dividends declared per share in 2003 represented a 30.7% increase over 2002. All share and per share data has been adjusted to reflect the five-for-four stock dividend paid on June 13, 2003.

Legal Developments

Prior to 2002, the Bank maintained relationships with a small number of Independent Service Organizations ("ISO"s) in connection with its card processing operations. Certain merchant clients of one ISO have alleged they are entitled to receive financial reserves placed with the ISO. The Bank is currently named as a co-defendant in two lawsuits brought against the ISO by merchants. Management does not believe that the ultimate resolution of these lawsuits will have a material impact on the Company's financial position or results of operations. The Bank no longer maintains merchant service relationships with ISOs.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not currently engage in the use of derivative instruments to hedge interest rate risks. However, the Company is a party to financial instruments with off-balance sheet risks in the normal course of business to meet the financing needs of its customers.

At December 31, 2003, the Company had $290.3 million in commitments to extend credit and $6.3 million in standby letters of credit. Commitments to extend

credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The Company uses the same credit policies in establishing commitments and issuing letters of credit as it does 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 its ability to meet on-going obligations. In the event these

commitments require funding in excess of historical levels, management believes current liquidity, available lines of credit from the Federal Home Loan Bank, investment security maturities and the Company's $25.0 million credit facility provide a sufficient source of funds to meet these commitments.

ACCOUNTING POLICIES

Critical Accounting Policies

The consolidated financial statements and accompanying Notes to Consolidated Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America, which require the Company to make various estimates and assumptions (see Note 1 in the Notes to Consolidated Financial Statements). The Company believes that, of its significant accounting policies, the following may involve a higher degree of judgment and complexity.

Allowance for Loan Losses: The allowance for loan losses is established through a charge to the provision for loan losses. Provisions are made to reserve for estimated losses in loan balances. The allowance for loan losses is a significant estimate and is evaluated quarterly by the Company for adequacy. The use of different estimates or assumptions could produce a different required allowance, and thereby a larger or smaller provision recognized as expense in any given reporting period. A further discussion of the allowance for loan losses can be found in the section entitled "Allowance for Loan Losses" and Note 1 in the Notes to Consolidated Financial Statements.

Intangible Assets: Intangible assets consist primarily of goodwill and core deposit assets that were recognized in connection with various acquisitions. Goodwill represents the excess of the cost of acquired businesses over the fair market value of their identifiable net assets. The Company performs an impairment review on an annual basis to determine if there has been impairment of its goodwill. The Company has determined that no impairment existed at December 31, 2003. Impairment testing requires management to make significant judgments and estimates relating to the fair value of its identified reporting units. Significant changes to these estimates may have a material impact on the Company's reported results.

Core deposit assets represent the premium the Company paid for core deposits. Core deposit intangibles are amortized on the straight-line method over various periods ranging from 7-10 years, with the majority being amortized over approximately 10 years. Generally, core deposits refer to nonpublic, nonmaturing deposits including noninterest-bearing deposits, NOW, money market and savings. The Company makes certain estimates relating to the useful life of these assets, and rate of run-off based on the nature of the specific assets and the customer bases acquired. If there is a reason to believe there has been a permanent loss in value, management will assess these assets for impairment. Any changes in the original estimates may materially affect reported earnings.

Pension Assumptions: The Company has a trusteed defined benefit pension plan for the benefit of substantially all employees of the Company and its subsidiary. The Company's funding policy with respect to the pension plan is to contribute amounts to the plan sufficient to meet minimum funding requirements as set by law. Pension expense, reflected in the Consolidated Statements of Income in noninterest expense as "Salaries and Associate Benefits", is determined by an external actuarial valuation based on assumptions that are evaluated annually as of December 31, the measurement date for the pension obligation. The Consolidated Balance Sheets reflect a prepaid pension benefit cost due to funding levels and unrecognized actuarial amounts. The most significant assumptions used in calculating the pension obligation are the weighted-average discount rate used to determine the present value of the pension obligation, the weighted-average expected long-term rate of return on plan assets, and the assumed rate of annual

compensation increases. These assumptions are re-evaluated annually with the external actuaries, taking into consideration both current market conditions and anticipated long-term market conditions.

The weighted-average discount rate is determined by matching anticipated Retirement Plan cash flows for a 30-year period to long-term corporate Aa-rated bonds and solving for the underlying rate of return which investing in such securities would generate. This methodology is applied consistently from year-to-year. The discount rate utilized in 2003 was 6.75%. The estimated impact to 2003 pension expense of a 25 basis point increase or decrease in the discount rate would have been a decrease of approximately $175,000 and an increase of approximately $185,000, respectively. The discount rate to be used in 2004 will be 6.25%.

The weighted-average expected long-term rate of return on plan assets is determined based on the current and anticipated future mix of assets in the plan. The assets currently consist of equity securities, U.S. Government and Government agency debt securities, and other securities (typically temporary liquid funds awaiting

investment). The weighted-average expected long-term rate of return on plan assets utilized in 2003 was 8.25%. The estimated impact to pension expense of a 25 basis point increase or decrease in the rate of return would have been an approximate $66,000 decrease or increase, respectively. The rate of return on plan assets for 2004 will be 8.0%.

The assumed rate of annual compensation increases (5.50% in 2003) is based on expected trends in salaries and the employee base. This assumption is not expected to change materially in 2004.

Detailed information on the pension plan, the actuarially determined disclosures, and the assumptions used are provided in Note 12 of the Notes to Consolidated Financial Statements.

Accounting Pronouncements

In December 2003, the FASB issued Interpretation No. 46 ("FIN46") (revised December 2003 ("FIN46R")), "Consolidation of Variable Interest Entities," which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN46R replaces FIN46, which was issued in January 2003. FIN46R applies immediately to a variable interest entity created after January 31, 2003 and as of the first interim period ending after March 15, 2004 to those variable interest entities created before February 1, 2003 and not already consolidated under FIN46 in previously issued financial statements. The Company does not hold any interest in variable interest entities that would require accounting treatment prescribed by this pronouncement.

In May 2003, the FASB issued SFAS No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not currently maintain any financial instruments that would require the accounting treatment prescribed by this pronouncement.

In November 2002, the FASB issued Interpretation No. 45 ("FIN45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The Interpretation also requires the recognition of a liability by a guarantor at the inception of certain guarantees.

FIN45 requires the guarantor to recognize a liability for the non-contingent component of the guarantee; this is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The Company has adopted the disclosure requirements of FIN45 and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. To date, the Company has not entered into or modified any guarantees pursuant to the provisions of FIN45.

In October 2002, the FASB issued SFAS No. 147, "Accounting for Certain Acquisitions of Banking or Thrift Institutions" ("SFAS 147"). SFAS 147 removes financial institutions (with the exception of combinations of mutual enterprises) from the scope of both SFAS No. 72 ("SFAS 72"), "Accounting for Certain Acquisitions of

Banking or Thrift Institutions" and FASB Interpretation No. 9, applying APB Opinions No. 16 and 17, "When a Savings and Loan Association or a Similar Institution is Acquired in a Business Combination Accounted for by the Purchase Method" and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." As a result, the requirement under SFAS 72 to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of SFAS 147. In addition, SFAS 147 amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The adoption of SFAS 147 has not had a material impact on the reported results of operations of the Company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Overview

Market risk management arises from changes in interest rates, exchange rates, commodity prices, and equity prices. The Company has risk management policies to monitor and limit exposure to market risk and does 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, policies are in place that are designed to minimize structural interest rate risk.

Interest Rate Risk Management

The normal course of business activity exposes CCBG to interest rate risk. Fluctuations in interest rates may result in changes in the fair market value of the Company's financial instruments, cash flows and net interest income. The Company seeks to avoid fluctuations in its net interest margin and to maximize net interest income within acceptable levels of risk through periods of changing interest rates. Accordingly, the Company's interest rate sensitivity and liquidity are monitored on an ongoing basis by its Asset and Liability Committee ("ALCO"), which oversees market risk management and establishes risk measures, limits and policy guidelines for managing the amount of interest rate risk and its effects on net interest income and capital. A variety of measures are used to provide for a comprehensive view of the magnitude of interest rate risk, the distribution of risk, the level of risk over time and the exposure to changes in certain interest rate relationships.

ALCO continuously monitors and manages the balance between interest rate-sensitive assets and liabilities. ALCO's objective is to manage the impact of fluctuating market rates on net interest income within acceptable levels. In order to meet this objective, management may adjust the rates charged/paid on loans/deposits or may shorten/lengthen the duration of assets or liabilities within the parameters set by ALCO.

The financial assets and liabilities of the Company are classified as other-than-trading. An analysis of the other-than-trading financial components, including the fair values, are presented in Table 14. This table presents the Company's consolidated interest rate sensitivity position as of year-end 2003 based upon certain assumptions as set forth in the Notes to the Table. The objective of interest rate sensitivity analysis is to measure the impact on the Company's net interest income due to fluctuations in interest rates. The asset and liability values presented in Table 14 may not necessarily be indicative of the Company's interest rate sensitivity over an extended period of time.

The Company expects rising rates to have a favorable impact on the net interest margin, subject to the magnitude and timeframe over which the rate changes occur. However, as general interest rates rise or fall, other factors such as current market conditions and competition may impact how the Company responds to changing rates and thus impact the magnitude of change in net interest income. Nonmaturity deposits offer management greater discretion as to the direction, timing, and magnitude of interest rate

changes and can have a material impact on the Company's interest rate sensitivity. In addition, the relative level of interest rates as compared to the current yields/rates of existing assets/liabilities can impact both the direction and magnitude of the change in net interest margin as rates rise and fall from one period to the next.

Inflation

The impact of inflation on the banking industry differs significantly from that of other industries in which a large portion of total resources are invested in fixed assets such as property, plant and equipment.

Assets and liabilities of financial institutions are virtually all monetary in nature, and therefore are primarily impacted by interest rates rather than changing prices. While the general level of inflation underlies most interest rates, interest rates react more to changes in the expected rate of inflation and to changes in monetary and fiscal policy. Net interest income and the interest rate spread are good measures of the Company's ability to react to changing interest rates and are discussed in further detail in the section entitled "Earnings Analysis."

Table 14

<TABLE>
<CAPTION>

FINANCIAL ASSETS AND LIABILITIES MARKET RISK ANALYSIS<F1>
Other Than Trading Portfolio

(Dollars in Thousands)	Maturing or Repricing in: Year 1	Year 2	Year 3	Year 4	Year 5	Beyond	Total	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Loans:								
Fixed Rate	$ 189,937	$109,418	$ 66,709	$28,405	$18,281	$24,039	$ 436,189	$ 443,801
Average Interest Rate	7.28%	7.55%	7.29%	7.64%	7.26%	6.70%	7.34%	
Floating Rate<F2>	561,911	134,646	168,809	18,042	6,163	15,872	905,443	921,740
Average Interest Rate	5.61%	6.80%	6.47%	7.37%	7.24%	6.97%	5.78%	
Investment Securities:<F3>								
Fixed Rate	111,775	48,948	7,935	2,016	1,409	8,104	180,187	181,719
Average Interest Rate	2.00%	3.20%	4.75%	4.98%	5.54%	4.24%	2.55%	
Floating Rate	1,547	-	-	-	-	-	1,547	15
Average Interest Rate	4.15%	-	-	-	-	-	4.15%	
Other Earning Assets:								
Floating Rate	125,452	-	-	-	-	-	125,452	125,452
Average Interest Rate	0.92%	-	-	-	-	-	0.92%	
Total Financial Assets	$ 990,022	$293,012	$243,453	$48,463	$25,853	$48,015	$1,648,818	$1,672,727
Average Interest Rate	4.91%	6.48%	6.64%	7.43%	7.16%	6.89%	5.47%	
Deposits:<F4>								
Fixed Rate	$ 327,213	$ 64,891	$ 22,590	$ 8,466	$ 1,815	$ 6	$ 424,981	$ 426,406
Average Interest Rate	1.69%	2.79%	3.16%	3.60%	2.92%	4.85%	1.98%	
Floating Rate	595,001	-	-	-	-	-	595,001	595,001
Average Interest Rate	0.27%	-	-	-	-	-	0.27%	
Other Interest Bearing Liabilities:								
Fixed Rate Debt	2,886	18,123	2,619	2,713	2,772	17,344	46,475	47,078
Average Interest Rate	4.80%	3.32%	4.58%	4.60%	4.60%	4.92%		

							4.23%	
Floating Rate Debt	108,184	-	-	-	-	-	108,184	108,184
Average Interest Rate	0.96%	-	-	-	-	-	0.96%	
Total Financial Liabilities	$1,033,284	$ 83,014	$ 25,209	$11,197	$ 4,587	$17,350	$1,174,641	$1,176,669
Average Interest Rate	1.04%	2.90%	3.31%	3.85%	3.94%	4.92%	1.12%	

<FN>
<F1> Based upon expected cash flows unless otherwise indicated.

<F2> Based upon a combination of expected maturities and repricing opportunities.

<F3> Based upon contractual maturity, except for callable and floating rate securities, which are based on expected maturity and weighted average life, respectively.

<F4> Savings, NOW and money market accounts can be repriced at any time, therefore, all such balances are included as floating rate deposits. Time deposit balances are classified according to maturity.
</FN>
</TABLE>

Item 8. Financial Statements and Supplementary Data

Table 15

<TABLE>
<CAPTION>

QUARTERLY FINANCIAL DATA (UNAUDITED)
(Dollars in Thousands, Except Per Share Data)

	2003				2002			
	Fourth	Third	Second	First	Fourth	Third	Second	First
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Summary of Operations:								
Interest Income	$ 24,113	$ 24,803	$ 25,234	$ 25,337	$ 26,052	$ 26,403	$ 26,599	$ 27,041
Interest Expense	3,339	3,506	3,894	4,100	4,667	4,946	5,693	7,197
Net Interest Income	20,774	21,297	21,340	21,237	21,385	21,457	20,906	19,844
Provision for Loan Losses	850	921	886	779	863	991	641	802
Net Interest Income After Provision for Loan Losses	19,924	20,376	20,454	20,458	20,522	20,466	20,265	19,042
Noninterest Income	10,614	10,952	10,428	9,945	10,898	8,810	8,334	8,061
Conversion/ Merger Expense	-	-	-	-	59	-	39	114
Noninterest Expense	21,684	21,503	20,753	20,438	20,971	20,249	20,075	19,118
Income Before Provision for Income Taxes	8,854	9,825	10,129	9,965	10,390	9,027	8,485	7,871
Provision for Income Taxes	2,758	3,529	3,689	3,604	3,668	3,226	3,037	2,760
Net Income	$ 6,096	$ 6,296	$ 6,440	$ 6,361	$ 6,722	$ 5,801	$ 5,448	$ 5,111

Net Interest Income (FTE)	$ 21,111	$ 21,650	$ 21,693	$ 21,607	$ 21,786	$ 21,873	$ 21,332	$ 20,284
Per Common Share:								
Net Income Basic	$ .47	$ .47	$ .49	$ .48	$ .51	$ .44	$ .41	$ .39
Net Income Diluted	.46	.47	.49	.48	.51	.44	.41	.38
Dividends Declared	.1800	.1700	.1700	.1360	.1360	.1220	.1220	.1220
Diluted Book Value	15.27	15.00	14.73	14.42	14.08	13.75	13.39	13.10
Market Price:								
High	46.83	40.93	36.43	32.32	32.04	29.55	27.84	22.00
Low	36.62	35.00	29.74	26.81	22.26	22.32	20.60	18.12
Close	45.99	38.16	36.08	31.29	31.35	26.45	27.62	21.60
Selected Average Balances:								
Loans	$1,329,673	$1,336,139	$1,316,705	$1,289,161	$1,292,892	$1,266,591	$1,234,787	$1,229,344
Earning Assets	1,636,269	1,634,689	1,612,133	1,615,287	1,591,535	1,511,485	1,547,603	1,575,698
Assets	1,819,552	1,816,005	1,786,991	1,796,657	1,762,174	1,678,620	1,720,095	1,748,211
Deposits	1,451,095	1,451,879	1,415,798	1,407,763	1,404,818	1,388,396	1,440,615	1,467,257
Shareowners' Equity	201,939	199,060	194,781	190,416	185,412	180,910	176,678	175,485
Common Equivalent Average Shares:								
Basic	13,223	13,221	13,209	13,207	13,189	13,189	13,219	13,305
Diluted	13,265	13,260	13,255	13,253	13,238	13,238	13,257	13,343
Ratios:								
ROA	1.33%	1.38%	1.45%	1.44%	1.51%	1.37%	1.27%	1.19%
ROE	11.98%	12.55%	13.26%	13.55%	14.38%	12.72%	12.37%	11.81%
Net Interest Margin (FTE)	5.12%	5.26%	5.40%	5.42%	5.44%	5.74%	5.52%	5.22%
Efficiency Ratio	65.80%	63.47%	62.09%	62.21%	61.68%	63.35%	64.81%	64.19%

<FN>
<F1> All share and per share data have been adjusted to reflect the 5-for-4 stock split effective June 13, 2003.
</FN>
</TABLE>

CONSOLIDATED FINANCIAL STATEMENTS

50 Independent Auditors' Report

51 Report of Independent Public Accountants

52 Consolidated Statements of Income

53 Consolidated Statements of Financial Condition

54 Consolidated Statements of Changes in Shareowners' Equity

55 Consolidated Statements of Cash Flows

56 Notes to Consolidated Financial Statements

Independent Auditors' Report

The Board of Directors
Capital City Bank Group, Inc.:

We have audited the accompanying consolidated statements of financial
condition of Capital City Bank Group, Inc. and subsidiary as of December 31,

2003 and 2002 and the related consolidated statements of income, changes in shareowners' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The consolidated statements of income, changes in shareowners' equity and cash flows of Capital City Bank Group, Inc. and subsidiary for the year ended December 31, 2001 were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements, before the revision described in Note 6 to the consolidated financial statements, in their report dated January 24, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2003 and 2002 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital City Bank Group, Inc. and subsidiary as of December 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of recording stock-based compensation in 2003, and as discussed in Note 6 to the consolidated financial statements, changed its method of accounting for goodwill and other intangible assets in 2002.

As discussed above, the consolidated statements of income, changes in shareowners' equity and cash flows of Capital City Bank Group, Inc. and subsidiary for the year ended December 31, 2001 were audited by other auditors who have ceased operations. As described in Note 6, these consolidated financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of January 1, 2002. In our opinion, the disclosures for 2001 in Note 6 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements of Capital City Bank Group, Inc. and subsidiary other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 consolidated financial statements taken as a whole.

KPMG LLP

March 8, 2004

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Capital City Bank Group, Inc.:

We have audited the accompanying consolidated statements of financial condition of CAPITAL CITY BANK GROUP, INC. (a Florida corporation) AND SUBSIDIARIES as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareowners' equity, and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in

all material respects, the financial position of Capital City Bank Group, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States.

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 24, 2002

This report is a copy of a previously issued report and the predecessor auditor has not reissued the report.

CONSOLIDATED STATEMENTS OF INCOME

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Data)<F1>

	For the Years Ended December 31,		
	2003	2002	2001
<S>	<C>	<C>	<C>
INTEREST INCOME			
Interest and Fees on Loans	$92,092	$ 94,921	$102,473
Investment Securities:			
U.S. Treasury	664	2	367
U.S. Government Agencies/Corporations	2,486	5,366	6,933
States and Political Subdivisions	2,409	2,752	3,281
Other Securities	575	1,573	2,319
Funds Sold	1,261	1,481	3,610
Total Interest Income	99,487	106,095	118,983
INTEREST EXPENSE			
Deposits	11,567	20,551	45,214
Short-Term Borrowings	1,270	767	2,164
Long-Term Debt	2,002	1,185	871
Total Interest Expense	14,839	22,503	48,249
Net Interest Income	84,648	83,592	70,734
Provision for Loan Losses	3,436	3,297	3,983
Net Interest Income After Provision for Loan Losses	81,212	80,295	66,751
NONINTEREST INCOME			
Service Charges on Deposit Accounts	16,319	12,749	10,647
Data Processing	2,403	2,006	2,079
Asset Management Fees	2,650	2,521	2,556
Securities Transactions	1	10	4
Mortgage Banking Revenues	6,090	5,502	3,138
Other	14,476	13,315	12,735
Total Noninterest Income	41,939	36,103	31,159
NONINTEREST EXPENSE			
Salaries and Associate Benefits	45,118	42,142	36,808
Occupancy, Net	5,972	5,719	5,497
Furniture and Equipment	7,840	7,677	7,173
Other	25,448	25,087	22,448
Total Noninterest Expense	84,378	80,625	71,926
Income Before Income Taxes	38,773	35,773	25,984
Income Taxes	13,580	12,691	9,118

NET INCOME	$25,193	$ 23,082	$ 16,866
BASIC NET INCOME PER SHARE	$ 1.91	$ 1.75	$ 1.27
DILUTED NET INCOME PER SHARE	$ 1.90	$ 1.74	$ 1.27
Average Basic Common Shares Outstanding	13,222	13,225	13,242
Average Diluted Common Shares Outstanding	13,251	13,274	13,292

<FN>
<F1> All share and per share data have been adjusted to reflect the 5-for-4 stock split effective June 13, 2003.
</FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
</TABLE>

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Data)<F1>

	As of December 31,	
	2003	2002
<S>	<C>	<C>
ASSETS		
Cash and Due From Banks	$ 93,140	$ 89,823
Funds Sold	125,452	170,936
Total Cash and Cash Equivalents	218,592	260,759
Investment Securities, Available-for-Sale	181,734	180,315
Loans, Net of Unearned Interest	1,341,632	1,285,221
Allowance for Loan Losses	(12,429)	(12,495)
Loans, Net	1,329,203	1,272,726
Premises and Equipment, Net	54,011	48,897
Intangibles	25,792	29,034
Other Assets	37,170	33,040
Total Assets	$1,846,502	$1,824,771
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$ 455,550	$ 406,081
Interest Bearing Deposits	1,018,655	1,028,119
Total Deposits	1,474,205	1,434,200
Short-Term Borrowings	108,184	113,675
Long-Term Debt	46,475	71,745
Other Liabilities	14,829	18,620
Total Liabilities	1,643,693	1,638,240
SHAREOWNERS' EQUITY		
Preferred Stock, $.01 par value; 3,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, $.01 par value; 90,000,000 shares authorized; 13,236,462 and 13,196,211 shares issued and outstanding at December 31, 2003 and December 31, 2002, respectively	132	132
Additional Paid-In Capital	16,157	14,691
Retained Earnings	185,134	168,587
Accumulated Other Comprehensive Income, Net of Tax	1,386	3,121
Total Shareowners' Equity	202,809	186,531

Commitments and Contingencies (See Note 18)		
Total Liabilities and Shareowners' Equity	$1,846,502	$1,824,771
	==========	==========

<FN>
<F1> All share and per share data have been adjusted to reflect the 5-for-4 stock split effective June 13, 2003.
</FN>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.
</TABLE>

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Data)<F1>

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Taxes	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 2000	$126	$ 7,343	$141,659	$(1,522)	$147,607
Comprehensive Income:					
Net Income	-	-	16,866		
Net Change in Unrealized Gain (Loss) On Available-for-Sale Securities	-	-	-	3,872	
Total Comprehensive Income	-		-	-	20,738
Cash Dividends ($.476 per share)	-	-	(6,376)	-	(6,376)
Issuance of Common Stock	8	14,749	-	-	14,757
Repurchase and Retirement of Common Stock	(2)	(4,940)	-	-	(4,942)
	----	-------	--------	------	--------
Balance, December 31, 2001	132	17,152	152,149	2,350	171,783
Comprehensive Income:					
Net Income	-	-	23,082		
Net Change in Unrealized Gain (Loss) On Available-for-Sale Securities	-	-	-	771	
Total Comprehensive Income	-	-	-	-	23,853
Cash Dividends ($.502 per share)	-	-	(6,644)	-	(6,644)
Issuance of Common Stock	-	934	-	-	934
Repurchase and Retirement of Common Stock	-	(3,395)	-	-	(3,395)
	----	-------	--------	------	--------
Balance, December 31, 2002	132	14,691	168,587	3,121	186,531
Comprehensive Income:					
Net Income	-	-	25,193		
Net Change in Unrealized (Loss) Gain On Available-for-Sale Securities	-	-	-	(1,735)	
Total Comprehensive Income	-	-	-	-	23,458
Cash Dividends ($.656 per share)	-	-	(8,646)	-	(8,646)
Executive Stock Performance Plan Compensation	-	62	-	-	62
Issuance of Common Stock	-	1,421	-	-	1,421
Repurchase and Retirement of Common Stock	-	(17)	-	-	(17)
	----	-------	--------	------	--------
Balance, December 31, 2003	$132	$16,157	$185,134	$1,386	$202,809
	====	=======	========	======	========

<FN>
<F1> All share and per share data have been adjusted to reflect the 5-for-4 stock split effective June 13, 2003.
</FN>

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

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	For the Years Ended December 31,		
(Dollars in Thousands)	2003	2002	2001
<S>	<C>	<C>	<C>

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 25,193	$ 23,082	$ 16,866
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Provision for Loan Losses	3,436	3,297	3,983
Depreciation	4,857	4,897	4,373
Loss on Disposal of Fixed Assets	91	32	108
Net Securities Amortization	2,180	889	1,173
Amortization of Intangible Assets	3,242	3,242	3,772
Gain on Sale of Investment Securities	(1)	(10)	(4)
Non-Cash Compensation	508	892	489
Deferred Income Taxes	755	(1,479)	7
Net Decrease in Other Assets	1,385	4,183	1,744
Net (Decrease) Increase in Other Liabilities	(3,791)	(953)	967
Net Cash Provided by Operating Activities	37,855	38,062	33,478
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from Payments/Maturities/Sales of Investment Securities Available-for-Sale	101,359	82,466	117,198
Purchase of Investment Securities Available-for-Sale	(107,695)	(43,370)	(6,053)
Net Increase in Loans	(65,180)	(46,006)	(103,042)
Net Cash Received From Acquisitions	-	-	81,390
Purchase of Premises & Equipment	(11,152)	(6,868)	(7,671)
Proceeds From Sales of Premises & Equipment	1,090	89	418
Net Cash (Used in) Provided by Investing Activities	(81,578)	(13,689)	82,240
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net Increase (Decrease) in Deposits	40,005	(115,901)	77,844
Net (Decrease) Increase in Short-Term Borrowings	(45,913)	46,633	(41,431)
Borrowing from Long-Term Debt	16,564	62,058	7,861
Repayment of Long-Term Debt	(1,412)	(3,883)	(6,269)
Dividends Paid	(8,646)	(6,644)	(6,376)
Repurchase of Common Stock	(17)	(3,395)	(4,942)
Issuance of Common Stock	975	688	435
Net Cash Provided By (Used in) Financing Activities	1,556	(20,444)	27,122
Net (Decrease) Increase in Cash and Cash Equivalents	(42,167)	3,929	142,840
Cash and Cash Equivalents at Beginning of Year	260,759	256,830	113,990
Cash and Cash Equivalents at End of Year	$218,592	$260,759	$256,830
SUPPLEMENTAL DISCLOSURES:			
Interest Paid on Deposits	$ 11,999	$ 23,694	$ 44,990
Interest Paid on Debt	$ 3,238	$ 1,825	$ 2,883
Taxes Paid	$ 16,303	$ 13,175	$ 9,290
Loans Transferred to Other Real Estate	$ 5,267	$ 1,238	$ 2,149
Issuance of Common Stock as Non-cash Compensation	$ 508	$ 246	$ 785

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

</TABLE>

Notes to Consolidated Financial Statements

Note 1
SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Capital City Bank Group, Inc. ("CCBG" or collectively the "Company"), and its wholly-owned subsidiary, Capital City Bank ("CCB" or the "Bank"). All material inter-company transactions and accounts have been eliminated.

The Company, which operates in a single reportable business segment comprised of commercial banking within the states of Florida, Georgia and Alabama, follows accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. The principles which materially affect the financial position, results of operations and cash flows are summarized below.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods and all other cash equivalents have a maturity of 90 days or less.

Investment Securities

Investment securities available-for-sale are carried at fair value and represent securities that are available to meet liquidity and/or other needs of the Company. Gains and losses are recognized and reported separately in the Consolidated Statements of Income upon realization or when impairment of values is deemed to be other than temporary. Gains or losses are recognized using the specific identification method. Unrealized holding gains and losses for securities available-for-sale are excluded from the Consolidated Statements of Income and reported net of taxes in the accumulated other comprehensive income (loss) component of shareowners' equity until realized. Accretion and amortization are recognized on the effective yield method over the life of the securities.

Loans

Loans are stated at the principal amount outstanding, net of unearned income. Interest income is generally accrued on the effective yield method based on outstanding balances. Fees charged to originate loans and direct loan origination costs are deferred and amortized over the life of the loan as a yield adjustment. Loans held for sale are valued at lower of cost or market value based on information obtained from third party investors.

Allowance for Loan Losses

The allowance for loan losses is that amount considered adequate to absorb losses inherent in the portfolio based on management's evaluation of the current risk characteristics of the loan portfolio as of the reporting date. The allowance is a significant estimate recorded by management and is based on the credit quality of the portfolio.

The evaluation of credit quality begins with the review for impairment of commercial purpose loans with balances exceeding $25,000. Impaired loans are defined as those in which the full collection of principal and interest in accordance with the contractual terms is improbable. Impaired loans typically include those that are in nonaccrual status or classified as doubtful as defined by the Company's internal risk rating system. Generally, loans are placed on nonaccrual status when interest becomes past due 90 days or more, or management deems the ultimate collection of principal and interest is in doubt. A specific allowance for loss is made for impaired loans based on a comparison of the recorded investment in the loan to either the present value of the loan's expected cash flow, the loan's estimated market price or the estimated fair value of the underlying collateral less costs to sell the collateral.

Commercial purpose loans exceeding $100,000 that are not impaired, but have weaknesses requiring closer management attention, are analyzed to determine if an allowance is required. This analysis is based primarily on the underlying value of the collateral. If the value of the collateral is considered insufficient, an allowance is made for the deficiency. The value of the collateral is dependent on current economic conditions in the communities we serve and is subject to change. In addition, the analysis includes changes in risk ratings that are assigned based on the Bank's Asset Classification Policy, and for the ultimate disposition of the loan. The ultimate disposition may include upgrades in risk ratings, payoff of the loan, or charge-off of the loan. This migration analysis results in a

charge-off ratio by loan pool of classified loans that is applied to the balance of the pool to determine general reserves for specifically identified problem loans. This charge-off ratio is adjusted for various environmental factors including past due and nonperforming trends in the loan portfolio, the micro-and macro-economic outlook, and credit administration practices as determined by independent parties.

Larger commercial purpose loans that show no signs of weakness are assigned an allowance based on the historical loss ratios in pools of loans with similar characteristics. The historical loss ratios are determined by analyzing losses over the prior twelve quarters, with more emphasis being placed on the recent four quarters. The historical loss ratios are then adjusted for certain external factors, including micro- and macro-economic outlook, past due and nonperforming trends within the portfolio, loan growth, and credit administration practices.

Large groups of smaller balance homogeneous loans are collectively evaluated to determine the allowance required for loan losses. These small balance homogenous loans include commercial purpose loans less than $100,000, consumer installment loans, credit card loans and residential mortgage loans. Historical loss ratios are determined for these smaller balance loan pools and applied to the balance of the related pool of loans to determine the allowance needed. The historical loss ratios are adjusted for external factors as described above.

Long-Lived Assets

Premises and equipment are stated at cost less accumulated depreciation, computed on the straight-line method over the estimated useful lives for each type of asset with premises being depreciated over a range of 10 to 40 years, and equipment being depreciated over a range of 3 to 10 years. Major additions are capitalized and depreciated in the same manner. Repairs and maintenance are charged to noninterest expense as incurred.

Intangible assets, other than goodwill, consist of core deposit assets that were recognized in connection with various acquisitions. Core deposit intangible assets are amortized on the straight-line method over various periods, with the majority being amortized over an average of 10 years.

Long-lived assets are evaluated for impairment if circumstances suggest that their carrying value may not be recoverable, by comparing the carrying value to estimated undiscounted cash flows. If the asset is deemed impaired, an impairment charge is recorded equal to the carrying value less the fair value.

Goodwill

As of January 1, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangibles" ("SFAS 142"). The adoption of SFAS 142 required the Company to discontinue goodwill amortization and identify reporting units to which the goodwill related for purposes of assessing potential impairment of goodwill on an annual basis, or more frequently, if events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. In accordance with the guidelines in SFAS 142, the Company determined it has one reporting unit with goodwill. As of December 31, 2003, the Company performed its annual impairment review and concluded that no impairment adjustment was necessary.

Income Taxes

The Company files consolidated federal and state income tax returns. In general, the parent company and its subsidiary compute their tax provisions as separate entities prior to recognition of any tax expense or benefits which may accrue from filing a consolidated return.

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities on the Company's consolidated statement of financial position and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Stock Based Compensation

As of December 31, 2003, the Company had three stock-based compensation plans, consisting of the Associate Stock Incentive Plan ("AIP"), the Associate Stock Purchase Plan ("ASPP") and the Director Stock Purchase Plan

("DSPP"). In addition to stock-based compensation plans, the Company also executed an associate incentive stock option arrangement effective January 1, 2003. Prior to 2003, the Company accounted for its stock-based compensation under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"), and related interpretations. Stock-based employee compensation cost is reflected in 2001 and 2002 net income for only the AIP, as the ASPP and DSPP were considered non-compensatory under the provisions of APB 25. As a result of SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," the Company adopted the fair value recognition provisions of SFAS No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation," prospectively to all associate awards granted, modified, or settled on or after January 1, 2003. Awards under the Company's plans vest over periods ranging from six months to four years. Therefore, the cost related to stock-based associate compensation included in the determination of net income for 2003 is different than that which would have been

recognized if the fair value based method had been applied to all awards since the original effective date of SFAS 123, as a result of the difference between compensation measurement dates under SFAS 123 and APB 25, the differences in what instruments are considered non-compensatory, and the fact that awards granted prior to January 1, 2003 remain accounted for under APB 25.

The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested awards in each period.

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Data)	2003	2002	2001
Net income, as reported	$25,193	$23,082	$16,866
Add: Stock based compensation included in reported net income, net of tax	634	553	302
Deduct: Stock based compensation determined under fair value based method for all awards, net of tax	(348)	(388)	(344)
Pro forma net income	$25,479	$23,247	$16,824
Earnings per share:			
Basic-as reported	$ 1.91	$ 1.75	$ 1.27
Basic-pro forma	$ 1.93	$ 1.76	$ 1.27
Diluted-as reported	$ 1.90	$ 1.74	$ 1.27
Diluted-pro forma	$ 1.92	$ 1.75	$ 1.26

</TABLE>

Director Stock Purchase Plan ("DSPP")

The Company's DSPP allows the directors to purchase common stock at a price equal to 90% of the closing price on the date of purchase. The DSPP has 187,500 shares reserved for issuance. In 2003, 2002 and 2001, CCBG issued 4,861, 4,438, and 4,344 shares, respectively, under this plan. A total of 47,019 shares have been issued to directors since the inception of this plan. Prior to 2003, the DSPP plan was accounted for under the provisions of APB 25 and no compensation expense was recognized. In accordance with the Company's adoption of SFAS 123, compensation expense has been recognized for the Company's purchase plan activity in 2003.

Associate Stock Purchase Plan ("ASPP")

Under the Company's ASPP, substantially all associates may purchase common stock through payroll deductions at a price equal to 90% of the lower of the fair market value at the beginning or end of each six-month offering period.

Stock purchases under the ASPP are limited to 10% of an associate's eligible compensation, up to a maximum of $25,000 (fair market value on each enrollment date) in any plan year. The ASPP has 562,500 shares of common stock reserved for issuance. CCBG issued 25,234, 31,588, and 18,755 shares under the plan in 2003, 2002, and 2001, respectively. A total of 301,693 shares have been issued since inception of this plan. Prior to 2003, the ASPP was accounted for under the provisions of APB 25 and no compensation expense was recognized. In accordance with the Company's adoption of SFAS 123, compensation expense has been recognized for the Company's purchase plan activity in 2003.

Transactions under the ASPP were as follows:

	Number of Shares	Purchase Price per Share[F1]
Available at December 31, 2000	336,384	
Purchased	(18,755)	$17.63
Available at December 31, 2001	317,629	
Purchased	(31,588)	$18.90
Available at December 31, 2002	286,041	
Purchased	(25,234)	$30.46
Available at December 31, 2003	260,807	

[F1] Weighted Average Price for two annual offering periods

Based on the Black-Scholes option pricing model, the weighted average estimated fair value of the purchase rights granted under the ASPP was $6.65 for 2003, $3.96 for 2002, and $3.50 for 2001. In calculating pro forma compensation at December 31, the fair value of each stock purchase right is estimated on the date of grant using the following weighted average assumptions:

	2003	2002	2001
Dividend yield	1.8%	2.4%	2.4%
Expected volatility	34.5%	33.0%	26.0%
Risk-free interest rate	1.1%	1.7%	4.6%
Expected life (in years)	0.5	0.5	0.5

Associate Stock Incentive Plan ("AIP")

Under the Company's AIP shares are granted to participants based upon the achievement of performance goals established by the Board of Directors at the beginning of each award period. A total of 937,500 shares of common stock have been reserved for issuance under this Plan. Award periods are either one year for the short-term plan, or three years for the long-term plan. The short-term plan was accounted for under SFAS 123 for 2003 and compensation expense was measured under the fair value method as of the grant date and recognized over the service period. The long-term plan was accounted for as a variable plan under APB 25 for stock grants prior to 2003, and compensation expense was measured under the intrinsic value method as of the measurement date and recognized over the related service period. CCBG issued 10,596, 12,618, and 35,861 shares under the plan in 2003, 2002, and 2001, respectively. A total of 242,057 shares have been issued since inception of this plan.

Executive Stock Option Agreement

On January 23, 2003, the Company's Board of Directors approved a stock option agreement for a key executive officer (William G. Smith, Jr. - Chairman,

President and CEO, CCBG) under the provisions of the 1996 Associate Stock Incentive Plan. This agreement grants a non-qualified stock option award upon achieving certain earnings per share conditions set by the Board, subject to certain vesting requirements. The options granted under the agreement have a term of ten years and vest at a rate of one-third on each of the first, second, and third anniversaries of the date of grant. As of December 31, 2003, no option shares had been issued or exercised. Effective January 29, 2004, the earnings per share conditions were analyzed resulting in economic value earned by the executive of approximately $269,000, for which the Company will issue option shares equal to that value. During 2003, the Company recognized $61,658 of expense related to this agreement in accordance with the provisions of SFAS 123.

Accounting Pronouncements

In December 2003, the FASB issued Interpretation No. 46 ("FIN46") (revised December 2003 ("FIN46R")), "Consolidation of Variable Interest Entities," which addresses how a business enterprise should evaluate whether it has a controlling financial interest in an entity through means other than voting rights and accordingly should consolidate the entity. FIN46R replaces FIN46, which was issued in January 2003. FIN46R applies immediately to a variable interest entity created after January 31, 2003 and as of the first interim period ending after March 15, 2004 to those variable interest entities created before February 1, 2003 and not already consolidated under FIN46 in previously issued financial statements. The Company does not hold any interest in variable interest entities that would require accounting treatment prescribed by this pronouncement.

In May 2003, the FASB issued SFAS No. 150 ("SFAS 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS 150 modifies the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that those instruments be classified as liabilities in statements of financial position. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The Company does not currently maintain any financial instruments that would require the accounting treatment prescribed by this pronouncement.

In November 2002, the FASB issued Interpretation No. 45 ("FIN45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (the "Interpretation"), which addresses the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The Interpretation also requires the recognition of a liability by a guarantor at the inception of certain guarantees.

FIN45 requires the guarantor to recognize a liability for the non-contingent component of the guarantee; this is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The Company has adopted the disclosure requirements of FIN45 and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. To date, the Company has not entered into or modified any guarantees pursuant to the provisions of FIN45.

In October 2002, the FASB issued SFAS No. 147, "Accounting for Certain Acquisitions of Banking or Thrift Institutions" ("SFAS 147"). SFAS 147 removes financial institutions (with the exception of combinations of mutual enterprises) from the scope of both SFAS No. 72 ("SFAS 72"), "Accounting for Certain Acquisitions of Banking or Thrift Institutions" and FASB Interpretation No. 9, applying APB Opinions No. 16 and 17, "When a Savings and Loan Association or a Similar Institution is Acquired in a Business Combination Accounted for by the Purchase Method" and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other Intangible Assets." As a result, the requirement under SFAS 72 to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of SFAS 147. In addition, SFAS 147 amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions such as

depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The adoption of SFAS 147 has not had a material impact on the reported results of operations of the Company.

Note 2
ACQUISITIONS

Subsequent to December 31, 2003, the Company entered into an agreement to acquire Quincy State Bank, an affiliate bank of Synovus Financial Corp ("Synovus"). Quincy State Bank is a $127 million (as of December 31, 2003) state chartered financial institution with offices located in Quincy and Havana, Florida. The Company will pay approximately $26.1 million in cash to Synovus in consideration for Synovus merging Quincy State Bank into CCB. The transaction will be accounted for as a purchase and result in approximately $15 million of intangibles (goodwill and core deposit). An appraisal will be conducted to determine the amount and life of the core deposit intangible.

On March 9, 2001, the Company completed a purchase and assumption transaction with Wachovia Bank, NA, formerly First Union National Bank ("Wachovia") and acquired six of Wachovia's offices in Georgia which included real estate, loans and deposits. The transaction resulted in approximately $11.3 million in intangible assets, primarily core deposit intangibles, which are being amortized over a 10-year period. The Company purchased approximately $18 million in loans and assumed deposits of approximately $105 million.

On March 2, 2001, the Company completed its acquisition of First Bankshares of West Point, Inc., and its subsidiary, First National Bank of West Point. At the time of the acquisition, First National Bank of West Point had approximately $144 million in assets with one office in West Point, Georgia, and two offices in the Greater Valley area of Alabama. First Bankshares of West Point, Inc., merged with the Company, and First National Bank of West Point merged with Capital City Bank. The Company issued 3.6419 shares and $17.7543 in cash for each of the 192,481 outstanding shares of First Bankshares of West Point, Inc., resulting in the issuance of 701,000 shares of Company common stock and the payment of $3.4 million in cash for a total purchase price of approximately $17.0 million. The transaction was accounted for as a purchase and resulted in approximately $2.5 million of intangible assets, primarily goodwill.

Note 3
INVESTMENT SECURITIES

The amortized cost and related market value of investment securities available-for-sale at December 31, were as follows:

<TABLE>
<CAPTION>

	2003			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury	$ 78,498	$ 105	$ 1	$ 78,602
U.S. Government Agencies and Corporations	26,862	133	-	26,995
States and Political Subdivisions	55,641	1,511	-	57,152
Mortgage-Backed Securities	11,618	427	-	12,045
Other Securities	6,927	13	-	6,940
Total Investment Securities	$179,546	$2,189	$ 1	$181,734

<CAPTION>

	2002			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury	$ 10,438	$ 5	$ -	$ 10,443
U.S. Government Agencies				

and Corporations	51,075	884	-	51,959
States and Political Subdivisions	62,845	2,632	2	65,475
Mortgage-Backed Securities	34,750	1,180	-	35,930
Other Securities	16,281	227	-	16,508
Total Investment Securities	$175,389	$4,928	$ 2	$180,315

</TABLE>

The total proceeds from the sale of investment securities and the gross realized gains and losses from the sale of such securities for each of the last three years are as follows: (Dollars in Thousands)

<TABLE>
<CAPTION>

Year	Total Proceeds	Gross Realized Gains	Gross Realized Losses
2003	$48,922	$24	$23
2002	$44,576	$10	$ -
2001	$84,794	$ 4	$ -

</TABLE>

Total proceeds do not include principal reductions in mortgage-backed securities and proceeds from securities which were called of $52.4 million, $37.9 million, and $33.0 million in 2003, 2002 and 2001, respectively.

As of December 31, 2003, the Company's investment securities had the following maturity distribution based on contractual maturities:

<TABLE>
<CAPTION>

(Dollars in Thousands)	Amortized Cost	Market Value
Due in one year or less	$103,031	$103,331
Due after one through five years	69,919	71,771
Due after five through ten years	674	710
Over ten years	5,922	5,922
Total Investment Securities	$179,546	$181,734

</TABLE>

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Securities with an amortized cost of $73.9 million and $115.4 million at December 31, 2003 and 2002, respectively, were pledged to secure public deposits and for other purposes.

Securities with unrealized losses at year-end 2003 not recognized in income by period of time unrealized losses have existed are as follows:

<TABLE>
<CAPTION>

	Less Than 12 months		Greater Than 12 Months		Total	
(Dollars in Thousands)	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury	$15,025	$ 1	$ -	$ -	$15,025	$ 1
Total Investment Securities	$15,025	$ 1	$ -	$ -	$15,025	$ 1

</TABLE>

Note 4
LOANS

At December 31, the composition of the Company's loan portfolio was as follows:

<TABLE>
<CAPTION>

(Dollars in Thousands)	2003	2002
<S>	<C>	<C>
Commercial, Financial and Agricultural	$ 160,048	$ 141,459
Real Estate - Construction	89,149	91,110
Real Estate - Commercial Mortgage	391,250	356,807
Real Estate - Residential	346,170	359,338
Real Estate - Home Equity	116,810	92,277
Real Estate - Loans Held-for-Sale	4,810	22,454
Consumer	233,395	221,776
Total Loans, Net of Unearned Interest	$1,341,632	$1,285,221

</TABLE>

Nonaccruing loans amounted to $2.3 million and $2.5 million, at December 31, 2003 and 2002, respectively. There were no restructured loans at December 31, 2003 or 2002. Interest on nonaccrual loans is generally recognized only when received. Cash collected on nonaccrual loans is applied against the principal balance or recognized as interest income based upon management's expectations as to the ultimate collectibility of principal and interest in full. If interest on nonaccruing loans had been recognized on a fully accruing basis, interest income recorded would have been $166,000, $116,000, and $122,000 higher for the years ended December 31, 2003, 2002, and 2001, respectively.

Note 5
ALLOWANCE FOR LOAN LOSSES

An analysis of the changes in the allowance for loan losses for the years ended December 31, is as follows:

<TABLE>
<CAPTION>

(Dollars in Thousands)	2003	2002	2001
<S>	<C>	<C>	<C>
Balance, Beginning of Year	$12,495	$12,096	$10,564
Acquired Reserves	-	-	1,206
Provision for Loan Losses	3,436	3,297	3,983
Recoveries on Loans Previously Charged-Off	1,037	1,374	993
Loans Charged-Off	(4,539)	(4,272)	(4,650)
Balance, End of Year	$12,429	$12,495	$12,096

</TABLE>

Selected information pertaining to impaired loans, at December 31, is as follows:

<TABLE>
<CAPTION>

	2003		2002	
(Dollars in Thousands)	Balance	Valuation Allowance	Balance	Valuation Allowance
<S>	<C>	<C>	<C>	<C>
With Related Credit Allowance	$ 810	$ 178	$ 412	$ 219
Without Related Credit Allowance	477	-	722	-
Average Recorded Investment for the Period	6,737	*	2,544	*

</TABLE>

The Company recognizes income on impaired loans primarily on the cash basis. Any change in the present value of expected cash flows is recognized through the allowance for loan losses. For the years ended December 31, 2003, 2002, and 2001, the Company recognized $194,000, $169,000 and $36,000, in interest income on impaired loans, all of which was collected in cash.

Note 6
INTANGIBLE ASSETS

The Company had intangible assets of $25.8 million and $29.0 million at December 31, 2003 and December 31, 2002, respectively. Intangible assets at December 31, were as follows:

<TABLE>
<CAPTION>

(Dollars in Thousands)	2003 Gross Amount	2003 Accumulated Amortization	2002 Gross Amount	2002 Accumulated Amortization
<S>	<C>	<C>	<C>	<C>
Core Deposits Intangibles	$33,752	$14,640	$33,752	$11,398
Goodwill	10,466	3,786	10,466	3,786
Total Intangible Assets	$44,218	$18,426	$44,218	$15,184

</TABLE>

Net Core Deposit Intangibles

As of December 31, 2003 and December 31, 2002, the Company had net core deposit intangibles of $19.1 million and $22.4 million, respectively. Amortization expense for the twelve months of 2003, 2002 and 2001 was $3.2 million, $3.2 million and $3.8 million, respectively. The estimated annual amortization expense for the next five years is expected to be approximately $3.2 million per year.

Goodwill

As of December 31, 2003 and December 31, 2002, the Company had goodwill, net of accumulated amortization, of $6.7 million. Goodwill is the Company's only intangible asset that is no longer subject to amortization under the provisions of SFAS 142. On December 31, 2003, the Company performed its annual impairment review and concluded that no impairment adjustment was necessary.

Transitional Disclosures:

The pro forma effects, net of tax, of the adoption of SFAS No. 142 for the year ended December 31, were as follows:

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Data)	2001
<S>	<C>
Reported Net Income	$16,866
Goodwill Amortization	707
Adjusted Net Income	$17,573
Basic Earnings Per Share:	
Reported Net Income	$ 1.27
Goodwill Amortization	.05
Adjusted Net Income	$ 1.32
Diluted Earnings Per Share:	
Reported Net Income	$ 1.27

Goodwill Amortization	.05
Adjusted Net Income	$ 1.32

No goodwill amortization was recorded in 2003 and 2002 due to the discontinuance of amortization under the provisions of SFAS 142.

Note 7
PREMISES AND EQUIPMENT

The composition of the Company's premises and equipment at December 31, was as follows:

(Dollars in Thousands)	2003	2002
Land	$ 12,152	$ 11,239
Buildings	51,577	46,131
Fixtures and Equipment	43,623	44,242
Total	107,352	101,612
Accumulated Depreciation	(53,341)	(52,715)
Premises and Equipment, Net	$ 54,011	$ 48,897

Note 8
DEPOSITS

Interest bearing deposits, by category, as of December 31, were as follows:

(Dollars in Thousands)	2003	2002
NOW Accounts	$ 276,934	$ 276,487
Money Market Accounts	207,934	209,508
Savings Accounts	110,834	104,053
Time Deposits	422,953	438,071
Total	$1,018,655	$1,028,119

Time deposits in denominations of $100,000 or more totaled $107.2 million and $92.0 million at December 31, 2003 and 2002, respectively.

At December 31, 2003, the scheduled maturities of time deposits were as follows: (Dollars in Thousands)

2004	$325,091
2005	64,891
2006	22,589
2007	8,466
2008 and thereafter	1,916
Total	$422,953

The balances maintained on deposit with the Federal Reserve Bank as of December 31, 2003 and 2002, were $57.1 million and $56.9 million, respectively.

Interest expense on deposits for the three years ended December 31, was as follows:

(Dollars in Thousands)	2003	2002	2001
NOW Accounts	$ 678	$ 1,272	$ 4,046
Money Market Accounts	1,310	2,904	6,237
Savings Accounts	189	500	1,865
Time Deposits < $100,000	7,007	12,060	26,046
Time Deposits > $100,000	2,383	3,815	7,020
Total	$11,567	$20,551	$45,214

Note 9
SHORT-TERM BORROWINGS

Short-term borrowings included the following:

(Dollars in Thousands)	Federal Funds Purchased	Securities Sold Under Repurchase Agreements	Other Short-Term Borrowings
2003			
Balance at December 31,	$12,624	$53,223	$42,337
Maximum indebtedness at any month end	23,930	90,209	44,226
Daily average indebtedness outstanding	14,768	49,785	36,721
Average rate paid for the year	0.94%	0.59%	2.28%
Average rate paid on period-end borrowings	0.68%	0.31%	2.50%
2002			
Balance at December 31,	$14,120	$77,318	$22,237
Maximum indebtedness at any month end	17,395	77,318	22,237
Daily average indebtedness outstanding	9,079	55,679	7,836
Average rate paid for the year	1.46%	0.87%	1.89%
Average rate paid on period-end borrowings	0.55%	0.83%	2.32%

Note 10
LONG-TERM DEBT

Long-term debt included the following at December 31:

(Dollars in Thousands)	2003	2002
Federal Home Loan Bank Notes,		
Due on March 8, 2004, fixed rate of 6.64%	$ -	$ 113
Due on March 10, 2004, fixed rate of 2.22%	-	20,000
Due on September 10, 2004, fixed rate of 2.48%	-	20,000
Due on December 16, 2004, fixed rate of 6.52%	-	116
Due on December 16, 2004, fixed rate of 6.52%	-	69
Due on September 12, 2005, fixed rate of 3.06%	15,000	15,000
Due on December 19, 2005, fixed rate of 6.04%	1,103	1,222
Due on February 15, 2006, fixed rate of 3.00%	86	120
Due on April 24, 2007, fixed rate of 7.30%	-	249
Due on May 30, 2008, fixed rate of 2.50%	168	-
Due on June 13, 2008, fixed rate of 5.40%	643	786

Due on November 10, 2008, fixed rate of 4.12%	2,419	-
Due on October 19, 2009, fixed rate of 3.69%	906	993
Due on November 10, 2010, fixed rate of 4.72%	798	-
Due on December 31, 2010, fixed rate of 3.85%	1,115	-
Due on December 18, 2012, fixed rate of 4.84%	631	650
Due on March 18, 2013, fixed rate of 6.37%	755	807
Due on June 17, 2013, fixed rate of 3.85%	98	-
Due on June 17, 2013, fixed rate of 3.53%	1,060	-
Due on June 17, 2013, fixed rate of 4.11%	1,877	-
Due on September 23, 2013, fixed rate of 5.64%	1,076	1,148
Due on January 27, 2014, fixed rate of 5.79%	1,344	1,387
Due on May 27, 2014, fixed rate of 5.92%	569	609
Due on July 20, 2016, fixed rate of 6.27%	1,489	1,607
Due on October 31, 2017, fixed rate of 4.79%	1,160	1,236
Due on December 11, 2017, fixed rate of 4.78%	1,021	1,093
Due on December 20, 2017, fixed rate of 5.37%	1,003	1,025
Due on February 26, 2018, fixed rate of 4.36%	2,418	-
Due on September 18, 2018, fixed rate of 5.15%	708	-
Due on November 5, 2018, fixed rate of 5.10%	3,866	-
Due on December 3, 2018, fixed rate of 4.87%	737	-
Due on December 17, 2018, fixed rate of 6.33%	1,710	1,776
Due on December 24, 2018, fixed rate of 6.29%	769	794
Due on February 16, 2021, fixed rate of 3.00%	915	945
Due on May 30, 2023, fixed rate of 2.50%	1,031	-
Total outstanding	$46,475	$71,745

</TABLE>

The contractual maturities of long-term debt for the five years succeeding December 31, 2003, are as follows:

<TABLE>
<CAPTION>

(Dollars in Thousands)	
<S>	<C>
2004	$ 1,878
2005	17,859
2006	1,931
2007	1,983
2008 and thereafter	22,824
Total	$46,475

</TABLE>

The Federal Home Loan Bank advances are collateralized with 1-4 family residential mortgage loans. Interest on the Federal Home Loan Bank advances is paid on a monthly basis.

The Company has the ability to draw on a Revolving Credit Note, due on May 16, 2004. Upon expiration of this note, the outstanding balance may be converted to a term loan and repaid over a period of seven years. The Company, at its option, may select from various loan rates including the following: Prime, LIBOR, or the lender's cost of funds rate, plus or minus increments thereof. The LIBOR or cost of funds rates may be fixed for a period up to six months. The revolving credit is unsecured, but upon conversion is to be collateralized by common stock of the subsidiary bank equal in value to 125% of the principal balance of the loan. The existing loan agreement places certain restrictions on the amount of capital which must be maintained by the Company. At December 31, 2003, the Company was in compliance with all of the terms of the agreement and had $25 million available under a $25 million line of credit facility.

Note 11
INCOME TAXES

The provision for income taxes reflected in the statement of income is comprised of the following components:

<TABLE>
<CAPTION>

(Dollars in Thousands)	2003	2002	2001
<S>	<C>	<C>	<C>
Current:			
Federal	$10,876	$12,123	$7,709

State	1,949	2,047	1,402
Deferred:			
Federal	682	(1,337)	6
State	73	(142)	1
Total	$13,580	$12,691	$9,118

</TABLE>

The net deferred tax assets and the temporary differences comprising that balance at December 31, 2003 and 2002, are as follows:

<TABLE>
<CAPTION>

(Dollars in Thousands)	2003	2002
Deferred Tax Assets attributable to:		
Allowance for Loan Losses	$4,216	$4,028
Accrued Pension/SERP	985	1,144
Interest on Nonperforming Loans	-	44
Acquired Deposits	1,524	1,165
Accrued Estimated Outstanding Expense	461	386
Other	871	564
Total Deferred Tax Assets	$8,057	$7,331
Deferred Tax Liabilities attributable to:		
Associate Benefits	$ -	$ 167
Unrealized Gains on Investment Securities	802	1,805
Depreciation on Premises and Equipment	2,852	2,051
Deferred Loan Fees	3,041	2,098
Securities Accretion	65	171
Other	150	140
Total Deferred Tax Liabilities	6,910	6,432
Net Deferred Tax Assets	$1,147	$ 899

</TABLE>

Income taxes provided were different than the tax expense computed by applying the statutory federal income tax rate of 35% to pre-tax income as a result of the following:

<TABLE>
<CAPTION>

(Dollars in Thousands)	2003	2002	2001
Tax Expense at Federal Statutory Rate	$13,571	$12,521	$9,094
Increases (Decreases) Resulting From:			
Tax-Exempt Interest Income	(957)	(1,084)	(1,179)
State Taxes, Net of Federal Benefit	1,314	1,238	913
Other	(348)	16	290
Actual Tax Expense	$13,580	$12,691	$9,118

</TABLE>

Note 12
EMPLOYEE BENEFIT PLANS

Pension Plan

The Company sponsors a noncontributory pension plan covering substantially all of its associates. Benefits under this plan generally are based on the associate's years of service and compensation during the years immediately preceding retirement. The Company's general funding policy is to contribute amounts deductible for federal income tax purposes.

The following table details the components of pension expense, the funded status of the plan, amounts recognized in the Company's consolidated statements of financial condition, and major assumptions used to determine these amounts.

<TABLE>
<CAPTION>

(Dollars in Thousands)	2003	2002	2001
Change in Projected Benefit Obligation:			
Benefit Obligation at Beginning of Year	$ 37,941	$ 33,642	$26,811
Service Cost	3,302	2,842	2,732
Interest Cost	2,571	2,348	2,122
Actuarial Loss	3,196	1,671	2,052
Amendments to Plan<F1>	-	-	1,553
Benefits Paid	(1,061)	(2,385)	(1,362)
Expenses Paid	(236)	(177)	(266)
Plan Change<F2>	514	-	-
Projected Benefit Obligation at End of Year	$ 46,227	$ 37,941	$33,642
Change in Plan Assets:			
Fair Value of Plan Assets at Beginning of Year	$ 27,423	$ 30,113	$31,319
Actual Return on Plan Assets	4,915	(3,357)	(1,493)
Employer Contributions	3,744	3,229	524
Amendments to Plan<F1>	-	-	1,391
Benefits Paid	(1,061)	(2,385)	(1,362)
Expenses Paid	(237)	(177)	(266)
Fair Value of Plan Assets at End of Year	$ 34,784	$ 27,423	$30,113
Reconciliation of Funded Status:			
Funded Status	$(11,443)	$(10,518)	$(3,529)
Unrecognized Net Losses	9,993	10,672	3,557
Unrecognized Prior Service Cost	1,732	1,434	1,718
Unrecognized Net Transition Obligation	-	1	2
Prepaid Benefit Cost	$ 282	$ 1,589	$ 1,748
Components of Net Periodic Benefit Costs:			
Service Cost	$ 3,302	$ 2,842	$ 2,732
Interest Cost	2,571	2,348	2,122
Expected Return on Plan Assets	(2,168)	(2,404)	(2,629)
Amortization of Prior Service Cost	216	284	327
Transition Obligation Recognition	1	1	(231)
Recognized Net Actuarial Loss (Gain)	1,127	317	(168)
Net Periodic Benefit Cost	$ 5,049	$ 3,388	$ 2,153
Assumptions:			
Weighted-average used to determine benefit obligations:			
Discount Rate	6.25%	6.75%	7.25%
Expected Return on Plan Assets	8.25%	8.25%	8.25%
Rate of Compensation Increase	5.50%	5.50%	5.50%
Weighted-average used to determine net cost:			
Discount Rate	6.75%	7.25%	7.25%
Expected Return on Plan Assets	8.25%	8.25%	8.25%
Rate of Compensation Increase	5.50%	5.50%	5.50%

<FN>
<F1> The amendments to the plan are a result of acquisitions and the IRS regulation regarding the change from the PBGC mortality table to the GATT mortality table.

<F2> Represents a change in mortality assumptions set forth in IRC 417(e).
</FN>
</TABLE>

Return on Plan Assets

The overall expected long-term rate of return on assets is a weighted-average expectation for the return on plan assets. The Company considers historical performance and current benchmarks to arrive at expected long-term rates of return in each asset category. The Company assumed that 65% of its portfolio would be invested in equity securities, with the remainder invested in debt securities.

Plan Assets

The Company's pension plan asset allocation at year-end 2003 and 2002, and the target asset allocation for 2004 are as follows:

	Target Allocation	Percentage of Plan Assets at Year-End	
	2004	2003	2002
Equity Securities	65%	60%	50%
Debt Securities	35%	28%	31%
Real Estate	-	-	-
Other	-	12%	19%
Total	100%	100%	100%

The Company's pension plan assets are managed by the Investment Committee of Capital City Trust Company. The Company's investment strategy is to maximize return on investments while minimizing risk. The Company believes the best way to accomplish this goal is to take a conservative approach to its investment strategy by investing in high-grade equity and debt securities.

Contributions

The following table details the amounts contributed to the pension plan in 2003 and 2002, and the expected amount to be contributed in 2004.

	2003	2002	Expected 2004
Actual Contributions	$3,743,763	$3,229,278	$4,000,000

Supplemental Executive Retirement Plan

The Company has a Supplemental Executive Retirement Plan ("SERP") covering selected executives. Benefits under this plan generally are based on the executive's years of service and compensation during the years immediately preceding retirement. The Company recognized expense during 2003, 2002 and 2001 of approximately $208,000, $393,000, and $214,000, respectively, and no minimum liability, at December 31, 2003, 2002 and 2001.

The following table details the components of the Supplemental Executive Retirement Plan's periodic benefit cost, the funded status of the plan, amounts recognized in the Company's consolidated statements of financial condition, and major assumptions used to determine these amounts.

(Dollars in Thousands)	2003	2002	2001
Change in Projected Benefit Obligation:			
Benefit Obligation at Beginning of Year	$ 2,770	$ 1,458	$ 1,255
Service Cost	80	118	73
Interest Cost	111	169	102
Plan Participants Contributions	-	-	(111)
Actuarial (Gain) Loss	(1,107)	1,025	139
Plan Change<F1>	26	-	-
Projected Benefit Obligation at End of Year	$ 1,880	$ 2,770	$ 1,458

Reconciliation of Funded Status:

Funded Status	$(1,880)	$(2,770)	$(1,458)
Unrecognized Net Actuarial (Gain) Loss	(418)	645	(333)
Unrecognized Prior Service Cost	511	546	605
Accrued Benefit Cost	$(1,787)	$(1,579)	$(1,186)
Components of Net Periodic Benefit Costs:			
Service Cost	$ 80	$ 118	$ 73
Interest Cost	111	169	102
Amortization of Prior Service Cost	61	59	59
Recognized Net Actuarial (Gain) Loss	(44)	47	(20)
Net Periodic Benefit Cost	$ 208	$ 393	$ 214
Assumptions:			
Weighted-average used to determine the benefit obligations:			
Discount Rate	6.25%	6.75%	7.25%
Expected Return on Plan Assets	8.25%	8.25%	8.25%
Rate of Compensation Increase	5.50%	5.50%	5.50%
Weighted-average used to determine the net cost:			
Discount Rate	6.75%	7.25%	7.25%
Expected Return on Plan Assets	8.25%	8.25%	8.25%
Rate of Compensation Increase	5.50%	5.50%	5.50%

<FN>
<F1> Represents a change in mortality assumptions set forth in IRC 417(e).
</FN>
</TABLE>

401(k) Plan

The Company has a 401(k) Plan which enables associates to defer a portion of their salary on a pre-tax basis. A total of 50,000 shares have been reserved for issuance. The plan covers substantially all associates of the Company who meet minimum age requirements. The plan is designed to enable participants to elect to have an amount from 1% to 15% of their compensation withheld in any plan year placed in the 401(k) Plan trust account. Matching contributions from the Company are made up to 6% of the participant's compensation for some qualifying associates. During 2003, the Company made matching contributions of $32,258. There were no contributions made by the Company for 2002 and 2001. The participant may choose to invest their contributions into fifteen investment funds available to CCBG participants, including CCBG's common stock.

Other Plans

The Company has a Dividend Reinvestment and Optional Stock Purchase Plan. A total of 250,000 shares have been reserved for issuance. In recent years, shares for the Dividend Reinvestment and Optional Stock Purchase Plan have been acquired in the open market and, thus, CCBG did not issue any shares under this plan in 2003, 2002 and 2001.

Note 13
EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

<TABLE>
<CAPTION>

(Dollars in Thousands, Except Per Share Data)<F1>	2003	2002	2001
<S>	<C>	<C>	<C>
Numerator:			
Net Income	$ 25,193	$ 23,082	$ 16,866
Denominator:			
Denominator for Basic Earnings Per Share			
Weighted-Average Shares	13,222,487	13,225,285	13,241,957

Effects of Dilutive Securities			
Stock Compensation Plans	28,702	49,070	50,478
Denominator for Diluted Earnings Per Share Adjusted Weighted-Average Shares and Assumed Conversions	13,251,189	13,274,355	13,292,435
Basic Earnings Per Share	$ 1.91	$ 1.75	$ 1.27
Diluted Earnings per Share	$ 1.90	$ 1.74	$ 1.27

<FN>
<F1> All share and per share data have been adjusted to reflect the 5-for-4 stock split effective June 13, 2003.
</FN>
</TABLE>

Note 14
CAPITAL

The Company is subject to various regulatory capital requirements which involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items. The Company's capital amounts and classification are subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require that the Company maintain amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. As of December 31, 2003, the Company met all capital adequacy requirements to which it is subject.

A summary of actual, required, and capital levels necessary to be considered well-capitalized for Capital City Bank Group, Inc. consolidated and its banking subsidiary, Capital City Bank, as of December 31, 2003 and December 31, 2002 are as follows:

<TABLE>
<CAPTION>

(Dollars in Thousands)	Actual		Required For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
As of December 31, 2003:						
Tier I Capital:						
CCBG	$175,631	12.88%	$ 54,547	4.00%	*	*
CCB	167,698	12.32%	54,438	4.00%	$ 81,658	6.00%
Total Capital:						
CCBG	188,059	13.79%	109,094	8.00%	*	*
CCB	180,126	13.24%	108,877	8.00%	136,096	10.00%
Tier I Leverage:						
CCBG	175,631	9.51%	40,910	3.00%	*	*
CCB	167,698	9.10%	40,829	3.00%	68,048	5.00%
As of December 31, 2002:						
Tier I Capital:						
CCBG	$154,376	12.03%	$ 51,340	4.00%	*	*
CCB	150,360	11.73%	51,261	4.00%	$ 76,891	6.00%
Total Capital:						
CCBG	166,871	13.00%	102,681	8.00%	*	*
CCB	162,855	12.71%	102,522	8.00%	128,152	10.00%

Tier I Leverage:						
CCBG	154,376	8.46%	38,505	3.00%	*	*
CCB	150,360	8.25%	38,446	3.00%	64,076	5.00%

*Not applicable to bank holding companies.

</TABLE>

Note 15
DIVIDEND RESTRICTIONS

Substantially all the Company's retained earnings are undistributed earnings of its banking subsidiary which are restricted by various regulations administered by federal and state bank regulatory authorities.

The approval of the appropriate regulatory authority is required if the total of all dividends declared by a subsidiary bank in any calendar year exceeds the bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. In 2004, the bank subsidiary may declare dividends without regulatory approval of $24.7 million plus an additional amount equal to the net profits of the Company's subsidiary bank for 2004 up to the date of any such dividend declaration.

Note 16
RELATED PARTY INFORMATION

DuBose Ausley, a Director of the Company, is employed by and is the former Chairman of Ausley & McMullen, the Company's general counsel. Fees paid by the Company and its subsidiary for legal services, in aggregate, approximated $765,000, $647,000, and $534,000 during 2003, 2002, and 2001, respectively.

Under a lease agreement expiring in 2024, the Bank subsidiary leases land from a partnership in which several directors and officers have an interest. The lease agreement with Smith Interests General Partnership L.L.P., provides for annual lease payments of approximately $85,000, to be adjusted for inflation in future years.

At December 31, 2003 and 2002, certain officers and directors were indebted to the Company's bank subsidiary in the aggregate amount of $17.8 million and $17.6 million, respectively. During 2003, $26.3 million in new loans were made and repayments totaled $26.1 million. In the opinion of management, these loans were made on similar terms as loans to other individuals of comparable creditworthiness and were all current at year-end.

Note 17
SUPPLEMENTARY INFORMATION

Components of other noninterest income and noninterest expense in excess of 1% of the sum of total interest income and noninterest income, which are not disclosed separately elsewhere, are presented below for each of the respective years.

<TABLE>
<CAPTION>

(Dollars in Thousands)	2003	2002	2001
<S>	<C>	<C>	<C>
Noninterest Income:			
Merchant Fee Income	$4,563	$3,715	$3,612
Interchange Commission Fees	2,183	2,133	2,014
Noninterest Expense:			
Professional Fees	1,918	1,895	1,301<F1>
Printing & Supplies	1,742	1,772	1,757
Commission/Service Fees	4,181	3,464	2,863
Telephone	1,872	1,832	1,617

<FN>
<F1> Less than 1% of the appropriate threshold.
</FN>
</TABLE>

Note 18
FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISKS

The Company is a party to financial instruments with off-balance sheet risks in the normal course of business to meet the financing needs of its

customers. These financial instruments consist of commitments to extend credit and standby letters of credit.

The Company's maximum exposure to credit loss under standby letters of credit and commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in establishing commitments and issuing letters of credit as it does for on-balance sheet instruments. As of December 31, 2003, the amounts associated with the Company's off-balance sheet obligations were as follows:

(Dollars in Thousands)	Amount
Commitments to Extend Credit[F1]	$290,311
Standby Letters of Credit	$ 6,278

[F1] Commitments include unfunded loans, revolving lines of credit (including credit card lines) and other unused commitments.

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

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

For both on- and off-balance sheet financial instruments, the Company requires collateral to support such instruments when it is deemed necessary. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained upon extension

of credit is based on management's credit evaluation of the counterparty. Collateral held varies, but may include deposits held in financial institutions; U.S. Treasury securities; other marketable securities; real estate; accounts receivable; property, plant and equipment; and inventory.

Note 19
FAIR VALUE OF FINANCIAL INSTRUMENTS

Many of the Company's assets and liabilities are short-term financial instruments whose carrying values approximate fair value. These items include Cash and Due From Banks, Interest Bearing Deposits with Other Banks, Federal Funds Sold, Federal Funds Purchased, Securities Sold Under Repurchase Agreements, and Short-Term Borrowings. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. The resulting fair values may be significantly affected by the assumptions used, including the discount rates and estimates of future cash flows.

The methods and assumptions used to estimate the fair value of the Company's other financial instruments are as follows:

Investment Securities - Fair values for investment securities are based on quoted market prices. If a quoted market price is not available, fair value is estimated using market prices for similar securities.

Loans - The loan portfolio is segregated into categories and the fair value of each loan category is calculated using present value techniques based upon projected cash flows and estimated discount rates. The calculated present values are then reduced by an allocation of the allowance for loan losses against each respective loan category.

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

offered for deposits of similar remaining maturities.

Long-Term Debt - 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.

Commitments to Extend Credit and Standby Letters of Credit - The fair value of commitments to extend credit is estimated using the fees currently charged to enter into similar agreements, taking into account the present creditworthiness of the counterparties. Fair value of these fees is not material.

The Company's financial instruments that have estimated fair values are presented below:

<TABLE>
<CAPTION>

	At December 31,			
	2003		2002	
(Dollars in Thousands)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Financial Assets:				
Cash	$ 93,140	93,140	$ 89,823	$ 89,823
Short-Term Investments	125,452	125,452	170,936	170,936
Investment Securities	181,734	181,734	180,315	180,315
Loans, Net of Allowance for Loan Losses	1,329,203	1,365,541	1,272,726	1,331,724
Total Financial Assets	$1,729,529	$1,765,867	$1,713,800	$1,772,798
Financial Liabilities:				
Deposits	$1,474,205	1,486,539	$1,434,200	$1,438,964
Short-Term Borrowings	108,184	108,184	113,675	113,675
Long-Term Debt	46,475	47,270	71,745	72,631
Total Financial Liabilities	$1,628,864	$1,641,993	$1,619,620	$1,625,270

</TABLE>

Certain financial instruments and all nonfinancial instruments are excluded from the above table. The disclosures also do not include certain intangible assets such as customer relationships, deposit base intangibles and goodwill. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

Note 20
PARENT COMPANY FINANCIAL INFORMATION

The operating results of the parent company for the three years ended December 31, are shown below:

<TABLE>
<CAPTION>

Parent Company Statements of Income (Dollars in Thousands)	2003	2002	2001
<S>	<C>	<C>	<C>
OPERATING INCOME			
Income Received from Subsidiary Bank:			
Dividends	$11,599	$12,678	$12,963
Overhead Fees	2,935	3,061	2,393
Other Income	-	59	-
Total Operating Income	14,534	15,798	15,356

OPERATING EXPENSE			
Salaries and Associate Benefits	1,847	2,311	1,878
Interest on Debt	-	7	83
Professional Fees	1,104	994	399
Advertising	193	138	132
Legal Fees	374	197	85
Other	404	335	285
Total Operating Expense	3,922	3,982	2,862
Income Before Income Taxes and Equity in Undistributed Earnings of Subsidiary Bank	10,612	11,816	12,494
Income Tax Benefit	(278)	(248)	(124)
Income Before Equity in Undistributed Earnings of Subsidiary Bank	10,890	12,064	12,618
Equity in Undistributed Earnings of Subsidiary Bank	14,303	11,018	4,248
Net Income	$25,193	$23,082	$16,866

</TABLE>

The following are condensed statements of financial condition of the parent company at December 31:

<TABLE>
<CAPTION>

Parent Company Statements of Financial Condition (Dollars in Thousands)<F1>	2003	2002
<S>	<C>	<C>
ASSETS		
Cash and Due From Subsidiary Bank	$ 7,850	$ 3,970
Investment in Subsidiary Bank	196,316	183,780
Other Assets	1,310	1,148
Total Assets	$205,476	$188,898
LIABILITIES		
Other Liabilities	$ 2,667	$ 2,367
SHAREOWNERS' EQUITY		
Preferred Stock, $.01 par value, 3,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, $.01 par value; 90,000,000 shares authorized; 13,236,462 and 13,196,211 shares issued and outstanding at December 31, 2003 and December 31, 2002, respectively	132	132
Additional Paid-In Capital	16,157	14,691
Retained Earnings	185,134	168,587
Accumulated Other Comprehensive Income, Net of Tax	1,386	3,121
Total Shareowners' Equity	202,809	186,531
Total Liabilities and Shareowners' Equity	$205,476	$188,898

<FN>
<F1> All share and per share data have been adjusted to reflect the 5-for-4 stock split effective June 13, 2003.
</FN>
</TABLE>

The cash flows for the parent company for the three years ended December 31, were as follows:

<TABLE>

Parent Company Statements of Cash Flows (Dollars in Thousands)	2003	2002	2001
<S>	<C>	<C>	<C>

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$25,193	$23,082	$16,866
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Equity in Undistributed Earnings of Subsidiary Bank	(14,303)	(11,018)	(4,248)
Non-Cash Compensation	508	892	489
(Increase) Decrease in Other Assets	(130)	(256)	206
Increase (Decrease) in Other Liabilities	300	(2,603)	386
Net Cash Provided by Operating Activities	11,568	10,097	13,699
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net Cash Received From Acquisitions	-	-	1,471
CASH FROM FINANCING ACTIVITIES:			
Borrowings of Long-Term Debt	-	2,040	1,025
Repayments of Long-Term Debt	-	(2,040)	(2,275)
Payment of Dividends	(8,646)	(6,644)	(6,376)
Repurchase of Common Stock	(17)	(3,395)	(4,942)
Issuance of Common Stock	975	688	435
Net Cash Used in Financing Activities	(7,688)	(9,351)	(12,133)
Net Increase in Cash	3,880	746	3,037
Cash at Beginning of Period	3,970	3,224	187
Cash at End of Period	$ 7,850	$ 3,970	$ 3,224

</TABLE>

Note 21
COMPREHENSIVE INCOME

SFAS No. 130, "Reporting Comprehensive Income," requires that certain transactions and other economic events that bypass the income statement be displayed as other comprehensive income (loss). The Company's comprehensive income (loss) consists of net income (loss) and changes in unrealized gains (losses) on securities available-for-sale, net of income taxes. Changes in unrealized gains (losses) (net of taxes) on securities are reported as other comprehensive (loss) income and totaled ($1,735), $771, and $3,872, for 2003, 2002 and 2001, respectively. Reclassification adjustments consist only of realized gains on sales of investment securities and were not material for the years ended December 31, 2003, 2002 and 2001.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures.

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended, are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that the information is accumulated and communicated to the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives, and management was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation and subject to the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the Company's disclosure

controls and procedures provided reasonable assurance that the disclosure controls and procedures are effective to accomplish their objectives.

Changes in Internal Controls

The Company's management, including the Chief Executive Officer and Chief Financial Officer, has reviewed the Company's internal controls. There have been no significant changes in the Company's internal controls during the Company's most recently completed fiscal quarter, nor subsequent to the date of their evaluation, that could significantly affect the Company's disclosure controls and procedures.

Part III

Item 10. Directors and Executive Officers of the Registrant

Incorporated herein by reference to the sections entitled "Corporate Governance," "Nominees for Election as Directors," "Continuing Directors and Executive Officers" and "Share Ownership" in the Registrant's Proxy Statement dated April 2, 2004, to be filed on or about April 2, 2004.

Item 11. Executive Compensation

Incorporated herein by reference to the sections entitled "Executive Compensation Tables," the subsection entitled "Directors' Fees" under the section entitled "Corporate Governance," "Compensation Committee Report," "Retirement Plans," and "Five Year Performance Graph" in the Registrant's Proxy Statement dated April 2, 2004, to be filed on or about April 2, 2004.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated herein by reference to the section entitled "Share Ownership" in the Registrant's Proxy Statement dated April 2, 2004, to be filed on or about April 2, 2004.

Equity Compensation Plan Information

Incorporated herein by reference to the section entitled "Executive Compensation Tables" in the Registrant's Proxy Statement dated April 2, 2004, to be filed on or about April 2, 2004.

For additional information about the Company's equity compensation plans, see Stock Based Compensation in Note 1 in the Notes to the Consolidated Financial Statements.

Item 13. Certain Relationships and Related Transactions

Incorporated herein by reference to the subsection entitled "Transactions With Management and Related Parties" under the section entitled "Executive Officers and Transactions with Management" in the Registrant's Proxy Statement dated April 2, 2004, to be filed on or about April 2, 2004.

Item 14. Principal Accountant Fees and Services

Incorporated herein by reference to the section entitled "Fees Paid to Principal Accountants" in the Registrant's Proxy Statement dated April 2, 2004, to be filed on or about April 2, 2004.

PART IV

Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) The following documents are filed as part of this report:

1. Financial Statements

   Independent Auditors' Report

   Report of Independent Public Accountants

   Consolidated Statements of Income for Years Ended December 31, 2003, 2002 and 2001

   Consolidated Statements of Financial Condition as of December 31, 2003 and 2002

Consolidated Statements of Changes in Shareowners' Equity for Years Ended December 31, 2003, 2002 and 2001

Consolidated Statements of Cash Flows for Years Ended December 31, 2003, 2002 and 2001

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Other schedules and exhibits are omitted because the required information either is not applicable or is shown in the financial statements or the notes thereto.

3. Exhibits Required to be Filed by Item 601 of Regulation S-K

Reg. S-K Exhibit Table Item No.	Description of Exhibit
2(a)	Agreement and Plan of Merger, dated as of September 25, 2000, by and between Capital City Bank Group, Inc. and First Bankshares of West Point, Inc. - incorporated herein by reference to Exhibit 2(d) of the Registrant's Form 10-K (filed 3/30/01)(No. 0-13358).
2(b)	Purchase and Assumption Agreement, dated as of October 3, 2000, by and between Capital City Bank and First Union National Bank - incorporated herein by reference to Exhibit 2(e) of the Registrant's Form 10-K (filed 3/30/01)(No. 0-13358).
2(c)	Plan of Merger and Merger Agreement, dated August 23, 2001, by and between Capital City Bank and First National Bank of Grady County - incorporated herein by reference to Exhibit 2(f) of the Registrant's Form 10-K (filed 3/28/02)(No. 0-13358).
2(d)	Agreement and Plan of Merger, dated as of January 7, 2004, by and among Capital City Bank Group, Inc., Capital City Bank, Synovus Financial Corp. and Quincy State Bank - incorporated herein by reference to the Registrant's Form 8-K (filed 1/13/04)(No. 0-13358).
3(a)	Amended and Restated Articles of Incorporation - incorporated herein by reference to Exhibit 3 of the Registrant's 1996 Proxy Statement (filed 4/11/96)(No. 0-13358).
3(b)	Amended and Restated Bylaws - incorporated herein by reference to Exhibit 3(b) of the Registrant's Form 10-Q (filed 1/13/97)(No. 0-13358).
10(a)	Promissory Note and Pledge and Security Agreement evidencing a line of credit by and between Registrant and SunTrust Bank, dated November 16, 1995 - incorporated herein by reference to Exhibit 10(b) of the Registrant's Form 10-K (filed 3/29/96)(No. 0-13358).
10(b)	Capital City Bank Group, Inc. 1996 Associate Incentive Plan, as amended - incorporated herein by reference to Exhibit 10 of the Registrant's Form S-8 (filed 12/23/96)(No. 333-18557).
10(c)	Capital City Bank Group, Inc. Amended and Restated Director Stock Purchase Plan - incorporated herein by reference to Exhibit 10(d) of the Registrant's Form 10-K (filed 3/30/00)(No. 0-13358).
10(d)	Capital City Bank Group, Inc. Supplemental Executive Retirement Plan - incorporated herein by reference to Exhibit 10(d) of the Registrant's Form 10-K (filed 3/27/03)(No. 0-13358).

14	Capital City Bank Group, Inc. Code of Ethics for the Chief Financial Officer and Senior Financial Officers - Filed with this report.
21	Subsidiaries of the Registrant - Filed with this report.
23	Consent of Independent Auditors - Filed with this report.
31.1	Certification of CEO pursuant to Securities and Exchange Act Rule 13a - 14(a) / 15d-14(a) as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Filed with this report.
31.2	Certification of CFO pursuant to Securities and Exchange Act Rule 13a - 14(a) / 15d-14(a) as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Filed with this report.

32.1 Certification of CEO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Filed with this report.

32.2 Certification of CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 - Filed with this report.

(b) Reports on Form 8-K

On October 27, 2003, the Company furnished a Current Report on Form 8-K, under Item 12, containing an October 23, 2003 press release announcing its earnings for the quarter ended September 30, 2003. (Such press release is not incorporated by reference herein or deemed "filed" within meaning of Section 18 of the Securities Act.)

On January 13, 2004, the Company furnished a Current Report on Form 8-K, under Item 5, containing a January 7, 2004 press release announcing a definitive agreement to acquire Quincy State Bank, a wholly owned banking subsidiary of Synovus Financial Corp.

On January 29, 2004, the Company furnished a Current Report on Form 8-K, under Item 12, containing a January 29, 2004 press release announcing its earnings for the quarter ended December 31, 2003. (Such press release is not incorporated by reference herein or deemed "filed" within meaning of Section 18 of the Securities Act.)

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on March 12, 2004, on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITY BANK GROUP, INC.

/s/ William G. Smith, Jr.
- ------------------------------
William G. Smith, Jr.
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 12, 2004 by the following persons in the capacities indicated.

/s/ William G. Smith, Jr.
- ------------------------------
William G. Smith, Jr.
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ J. Kimbrough Davis
- ------------------------------
J. Kimbrough Davis
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Directors:

/s/ DuBose Ausley
- ------------------------------
DuBose Ausley

/s/ Thomas A. Barron
- ------------------------------

Thomas A. Barron

/s/ Frederick Carroll, III
- ------------------------------
Frederick Carroll, III

/s/ Cader B. Cox, III
- ------------------------------
Cader B. Cox, III

/s/ J. Everitt Drew
- ------------------------------
J. Everitt Drew

/s/ John K. Humphress
- ------------------------------
John K. Humphress

/s/ Lina S. Knox
- ------------------------------
Lina S. Knox

/s/ Ruth A. Knox
- ------------------------------
Ruth A. Knox

/s/ Henry Lewis III
- ------------------------------
Henry Lewis III

/s/ John R. Lewis
- ------------------------------
John R. Lewis

/s/ William G. Smith, Jr.
- ------------------------------
William G. Smith, Jr.

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Capital City Bank Group, Inc.
Code of Ethics for the Chief Executive Officer
and Senior Financial Officers

Preamble

Capital City Bank Group, Inc. (the "Company") is committed to the highest ethical standards and to conducting its business with the utmost integrity. An unwavering adherence to high ethical standards provides a strong foundation on which the Company's business and reputation can thrive, and is integral to creating and sustaining a successful, high-caliber company. The Chief Executive Officer, Chief Financial Officer, principal accounting officer, controller and persons performing similar functions (collectively, the "Senior Officers") are subject to this Code of Ethics. The obligations of this Code of Ethics supplement, but do not replace, the Associate Code of Conduct applicable to all employees and executive officers. In accordance with Section 406 of the Sarbanes-Oxley Act of 2002 and in recognition of their critical role in proper corporate governance, the Senior Officers shall be subject to the following conditions and requirements.

A. Standard of Conduct

The Senior Officers are expected to carry out their responsibilities honestly and with the utmost integrity, exercising at all times their best independent judgment.

B. Conflicts of Interest

The Company prohibits personal conflicts of interest unless the Company's Audit Committee has approved them. In particular, a Senior Officer may not exploit his or her position with the Company to obtain an improper personal benefit for his or herself, for his or her family, or for any other person, other than for authorized compensation and benefits, and should avoid even the appearance of such a conflict.

If a Senior Officer becomes aware of a material transaction or relationship in which a conflict of interest may arise, he or she should promptly disclose this matter to the Audit Committee.

C. Public Disclosure

It is the Company's policy that the information in its public communications, including all filings submitted to the Securities and Exchange Commission (the "SEC"), be full, fair, accurate, timely and understandable. The Senior Officers are responsible for acting in furtherance of this policy. In particular, the Senior Officers must maintain familiarity with the disclosure requirements that apply to the Company. The Senior Officers are prohibited from knowingly misrepresenting, omitting, or causing others to misrepresent or omit, material facts about the Company to others, whether within or outside the Company, including the Company's independent auditors. The Senior Officers must promptly bring to the attention of the Disclosure Committee any material information of which he or she becomes aware that affects or may affect the disclosures made by the Company in its public filings, and to otherwise assist the Disclosure Committee in fulfilling its responsibilities as specified in its charter.

D. Compliance with Laws, Rules and Regulations

It is the Company's policy to comply with all applicable laws, rules and regulations. The Senior Officers should make every effort to ensure that they, and the Company, are in compliance with such laws, rules and regulations.

E. Internal Controls Deficiencies; Financial Fraud

A Senior Officer must promptly bring to the attention of the Company's Disclosure Committee and its Audit Committee any information he or she may have concerning (a) significant deficiencies in the design or operation of the Company's internal controls over financial reporting that could adversely affect the Company's ability to record, process, summarize and report financial data, or (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's disclosure controls or internal controls over financial reporting.

F. Compliance and Reporting

The Senior Officers should strive to identify and raise potential issues before they lead to problems, and should ask the Company's Board of Directors about the application of this Code of Ethics whenever in doubt. If the Senior Officers become aware of any existing or potential violation of this Code of Ethics, they should promptly notify the Company's entire Board of Directors.

G. Waivers; Filing Form 8-K

There shall be no waiver of any part of this Code of Ethics except by a vote of the Board of Directors. Prior to such a vote, the Board must ascertain whether a waiver is appropriate and ensure that any waiver is accompanied by appropriate controls designed to protect the Company.

As currently required by the SEC, the Company must disclose on Form 8-K any waivers of or changes to this Code of Ethics within five business days after such occurrence (or within any other time period specified by the SEC).

H. Enforcement and Accountability

The Company's Board of Directors shall determine appropriate actions to be taken in the event of a violation of this Code of Ethics by the Senior Officers. Any such action shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code of Ethics, and may include:

(a) Written notices to the individual involved that the Board has determined that there has been a violation;

(b) Censure by the Board;

(c) Demotion or re-assignment of the individual involved;

(d) Suspension with or without pay or benefits (as determined by the Board); and

(e) Termination of the individual's employment.

In determining what action is appropriate in a particular case, the Board of Directors shall take into account all relevant information, including the nature and severity of the violation, whether the violation was a single occurrence or one of repeated occurrences, whether the violation appears to have been intentional or inadvertent, whether the individual in question had been advised prior to the violation as to the proper course of action and whether or not the individual in question had committed other violations in the past.

Each Senior Officer will be required on an annual basis to certify his or her compliance with this Code of Ethics.

- --

I have read and understand the Code of Ethics for the Chief Executive Officer and the Senior Financial Officers and certify that, as of the date hereof, I am in compliance with the terms of the Code.

Signature

Print Name

Title

Date

Exhibit 23 Consent of Independent Auditors

Independent Auditors' Consent

We consent to the incorporation by reference in the registration statements (No. 333-18557, No. 33-60113, and No. 333-18543) on Forms S-8 and No. 333-20683 on Form S-3D of Capital City Bank Group, Inc. of our report dated March 8, 2004, with respect to the consolidated statements of financial condition of Capital City Bank Group, Inc. and subsidiary as of December 31, 2003 and 2002, and the related consolidated statements of income, changes in shareowners' equity, and cash flows, for the years then ended, which report appears in the December 31, 2003, annual report on Form 10-K of Capital City Bank Group, Inc.

Our report refers to a change in method of recording stock-based compensation in 2003 and a change in method of accounting for goodwill and other intangible assets in 2002. Our report also refers to our audit of the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, to revise the 2001 consolidated financial statements, as more fully described in Note 6 to the consolidated financial statements. However, we were not engaged to audit, review, or apply any procedures to the 2001 consolidated financial statements other than with respect to such disclosures.

KPMG LLP
Jacksonville, Florida
March 10, 2004

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 annual report on Form 10-K 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(s) 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)) for the registrant and have:

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

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

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

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

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

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

Capital City Bank Group, Inc.

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

Date: March 12, 2004

Exhibit 31.2 Certification of CFO Pursuant to Securities Exchange Act Rule 13a-14(a) / 15d-14(a) as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, J. Kimbrough Davis, certify that:

1. I have reviewed this annual report on Form 10-K 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(s) 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)) for the registrant and have:

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

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

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

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

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

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

Capital City Bank Group, Inc.

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

Date: March 12, 2004

Exhibit 32.1 Certification of CEO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that (1) this Annual Report of Capital City Bank Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003, 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.

Capital City Bank Group, Inc.

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

Date: March 12, 2004

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, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that (1) this Annual Report of Capital City Bank Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2003, 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.

Capital City Bank Group, Inc.

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

Date: March 12, 2004

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.