

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the Quarterly Period Ended:  
September 30, 2004  
-----

Commission File Number 0-13358  
-----

CAPITAL CITY BANK GROUP, INC.  
(Exact name of registrant as specified in its charter)

Florida 59-2273542  
-----  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

217 North Monroe Street, Tallahassee, Florida 32301  
-----  
(Address of principal executive office) (Zip Code)

(850) 671-0300  
-----  
Registrant's telephone number, including area code

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 such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes  No

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

At October 29, 2004, 14,139,369 shares of the Registrant's Common Stock, \$.01 par value, were outstanding.

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CAPITAL CITY BANK GROUP, INC.

FORM 10-Q I N D E X

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1.	Legal Proceedings	Not Applicable
2.	Changes in Securities and Use of Proceeds	Not Applicable

3.	Defaults Upon Senior Securities	Not Applicable
4.	Submission of Matters to a Vote of Security Holders	Not Applicable
5.	Other Information	Not Applicable
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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 Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the Company's annual report on Form 10-K for the fiscal year ended December 31, 2003, and the Company's other filings with the Securities and Exchange Commission.

PART I. FINANCIAL INFORMATION  
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

<TABLE>

CAPITAL CITY BANK GROUP, INC.  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE PERIODS ENDED SEPTEMBER 30  
(Unaudited)  
(Dollars In Thousands, Except Per Share Amounts)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	----- 2004	----- 2003	----- 2004	----- 2003
<S>	<C>	<C>	<C>	<C>
<b>INTEREST INCOME</b>				
Interest and Fees on Loans	\$23,316	\$21,747	\$67,510	\$66,036
Investment Securities:				
U.S. Treasury	167	147	619	433
U.S. Govt. Agencies and Corporations States and Political Subdivisions	507	554	1,298	2,048
Other Securities	468	592	1,491	1,833
Funds Sold	55	141	191	470
	147	303	486	987
	-----	-----	-----	-----
Total Interest Income	24,660	23,484	71,595	71,807
<b>INTEREST EXPENSE</b>				
Deposits	2,434	2,729	7,213	9,008
Short-Term Borrowings	332	282	868	951
Long-Term Debt	642	495	1,726	1,541
	-----	-----	-----	-----
Total Interest Expense	3,408	3,506	9,807	11,500
	-----	-----	-----	-----
Net Interest Income	21,252	19,978	61,788	60,307
Provision for Loan Losses	300	921	1,841	2,586
	-----	-----	-----	-----
Net Interest Income After Provision for Loan Losses	20,952	19,057	59,947	57,721
<b>NONINTEREST INCOME</b>				
Service Charges on Deposit Accounts	4,487	4,123	12,858	12,164
Data Processing	652	578	1,988	1,747
Asset Management Fees	1,035	660	2,726	1,915
(Loss) Gain on Sale of Investment Securities	(13)	(22)	7	1
Mortgage Banking Revenues	806	2,066	2,486	4,950
Gain on Sale of Credit Card Portfolio	6,857	-	6,857	-
Other	3,897	3,547	11,711	10,548
	-----	-----	-----	-----
Total Noninterest Income	17,721	10,952	38,633	31,325

NONINTEREST EXPENSE				
Salaries and Associate Benefits	10,966	10,551	32,515	30,444
Occupancy, Net	1,828	1,589	5,194	4,468
Furniture and Equipment	2,174	2,048	6,214	5,717
Conversion/Merger Expense	68	-	114	-
Other	6,597	5,996	20,272	18,498
Total Noninterest Expense	21,633	20,184	64,309	59,127
Income Before Income Taxes	17,040	9,825	34,271	29,919
Income Taxes	6,221	3,529	12,162	10,822
NET INCOME	\$10,819	\$ 6,296	\$22,109	\$19,097
Basic Net Income Per Share	\$ .82	\$ .47	\$ 1.67	\$ 1.44
Diluted Net Income Per Share	\$ .82	\$ .47	\$ 1.67	\$ 1.44
Cash Dividends Per Share	\$ .1800	\$ .1700	\$ .5400	\$ .4760
Basic Average Shares Outstanding	13,282,945	13,221,264	13,272,125	13,221,114
Diluted Average Shares Outstanding	13,286,945	13,260,140	13,275,172	13,255,047

</TABLE>

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

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<TABLE>

CAPITAL CITY BANK GROUP, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
AS OF SEPTEMBER 30, 2004 AND DECEMBER 31, 2003  
(Unaudited)  
(Dollars In Thousands, Except Per Share Amounts)

	September 30, 2004	December 31, 2003
<S>	<C>	<C>
ASSETS		
Cash and Due From Banks	\$ 90,458	\$ 93,140
Funds Sold	47,352	125,452
	-----	-----
Total Cash and Cash Equivalents	137,810	218,592
Investment Securities, Available-for-Sale	156,675	181,734
Loans, Net of Unearned Interest	1,540,650	1,341,632
Allowance for Loan Losses	(12,328)	(12,429)
	-----	-----
Loans, Net	1,528,322	1,329,203
Premises and Equipment	56,281	54,011
Intangibles	39,720	25,792
Other Assets	32,985	37,170
	-----	-----
Total Assets	\$1,951,793	\$1,846,502
	=====	=====
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	\$ 518,352	\$ 455,550
Interest Bearing Deposits	1,052,195	1,018,655
	-----	-----
Total Deposits	1,570,547	1,474,205
Short-Term Borrowings	76,216	108,184
Long-Term Debt	62,930	46,475
Other Liabilities	23,031	14,829
	-----	-----
Total Liabilities	1,732,724	1,643,693
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; 13,285,380 shares outstanding at September 30, 2004 and 13,236,462 shares outstanding at December 31, 2003	133	132
Additional Paid-In Capital	18,411	16,157
Retained Earnings	200,073	185,134
Accumulated Other Comprehensive Income, Net of Tax	452	1,386
	-----	-----
Total Shareowners' Equity	219,069	202,809
	-----	-----
Total Liabilities and Shareowners' Equity	\$1,951,793	\$1,846,502
	=====	=====

</TABLE>

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

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<TABLE>

CAPITAL CITY BANK GROUP, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE NINE MONTH PERIODS ENDED SEPTEMBER 30  
(Unaudited)  
(Dollars In Thousands)

	2004	2003
	<C>	<C>
-----		
<S>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$ 22,109	\$ 19,097
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	1,841	2,586
Depreciation	3,877	3,543
Net Securities Amortization	1,673	1,545
Amortization of Intangible Assets	2,673	2,431
Gain on Sale of Investment Securities	(7)	(1)
Non-Cash Compensation	1,686	850
Net Decrease in Other Assets	5,762	2,799
Net Increase in Other Liabilities	8,265	1,200
	-----	-----
Net Cash Provided by Operating Activities	47,879	34,050
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Payments/Maturities/Sales of Investment Securities Available-for-Sale	119,650	76,114
Purchase of Investment Securities Available-for-Sale	(81,594)	(62,184)
Net Increase in Loans	(113,296)	(41,599)
Net Cash Used in Acquisition	(18,079)	-
Purchase of Premises & Equipment	(5,145)	(10,051)
Sales of Premises & Equipment	1,010	57
	-----	-----
Net Cash Used in Investing Activities	(97,454)	(37,663)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Net (Decrease) Increase in Deposits	(6,093)	51,241
Net Decrease in Short-Term Borrowings	(46,968)	(41,746)
Borrowing of Long-Term Debt	29,737	7,612
Repayment of Long-Term Debt	(1,281)	(1,015)
Dividends Paid	(7,169)	(6,289)
Issuance of Common Stock	569	37
	-----	-----
Net Cash (Used In) Provided by Financing Activities	(31,205)	9,840
	-----	-----
Net (Decrease) Increase in Cash and Cash Equivalents	(80,780)	6,227
Cash and Cash Equivalents at Beginning of Period	218,592	260,759
	-----	-----
Cash and Cash Equivalents at End of Period	\$137,810	\$266,986
	=====	=====
Supplemental Disclosure:		
Interest Paid on Deposits	\$ 7,263	\$ 9,455
	=====	=====
Interest Paid on Debt	\$ 2,616	\$ 2,499
	=====	=====
Transfer of Loans to ORE	\$ 1,063	\$ 1,275

Income Taxes Paid	=====	=====
	\$ 6,786	\$ 12,560
	=====	=====
Issuance of Common Stock as Non-Cash Compensation	\$ 1,686	\$ 850
	=====	=====
Transfer of Current Portion of Long-Term Debt to Short-Term Borrowings	\$ 15,000	\$ 40,326
	=====	=====

</TABLE>

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

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

(1) MANAGEMENT'S OPINION AND ACCOUNTING POLICIES

Basis of Presentation

- - - - -

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, including Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. Prior period financial statements have been reformatted and/or amounts reclassified, as necessary, to conform with the current presentation.

In the opinion of management, the consolidated financial statements contain all adjustments, which are those of a recurring nature, and disclosures necessary to present fairly the financial position of the Company as of September 30, 2004 and December 31, 2003, the results of operations for the three and nine month periods ended September 30, 2004 and 2003, and cash flows for the nine month periods ended September 30, 2004 and 2003.

The Company and its subsidiary follow accounting principles generally accepted in the United States of America and reporting practices applicable to the banking industry. The principles that materially affect its financial position, results of operations and cash flows are set forth in Notes to Consolidated Financial Statements which are included in the Company's 2003 Annual Report on Form 10-K.

Stock-based Compensation

- - - - -

As of September 30, 2004, the Company had three stock-based compensation plans, consisting of the Associate Stock Incentive Plan ("AIP"), the Associate Stock Purchase Plan and the Director Stock Purchase Plan. Pursuant to the AIP, the Company executed an executive incentive stock option arrangement effective January 1, 2004. 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 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 were accounted for under APB 25. The cost related to all stock-based associate compensation included in net income is accounted for under the fair value based method during 2004 as all awards have grant dates after January 1, 2003.

The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS 123 to stock-based compensation.

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<TABLE>

(Dollars in Thousands, Except Per Share Data)	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Net income, as reported	\$10,819	\$6,296	\$22,109	\$19,097
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	78	320	258	541
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(78)	(104)	(258)	(334)
Pro forma net income	\$10,819	\$6,512	\$22,109	\$19,304
Earnings per share:				
Basic-as reported	\$ .82	\$ .47	\$ 1.67	\$ 1.44
Basic-pro forma	\$ .82	\$ .49	\$ 1.67	\$ 1.46
Diluted-as reported	\$ .82	\$ .47	\$ 1.67	\$ 1.44
Diluted-pro forma	\$ .82	\$ .49	\$ 1.67	\$ 1.46

</TABLE>

## (2) ACQUISITIONS

On March 19, 2004, the Company's subsidiary, Capital City Bank, completed its merger with Quincy State Bank, a subsidiary of Synovus Financial Corp. Results of Quincy State Bank's operations have been included in the Company's consolidated financial statements since March 20, 2004. Quincy State Bank had \$116.6 million in assets with one office in Quincy, Florida and one office in Havana, Florida. The transaction was accounted for as a purchase and resulted in approximately \$15.4 million of intangible assets, including approximately \$13.0 million in goodwill and a core deposit intangible of \$2.4 million. The core deposit intangible is being amortized over a 7-year period.

The information below lists the consolidated assets and liabilities of Quincy State Bank as of March 19, 2004, along with the consideration paid:

<TABLE>

(Dollars in Thousands)	Quincy State Bank
<S>	<C>
Cash and Due From Banks	\$ 2,295
Funds Sold	6,949
Total Cash and Cash Equivalents	9,244
Investment Securities, Available-for-Sale	16,150
Loans, Net of Unearned Interest	88,727
Intangible Asset	14,915
Other Assets	2,498
Total Assets	\$131,534
Total Deposits	\$102,434
Long-Term Debt	3,000
Total Liabilities	\$105,434
Consideration Paid to Quincy State Bank Shareowners	\$ 26,100

</TABLE>

The following unaudited pro forma financial information for the three and nine months ended September 30, 2004 and 2003 presents the consolidated operations of the Company as if the Quincy State Bank acquisition had been made on January 1, 2003. The unaudited pro forma financial information is provided for informational purposes only, should not be construed to be indicative of the Company's consolidated results of operations had the acquisition of Quincy

State Bank been consummated on this earlier date, and does not project the Company's results of operations for any future period:

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<TABLE>

(Dollars in Thousands, Except Per Share Data)	For 3 Months Ended September 30,		For 9 Months Ended September 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Interest Income	\$24,660	\$25,153	\$73,064	\$77,030
Interest Expense	3,408	3,801	10,012	12,494
Net Interest Income	21,252	21,352	63,052	64,536
Provision for Loan Losses	300	966	1,871	2,721
Net Interest Income After Provision for Loan Losses	20,952	20,386	61,181	61,815
Noninterest Income	17,721	11,303	38,972	32,666
Noninterest Expense	21,633	20,953	65,130	61,955
Income Before Income Taxes	17,040	10,736	35,023	32,526
Income Taxes	6,221	3,848	12,425	11,899
Net Income	\$10,819	\$ 6,888	\$22,598	\$20,627
Basic Net Income Per Share	\$ .82	\$ .52	\$ 1.70	\$ 1.56
Diluted Net Income Per Share	\$ .82	\$ .52	\$ 1.70	\$ 1.56

</TABLE>

On March 19, 2004, the Company completed its purchase of fiduciary assets from Synovus Trust Company for \$2.0 million. This purchase was subject to a \$800,000 earn-out agreement of which \$634,000 was paid in October 2004. Subsequently, the intangible asset associated with this transaction was increased to \$1.8 million. This intangible is being amortized over a 10-year period.

On October 15, 2004, the Company completed its acquisition of Farmers and Merchants Bank in Dublin, Georgia, a \$395 million asset institution with three offices in Laurens County. The Company issued 17.08 shares and \$666.50 in cash for each of the 50,000 shares of Farmers and Merchants Bank, resulting in the issuance of 854,000 shares of Company common stock and the payment of \$33.3 million in cash for a total purchase price of approximately \$66.7 million.

### (3) INVESTMENT SECURITIES

The carrying value and related market value of investment securities at September 30, 2004 and December 31, 2003 were as follows (dollars in thousands):

<TABLE>

Available-For-Sale	September 30, 2004			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury	\$ 31,189	\$ 3	\$118	\$ 31,074
U.S. Govt. Agencies and Corporations States and Political Subdivisions	58,488	63	201	58,350
Mortgage-Backed Securities	49,711	764	18	50,457
Other Securities	10,869	219	11	11,077
Total	5,717	-	-	5,717
	\$155,974	\$1,049	\$348	\$156,675

</TABLE>

<TABLE>

Available-For-Sale	December 31, 2003			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury	\$ 78,498	\$ 105	\$ 1	\$ 78,602

U.S. Govt. 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	\$179,546	\$2,189	\$ 1	\$181,734

</TABLE>

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(4) LOANS

The composition of the Company's loan portfolio at September 30, 2004 and December 31, 2003 was as follows (dollars in thousands):

<TABLE>

	September 30, 2004	December 31, 2003
	-----	-----
<S>	<C>	<C>
Commercial, Financial and Agricultural	\$ 187,862	\$ 160,048
Real Estate - Construction	119,248	89,149
Real Estate - Commercial Mortgage	473,874	391,250
Real Estate - Residential	369,473	327,212
Real Estate - Home Equity	145,408	116,810
Real Estate - Loans Held-for-Sale	5,636	4,240
Consumer	217,619	233,395
Other Loans (1)	21,530	19,528
	-----	-----
Loans, Net of Unearned Interest	\$1,540,650	\$1,341,632
	=====	=====

(1) Consists primarily of loans-in-process.

</TABLE>

(5) ALLOWANCE FOR LOAN LOSSES

An analysis of the changes in the allowance for loan losses for the nine month periods ended September 30, 2004 and 2003, is as follows (dollars in thousands):

<TABLE>

	September 30,	
	-----	-----
	2004	2003
	-----	-----
<S>	<C>	<C>
Balance, Beginning of the Period	\$12,429	\$12,495
Provision for Loan Losses	1,841	2,586
Recoveries on Loans Previously Charged-Off	1,267	724
Loans Charged-Off	(3,722)	(3,381)
Acquired Reserves	1,313	-
Reserve Reversal - Credit Card Portfolio Sale	(800)	-
Balance, End of Period	\$12,328	\$12,424

</TABLE>

Impaired loans are primarily defined as all nonaccruing loans for the loan categories which are included within the scope of SFAS 114. Selected information pertaining to impaired loans is depicted in the table below (dollars in thousands):

<TABLE>

	September 30,			
	-----		-----	
	2004		2003	
	-----		-----	
Impaired Loans:	Valuation		Valuation	
	Balance	Allowance	Balance	Allowance
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
With Related Credit Allowance	\$ 940	\$429	\$4,112	\$605
Without Related Credit Allowance	3,266	-	1,017	-
Average Recorded Investment for the Period	5,080	*	7,091	*

\* Not Applicable

</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 periods ended September 30, 2004 and 2003, the Company recognized \$107,000 and \$148,000, respectively, in interest income on impaired loans, all of which was collected in cash.

(6) DEPOSITS

The composition of the Company's interest bearing deposits at September 30, 2004 and December 31, 2003 was as follows (dollars in thousands):

<TABLE>

	September 30, 2004 -----	December 31, 2003 -----
<S>	<C>	<C>
NOW Accounts	\$ 285,851	\$ 276,934
Money Market Accounts	209,262	207,934
Savings Deposits	129,461	110,834
Other Time Deposits	427,621	422,953
	-----	-----
Total Interest Bearing Deposits	\$1,052,195 =====	\$1,018,655 =====

</TABLE>

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(7) INTANGIBLE ASSETS

The Company had intangible assets of \$39.7 million and \$25.8 million at September 30, 2004 and December 31, 2003, respectively. Intangible assets were as follows (dollars in thousands):

<TABLE>

	September 30, 2004 -----		December 31, 2003 -----	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
<S>	<C>	<C>	<C>	<C>
Core Deposits Intangibles	\$36,144	\$17,247	\$33,752	\$14,640
Goodwill	23,442	3,786	10,466	3,786
Other	1,233	66	-	-
	-----	-----	-----	-----
Total Intangible Assets	\$60,819 =====	\$21,099 =====	\$44,218 =====	\$18,426 =====

</TABLE>

Net Core Deposit Intangibles: As of September 30, 2004 and December 31, 2003, the Company had core deposit intangibles of \$18.9 million and \$19.1 million, respectively. Amortization expense for the first nine months of 2004 and 2003 was \$2.6 million and \$2.4 million, respectively.

Goodwill: As of September 30, 2004 and December 31, 2003, the Company had goodwill, net of accumulated amortization, of \$19.7 million and \$6.7 million, respectively. The increase in goodwill is due to the acquisition of Quincy State Bank in March 2004. Goodwill is the Company's only intangible asset that is no longer subject to amortization under the provisions of SFAS No. 142.

Other: As of September 30, 2004, the Company had a customer relationship intangible, net of accumulated amortization, of \$1.2 million. This intangible was booked as a result of the March 2004 acquisition of trust customer relationships from Synovus Trust Company. Amortization expense for the first nine months of 2004 was \$66,000. Estimated annual amortization expense is \$120,000 based on use of a 10 year useful life.

(8) EMPLOYEE BENEFIT PLANS

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

<TABLE>

(Dollars in Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Discount rate	6.25%	6.75%	6.25%	6.75%
Long-term rate of return on assets	8.00%	8.25%	8.00%	8.25%
Service cost	\$ 950	\$ 826	\$2,850	\$2,478
Interest cost	725	642	2,175	1,926
Expected return on plan assets	(675)	(542)	(2,025)	(1,626)
Transition obligation amortization	-	1	-	1
Prior service cost amortization	50	54	150	162
Net loss amortization	300	282	900	846
Net periodic benefit cost	\$1,350	\$1,263	\$4,050	\$3,787

</TABLE>

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<TABLE>

The components of the net periodic benefit costs for the Company's Supplemental Executive Retirement Plan ("SERP") were as follows:

(Dollars in Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Discount rate	6.25%	6.75%	6.25%	6.75%
Long-term rate of return on assets	N/A	N/A	N/A	N/A
Service cost	\$ 48	\$20	\$144	\$ 60
Interest cost	65	28	195	84
Expected return on plan assets	N/A	N/A	N/A	N/A
Prior service cost amortization	30	15	90	45
Net loss amortization	(18)	(11)	(54)	(33)
Net periodic benefit cost	\$125	\$52	\$375	\$156

</TABLE>

(9) 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. The Company's comprehensive income (loss) consists of net income and changes in unrealized gains on securities available-for-sale, net of income taxes. Changes in unrealized gains (losses), net of taxes, on securities are reported as other comprehensive income (loss) and totaled \$431,000 and \$(934,000), respectively, for the three and nine months ended September 30, 2004, and \$(743,000) and \$(1.3 million), respectively, for the three and nine months ended September 30, 2003. Reclassification adjustments consist only of realized gains on sales of investment securities and were not material for the nine months ended September 30, 2004 and 2003.

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<TABLE>

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

	2004				2003			
	Third	Second	First	Fourth	Third	Second	First	Fourth
<S>	<C>							
Summary of Operations:								
Interest Income	\$ 24,660	\$ 24,265	\$ 22,670	\$ 23,022	\$ 23,484	\$ 23,997	\$ 24,327	\$ 25,272
Interest Expense	3,408	3,221	3,178	3,339	3,506	3,894	4,099	4,667

---	Net Interest Income	21,252	21,044	19,492	19,683	19,978	20,103	20,227	
20,605	Provision for Loan Losses	300	580	961	850	921	886	779	
863									
---	Net Interest Income After Provision for Loan Losses	20,952	20,464	18,531	18,833	19,057	19,217	19,448	
19,742	Gain on Sale of Credit Card Portfolio	6,857	-	-	-	-	-	-	
-	Noninterest Income	10,864	11,031	9,881	10,614	10,952	10,428	9,945	
10,898	Conversion/Merger Expense	68	4	42	-	-	-	-	
59	Noninterest Expense	21,565	21,597	21,033	20,593	20,184	19,516	19,428	
20,191									
---	Income Before Provision for Income Taxes	17,040	9,894	7,337	8,854	9,825	10,129	9,965	
10,390	Provision for Income Taxes	6,221	3,451	2,490	2,758	3,529	3,689	3,604	
3,668									
---	Net Income	\$ 10,819	\$ 6,443	\$ 4,847	\$ 6,096	\$ 6,296	\$ 6,440	\$ 6,361	\$
6,722									
=====	Net Interest Income (FTE)	\$ 21,528	\$ 21,333	\$ 19,811	\$ 20,020	\$ 20,332	\$ 20,456	\$ 20,597	\$
21,006									
	Per Common Share:								
	Net Income Basic	\$ .82	\$ .48	\$ .37	\$ .47	\$ .47	\$ .49	\$ .48	\$
.51	Net Income Diluted	.82	.48	.37	.46	.47	.49	.48	
.51	Dividends Declared	.180	.180	.180	.180	.170	.170	.136	
.136	Diluted Book Value	16.48	15.80	15.54	15.27	15.00	14.73	14.42	
14.08	Market Price:								
	High	41.20	43.15	45.55	46.83	40.93	36.43	32.32	
32.04	Low	33.33	35.50	39.05	36.62	35.00	29.74	26.81	
22.26	Close	38.71	39.59	41.25	45.99	38.16	36.08	31.29	
31.35									
	Selected Average Balances:								
	Loans	\$1,524,401	\$1,491,142	\$1,357,206	\$1,329,673	\$1,336,139	\$1,316,705	\$1,289,161	\$1,292,892
	Earning Assets	1,734,708	1,721,655	1,634,468	1,636,269	1,634,689	1,612,133	1,615,287	1,591,535
	Assets	1,941,372	1,929,485	1,830,496	1,819,552	1,816,005	1,786,991	1,796,657	1,762,174
	Deposits	1,545,224	1,538,630	1,457,160	1,451,095	1,451,879	1,415,798	1,407,763	1,404,818
	Shareowners' Equity	217,273	210,211	206,395	201,939	199,060	194,781	190,416	185,412
	Common Equivalent								
	Average Shares:								
	Basic	13,283	13,274	13,262	13,223	13,221	13,209	13,207	
13,189	Diluted	13,287	13,277	13,286	13,265	13,260	13,255	13,253	
13,238									
	Ratios:								
	ROA	2.22%	1.34%	1.06%	1.33%	1.38%	1.45%	1.44%	
1.51%	ROE	19.81%	12.33%	9.45%	11.98%	12.55%	13.26%	13.55%	
14.38%	Net Interest Margin (FTE)	4.94%	4.99%	4.88%	4.85%	4.94%	5.09%	5.17%	
5.24%	Efficiency Ratio	52.60%(1)	63.87%	68.06%	64.58%	61.93%	60.57%	60.96%	
60.75%									

(1) Includes \$4.2 million (after-tax) one-time gain on sale of credit card portfolio.

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

Management's discussion and analysis ("MD&A") provides supplemental information, which sets forth the major factors that have affected 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 "Results of Operations," "Financial Condition," "Liquidity and Capital Resources," "Legal Developments," 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 2004 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 and its subsidiaries are 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 comparable 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 I for average balances and interest rates 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;
- \* Worldwide political and social unrest, including acts of war and terrorism;
- \* 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.

The Company is headquartered in Tallahassee, Florida and as of September 30, 2004 had 57 banking offices, six residential lending offices, 73 ATMs and 11 Bank'N Shop locations in Florida, Georgia and Alabama.

On October 15, 2004, the Company completed its acquisition of Farmers and Merchants Bank in Dublin, Georgia, a \$395 million asset institution with three offices in Laurens County. The Company issued 17.08 shares and \$666.50 in cash for each of the 50,000 shares of Farmers and Merchants Bank, resulting in the issuance of 854,000 shares of Company common stock and the payment of \$33.3 million in cash for a total purchase price of approximately \$66.7 million.

#### RESULTS OF OPERATIONS

##### Net Income

Earnings for the three and nine months ended September 30, 2004 were \$10.8 million, or \$0.82 per diluted share, and \$22.1 million, or \$1.67 per diluted share, respectively. This compares to \$6.3 million, or \$0.47 per diluted share, and \$19.1 million, or \$1.44 per diluted share in 2003. The Company sold its \$22.7 million credit card portfolio during the third quarter resulting in a one-time after-tax gain of \$4.2 million, or \$.32 per diluted share. Core earnings (reported earnings excluding the gain) for the three and nine months ended September 30, 2004 were \$6.6 million, or \$.50 per diluted share, and \$17.9 million, or \$1.35 per diluted share, respectively.

Growth in core earnings for the third quarter of \$310,000, or 3.1%, was primarily attributable to a \$1.3 million, or 6.4% increase in net interest income and a \$621,000, or 67.4% decrease in the loan loss provision offset by a \$1.4 million, or 7.2% increase in operating expenses, and \$211,000, or 6.0% increase in income taxes. Core earnings for the nine month period declined by \$1.2 million, or 6.3% primarily attributable to higher operating expenses of \$5.2 million, or 8.8%, that were partially offset by a \$1.5 million, or 2.5% increase in net interest income, a \$745,000, or 28.8% decrease in the loan loss provision, a \$451,000, or 1.4% increase in noninterest income, and lower taxes of \$1.3 million, or 12.1%. A condensed earnings summary is presented below.

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<TABLE>

(Dollars in Thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
Interest and Dividend Income	\$24,660	\$23,484	\$71,595	\$71,807
Taxable-Equivalent Adjustment (1)	276	354	884	1,079
Interest Income (FTE)	24,936	23,838	72,479	72,886
Interest Expense	3,408	3,506	9,807	11,500
Net Interest Income (FTE)	21,528	20,332	62,672	61,386
Provision for Loan Losses	300	921	1,841	2,586
Taxable-Equivalent Adjustment	276	354	884	1,079
Net Interest Income After				

Provision for Loan Losses	20,952	19,057	59,947	57,721
Noninterest Income	17,721	10,952	38,633	31,325
Merger/Conversion Expense	68	-	114	-
Noninterest Expense	21,565	20,184	64,195	59,127
	-----	-----	-----	-----
Income Before Income Taxes	17,040	9,825	34,271	29,919
Income Taxes	6,221	3,529	12,162	10,822
	-----	-----	-----	-----
Net Income	\$10,819	\$ 6,296	\$22,109	\$19,097
	=====	=====	=====	=====
Percent Change(2)	71.82%	8.53%	15.77%	16.73%
Return on Average Assets(3)	2.22%	1.38%	1.55%	1.42%
Return on Average Equity(3)	19.81%	12.55%	13.98%	13.11%

(1) Computed using a federal statutory tax rate of 35%

(2) From prior comparable period

(3) Annualized

</TABLE>

#### Net Interest Income

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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. Third quarter of 2004 taxable-equivalent net interest income increased \$1.2 million, or 5.9%, over the comparable quarter in 2003. For the nine month period, taxable-equivalent net interest income increased \$1.3 million, or 2.1%, over the comparable period in 2003. The favorable impact of lower funding costs, an improved earning asset mix and the first quarter acquisition of Quincy State Bank was partially offset by declining asset yields attributable to the low interest rate environment. Table I on page 24 provides a comparative analysis of the Company's average balances and interest rates.

For the three month period ended September 30, 2004, taxable-equivalent interest income increased \$1.1 million, or 4.6%, over the comparable period in 2003. For the nine month period ended September 30, 2004, taxable-equivalent interest income decreased \$407,000, or .56%, over the comparable period in 2003. For the third quarter, growth in earning assets resulting from strong loan demand and the acquisition of Quincy State Bank drove the increase in interest income. For the nine month period, lower yields for new loan production and the repricing of existing earning assets drove the decline in interest income. The Federal Reserve increased interest rates slightly during the second quarter of 2004 which should begin to have a favorable impact on new loan production. Repricing of existing assets (at current rate levels) will continue to put pressure on earning asset yields.

Interest expense for the three and nine month periods ended September 30, 2004 declined \$98,000, or 2.8%, and \$1.7 million, or 14.7%, respectively, from the comparable periods in 2003. The favorable variances were primarily attributable to lower rates and were further enhanced by a favorable shift in mix (i.e. increase in lower cost noninterest bearing non-maturity deposits and a decrease in higher cost certificates of deposit). The year-to-date average rate paid on interest bearing liabilities in 2004 declined 21 basis points from 2003, to a level of 1.09%.

The Company's interest rate spread (defined as the average federal taxable-equivalent yield on earning assets less the average rate paid on interest bearing liabilities) was 4.60% and 4.61% for the three and nine months ended September 30, 2004, respectively, compared to 4.61% and 4.71% for the comparable periods in 2003.

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The Company's net interest margin percentage (defined as taxable-equivalent net interest income divided by average earning assets) was 4.94% and 4.93% for the three and nine months ended September 30, 2004, respectively, compared to 4.94% and 5.06% for the comparable periods in 2003. The reduction in the spread and margin for the nine month period reflects lower yields. The bank is asset-sensitive, which should result in improvement in the net interest margin as rates rise. However, management expects the improvement to be gradual, and could be further impacted by increasing competition for deposits.

#### Provision for Loan Losses

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The provision for loan losses was \$300,000 and \$1.8 million, respectively, for the three and nine month periods ended September 30, 2004, compared to \$921,000 and \$2.6 million for the same periods in 2003. The provision decrease for both periods was due primarily to lower projected credit card charge-offs due to the sale of the portfolio in August.

Net charge-offs totaled \$829,000, or .22% of average loans for the quarter compared to \$931,000, or .28% for the third quarter of 2003. The primary reason for the decrease in net charge-offs for the third quarter was the higher level of consumer loan recoveries. Net charge-offs totaled \$2.5 million, or .22% of average loans, for the first nine months of 2004, compared to \$2.7 million, or .27%, for the comparable period in 2003.

Charge-off activity for the respective periods is set forth below:

<TABLE>

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
<S>	<C>	<C>	<C>	<C>
CHARGE-OFFS				
Commercial, Financial and Agricultural	\$ 187	\$ 61	\$ 640	\$ 379
Real Estate - Construction	-	-	-	-
Real Estate - Commercial Mortgage	-	91	39	91
Real Estate - Residential	19	119	113	172
Consumer	998	937	2,930	2,739
	-----	-----	-----	-----
Total Charge-offs	1,204	1,208	3,722	3,381
	-----	-----	-----	-----
RECOVERIES				
Commercial, Financial and Agricultural	10	73	47	129
Real Estate - Construction	-	-	-	-
Real Estate - Commercial Mortgage	14	-	14	-
Real Estate - Residential	1	-	176	1
Consumer	350	204	1,030	594
	-----	-----	-----	-----
Total Recoveries	375	277	1,267	724
	-----	-----	-----	-----
Net Charge-offs	\$ 829	\$ 931	\$2,455	\$2,657
	=====	=====	=====	=====
Net Charge-offs (Annualized) as a Percent of Average Loans Outstanding, Net of Unearned Interest	.22%	.28%	.22%	.27%
	=====	=====	=====	=====

</TABLE>

#### Noninterest Income

Noninterest income increased \$6.8 million, or 61.8%, and \$7.3 million, or 23.3%, respectively, over the comparable three and nine month periods in 2003, primarily reflecting the \$6.9 million one-time gain on the sale of the credit card portfolio in the third quarter. Noninterest income (excluding the one-time gain) was flat for the third quarter compared to the same period in 2003, but increased \$451,000, or 1.4% over the nine month period in 2003, primarily reflecting higher deposit, asset management, and data processing fees, and other income. These improvements more than offset a \$2.5 million reduction in mortgage banking revenues. Excluding the one-time gain on the sale of the credit card portfolio, noninterest income represented 33.8% and 34.0% of operating revenue for the three and nine month periods of 2004 compared to 35.4% and 34.2% for the same periods in 2003.

Service charges on deposit accounts increased \$364,000, or 8.8%, and \$694,000, or 5.7%, respectively, over the comparable three and nine month periods in 2003. Service charge revenues in any one period are dependent on the number of accounts, primarily transaction accounts, and the level of activity subject to service charges. The increase was

attributable to higher NSF/overdraft fees, partially attributable to a recent change in fee structure and lower NSF/overdraft charge-offs.

Data processing revenues of \$652,000 and \$2.0 million for the three and nine month periods ended September 30, 2004, respectively, reflect an increase of 12.8% and 13.8% over the comparable periods in 2003. The increase in both periods was primarily a result of higher processing revenues from existing financial clients. The Company currently provides data processing services for six financial clients and contract processing services for four non-financial clients. During the first nine months of 2004 and 2003, financial clients represented approximately 66.2% and 60.6% of total processing revenues, respectively.

Income from asset management activities increased \$375,000, or 56.8%, and \$811,000, or 42.4%, respectively, over the comparable three and nine month periods in 2003. This increase was due primarily to the acquisition of \$208 million in managed trust accounts from Synovus Trust Company in connection with the Quincy State Bank acquisition during the first quarter, and further enhanced by growth of new business in existing markets. At September 30, 2004, assets under management totaled \$611.7 million, representing an increase of \$236.9 million, or 63.2% from the comparable period in 2003.

Mortgage banking revenues declined \$1.3 million, or 61.0%, and \$2.5 million, or 49.8%, respectively, over the comparable three and nine month periods in 2003. This decline reflects a slow-down in residential lending markets, which began during the latter part of the fourth quarter of 2003 and has continued through the current reporting period. This declining trend stabilized in the second quarter as revenues improved \$292,000, or 42.1% over the first quarter. Third quarter revenues declined \$180,000, or 18.3% from the second quarter partially attributable to the impact of the September hurricanes that slowed insurance underwriting and loan closings.

Other income increased \$350,000, or 9.9%, and \$1.2 million, or 11.0%, respectively, over the comparable three and nine month periods in 2003. For the nine month period, the Company experienced increases in retail brokerage fees of \$256,000, merchant card processing fees of \$515,000, miscellaneous recoveries of \$265,000, and gain on sale of other real estate of \$185,000.

Noninterest income as a percent of average assets was 2.72% and 2.33%, respectively, for the first nine months of 2004 and 2003. The increase was due to the \$6.9 million one-time gain on sale of the credit card portfolio recorded in the third quarter. Excluding the one-time gain, the ratio for 2004 was 2.23%. The decrease was primarily attributable to the decline in mortgage banking revenues.

#### Noninterest Expense

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Noninterest expense increased \$1.5 million, or 7.2%, and \$5.2 million, or 8.8%, respectively, over the comparable three and nine month periods in 2003. Factors impacting the Company's noninterest expense during the first nine months of 2004 are discussed below.

Compensation expense increased \$415,000, or 3.9%, and \$2.1 million, or 6.8% over the comparable three and nine month periods in 2003. For the nine month period, the Company experienced increases in associate salaries of \$1.9 million, payroll tax expense of \$134,000, pension plan expense of \$325,000, and associate insurance expense of \$225,000. These increases were partially offset by lower expense of \$536,000 for other compensation, primarily related to the company's stock incentive plan. The increases in associate salaries and payroll tax were reflective of normal merit raises and the late first quarter integration of Quincy State Bank associates. The higher pension costs were due primarily to a lower discount rate and rate of return on plan assets used for the 2004 expense projection. The increase in associate insurance expense was attributable to additional participants and higher healthcare insurance premiums.

Occupancy expense, including premises, furniture, fixtures and equipment increased \$365,000, or 10.0%, and \$1.2 million, or 12.0%, respectively, over the comparable three and nine month periods in 2003. For the nine month period, the Company experienced increases in depreciation of \$333,000, maintenance and repairs of \$224,000, premises rental of \$162,000, utilities of \$140,000, property taxes of \$60,000, and other FF&E expense of \$272,000 from the comparable period in 2003. The increase in depreciation, utilities, and property tax expense was primarily attributable to the addition of three new banking offices in the second half of 2003. Higher maintenance and repairs expense was driven by upgrades and repairs to existing banking offices and incremental expense

incurred with the addition of three new banking offices in the second half of 2003. The increase in premises rental expenses was due to a lease renewal. Other FF&E expense increased primarily due to higher expenses for software license fees associated with various core processing applications.

Other noninterest expense increased \$669,000, or 11.2%, and \$1.9 million, or 10.2%, respectively, over the comparable three and nine month periods in 2003. For the nine month period, the increase was primarily attributable to: 1) higher professional fees of \$618,000; 2) higher advertising expense of \$584,000; 3) higher telephone expense of \$154,000; 4) higher commission/service fees of \$145,000; 5) higher intangible amortization expense of \$242,000; and 6) higher merger expenses of \$114,000. Higher professional fees was due to the increased cost of the company's external audit and consulting projects, which may vary as to their magnitude and timing.

Advertising expense will fluctuate consistent with advertising strategies planned throughout the year. The increase in commission/service fees was attributable to higher interchange service fees associated with increased merchant card processing volume, and was offset by higher merchant card processing fees reflected in other income. The increase in telephone, intangible amortization, and merger expenses were due to the late first quarter integration of Quincy State Bank.

Annualized net noninterest expense (noninterest income minus noninterest expense, excluding intangible amortization and one-time merger expenses) as a percent of average assets was 1.61% for the first nine months of 2004 compared to 1.88% in 2003. The Company's efficiency ratio (noninterest expense, excluding intangible amortization and one-time merger expense, expressed as a percent of the sum of taxable-equivalent net interest income plus noninterest income) was 60.73% for the first nine months of 2004 compared to 61.15% for the comparable period in 2003. Both of the above mentioned metrics were significantly impacted by the \$6.9 million one-time gain on sale of the credit card portfolio recorded in the third quarter of 2004. Excluding the one-time gain, these metrics adjust to 2.09% and 65.14%, respectively.

#### Income Taxes - -----

The provision for income taxes increased \$2.7 million, or 76.3%, during the third quarter and \$1.3 million, or 12.4%, during the first nine months of 2004, relative to the comparable prior year periods, reflecting higher taxable income. The Company's effective tax rate for the first nine months of 2004 was 35.5% versus 36.2% for the comparable period in 2003. The decline in the effective tax rate was primarily attributable to a modification of the Company's tax structure enabling the Company to more effectively manage its tax position.

#### FINANCIAL CONDITION

Asset and liability balances as of September 30, 2004 include those of Quincy State Bank, which was acquired on March 19, 2004.

The Company's average assets increased \$125.4 million, or 6.9%, to \$1.94 billion for the quarter-ended September 30, 2004 from \$1.82 billion in the comparable quarter of 2003. Average earning assets of \$1.7 billion increased \$100.0 million, or 6.1%, from the comparable quarter of 2003 driven by a \$188.3 million, or 14.1%, increase in average loans. Offsetting the increase in average loans was a decrease in short-term investments of \$90.4 million, or 69.5%. Table I on page 24 presents average balances for the three and nine month periods ended September 30, 2004 and 2003.

Average net overnight funds for the third quarter of 2004 were approximately \$10.5 million. This represented a decline of \$105.9 million, or 91.0% from the 2003 level of \$116.4 million. For a further discussion on liquidity see the section "Liquidity and Capital Resources."

The investment portfolio functions as a key element of liquidity and asset/liability management. For the quarter ended September 30, 2004, the average investment portfolio increased \$2.1 million, or 1.3%, from the third quarter of 2003. U.S. Agency security balances increased by \$21.2 million from third quarter of 2003 offset by a decrease in mortgage-backed, municipal, and other security balances of \$19.3 million. Management will continue to evaluate the need to purchase securities for the investment portfolio for the remainder of 2004, taking into consideration the bank's liquidity position and pledging requirements.

Securities are recorded at fair value and unrealized gains and losses associated with these securities are recorded, net of tax, as a separate component of shareowners' equity. At September 30, 2004, shareowners' equity included a net unrealized gain of \$452,000 compared to a gain of \$1.4 million at December 31, 2003. The decrease in value reflects the slight increase in interest rates during the first nine months of 2004.

Average loans grew \$188.3 million, or 14.1%, and \$143.7 million, or 10.9%, for the three and nine months ended September 30, 2004. The increase in average loans was driven by strong loan production in existing markets, and \$85.0 million in loans acquired in the Quincy State Bank merger late in the first quarter. For the third quarter, the Company realized strong gains in all loan categories. For the nine month period, strong gains were realized in the commercial, real estate (construction, commercial mortgage, and home equity), and indirect consumer loan categories. Management expects loan growth to continue into the fourth quarter.

The Company's nonperforming loans (including nonaccruing and restructured loans) were \$4.7 million at September 30, 2004, versus \$2.3 million at year-end and \$6.8 million for the same period in 2003. The increase in nonaccruing

loans over year-end was due to the addition of one large commercial real estate loan for \$2.1 million to nonaccrual status. Management expects no loss associated with the resolution of this loan. Other real estate, which includes property acquired either through foreclosure or by receiving a deed in lieu of foreclosure, was \$894,000 at September 30, 2004, versus \$5.0 million at December 31, 2003 and \$1.6 million at September 30, 2003. The \$4.1 million decrease in other real estate since year-end was primarily attributable to the resolution of one large commercial real estate loan for \$3.9 million. The ratio of nonperforming assets as a percent of loans plus other real estate was .36% at September 30, 2004 compared to .54% at December 31, 2003 and .63% at September 30, 2003. The Company expects strong credit quality to continue into the fourth quarter.

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' ability and willingness to repay, and from other risks inherent in the lending process, including collateral risk, operations risk, concentration risk and economic risk. 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.

The allowance for loan losses at September 30, 2004 was \$12.3 million, a decrease of \$101,000 from December 31, 2003, and \$96,000 from September 30, 2003. At quarter-end 2004, the allowance represented 0.80% of total loans compared to 0.93% at December 31, 2003, and 0.94% at September 30, 2003. The decline in this metric reflects the reversal of \$800,000 in reserves allocated to credit cards due to the sale of the portfolio during the third quarter, and a lower loan loss provision during the third quarter due to lower projected credit card charge-offs. As a percent of nonperforming loans, the allowance for loan losses represented 262% at September 30, 2004 versus 530% at December 31, 2003 and 183% at September 30, 2003. 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 September 30, 2004 is adequate to absorb losses inherent in the loan portfolio at quarter-end.

Average total deposits increased \$93.3 million, or 6.4%, to \$1.55 billion for the quarter-ended September 30, 2004 from \$1.45 billion in the comparable quarter of 2003. The increase was driven by a \$70.8 million increase in noninterest bearing deposits and \$27.1 million increase in interest bearing nonmaturity deposits. These increases were primarily reflective of the deposit accounts acquired from Quincy State Bank late in the first quarter.

The ratio of average noninterest bearing deposits to total deposits was 31.9% for the third quarter of 2004 compared to 29.0% for the third quarter of 2003. For the same

periods, the ratio of average interest bearing liabilities to average earning assets was 69.7% compared to 71.9%.

#### 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, 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 (i.e., 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 maintains a revolving line of credit. As of September 30, 2004, the Company had no borrowings under the revolving line of credit. On October 15, 2004, the Company obtained an increase in the line of credit to \$36.0 million, and subsequently obtained an advance of \$30.0 million to facilitate the payment of cash consideration for the Farmers and Merchants Bank of

Dublin, Georgia closing. Terms of repayment require interest payable at LIBOR plus 60 basis points. Effective January 1, 2005, the maximum available line will be reduced from \$36.0 million to \$25.0 million. The revolving line of credit facility expires October 2007. On November 1, 2004, the Company completed a trust preferred financing in the amount of \$30.0 million. The proceeds from this financing were used to pay off the \$30.0 million advance obtained on the line of credit.

During the first nine months of 2004, the Company increased borrowings by \$32.7 million due primarily to the assumption of \$3.0 million in FHLB advances from the Quincy State Bank acquisition, two advances totaling \$9.7 million from the FHLB to match fund loan growth, and one advance for \$20.0 million to replace a maturing advance for the same amount. For the first nine months of the year, the Bank made scheduled FHLB advance payments totaling \$1.3 million and repaid two advances totaling \$40 million. These two advances were repaid in March of 2004 and September of 2004. Both advances originated during the third quarter of 2002, when \$75 million was borrowed from the FHLB to fund growth in loan demand and mitigate the reduction in liquidity caused by a decline in certificates of deposit.

#### Capital - -----

The Company's equity capital was \$219.1 million as of September 30, 2004 compared to \$202.8 million as of December 31, 2003. Management continues to monitor its capital position in relation to its level of assets with the objective of maintaining its "well-capitalized" designation. The leverage ratio was 9.17% at September 30, 2004 compared to 9.51% at December 31, 2003. Further, the Company's risk-adjusted capital ratio of 11.81% at September 30, 2004 exceeds the 8.0% minimum requirement under risk-based regulatory guidelines.

During the first nine months of 2004, shareowners' equity increased \$16.3 million. Growth in equity during the first nine months of the year was positively impacted by net income of \$22.1 million and the issuance of common stock of \$2.3 million. Equity was reduced by dividends paid during the first half of \$7.2 million, or \$.540 per share, and a decrease in the net unrealized gain on available-for-sale securities of \$934,000. At September 30, 2004, the Company's common stock had a book value of \$16.48 per diluted share compared to \$15.27 at December 31, 2003.

Adequate capital and financial strength is paramount to the stability of CCBG and its subsidiary bank. Cash dividends declared and paid should not place unnecessary strain on the Company's capital levels. Although a consistent dividend payment is believed to be viewed favorably 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 during the first nine months of 2004 totaled \$.540 per share compared to \$.476 per share for same period in 2003, an increase

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of 13.5%. The dividend payout ratios for the third quarter of 2004 and 2003 were 22.1% and 36.9%, respectively.

State and federal regulations as well as the Company's long-term debt agreements place certain restrictions on the payment of dividends by both the Company and the Bank. At September 30, 2004, these regulations and covenants did not impair the Company's (or the Bank's) ability to declare and pay dividends or to meet other existing obligations in the normal course of business.

On March 30, 2000, the Company's Board of Directors authorized the repurchase of up to 625,000 shares of its outstanding common stock. On January 24, 2002, the Company's Board of Directors authorized the repurchase of an additional 312,500 shares of its outstanding common stock. The purchases will be made in the open market or in privately negotiated transactions. The Company did not purchase any shares in the first nine months of 2004. From March 30, 2000 through September 30, 2004, the Company repurchased 572,707 shares at an average purchase price of \$19.18 per share.

#### Other Commitments and Contingencies - -----

Financial Instruments with Off-Balance-Sheet Risk. 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 September 30, 2004, the Company had \$244.0 million in commitments to extend

credit and \$16.5 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 credit facility provide a sufficient source of funds to meet these commitments.

Contractual Cash Obligations. The Company maintains certain debt and operating lease commitments that require cash payments. The table below details those future cash commitments as of September 30, 2004:

<TABLE>

(Dollars in Thousands)	Payments Due After September 30, 2004						
	2004 (remaining 3 months)	2005	2006	2007	2008	Thereafter	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Short-Term Debt	\$ 24	\$15,000	\$ -	\$ -	\$ -	\$ -	\$15,024
Long-Term Debt	504	3,139	22,342	5,387	4,369	27,189	62,930
Operating Leases	316	1,092	1,092	1,092	1,055	2,122	6,769
Total Contractual Cash Obligations	\$ 844	\$19,231	\$23,434	\$6,479	\$5,424	\$29,311	\$84,723

</TABLE>

#### 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. The Company makes provisions 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 in the Company's 2003 Form 10-K.

**Intangible Assets:** Intangible assets primarily consist 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 defined benefit pension plan for the benefit of substantially all associates 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 for 2004 is 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

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other securities (typically temporary liquid funds awaiting investment). The weighted-average expected long-term rate of return on plan assets utilized for 2004 is 8.0%.

The assumed rate of annual compensation increases of 5.5% in 2004 is based on expected trends in salaries and the associate base. This assumption is not expected to change materially in 2004.

Detailed information on components of the Company's net benefit cost is provided in Note 8 of the Notes to Consolidated Financial Statements in the Company's 2003 Form 10-K.

#### New Accounting Pronouncements

- -----

In March 2004, the Financial Accounting Standards Board ratified the consensus reached by the Emerging Issues Task Force in Issue 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" (EITF 03-1). EITF 03-1 provides guidance for determining when an investment is considered impaired, whether impairment is other-than-temporary, and measurement of an impairment loss. An investment is considered impaired if the fair value of the investment is less than its cost. Generally, an impairment is considered other-than-temporary unless: (a) the investor has the ability and intent to hold an investment for a reasonable period of time sufficient for a forecasted recovery of fair value up to (or beyond) the cost of the investment; and (b) evidence indicating that the cost of the investment is recoverable within a reasonable period of time outweighs evidence to the contrary. If impairment is determined to be other-than-temporary, then an impairment loss should be recognized equal to the difference between the investment's cost and its fair value. Certain disclosure requirements of EITF 03-1 were adopted in 2003 and the Company began presenting the new disclosure requirement in its consolidated financial statements for the year ended December 31, 2003. The recognition and impairment provisions were initially effective for other-than-temporary impairment evaluations in reporting periods beginning after June 15, 2004. However, in September, 2004, the effective date of these provisions was delayed until the finalization of the FASB Staff Position (FSP) to provide additional implementation guidance. Currently, the FASB expects to issue the FSP no later than December 2004. The Company is continuing to evaluate the impact of EITF 03-1. The amount of other-than-temporary impairment the Company will recognize, if any, will be dependent on market conditions and management's intent and ability at the time of the

evaluation to hold investments with unrealized losses until a forecasted recovery in the fair value up to and beyond the adjusted cost.

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<TABLE>

TABLE I  
AVERAGES BALANCES & INTEREST RATES  
(Taxable Equivalent Basis - Dollars in Thousands)

<S>	FOR THREE MONTHS ENDED SEPTEMBER 30,					
	2004			2003		
	Balance	Interest	Rate	Balance	Interest	Rate
	<C>	<C>	<C>	<C>	<C>	<C>
<b>ASSETS</b>						
Loans, Net of Unearned Interest(1)	\$1,524,401	\$23,345	6.09%	\$1,336,139	\$21,796	6.47%
Taxable Investment Securities	118,903	729	2.45%	108,234	841	3.09%
Tax-Exempt Investment Securities(2)	51,768	715	5.53%	60,306	898	5.96%
Funds Sold	39,636	147	1.44%	130,010	303	0.91%
<b>Total Earning Assets</b>	<b>1,734,708</b>	<b>24,936</b>	<b>5.72%</b>	<b>1,634,689</b>	<b>23,838</b>	<b>5.79%</b>
Cash & Due From Banks	90,010			80,246		
Allowance for Loan Losses	(13,029)			(12,534)		
Other Assets	129,683			113,604		
<b>TOTAL ASSETS</b>	<b>\$1,941,372</b>			<b>\$1,816,005</b>		
<b>LIABILITIES</b>						
NOW Accounts	\$ 280,630	\$ 153	0.22%	\$ 263,729	\$ 151	0.23%
Money Market Accounts	212,426	245	0.46%	220,924	257	0.46%
Savings Accounts	130,330	32	0.10%	111,644	28	0.10%
Other Time Deposits	429,702	2,004	1.86%	434,206	2,293	2.10%
<b>Total Int. Bearing Deposits</b>	<b>1,053,088</b>	<b>2,434</b>	<b>0.92%</b>	<b>1,030,503</b>	<b>2,729</b>	<b>1.05%</b>
Short-Term Borrowings	96,146	332	1.37%	92,316	282	1.21%
Long-Term Debt	59,837	642	4.27%	53,041	495	3.70%
<b>Total Interest Bearing Liabilities</b>	<b>1,209,071</b>	<b>3,408</b>	<b>1.12%</b>	<b>1,175,860</b>	<b>3,506</b>	<b>1.18%</b>
Noninterest Bearing Deposits	492,136			421,376		
Other Liabilities	22,892			19,709		
<b>TOTAL LIABILITIES</b>	<b>1,724,099</b>			<b>1,616,945</b>		
<b>SHAREOWNERS' EQUITY</b>						
Common Stock	133			132		
Surplus	18,167			15,465		
Other Comprehensive Income	244			2,144		
Retained Earnings	198,729			181,319		
<b>TOTAL SHAREOWNERS' EQUITY</b>	<b>217,273</b>			<b>199,060</b>		
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$1,941,372</b>			<b>\$1,816,005</b>		
Interest Rate Spread			4.60%			4.61%
Net Interest Income		\$21,528			\$20,332	
Net Yield on Earning Assets			4.94%			4.94%

(1) Average balances include nonaccrual loans. Interest income includes fees on loans of approximately \$336,000 and \$1.2 million for the three and nine months ended September 30, 2004, versus \$417,000 and \$1.5 million, for the comparable periods ended September 30, 2003.

(2) Interest income includes the effects of taxable equivalent adjustments using a 35% federal tax rate.

</TABLE>

<TABLE>

FOR NINE MONTHS ENDED SEPTEMBER 30,  
2004

2003

	Balance	Interest	Rate	Balance	Interest	Rate
	-----	-----	----	-----	-----	----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
<b>ASSETS</b>						
Loans, Net of Unearned Interest(1)	\$1,457,826	\$67,616	6.20%	\$1,314,173	\$66,172	7.09%
Taxable Investment Securities	125,057	2,109	2.25%	121,680	2,951	3.24%
Tax-Exempt Investment Securities(2)	52,077	2,267	5.81%	62,527	2,776	5.92%
Funds Sold	62,121	486	1.03%	122,394	987	1.06%
	-----	-----		-----	-----	
Total Earning Assets	1,697,081	72,478	5.70%	1,620,774	72,886	6.31%
Cash & Due From Banks	90,086			79,071		
Allowance for Loan Losses	(13,185)			(12,561)		
Other Assets	126,619			112,671		
	-----			-----		
<b>TOTAL ASSETS</b>	<b>\$1,900,601</b>			<b>\$1,799,955</b>		
	=====			=====		
<b>LIABILITIES</b>						
NOW Accounts	\$ 278,609	\$ 398	0.19%	\$ 261,011	\$ 546	0.28%
Money Market Accounts	214,410	723	0.45%	215,616	1,069	0.66%
Savings Accounts	125,351	92	0.10%	109,123	161	0.20%
Other Time Deposits	427,913	6,000	1.87%	434,513	7,232	2.23%
	-----	-----		-----	-----	
Total Int. Bearing Deposits	1,046,283	7,213	0.92%	1,020,263	9,008	1.18%
Short-Term Borrowings	103,398	868	1.12%	100,488	951	1.27%
Long-Term Debt	53,560	1,726	4.30%	59,878	1,541	3.44%
	-----	-----		-----	-----	
Total Interest Bearing Liabilities	1,203,241	9,807	1.09%	1,180,629	11,500	1.30%
Noninterest Bearing Deposits	467,504	-----		405,045	-----	
Other Liabilities	18,541			19,497		
	-----			-----		
<b>TOTAL LIABILITIES</b>	<b>1,689,286</b>			<b>1,605,171</b>		
<b>SHAREOWNERS' EQUITY</b>						
Common Stock	133			117		
Surplus	17,757			15,171		
Other Comprehensive Income	819			2,570		
Retained Earnings	192,606			176,926		
	-----			-----		
<b>TOTAL SHAREOWNERS' EQUITY</b>	<b>211,315</b>			<b>194,784</b>		
	-----			-----		
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$1,900,601</b>			<b>\$1,799,955</b>		
	=====			=====		
Interest Rate Spread			4.61%			4.71%
			====			====
Net Interest Income		\$62,671			\$61,386	
		=====			=====	
Net Yield on Earning Assets			4.93%			5.06%
			====			====

(1) Average balances include nonaccrual loans. Interest income includes fees on loans of approximately \$336,000 and \$1.2 million for the three and nine months ended September 30, 2004, versus \$417,000 and \$1.5 million, for the comparable periods ended September 30, 2003.

(2) Interest income includes the effects of taxable equivalent adjustments using a 35% federal tax rate.

</TABLE>

### ITEM 3. 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 actively 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 II on page 26. This table presents the Company's consolidated interest rate sensitivity position as of September 30, 2004 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 II 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.

<TABLE>

Table II  
FINANCIAL ASSETS AND LIABILITIES MARKET RISK ANALYSIS(1)  
(Dollars in Thousands)

Other Than Trading Portfolio	September 30, 2004						
Market	Year 1	Year 2	Year 3	Year 4	Year 5	Beyond	Total
Value							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
Loans							
Fixed Rate	\$ 252,429	\$122,220	\$ 51,922	\$31,813	\$16,498	\$ 9,198	\$ 484,080
491,264							
Average Interest Rate	6.73%	7.03%	7.28%	5.97%	5.95%	4.75%	6.75%
Floating Rate(2)	833,831	153,527	60,377	6,813	1,617	405	1,056,570
1,072,276							
Average Interest Rate	5.86%	6.29%	6.26%	7.09%	6.14%	5.74%	5.95%
Investment Securities(3)							
Fixed Rate	51,551	81,052	15,496	2,910	928	3,564	155,501
155,501							
Average Interest Rate	3.19%	2.44%	3.45%	3.46%	3.88%	3.41%	2.84%
Floating Rate	1,174	-	-	-	-	-	1,174
1,174							
Average Interest Rate	3.84%	-	-	-	-	-	3.84%
Other Earning Assets							
Floating Rates	47,353	-	-	-	-	-	47,353
47,353							
Average Interest Rates	1.52%	-	-	-	-	-	1.52%
Total Financial Assets	\$1,186,338	\$356,799	\$127,795	\$41,536	\$19,043	\$13,167	\$1,744,678
\$1,767,568							

Average Interest Rates	5.75%	5.67%	6.34%	5.98%	5.87%	4.42%	5.77%
Deposits (4)							
Fixed Rate Deposits	\$ 326,226	\$ 60,121	\$ 36,236	\$ 4,160	\$ 1,829	\$ 9	\$ 428,581
428,261							
Average Interest Rates	1.58%	2.65%	3.14%	3.04%	2.70%	-	1.88%
Floating Rate Deposits	623,922	-	-	-	-	-	623,922
623,456							
Average Interest Rates	0.26%	-	-	-	-	-	0.26%
Other Interest Bearing Liabilities							
Fixed Rate Debt	4,946	24,498	3,673	3,203	2,685	23,926	62,931
63,895							
Average Interest Rate	4.56%	3.19%	4.54%	4.77%	4.90%	5.24%	4.31%
Floating Rate Debt	76,216	-	-	-	-	-	76,216
76,216							
Average Interest Rate	0.85%	-	-	-	-	-	0.85%
Total Financial Liabilities	\$1,031,310	\$ 84,619	\$ 39,909	\$ 7,363	\$ 4,514	\$23,935	\$1,191,650
\$1,191,828							
Average interest Rate	0.74%	2.81%	3.27%	3.79%	4.01%	5.24%	1.10%

- (1) Based upon expected cash-flows, unless otherwise indicated.  
(2) Based upon a combination of expected maturities and repricing opportunities.  
(3) Based upon contractual maturity, except for callable and floating rate securities, which are based on expected maturity and weighted average life, respectively.  
(4) Savings, NOW and money market accounts can be repriced at any time, therefore, all such balances are included as floating rate deposits in Year 1. Other time deposit balances are classified according to maturity.

</TABLE>

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#### ITEM 4. CONTROLS AND PROCEDURES

##### Evaluation of Disclosure Controls and Procedures

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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.

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#### PART II. OTHER INFORMATION

##### Items 1-5.

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Not applicable

##### Item 6. Exhibits

- -----
- 31.1 Certification of William G. Smith, Jr., Chairman, President and Chief Executive Officer of Capital City Bank Group, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
  - 31.2 Certification of J. Kimbrough Davis, Executive Vice President and Chief Financial Officer of Capital City Bank Group, Inc., Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934.
  - 32.1 Certification of William G. Smith, Jr., Chairman, President and Chief Executive Officer of Capital City Bank Group, Inc., Pursuant to 18 U.S.C. Section 1350.
  - 32.2 Certification of J. Kimbrough Davis, Executive Vice President and Chief Financial Officer of Capital City Bank Group, Inc., Pursuant to 18 U.S.C. Section 1350.

SIGNATURES

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

CAPITAL CITY BANK GROUP, INC.  
(Registrant)

/s/ J. Kimbrough Davis

- -----  
J. Kimbrough Davis  
Executive Vice President and  
Chief Financial Officer  
Date: November 9, 2004

Exhibit 31.1 Certification of CEO Pursuant to Securities Exchange Act  
Rules 13a-14 and 15d-14 as Adopted Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002

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

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

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

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

4. The registrant's other certifying officer(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.

/s/ William G. Smith, Jr.

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

Date: November 9, 2004

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

I, J. Kimbrough Davis, certify that:

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

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

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

4. The registrant's other certifying officer(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.

/s/ J. Kimbrough Davis

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J. Kimbrough Davis  
Executive Vice President and  
Chief Financial Officer

Date: November 9, 2004

Exhibit 32.1 Certification of CEO Pursuant to 18 U.S.C. Section 1350

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that (1) this Quarterly Report of Capital City Bank Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition of the Company and its results of operations as of and for the periods covered therein.

/s/ William G. Smith, Jr.

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

Date: November 9, 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

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 Quarterly Report of Capital City Bank Group, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition of the Company and its results of operations as of and for the periods covered therein.

/s/ J. Kimbrough Davis

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J. Kimbrough Davis  
Executive Vice President and  
Chief Financial Officer

Date: November 9, 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.