1995 Form 10-K

Securities and Exchange Commission
Washington, D.C. 20549

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

For the Fiscal Year Ended December 31, 1995

Commission File Number 0-13358

CAPITAL CITY BANK GROUP, INC.
Incorporated in the State of Florida in 1982

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

Address: 217 North Monroe St., Tallahassee, FL 32301

Telephone: (904) 671-0610

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

Common Stock - $.01 par value

As of March 1, 1996, Capital City Bank Group, Inc. had 3,105,243 shares of common stock issued and 2,862,284 shares outstanding.

Capital City Bank Group, Inc. (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

There is no established trading market for the common stock of Capital City Bank Group, Inc. The aggregate market value (based on last sale of which the Company has knowledge) of Capital City Bank Group, Inc. common stock held by nonaffiliates on March 4, 1996, was approximately $41,895,072.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's annual report to shareholders for the fiscal year ended December 31, 1995 are incorporated by reference into Parts I, II, and IV.

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

CAPITAL CITY BANK GROUP, INC.
ANNUAL REPORT FOR 1995 ON FORM 10-K

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PART I

Item I. Business

Capital City Bank Group, Inc., ("CCBG" or "Company"), is a multi-bank holding company registered under the Bank Holding Company Act of 1956, as amended. It was organized under the laws of the State of Florida on December 13, 1982, to acquire five national banks and one state bank pursuant to a Reorganization Agreement and Plan of Merger dated May 16, 1983.

On January 1, 1995, the Company merged seven of its ten separately chartered banks into a state-chartered bank headquartered in Tallahassee, Florida. The reorganization consisted of merging Capital City First National Bank, Capital City Second National Bank, Industrial National Bank, City National Bank, First National Bank of Jefferson County and Gadsden National Bank into Havana State Bank and changing the name and headquarters from Havana State Bank, Havana, Florida to Capital City Bank, Tallahassee, Florida. The new structure allows the Company to present a consistent image to a broader market and to better serve its clients through the use of a common name with multiple, convenient locations. Additionally, as part of the reorganization, the Company formed three separate subsidiaries, Capital City Trust Company, Capital City Mortgage Company and Capital City Services Company, which are wholly-owned subsidiaries of Capital City Bank.

As of December 31, 1995, Capital City Bank had assets totalling $669.7 million, which constituted approximately 82% of the Company's total consolidated assets. Capital City Bank earned $7.7 million for the year ended December 31, 1995 which represented approximately 81% of the Company's consolidated earnings. See page 60 for net income and balance sheet information on each of the Group banks.

Capital City Bank Group, Inc., and Capital City Bank are located in Tallahassee, the state capital. State government and two major state universities employ a large percentage of the local work force and help to provide a strong and stable economy for Tallahassee and the surrounding area.

Banks within the Capital City Bank Group serve North Florida and South Georgia markets and, collectively, are referred to as the "Group" banks. A listing of the banks is presented below.
<TABLE>
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	Date Chartered	Date Acquired by CCBG	Deposits as of December 31, 199 5 (000's Omitted)	Five Year Compound Deposit Growth Rate
<S>	<C>	<C>	<C>	<C>
*Capital City Bank Tallahassee, Florida	January 1, 1995	*	$578,469	5.5%
Levy County State Bank Chiefland, Florida	September 18, 1948	January 1, 1985	68,958	2.3%
Farmers & Merchants Bank of Trenton Trenton, Florida	October 18, 1911	February 1, 1986	32,339	1.9%
Branford State Bank Branford, Florida	March 13, 1911	July 31, 1989	28,336	10.2%

*Capital City Bank was formed through the merger of First National Bank, Second National Bank, Industrial National Bank, City National Bank, Havana State Bank, First National Bank of Jefferson County and Gadsden National Bank, which were separately chartered, wholly-owned subsidiaries of Capital City Bank Group, Inc. prior to the merger.
</TABLE>

On December 10, 1995, the Company executed an Agreement and Plan of Merger to acquire First Financial Bancorp, Inc., ("FFB") for $22.00 per share in cash, or a total purchase price of approximately $20.3 million. First Financial is a $230 million federal savings bank headquartered in Tallahassee, Florida, with six offices located in five Florida counties. It is anticipated the transaction will close during the second half of 1996, expanding the number of counties served by the Company from seven to eleven and increasing the number of offices from thirty to thirty-five.

Dividends and management fees received from the Group banks are the Company's only source of income. Dividend payments by the Group banks to the parent company depend on their capitalization, earnings and projected growth, and are limited by various regulatory restrictions. See the section entitled "Regulation and Supervision" and Note 12 in the Notes to

Financial Statements for additional information.

The Company had a total of 503 (full-time equivalent) employees at March 1, 1996. In management's opinion, the Company enjoys a satisfactory relationship with its employees. Pages 10-60 contain other financial and statistical information about the Company.

Banking Services

The Group banks are engaged in the commercial and retail banking business, including accepting demand, savings and time deposits, extending credit, providing data processing services, trust services, retail brokerage services and a broad range of other financial services to corporate and individual customers, governmental bodies and correspondent banks. As of March 1, 1996, Capital City Bank provided correspondent services to 26 financial institutions (including the Group banks listed previously) located throughout North Florida and South Georgia. Capital City Bank's data processing center provides computer services to 14 of the 26 financial institutions.

The Group banks are members of the "Honor" system which enables customers to utilize their "QuickBucks" cards to access cash at automatic teller machines ("ATMs") located throughout the state of Florida. Additionally, customers may access their cash outside the state of Florida through various ATM networks which are connected through the Southeast Switch.

Trust Services

Capital City Trust Company provides fiduciary services to clients in the following ways: as trustee of living trusts and trusts under will; as personal representative to administer estate settlement; as guardian of the property in Court guardianship appointments; as investment manager and custodian of assets in agency accounts; and as trustee or custodian for assets in pension and profit sharing plans. The current market value of trust assets totaled $458 million at December 31, 1995, of which $116 million represented assets under management.

Brokerage Services

During the fourth quarter of 1995, the Company began offering retail investment products. These products are offered under the name of The Wall Street Corner which is a service of Liberty Securities Corporation, a registered broker/dealer and member of NASD/SIPC. The securities unit is a wholly-owned subsidiary (Capital City Securities, Inc.) of Capital City Bank, and its brokers are licensed through Liberty Securities Corporation. The Wall Street Corner offers a full line of retail securities products, including U.S. Government bonds, tax-free municipal bonds, stocks, mutual funds and unit investment trusts.
The banking business in Florida is rapidly changing and Capital City Bank Group, Inc., operates in a highly competitive environment, especially with respect to services and pricing. The Company competes against a wide range of financial institutions including commercial banks, savings and loan associations, credit unions and various other investment and finance companies.

Capital City Bank Group, Inc.'s, primary market areas are in North Florida and consist of Leon, Gadsden, Jefferson, Levy, Gilchrist, Suwannee and Citrus counties. The Group banks compete against local banking concerns, subsidiaries of statewide bank holding companies and multi-bank holding companies headquartered outside of Florida which have banking or bank-related operations established within these markets. All of the state's major banking concerns have a presence in Leon County. Capital City Bank's Leon County deposits totaled $440.0 million, or 62.9%, of the Company's consolidated deposits at December 31, 1995.

Based on information developed as of September 30, the following chart depicts the market share percentage of each Group bank within its respective county. The percentage for each bank is based on total commercial bank deposits within the county.

	Market Share as of September 30 (1)		
	1995	1994	1993
Capital City Bank:			
Citrus County	4.6%	3.6%	3.4%
Gadsden County	28.2%	30.4%	32.3%
Jefferson County	27.6%	27.6%	28.2%
Leon County	22.2%	24.0%	23.4%
Levy County State Bank	33.7%	33.8%	34.3%
Farmers & Merchants Bank of Trenton	53.7%	55.4%	56.0%
Branford State Bank	16.3%	14.5%	14.8%

(1) Obtained from the September 30 Office Level Report published by the Florida Bankers Association for each year.

Following is a table which sets forth the number of commercial banks and offices, including the Company and its competitors, within each of the respective counties as of September 30, 1995.

County	Number of Commercial Banks	Number of Commercial Bank Offices
Citrus	10	31
Gadsden	4	9
Gilchrist	2	4
Jefferson	2	2
Leon	12	60
Levy	4	12
Suwannee	4	6

SUPERVISION AND REGULATION

Numerous federal and state laws and regulations govern the organization and operations of bank holding companies and their banking subsidiaries. Capital City Bank Group, Inc., as a bank holding company, is subject to regulation, supervision and examination by the Board of Governors of the Federal Reserve System (the "Federal Reserve") under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). In addition to the Federal Reserve, the Company's four state bank subsidiaries, trust company subsidiary and mortgage banking subsidiary, all chartered under Florida law, are subject to regulation, supervision and examination by the Comptroller of the State of Florida (the "Florida Comptroller") and, with respect to the bank subsidiaries, the Federal Deposit Insurance Corporation (the "FDIC").

Under the BHC Act, the activities of bank holding companies are limited to business so closely related to banking, managing or controlling banks as to be properly incident thereto. The BHC Act generally prohibits a bank holding company from merging or consolidating with, or acquiring more than a specified percentage of the voting shares or assets of another bank holding company or any commercial bank without the prior approval of the Board. Similar prior approval requirements exist for certain changes in the ownership of the voting securities of a bank holding company.

The BHC Act was amended in September 1994 by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act"). The Interstate Banking Act provides that, effective September 29, 1995, adequately capitalized and managed bank holding companies are permitted to acquire banks in any state. State laws prohibiting interstate banking or discriminating against out-of-state banks are preempted as of the effective date. States cannot enact laws opting out of this provision; however, states may adopt a minimum age restriction requiring that target banks located within the state be in existence for a period of years, up to a maximum of five years, before such bank may be subject to the Interstate Banking Act. The Interstate Banking Act establishes deposit caps which prohibit acquisitions that result in the acquiring company controlling 30 percent or more of the deposits of insured banks and thrift institutions held in the state in which the target maintains a branch or 10 percent or more of the deposits nationwide. States have the authority to waive the 30 percent deposit cap. State-level deposit caps are not preempted as long as they do not discriminate against out-of-state companies, and the federal deposit caps apply only to initial entry acquisitions.

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

The Interstate Banking Act also expands former exemptions from the requirement that banks be examined on a 12-month cycle. Exempted banks will be examined every 18 months. Other provisions of the Interstate Banking Act address paper work reduction and regulatory improvements, small business and commercial real estate loan securitization, truth-in-lending amendments on high cost mortgages, strengthening of the independence of certain financial regulatory agencies, money laundering, flood insurance reform and extension of certain statutes of limitation.

Prior to the enactment of the Interstate Banking Act, Florida enacted the Florida Reciprocal Banking Act (the "Florida Act") which took effect on May 1, 1995. Under the Florida Act, only banks that have been in existence for two years or more may be acquired by out-of-state bank holding companies pursuant to the Interstate Banking Act and interstate branching is expressly prohibited. The Interstate Banking Act, however, will negate Florida's prohibition on branching unless Florida expressly opts out of the Interstate Banking Act's branching provisions. Legislation is currently pending in the Florida Legislature which would provide for Florida to opt in to such branching provisions.

At this time, the Company is unable to predict how the Interstate Banking Act and the Florida Act may affect its operations.

In addition to the BHC Act, the Federal Reserve Act imposes various limitations on the extent to which the Company's subsidiary banks can finance or otherwise supply funds to the Company or its subsidiaries. In general, these restrictions require that any such extensions of credit must be on terms and conditions consistent with safe and sound banking practices, and be secured by designated amounts of specified collateral. The lending bank may loan up to 10 percent of its capital stock and surplus to any one affiliate, but may not lend, in the aggregate, more than 20 percent of its capital stock and surplus to all such affiliates. Additionally, approval of the appropriate regulatory authority is required if the total dividends declared by a national or state bank exceed certain legal limits. See Note 12 in the Notes to Financial Statements for further information.

The passage and periodic phasing in of other congressional acts has also significantly affected the Company and the Group banks, and the competitive environment in which they operate. On December 31, 1992, the Federal banking regulatory authorities implemented risk-based capital requirements, and the Company and the Group banks must comply with these requirements. Any institution which fails to meet minimum capital requirements may be subject to corrective action by the Federal banking regulatory authorities. Under the capital guidelines adopted by these banking regulators, the Company's capital level exceeds the minimum requirements as of December 31, 1995. See the information set forth under the heading "Liquidity and Capital Resources" in the section of this report entitled "Financial Review".

In 1993, the Federal Deposit Insurance Act was amended to allow claims by depositors against an institution which is being liquidated or otherwise dissolved to have priority over the claims of the institution's shareholders and other senior or general creditors. For purposes of this statutory provision, the priority for depositors also includes the FDIC.

In August 1989, the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") was enacted. FIRREA contains major regulatory reforms, stronger capital standards for savings and loans and stronger civil and criminal enforcement provisions applicable to all financial institutions. FIRREA allows the acquisition of healthy and failed savings and loans by bank holding companies, and removes all interstate barriers on such bank holding company acquisitions. With certain qualifications, FIRREA also allows bank holding companies to merge acquired savings and loans into their existing commercial bank subsidiaries.

Federal Reserve policy requires a bank holding company to act as a source of financial strength and to take measures to preserve and protect bank subsidiaries in situations where additional investments in a troubled bank may not otherwise be warranted. Under FIRREA, if a bank holding company has more than one bank or thrift subsidiary, such as the Company, each of the bank holding company's subsidiary depository institutions are responsible for any losses to the FDIC as a result of an affiliated depository institution's failure. As a result, a bank holding company may be required to loan money to its subsidiaries in the form of capital notes or other instruments which qualify as capital under regulatory rules. Any loans from the holding company to such subsidiary banks would likely be unsecured and subordinated to such bank's depositors, and perhaps to other creditors of the bank.

The Federal Reserve, the Florida Comptroller and the FDIC collectively have extensive enforcement authority over depository institutions and their holding companies, and this authority has been enhanced substantially by FIRREA. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease-and-desist or removal orders, to initiate injunctive actions, and, in extreme cases, to terminate deposit insurance. In general, these enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. Other actions or inactions may provide the basis for enforcement action, including misleading or untimely reports filed with the federal banking agencies. FIRREA significantly increased the amount of and grounds for civil money penalties and generally requires public disclosure of final enforcement actions.

In 1992, the Federal Deposit Insurance Corporation Improvement Act ("FDICIA") was enacted. Certain aspects of FDICIA have increased and are expected to continue to increase the Company's cost of doing business. Some of the more significant provisions of FDICIA are outlined below:

BIF Recapitalization - The deposits of the Company's subsidiary banks are insured by the FDIC through the Bank Insurance Fund ("BIF"). The FDIC is authorized to charge assessments for deposit insurance, and, as mandated by FDICIA, the FDIC has adopted a risk-based system. The risk assessment approach bases a banking institution's insurance assessment on three factors: the probability that the applicable insurance fund will incur a loss from the institution; the likely amount of the loss; and the revenue needs of the insurance fund. To arrive at a risk assessment for an institution, the FDIC will place it in one of nine risk categories using a two-step process based first on capital ratios and then on other relevant information. The FDIC will then assign an institution to one of three capital groups "well-capitalized", "adequately capitalized" or "undercapitalized". The institution is then placed into one of three risk subgroups, based on reviews by the institution's primary federal or state regulatory agency, statistical analyses of financial statements and other relevant information.

Under federal law, BIF is statutorily required to be recapitalized to a 1.25% of insured reserve deposits ratio. In view of the BIF's achieving the 1.25% ratio during 1995, the FDIC reduced the assessments for most banks by adopting a new assessment rate schedule of 4 to 31 basis points for BIF deposits. This schedule applied to the second half of 1995. Under the schedule, approximately 91% of BIF members paid the lowest assessment rate of 4 basis points. Most recently, the FDIC has voted to further reduce the BIF assessment schedule by an additional four basis points for the first half of calendar year 1996 so that most BIF members will pay the statutory minimum semiannual assessment of $1,000. Based on notices from the regulators in late 1995, in the first half of 1996 the Company's banking subsidiaries will pay an assessment of $1,000, the lowest amount payable by an insured depository institution.

Supervisory Reforms - FDICIA requires the federal banking agencies and the FDIC, as insurer, to take prompt action to resolve problems within unhealthy banking institutions. All depository institutions are classified into one of five categories ranging from well-capitalized to critically undercapitalized. As an institution's capital level declines, it becomes subject to increasing regulatory scrutiny and tighter restrictions on operations, management and capital distributions. Based on the current regulatory capital position of each of the Group banks, the Company does not anticipate any adverse consequences from these provisions.

FDICIA further requires an increase in the frequency of "full-scope, on-site" examinations and expands the audit requirements. In addition, federal banking agencies are mandated to review and prescribe uniform accounting standards that are at least as stringent as Generally Accepted Accounting Principles.

Deposit Institution Conversions - FDICIA permits the merger or acquisition of any depository institution with any other, provided that the transaction is approved by the resulting entity's appropriate federal banking agency. This permits direct mergers between bank and thrift institutions.

Operational Standards - Pursuant to FDICIA, the federal banking agencies adopted real estate lending guidelines which set loan-to-value ("LTV") ratios for different types of real estate loans. An LTV ratio is generally defined as the total loan amount divided by the appraised value of the property at the time the loan is originated. If the institution does not hold a first lien position, the total loan amount is combined with the amount of all senior liens when calculating the ratio. In addition to establishing the LTV ratios, the guidelines require all real estate loans to be based upon proper loan documentation and a recent appraisal of the property.

FDICIA also implemented the Truth in Savings Act ("TSA"). The Federal Reserve adopted regulations ("Regulation DD") under the TSA that were effective on June 21, 1993. The purpose of the TSA is to require the clear and uniform disclosure of the rates of interest which are payable on deposit accounts by depository institutions and the fees that are assessable against deposit accounts, so that consumers can make a meaningful comparison between the competing claims of banks with regard to deposit accounts and products. In addition to disclosures to be provided when a consumer establishes a deposit account, TSA requires the depository institution to include, in a clear and conspicuous manner, the following information with each periodic statement of a deposit account: (1) the annual percentage yield earned, (2) the amount of interest earned, (3) the amount of any fees and charges imposed, and (4) the number of days in the reporting period. TSA allows for civil lawsuits to be initiated by customers if the depository institution violates any provision or regulation under TSA.

The Interstate Banking Act, however, modifies certain controversial provisions of FDICIA. Specifically, the Interstate Banking Act modifies the safety and soundness provisions contained in Section 39 of FDICIA which required the federal banking agencies to write regulations governing such topics as internal loan controls, loan documentation, credit underwriting, interest rate exposure, asset growth, compensation and fees and whatever else the agencies determined to be appropriate. The Interstate Banking Act exempts bank holding companies from these provisions and requires the federal banking agencies to write guidelines, as opposed to regulations, dealing with these areas. The federal banking agencies are also given more discretion with regard to prescribing standards for banks' asset quality, earnings and stock evaluation.

Another regulation to which the Company and its banking subsidiaries are subject is the Community Reinvestment Act of 1977 ("CRA"). This requires each federal banking agency to use its authority when examining financial institutions to encourage institutions to meet the credit needs of their local communities, consistent with safe and sound operations. As part of the examination of a state bank, the Federal Reserve or the FDIC assesses the bank's performance under the CRA and assigns one of four ratings to the bank, reflecting the bank's record of meeting community credit needs. A financial institution's CRA rating is taken into account by the appropriate agency in evaluating certain applications by the institution, including applications to merge with or acquire another institution and applications to establish branch offices. In addition, members of the general public may oppose a transaction requiring regulatory approval on the ground that the applicant has an inadequate record of meeting community credit needs.

In a more indirect manner than the regulations previously discussed, the monetary and fiscal policies of regulatory authorities, including the Federal Reserve, also affect the banking industry. Through changes in the reserve requirements against bank deposits, open market operations in U.S. Government securities and changes in the discount rate on bank borrowing, the Board of Governors of the Federal Reserve influences the cost and availability of funds obtained for lending and investing.

Because of concerns relating to the competitiveness and the safety and soundness of the industry, Congress is considering, even after the enactment of FIRREA and FDICIA, a number of wide-ranging proposals for altering the structure, regulation and competitive relationships of the nation's financial institutions. Among such bills are proposals to prohibit banks and bank holding companies from conducting certain types of activities, to subject banks to increased disclosure and reporting requirements, to merge BIF and the Savings Association Insurance Fund, to require savings associations to become banks, to alter the statutory separation of commercial and investment banking and to further expand the powers of banks, bank holding companies and competitors of banks. It cannot be predicted whether or in what form any of these proposals will be adopted or the extent to which the business of the Company may be affected thereby.

Item 2. Properties

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

Capital City Bank's Parkway Office is located on land leased from the Smith Interests General Partnership in which several directors and officers have an interest. Lease payments during 1995 totaled approximately $53,000.

As of March 1, 1996 the Company had 30 banking locations. Of the 30 locations, the Company leases either the land or buildings (or both) at 4 locations and owns the land and buildings at the remaining 26.

Item 3. Legal Proceedings

Not Applicable

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

Not Applicable

PART II

Item 5. Market for the Registrant's Securities and Related Stockholder Matters

There is currently no established trading market for the common stock of Capital City Bank Group, Inc., and therefore, no bid or sale quotations are generally available. Based on sales of stock of which the Company has knowledge, the stock has traded in a range of $26.00 to $33.00 per share for the two-year period ended December 31, 1995, with the most recent trades at $33.00 per share.

Item 6. Selected Financial And Other Data

For the Years Ended December 31,

(Dollars in Thousands, Except Per Share Data)	1995	1994	1993	1992	1991
Interest Income	$ 54,477	$ 47,891	$ 46,395	$ 48,306	$54,801
Net Interest Income	33,989	33,166	31,555	29,775	28,195
Provision for Loan Losses	293	1,246	960	1,216	1,817

Income Before Accounting Change	9,522	8,825	8,728	8,376	7,272
Net Income	9,522	8,825	8,244	8,376	7,272
Per Common Share:					
Income Before Accounting Change	$ 3.34	$ 3.10	$ 2.99	$ 2.86	$ 2.46
Net Income	3.34	3.10	2.82	2.86	2.46
Cash Dividends Declared	1.00	.91	.83	.78	.73
Book Value	28.44	25.44	23.56	21.59	19.55
Based on Net Income:					
Return on Average Assets Before Accounting Change	1.25%	1.18%	1.21%	1.27%	1.15%
Return on Average Assets	1.25	1.18	1.14	1.27	1.15
Return on Average Equity Before Accounting Change	12.32	12.51	13.15	13.71	13.07
Return on Average Equity	12.32	12.51	12.43	13.71	13.07
Dividend Payout Ratio	29.94	29.34	29.44	27.25	29.65
Averages for the Year:					
Loans, Net of Unearned Interest	$432,313	$406,873	$381,807	$358,876	$368,555
Earning Assets	681,186	666,919	651,042	598,127	571,165
Assets	763,697	745,334	722,286	662,150	633,963
Deposits	657,384	647,254	630,324	573,162	546,291
Long-Term Debt	71	1,144	1,381	3,156	5,555
Shareholders' Equity	77,259	70,563	66,328	61,078	55,635
Year-End Balances:					
Loans, Net of Unearned Interest	$443,973	$420,804	$399,424	$369,911	$364,773
Earning Assets	716,170	645,832	675,273	619,929	568,720
Assets	813,659	742,630	762,335	686,966	639,540
Deposits	699,579	648,174	662,745	597,497	555,092
Long-Term Debt	1,982	-	1,900	2,000	4,000
Shareholders' Equity	81,158	72,400	67,140	63,169	57,723
Equity to Assets Ratio	9.97%	9.75%	8.81%	9.20%	9.03%
Other Data:					
Average Shares Outstanding	2,853,234	2,847,492	2,924,022	2,932,123	2,958,920
Shareholders of Record*	933	761	754	748	731
Banking Locations*	30	29	30	27	27
Full-Time Equivalent Employees*	503	489	476	466	469

*As of March 1st of the following year.

Item 7. Management's Discussion and Analysis of Financial Codition and Results of Operations

FINANCIAL REVIEW

This section provides supplemental information which should be read in conjunction with the consolidated financial statements and related notes. The Financial Review is divided into three subsections entitled Earnings Analysis, Financial Condition, and Liquidity and Capital Resources. Information therein should facilitate a better understanding of the major factors and trends which affect the Company's earnings performance and financial condition, and how the Company's performance during 1995 compares with prior years. Throughout this section, Capital City Bank Group, Inc., and its subsidiaries, collectively, are referred to as "CCBG" or the "Company". The subsidiaries, collectively, are referred to as Group Banks.

On January 1, 1995, the Company completed a corporate reorganization whereby seven of the Company's ten banking subsidiaries were merged to form one bank. The new bank, Capital City Bank, is headquartered in Tallahassee and has twenty-one offices covering four counties. See Note 17 in the Notes to Consolidated Financial Statements for further information.
The year-to-date averages used in this report are based on daily balances for each respective year. In certain circumstances comparing average balances for the fourth quarter of consecutive years may be more meaningful than simply analyzing year-to-date averages. Therefore, where appropriate, fourth quarter averages have been presented for analysis and have been clearly noted as such.

On December 10, 1995, the Company executed an Agreement and Plan of Merger to acquire First Financial Bancorp, Inc., ("FFB") for $22.00 per share in cash, or a total purchase price of approximately $20.3 million. First Financial is a $230 million federal savings bank headquartered in Tallahassee, Florida, with six offices located in five Florida counties. It is anticipated the transaction will close during the second half of 1996, expanding the number of counties served by the Company from seven to eleven and increasing the number of offices from thirty to thirty-five.

EARNINGS ANALYSIS

In 1995, the Company's earnings were $9.5 million, or $3.34 per share. This compares to earnings of $8.8 million, or $3.10 per share in 1994, and $8.2 million, or $2.82 per share in 1993. The earnings in 1993 were impacted by the adoption of Statement of Financial Accounting Standards No. 109 ("Accounting for Income Taxes"), which resulted in a one-time, non-cash charge of $484,000, or $.17 per share.

On a per share basis, earnings increased 7.7% in 1995 versus 9.9% in 1994. Growth in operating revenues and a reduction in the provision for loan losses were significant factors which contributed to stronger earnings in 1995. These and other factors are discussed throughout the Financial Review. A condensed earnings summary is presented in Table 1.

Table 1

CONDENSED SUMMARY OF EARNINGS
(Dollars in Thousands, Except Per Share Data)

	For the Years Ended December 31, 1995	1994	1993
Interest Income	$54,477	$47,891	$46,395
Taxable Equivalent Adjustments	1,591	1,657	1,663
Total Interest Income	56,068	49,548	48,058
Interest Expense	20,488	14,725	14,840
Net Interest Income	35,580	34,823	33,218
Provision for Loan Losses	293	1,246	960
Taxable Equivalent Adjustments	1,591	1,657	1,663
Net Interest Income After Provision for Loan Losses	33,696	31,920	30,595
Noninterest Income	13,170	13,009	12,478
Noninterest Expense	33,466	32,711	31,036
Income Before Income Taxes	13,400	12,218	12,037
Income Taxes	3,878	3,393	3,309
Income Before Accounting Change	9,522	8,825	8,728
Cumulative Effect of Accounting Change	-	-	(484)
Net Income	$ 9,522	$ 8,825	$ 8,244
Income Per Share Before Accounting Change	$ 3.34	$ 3.10	$ 2.99
Net Income Per Share	$ 3.34	$ 3.10	$ 2.82

Net Interest Income

Net interest income represents the Company's single largest source of earnings and is equal to interest income and fees generated by earning assets less interest expense paid on interest bearing liabilities. An analysis of the Company's net interest income, including average yields and rates, is presented in Tables 2 and 3. This information is presented on a "taxable equivalent" basis to reflect the tax-exempt status of income earned on certain loans and investments, the majority of which are state and local government debt obligations.

In 1995, taxable-equivalent net interest income increased $757,000, or 2.2%. This follows an increase of $1.6 million, or 4.8% in 1994, and $1.9 million, or 5.9% in 1993. During 1995, higher levels of earning assets and growth in the loan portfolio were the primary factors contributing to the Company's overall increase in taxable equivalent net interest income.
<TABLE>
Table 2

AVERAGE BALANCES AND INTEREST RATES
(Taxable Equivalent Basis - Dollars in Thousands)
<CAPTION>

	1995			1994			1993		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>			
Assets:									
Loans, Net of Unearned Interest (1)(2)	$432,313	$40,872	9.45%	$406,873	$35,516	8.73%	$381,807	$ 33,579	8.79%
Taxable Investment Securities	139,936	7,966	5.69%	146,789	7,271	4.95%	139,875	7,395	5.29%
Tax-Exempt Investment Securities (2)	70,773	4,989	7.05%	71,683	5,092	7.10%	65,256	5,130	7.86%
Funds Sold	38,164	2,241	5.87%	41,574	1,669	4.02%	64,104	1,954	3.05%
Total Earning Assets	681,186	56,068	8.23%	666,919	49,548	7.43%	651,042	48,058	7.38%
Cash & Due From Banks	49,075			46,445	45,536				
Allowance for Loan Losses	(7,374)			(7,766)	(7,641)				
Other Assets	40,810			39,736	33,349				
TOTAL ASSETS	$763,697			$745,334	$722,286				
Liabilities:									
NOW Accounts	$ 91,060	$1,806	1.98%	$ 92,957	$ 1,809	1.95%	$ 78,119	$ 1,617	2.09%
Money Market Accounts	70,188	2,108	3.00%	76,173	1,731	2.27%	80,036	1,779	2.24%
Savings Accounts	85,408	1,942	2.27%	107,741	2,597	2.41%	113,850	2,953	2.59%

Other Time Deposits	249,827	13,526	5.41%	214,068	7,853	3.67%	208,729	7,864	3.77%
Total Interest Bearing Deposits	496,483	19,382	3.90%	490,939	13,990	2.85%	480,734	14,213	2.96%
Funds Purchased	19,308	1,053	5.45%	18,291	650	3.55%	17,765	548	3.08%
Other Short-Term Borrowings	1,159	49	4.23%	844	31	3.67%	1,069	23	2.18%
Long-Term Debt	71	4	5.63%	1,144	54	4.72%	1,381	56	4.06%
Total Interest Bearing Liabilities	517,021	20,488	3.96%	511,218	14,725	2.88%	500,949	14,840	2.97%
Noninterest Bearing Deposits	160,901			156,315			149,590		
Other Liabilities	8,516			7,238			5,419		
TOTAL LIABILITIES	686,438			674,771			655,958		
Shareholders' Equity:									
Common Stock	31			31			31		
Additional Paid In Capital	5,867			5,852			5,857		
Retained Earnings	71,361			64,680			60,440		
TOTAL SHAREHOLDERS' EQUITY	77,259			70,563			66,328		
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$763,697			$745,334			$722,286		
Interest Rate Spread			4.27%			4.55%			4.41%
Net Interest Income		$35,580			$ 34,823			$ 33,218	
Net Interest Margin (3)			5.22%			5.22%			5.10%

(1) Average balances include nonaccrual loans. Interest income includes fees on loans of approximately $1,469,000, $1,619,000 and $1,610,000 in 1995, 1994, and 1993, respectively.
(2) Interest income includes the effects of taxable equivalent adjustments using a 34% tax rate to adjust interest on tax-exempt loans and securities to a taxable equivalent basis.
(3) Net interest income divided by earning assets.
</TABLE>
<TABLE>
Table 3
RATE/VOLUME ANALYSIS(1)
(Dollars in Thousands)
<CAPTION>

	1995 Change From 1994	Due To Average		1994 Change From 1993	Due To Average		
	Total	Volume	Rate	Total	Volume	Rate	
<S>	<C>	<C>	<C>	<C>	<C>	<C>	
Earning Assets:							
Loans, Net of Unearned Interest(2)	$5,356	$2,221	$3,135	$ 1,936	$2,204	$(268)	
Investment Securities:							
Taxable	695	(339)	1,034	(124)	365	(489)	
Tax-Exempt (2)	(103)	(65)	(38)	(37)	505	(542)	
Funds Sold	572	(137)	709	(285)	(687)	402	
Total	6,520	1,680	4,840	1,490	2,387	(897)	
Interest Bearing Liabilities:							
NOW Accounts	(3)	(37)	34		192	310	(118)
Money Market Accounts	377	(136)	513		(48)	(87)	39
Savings Accounts	(655)	(538)	(117)		(355)	(158)	(197)
Other Time Deposits	5,673	1,312	4,361		(12)	201	(213)
Funds Purchased	403	36	367		102	16	86
Other Short-Term Borrowings	18	10	8		8	(5)	13
Long-Term Debt	(50)	(50)	-		(2)	(10)	8
Total	5,763	597	5,166		(115)	267	(382)
Change in Net Interest Income	$ 757	$1,083	$(326)		$1,605	$2,120	$(515)

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

(2) Interest income includes the effects of taxable equivalent adjustments using a 34% tax rate to adjust interest on tax-exempt loans and securities to a taxable equivalent basis.
</TABLE>
Interest rates, after declining for several years began increasing in early 1994 and peaked during the first quarter of 1995. During this fifteen month period, the prime rate rose from 6% to 9% and the federal funds rate increased from approximately 3% to 6%. Subsequent to the first quarter of 1995, however, rates declined. The prime rate fell from 9.0% to 8.5% at December 31, 1995, and the federal funds rate declined from 6.0% to 5.5%.

Although rates fell during the latter half of the year, the current interest rate environment is still well above that of early 1994.

The Company's taxable equivalent yield on average earning assets of 8.23% represents an 80 basis point increase over 1994, compared to only a five basis point improvement in 1994 over 1993. The higher yield in 1995 is reflective of both higher interest rates and loan volume, which increased steadily throughout the year. The loan portfolio, which is the largest and highest yielding component of earning assets, increased from 58.9% in the first quarter of 1994 to 63.4% in the fourth quarter of 1995. The lower yields on earning assets in 1994 and 1993 are reflective of the interest rate environment during those years and a less favorable mix of earning assets.

The average rate paid on interest bearing liabilities in 1995 was 3.96% versus 2.88% in 1994 and 2.97% in 1993. The increase is attributable to higher interest rates and a less favorable deposit mix. As interest rates increased in 1994 and early 1995, depositors sought higher yields by investing in certificates of deposits versus non-maturity deposits such as money market and savings accounts. The increase also reflects the results of promotions during the year in which the Company raised in excess of $30 million in certificates of deposit. As certificates of deposit generally represent a higher cost deposit product, this shift in depositor preference increased the Company's cost of funds. Certificates of deposit as a percent of total deposits increased from 32.1% in the first quarter of 1994 to 38.9% in the fourth quarter of 1995. In prior years, the lower average rates are reflective of lower interest rates and a more favorable deposit mix.

The Company's interest rate spread (defined as the taxable equivalent yield on average earning assets less the average rate paid on interest bearing liabilities) decreased 28 basis points in 1995 and increased 14 basis points in 1994. The reduction in spread in 1995 is attributable to the higher cost of funds.

The Company's net interest margin (defined as taxable equivalent interest income less interest expense divided by average earning assets) was 5.22% in 1995, compared to 5.22% in 1994, and 5.10% in 1993. Although the Company experienced an increase in its cost of funds during 1995, the increase in interest income was sufficient to enable the Company to maintain its margin of 5.22%. The increase in 1994 over 1993 is attributable to an improved spread and a reduction in the volume of earning assets funded through interest bearing liabilities.

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

Provision for Loan Losses

The provision for loan losses was $293,000 in 1995 versus $1.2 million in 1994 and $960,000 in 1993. The reduction in the provision over prior years reflects improved credit quality and a relatively low level of charge-offs. At December 31, 1995, the allowance for loan losses totaled $6.5 million compared to $7.6 million in 1994 and $7.6 million in 1993. Management considers the allowance to be adequate based on the current level of nonperforming loans and the potential for loss inherent in the portfolio at year-end. See the section entitled "Financial Condition" for further information regarding the allowance for loan losses. Selected loss coverage ratios are presented below:

	1995	1994	1993
Provision for Loan Losses as a Multiple of Net Charge-offs	.2x	1.0x	1.0x
Pre-tax Income Plus Provision for Loan Losses as Multiple of Net Charge-offs	10.0x	10.4x	13.7x

Noninterest Income

Noninterest income increased $161,000, or 1.2%, in 1995 compared with $531,000, or 4.3%, in 1994. Factors affecting noninterest income are discussed below.

Service charges on deposit accounts increased $241,000, or 4.5%, in 1995, compared to a decrease of $193,000, or 3.4%, in 1994. Service charge revenues in any one year are dependent on the number of accounts, primarily transaction accounts, and the level of activity subject to service charges.

Data processing revenues increased $174,000, or 7.1%, in 1995 versus an increase of $54,000, or 2.3%, in 1994. The data processing center provides computer services to both financial and non-financial clients in North Florida and South Georgia. In recent years, a significant portion of the growth in revenues has been provided by processing for clients other than financial institutions. Processing revenues for non-financial entities represented approximately 52% of the total processing revenues in 1995.

In 1995, trust fees increased $262,000, or 38.5%. In January 1995, the Company changed its method of income recognition for Capital City Trust Company ("CCTC") from cash to accrual. This change in method resulted in a one-time adjustment which increased CCTC revenues by $166,000 during the first quarter of 1995. The remaining increase in fees of approximately $96,000 is attributable to the growth in assets under management which grew $12.6 million, or 12.2%. Assets under management totaled $116.0 million at December 31, 1995. Trust fees increased $37,000, or 5.8%, in 1994, attributable to growth in assets under management.

Net gains from the sale of securities recognized during 1995 were not material. The net loss recognized in 1994 consisted of gross gains of $13,000 and losses of $160,000. Of the $160,000 in losses, $152,000 reflects management's decision to sell approximately $7,000,000 in securities (including U.S. Governments and municipals) and reinvest the proceeds in higher yielding securities. All other gains and losses recognized in 1995 and 1994 were related to the redemption of principal from mortgage-backed securities and bonds which were called during the year.

Other noninterest income decreased $671,000, or 14.5%, in 1995 versus an increase of $808,000, or 21.1% in 1994. The decrease in 1995 is attributable to real estate gains recognized in 1994 and a reduction in mortgage origination fees. During 1994, the Company recognized gains on the sale of real estate (including other real estate and bank premises) totaling $827,000, compared to $94,000 in 1995. Mortgage origination volume declined $9.4 million, or 27.0% in 1995, resulting in a reduction in mortgage fees of $220,000, or 30.8%. These reductions in income were partially offset by a $295,000 increase in credit card income which was primarily attributable to higher volume. The primary factors impacting the increase in noninterest income in 1994 as compared to 1993 were gains on the sale of real estate of $827,000, an increase in credit card fees of $290,000 and a reduction in mortgage origination fees of $374,000. Gains on the sale of real estate were comprised of $430,000 recognized on the sale of other real estate and $397,000 on the sale of bank premises. While several factors impacted credit card fees, the majority of the increase in 1994 is attributable to volume. Mortgage loan origination volume fell from $55.5 million in 1993 to $34.8 million in 1994, contributing to the 38% decline in origination fees.
Noninterest income as a percent of average earning assets represented 1.93% in 1995 compared to 1.95% in 1994 and 1.92% in 1993.

Noninterest Expense

Total noninterest expense for 1995 was $33.5 million, an increase of $755,000, or 2.3%, over 1994, compared with an increase of $1.7 million, or 5.4% in 1994 over 1993. Factors impacting the Company's noninterest expense during 1995 and 1994 are discussed below.

The Company's compensation expense totaled $18.0 million, an increase of $872,000, or 5.1%, over 1994. Salaries increased $530,000, or 3.8%, due to normal annual raises. Employee insurance and expenses associated with the Company's stock incentive plan accounted for the remaining increase of $342,000. Stock compensation expense in 1995 was $424,000 compared to $258,000 in the prior year. In 1994, compensation expense totaled $17.1 million, an increase of $904,000, or 5.6%, over 1993. Salaries and wages increased $732,000, or 4.5%, due to annual raises and an increase in the number of offices opened for a full year in 1994. Additionally, the Company's pension expense increased $214,000, or 31.7%. In 1994 management revised the interest rate assumptions incorporated in the pension plan to reflect the lower interest rate environment. Lower rates reduced projected earnings on the plan assets and increased current funding requirements, both of which resulted in higher pension expense.

Occupancy expense (including furniture, fixtures & equipment) was up by $631,000, or 12.0% in 1995. The increase is attributable to higher depreciation expense which increased $447,000 and maintenance and repairs which increased $195,000. In 1994, occupancy expense was up $161,000, or 3.2%. During 1994, the Company completed building renovations, opened a new operations center and acquired an additional banking location. Depreciation, property taxes, and maintenance and repairs associated with the new and existing facilities were the primary expense categories contributing to the overall increase.

Other noninterest expense decreased $748,000, or 7.2%, in 1995, compared to an increase of $610,000, or 6.3%, in 1994. The decrease in 1995 is primarily attributable to a reduction in FDIC insurance premiums and corporate reorganization expenses. Effective June 1, 1995, the Federal Deposit Insurance Corporation reduced deposit insurance premiums from $.23 per $100 in deposits to $.04 per $100. This resulted in a reduction of premiums for 1995 of $700,000. For 1996, insurance premiums have been completely eliminated which will result in additional savings to the Company of approximately $240,000 based on the current level of deposits.

Corporate reorganization expenses incurred in 1994 totaled $731,000 and thus the elimination of these expenses in 1995 contributed to the overall expense reduction in this category. The increase in 1994 of $610,000 is primarily attributable to expenses associated with the corporate reorganization.

Net noninterest expense (defined as noninterest income minus noninterest expense) as a percent of average earning assets was 2.98% in 1995 compared to 2.95% in 1994 and 2.85% in 1993.

Income Taxes

The consolidated provision for federal and state income taxes was $3.9 million in 1995 compared to $3.4 million in 1994 and $3.3 million in 1993. The increases in the tax provision over the last three years is primarily attributable to the higher level of taxable income.
The effective tax rate was 28.9% in 1995, 27.8 in 1994 and 27.5% in 1993. These rates differ from the statutory tax rates due primarily to tax-exempt income. The increase in the effective tax rate is primarily attributable to the decreasing level of tax-exempt income relative to pre-tax income. Tax-exempt income (net of the adjustment for disallowed interest) as a percent of pre-tax income was 23.0% in 1995, 25.1% in 1994 and 26.8% in 1993.

Change in Accounting Principle

On January 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", which changed the method of accounting to the "liability" method from the "deferred" method previously required by Accounting Principles Board Opinion No. 11. The cumulative effect of adopting the new accounting standard was a reduction in the Company's net income of $484,000, which was recognized in the first quarter of 1993. See Note 1 in the Notes to Consolidated Financial Statements.

FINANCIAL CONDITION

Average assets increased $18.4 million, or 2.5%, from $745.3 million in 1994 to $763.7 million in 1995. Average earning assets increased to $681.2 million in 1995, a $14.3 million, or 2.1% increase over 1994. After experiencing a reduction in loans in 1992, loan volume has improved. Average loans have grown from $358.9 million in 1992 to $432.3 million in 1995, including growth of $25.4 million, or 6.3% during 1995. Growth in the loan portfolio in 1995 was primarily funded through deposit growth of $10.1 million and a reduction in the Company's investment portfolio and federal funds sold position of $7.8 million and $3.4 million, respectively.

Table 2 provides information on average balances while Table 4 highlights the changing mix of the Company's earning assets over the last three years.

Loans

Local markets served by Group banks were generally improved during 1995. Loan demand was fairly steady and slightly stronger during the second half. Price and product competition strengthened during 1995 and there was increasing demand for fixed rate financing. Real estate lending, an area of primary focus, continued to improve. Other areas reflecting stronger demand include home equity and indirect automobile lending. While the markets were generally good, perhaps the most significant contributor to loan growth was the Company's recent restructuring and an increased emphasis on product marketing.

Lending is a major component of the Company's business and is key to profitability. While management strives to grow the Company's loan portfolio, it can do so only by adhering to sound banking principles applied in a prudent and consistent manner. Management is hopeful the improvements noted in 1994 and 1995 will continue during 1996, affording opportunities to increase loans outstanding and enhance the portfolio's overall contribution to earnings.
Table 4

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

	1994 to 1995 Change	Percentage of Total Change	Components of Total Earning Assets 1995	1994	1993
Loans:					
Commercial, Financial and Agricultural	$ 4,266	29.9%	7.1%	6.6%	6.5%
Real Estate - Construction	4,986	35.0	3.7	3.1	3.2
Real Estate - Mortgage	3,100	21.7	37.7	38.0	35.5
Consumer	13,088	91.7	15.0	13.3	13.5
Total Loans	25,440	178.3	63.5	61.0	58.7

Securities:					
Taxable	(6,853)	(48.0)	20.5	22.0	21.5
Tax-Exempt	(910)	(6.4)	10.4	10.8	10.0
Total Securities	(7,763)	(54.4)	30.9	32.8	31.5
Funds Sold	(3,410)	(23.9)	5.6	6.2	9.8
Total Earning Assets	$14,267	100.0%	100.0%	100.0%	100.0%

The composition of the Company's loan portfolio at December 31 for each of the past five years is shown in Table 5. Consistent with bank regulatory reporting requirements, Bankers' Acceptances purchased (as opposed to originated) and Term Federal Funds (funds placed with another financial institution generally having a maturity of less than 90 days) are classified as loans and included in the commercial loan category. Management views these instruments not as loans but as investment alternatives in managing short-term liquidity. While there were no Bankers' Acceptances or Term Federal Funds outstanding at December 31, 1995, they totaled $1.0 million at year-end 1994 and $6.5 million at year-end 1993.

The Company's average loan-to-deposit ratio increased from 62.9% in 1994 to 65.8% in 1995 and reached a level of 66.0% in the fourth quarter. The average loan-to-deposit ratio for 1993 was 60.6%.

Real estate construction and mortgage loans, combined, represented 64.8% of total loans (net of unearned interest) in 1995 versus 66.6% in 1994. See the section entitled "Risk Element Assets" for a discussion concerning loan concentrations.

Table 6 arrays the Company's total loan portfolio as of December 31, 1995, based upon maturities. Loans are arrayed as to those which mature in one year or less, over one through five years and over five years. Demand loans and overdrafts are reported in the category of one year or less. As a percent of the total portfolio, loans with a fixed interest rate have declined from 40.2% in 1994 to 30.2% in 1995.

Allowance for Loan Losses

Management attempts to maintain the allowance for loan losses at a level sufficient to provide for potential losses inherent in the loan portfolio. 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.
Management evaluates the adequacy of the allowance for loan losses on a quarterly basis. The evaluations are based on the collectibility of loans and take into consideration such factors as growth and composition of the loan portfolio, evaluation of potential losses, past loss experience and general economic conditions. As part of these evaluations, management reviews all loans which have been classified internally or through regulatory examination and, if appropriate, allocates a specific reserve to each of these individual loans. Further, management establishes a general reserve to provide for losses inherent in the loan portfolio which are not specifically identified. The general reserve is based upon management's evaluation of the current and forecasted operating and economic environment coupled with historical experience. The allowance for loan losses is compared against the sum of the specific reserves plus the general reserve and adjustments are made, as appropriate. Table 7 analyzes the activity in the allowance over the last five years.

Effective January 1, 1995, the Company adopted Statement of Financial Accounting Standards No. 114, Accounting by Creditors for Impairment of a Loan, as amended, which prescribes how the allowance for loan losses related to impaired loans should be determined. Certain loan categories including residential, consumer and credit card loans are excluded from the scope of this statement.

Impaired loans for Capital City Bank Group are primarily defined as all nonaccruing loans for the categories which are included within the scope of Statement No. 114. Adoption of Statement No. 114 had no significant impact on the financial condition or results of operations of the Company. See Note 5 in the Notes to Consolidated Financial Statements for further information.

Table 5

LOANS BY CATEGORY
(Dollars in Thousands)

	As of December 31,				
	1995	1994	1993	1992	1991
Commercial, Financial and Agricultural	$ 46,149	$ 39,288	$ 46,963	$ 57,188	$ 57,692
Real Estate - Construction	28,391	24,314	22,968	19,103	18,714
Real Estate - Mortgage	259,503	255,755	242,741	212,080	208,091
Consumer	113,736	106,656	93,895	89,848	89,529

Total Loans	$447,779	$426,013	$406,567	$378,219	$374,026

Table 6

LOAN MATURITIES
(Dollars in Thousands)

	Maturity Periods			
	One Year Or Less	Over One Through Five Years	Over Five Years	Total
Commercial, Financial and Agricultural	$ 33,632	$ 11,658	$ 859	$46,149
Real Estate	222,831	42,753	22,310	287,894
Consumer	32,509	80,878	349	113,736
Total	$288,972	$135,289	$23,518	$447,779
Loans with Fixed Rates	$ 88,899	$ 37,266	$ 8,915	$135,080
Loans with Floating or Adjustable Rates	200,073	98,023	14,603	312,699
Total	$288,972	$135,289	$23,518	$447,779

The allowance for loan losses at December 31, 1995 of $6.5 million compares to $7.6 million at year-end 1994 and 1993. The allowance as a percent of total loans declined from 1.79% in 1994 to 1.46% in 1995. The lower percentage is attributable to a reduction in the Company's nonperforming loans and continued low levels of net charge-offs. See the section entitled "Risk Element Assets" for a further discussion.

There can be no assurance that in particular periods the Company will not sustain loan losses which are substantial in relation to the size of the allowance. When establishing the allowance, management makes various estimates regarding the value of collateral and future economic events. Actual experience may differ from these estimates. It is management's opinion that the allowance at December 31, 1995, is adequate to absorb losses from loans in the portfolio as of year-end.

Table 8 provides an allocation of the allowance for loan losses to specific loan categories for each of the last five years. The allocation of the allowance is developed using management's best estimates based upon available information such as regulatory examinations, internal loan reviews and historical data and trends. The allocation by loan category reflects a base level allocation derived primarily by analyzing the level of problem loans, specific reserves and historical charge-off data. Current and forecasted economic conditions, and other judgmental factors which cannot be easily quantified (e.g. concentrations) are not presumed to be included in the base level allocations, but instead are covered by the unallocated portion of the reserve. The Company faces a geographic concentration as well as a concentration in real estate lending. Both risks are cyclical in nature and must be considered in establishing the overall allowance for loan losses. Reserves in excess of the base level reserves are maintained in order to properly reserve for the losses inherent in the Company's portfolio due to these concentrations and anticipated periods of economic difficulties.

Table 7

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES
(Dollars in Thousands)

	For the Years Ended December 31,				
	1995	1994	1993	1992	1991
Balance at Beginning of Year	$7,551	$7,594	$7,585	$7,670	$7,526
Charge-Offs:					
Commercial, Financial and Agricultural	520	575	556	511	724
Real Estate-Construction	-	-	-	33	-
Real Estate-Mortgage	139	315	81	460	175
Consumer	1,237	865	884	929	1,263
Total Charge-Offs	1,896	1,755	1,521	1,933	2,162
Recoveries:					
Commercial, Financial and Agricultural	157	104	198	231	177
Real Estate - Construction	-	-	-	-	
Real Estate - Mortgage	-	12	8	7	18
Consumer	369	350	364	394	294
Total Recoveries	526	466	570	632	489
Net Charge-Offs	1,370	1,289	951	1,301	1,673
Provision for Loan Losses	293	1,246	960	1,216	1,817
Balance at End of Year	$6,474	$7,551	$7,594	$7,585	$7,670

Ratio of Net Charge-Offs During Year to Average Loans Outstanding, Net of Unearned Interest	.32%	.32%	.25%	.36%	.45%
Allowance for Loan Losses as a Percente of Loans, Net of Unearned Interest, at End of Year	1.46%	1.79%	1.90%	2.05%	2.10%
Allowance for Loan Losses as a Multiple of Net Charge-Offs	4.73x	5.86x	7.99x	5.83x	4.58x

Risk Element Assets

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

The Company's nonperforming loans decreased $1.3 million, or 21.6%, from a level of $6.0 million at December 31, 1994 to $4.7 million at December 31, 1995. During 1995, loans totaling approximately $2.4 million were placed on nonaccrual, while loans totaling $3.7 million were removed from nonaccruing status. Of the $2.4 million added, three credit relationships comprised $1.1 million of the total. All three relationships are secured with real estate and management has allocated specific reserves to these credits to absorb anticipated losses. Of the $3.7 million removed from the nonaccrual category, $2.3 million consists of principal reductions, $647,000 consists of loans transferred to ORE and loans totaling $451,000 were charged off. The remaining decrease of $349,000 represents loans which were either brought current and returned to an accrual status or refinanced.

<TABLE>

Table 8

ALLOCATION OF ALLOWANCE FOR LOAN LOSSES
(Dollars in Thousands)
<CAPTION>

	1995 Allowance Amount	1995 Percent of Loans in Each Category To Total Loans	1994 Allowance Amount	1994 Percent of Loans in Each Category To Total Loans	1993 Allowance Amount	1993 Percent of Loans in Each Category To Total Loans	1992 Allowance Amount	1992 Percent of Loans in Each Category To Total Loans	1991 Allowance Amount	1991 Percent of Loans in Each Category To Total Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>			
Commercial, Financial and Agricultural	$ 609	10.3%	$ 442	9.3%	$ 936	11.6%	$1,416	15.1%	$1,699	15.4%
Real Estate:										
Construction	152	6.3%	187	5.7%	501	5.6%	647	5.0%	955	5.0%
Mortgage	2,484	58.0%	2,938	60.0%	2,459	59.7%	2,715	56.1%	2,148	55.7%
Consumer	1,044	25.4%	963	25.0%	420	23.1%	425	23.8%	741	23.9%
Not Allocated	2,185	-	3,021	-	3,278	-	2,382	-	2,127	-
Total	$6,474	100.0%	$7,551	100.0%	$7,594	100.0%	$7,585	100.0%	$7,670	100.0%

</TABLE>

Table 9

RISK ELEMENT ASSETS
(Dollars in Thousands)

	As of December 31, 1995	1994	1993	1992	1991
Nonaccruing Loans	$2,996	$4,278	$ 9,353	$ 6,987	$ 8,423
Restructured	1,686	1,694	65	169	176
Total Nonperforming Loans	4,682	5,972	9,418	7,156	8,599
Other Real Estate	1,001	1,581	3,466	4,416	4,385
Total Nonperforming Assets	$5,683	$7,553	$12,884	$11,572	$12,984
Past Due 90 Days or More	$ 273	$ 258	$ 104	$ 2,564	$ 622
Nonperforming Loans to Loans, Net of Unearned Interest	1.05%	1.42%	2.36%	1.93%	2.36%
Nonperforming Assets to Loans, Net of Unearned Interest, Plus Other Real Estate	1.28%	1.79%	3.20%	3.09%	3.52%
Nonperforming Assets to Capital(1)	6.49%	9.45%	17.24%	16.36%	19.86%
Reserve to Nonperforming Loans	138.27%	126.44%	80.64%	105.99%	89.20%

(1) For computation of this percentage, "capital" refers to shareholders' equity plus the allowance for loan losses.

The majority of nonaccrual loans are collateralized with real estate. Management continually reviews these loans and believes specific reserve allocations are sufficient to cover the loss exposure associated with these loans.

Interest on nonaccrual loans is recognized only when received. Cash collected on nonaccrual loans is applied against the principal balance or recognized as interest income based upon management's expectations as to the ultimate collectibility of principal and interest in full. If nonaccruing loans had been on a fully accruing basis, interest income recorded would have been $285,000 higher for the year ended December 31, 1995.

Restructured loans are loans with reduced interest rates or deferred payment terms due to deterioration in the financial position of the borrower. The difference in interest income which would have been recorded under the original terms of the restructured loans and the interest income recognized for the year ended December 31, 1995 was $35,000. Restructured loans at December 31, 1995 consisted primarily of one large relationship which was classified as restructured in accordance with Statement of Financial Accounting Standards No. 15, prior to the adoption of Statement No. 114 in January 1995. Loans restructured subsequent to January 1, 1995, are deemed impaired, as that term is defined in Statement No. 114, and will be accounted for accordingly.

Other real estate totaled $1.0 million at December 31, 1995, versus $1.6 million at December 31, 1994. This category includes property owned by Group Banks which was acquired either through foreclosure procedures or by receiving a deed in lieu of foreclosure. During 1995, the Company added properties totaling $647,000 and liquidated, partially or completely, properties totaling $1.2 million, resulting in a net reduction in other real estate of $580,000. Management does not anticipate any significant losses associated with other real estate.
Potential problem loans are defined as those loans which are now current but where management has doubt as to the borrower's ability to comply with present loan repayment terms. Potential problem loans totaled $1.3 million at December 31, 1995.

Loan concentrations are considered to exist when there are amounts loaned to a multiple number of borrowers engaged in similar activities which cause them to be similarly impacted by economic or other conditions and such amounts exceed 10% of total loans. Due to the lack of diversified industry within the markets served by the Group banks, and the relatively close proximity of the markets, the Company has both geographic concentrations as well as concentrations in the types of loans funded. Capital City Bank, which operates predominately in a three county market area in North Florida, comprised 83% of the Company's total loans at year-end. Further, due to the nature of the Company's markets, a significant portion of the portfolio is associated either directly or indirectly with real estate. At December 31, 1995, approximately 64% of the portfolio consisted of real estate loans. Residential properties comprise approximately 55% of the real estate portfolio.

Management is continually analyzing its loan portfolio in an effort to identify and resolve its problem assets as quickly and efficiently as possible. As of December 31, 1995, management believes it has identified and adequately reserved for such problem assets. However, management recognizes that many factors can adversely impact various segments of its markets, creating financial difficulties for certain borrowers. As such, management will continue to focus its attention on promptly identifying and providing for potential losses as they arise.

Investment Securities

The Company's average investment portfolio decreased $7.8 million, or 3.6%, during 1995. This followed an increase of $13.3 million, or 6.5%, in 1994. As a percent of average earning assets, the investment portfolio represented 30.9% in 1995, compared to 32.8% in 1994. In recent years, other than 1995, the investment portfolio increased in size relative to total earning assets as a result of the slowdown in loan production. In 1991, the comparable percentage was 21.9%. This recent trend reversed itself somewhat in 1995, as the growth in loans exceeded the overall growth in earning assets.

In 1995, average taxable investments decreased $6.9 million, or 4.7%, while tax-exempt investments decreased $910,000, or 1.3%. Since the enactment of the Tax Reform Act of 1986, which significantly reduced the tax benefits associated with tax-exempt investments, management has monitored the level of tax-exempt investments and, until 1992, consistently reduced its holdings. Even with the growth in tax-exempt investments in 1993 and 1994, the tax-exempt portfolio as a percent of average earning assets has declined from 18.9% in 1986 to 10.4% in 1995. Management will continue to purchase "bank qualified" municipal issues when it considers the yield to be attractive and the Company can do so without adversely impacting its tax position.

The investment portfolio is a significant component of the Company's operations and, as such, it functions as a key element of liquidity and asset/liability management. In 1994, the Company adopted SFAS No. 115 -- "Accounting for Investments in Certain Debt and Equity Securities". In accordance with the new accounting pronouncement, securities are to be classified as held-to-maturity, available-for-sale or trading. To be classified as Held-to-Maturity, management must have both the ability and the positive intent to hold securities to maturity. Securities in this category are recorded at amortized cost. It is not management's intent nor practice to participate in the trading of investment securities for the purpose of recognizing gains and therefore the Company does not maintain a Trading portfolio. However, management felt it was prudent to establish an Available-for-Sale portfolio in order to provide the flexibility necessary to properly manage the Company's interest rate risk and liquidity position. Upon adoption of SFAS No. 115 in 1994, management classified approximately 30% of the total investment portfolio as Available-for-Sale. Following a determination by the regulatory agencies during 1995 that the net unrealized gain (loss) would be excluded from the computation of regulatory capital, the Financial Accounting Standards Board offered companies a one-time opportunity to transfer securities from held-to-maturity category to the available-for-sale category without penalty. On December 27, 1995, management transferred all securities classified as held-to-maturity to available-for-sale. Securities transferred totaled $122.6 million with an net unrealized gain after tax of $503,000. This transfer of securities offers management full flexibility in managing its liquidity position and interest rate sensitivity without adversely impacting its regulatory capital levels. Securities in the Available-for-Sale portfolio are recorded at fair value and unrealized gains and losses associated with these securities are recorded, net of tax, as a separate component of shareholders' equity. At December 31, 1995 shareholders' equity included a net unrealized gain of $968,000. See the section entitled "Accounting Pronouncements" and Note 1 in the Notes to Consolidated Financial Statements for a further discussion of SFAS No. 115.

Historically, when purchasing securities, management has had both the ability and intent to hold the securities for the foreseeable future and sales, including the gains or losses recognized from such sales, were minimal. This was true in 1995 as well. However, in 1994, in order to invest in higher yielding securities, the Company sold approximately $7.0 million in securities, incurring a net pre-tax loss of $152,000. These securities were sold from the available-for-sale portfolio and there were no sales from the held-to-maturity portfolio in 1995 or 1994.

In 1995, proceeds from the sale of securities were nominal. However, proceeds from "called" bonds and principal redemption of mortgage-backed securities totaled $22.5 million and the related gains and losses totaled $11,000 and $3,000, respectively.

The average maturity of the total portfolio at December 31, 1995 and 1994, was 2.62 and 2.41 years, respectively. See Table 11 for a breakdown of maturities by portfolio.

The weighted average taxable-equivalent yield of the investment portfolio at December 31, 1995, was 6.20% versus 5.73% in 1994. The quality of the municipal portfolio at such date is depicted in the chart below. There were no investments in obligations, other than U.S. Governments, of any one state, municipality, political subdivision or any other issuer that exceeded 10% of the Company's shareholders' equity at December 31, 1995.

The net unrealized gain in the total portfolio at December 31, 1995, of $1.5 million compares with a loss of $6.8 million at December 31, 1994. See Note 3 in the Notes to Consolidated Financial Statements for a breakdown of unrealized gains and losses. Tables 10 and 11 present a detailed analysis of the Company's investment securities as to type, maturity and yield.

MUNICIPAL PORTFOLIO QUALITY
(Dollars in Thousands)

Moody's Rating	Amortized Cost (000's)	Percentage
AAA	$46,684	61.4%
AA-1	1,810	2.4
AA	3,955	5.2
A-1	5,525	7.3
A	8,680	11.4
BAA	1,000	1.3
Not Rated(1)	8,332	11.0
Total	$75,986	100.0%

(1) Of the securities not rated by Moody's, $4.9 million are rated "A" or higher by S&P.

Table 10
DISTRIBUTION OF INVESTMENT SECURITIES

(Dollars in Thousands)

1995

Available-For-Sale	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 72,289	$ 470	$ 54	$72,705
U.S. Government Agencies and Corporations	70,883	264	96	71,051
States and Political Subdivisions	75,986	1,037	143	76,880
Mortgage Backed Securities	5,965	47	26	5,986
Other Securities	4,107	19	1	4,125
Total Investment Securities	$229,230	$1,837	$320	$230,747

Table 11

MATURITY DISTRIBUTION OF INVESTMENT SECURITIES
(Dollars in Thousands)

	As of December 31, 1995		
	Amortized Cost	Market Value	Weighted Average Yield(1)
U. S. GOVERNMENTS			
Due in 1 year or less	$ 64,543	$ 64,604	5.45%
Due over 1 year thru 5 years	78,629	79,152	5.76%
Due over 5 years thru 10 years	-	-	-
Due over 10 years	-	-	-
TOTAL	143,172	143,756	5.92%
STATE & POLITICAL SUBDIVISIONS			
Due in 1 year or less	7,803	7,781	8.13%
Due over 1 year thru 5 years	47,146	47,796	6.65%
Due over 5 years thru 10 years	18,847	19,102	6.01%
Due over 10 years	2,190	2,201	7.53%
TOTAL	75,986	76,880	6.68%
MORTGAGE BACKED SECURITIES			
Due in 1 year or less	444	451	6.98%
Due over 1 year thru 5 years	4,083	4,100	6.51%
Due over 5 years thru 10 years	582	594	7.68%
Due over 10 years	856	841	6.30%
TOTAL	5,965	5,986	6.62%
OTHER SECURITIES			
Due in 1 Year or less	1,354	1,365	5.98%
Due over 1 year thru 5 years	149	179	5.59%
Due over 5 years thru 10 years	252	229	5.68%
Due over 10 years*	2,352	2,352	6.81%
TOTAL	4,107	4,125	6.40%
Total Investment Securities	$229,230	$230,747	6.20%

*Federal Home Loan Bank Stock and Federal Reserve Bank Stock do not have a stated maturities.

AVERAGE MATURITY (In Years)	AS OF DECEMBER 31, 1995 Available For Sale
U. S. Governments	1.98
State and Political Subdivisions	3.81
Mortgaged Backed Securities	3.78
TOTAL	2.62

(1) Weighted average yields are calculated on the basis of the amortized cost of the security. The weighted average yields on tax-exempt obligations are computed on a taxable-equivalent basis using a 34% tax rate.

Deposits And Funds Purchased

Average total deposits increased from $647.3 million in 1994 to $657.4 million in 1995, representing an increase of $10.1 million, or 1.6%. In 1994, deposits increased $16.9 million, or 2.7%. The Company experienced a notable increase in competition for deposits during 1995, in terms of both rate and product.

From 1991 to 1994, the Company experienced growth in noninterest bearing deposits and a shift in funding sources from certificates of deposits to other deposit categories. This pattern ran counter to the Company's historical trends in which a majority of the growth was generated from certificates of deposits. As rates rose during 1994 and early 1995, however, depositors returned to more historical patterns shifting funds from non-maturity deposits to certificates of deposit and investing new funds in certificates. Average certificates of deposit increased $35.8 million, or 16.7%, over 1994. The growth in certificates of deposit was partially offset by a reduction in money market accounts of $6.0 million, or 7.9%, and savings of $22.3 million, or 20.7%. This shift in deposits during 1995 put additional pressure on the Company's net interest margin.

Table 2 provides an analysis of the Company's average deposits, by category, and average rates paid thereon for each of the last three years. Table 12 reflects the shift in the Company's deposit mix over the last three years and Table 13 provides a maturity distribution of time deposits in denominations of $100,000 and over.

Average funds purchased, which include federal funds purchased and securities sold under agreements to repurchase, increased $1.0 million, or 5.6%.

Federal Funds Purchased and Securities Sold
Under Repurchase Agreements
(Dollars in Thousands)

	1995	1994	1993
Year End Balance	$17,367	$13,964	$23,264
Rate at Year End	4.79%	5.38%	2.78%
Average Balance	$19,308	$18,291	$17,765
Average Rate	5.45%	3.55%	3.08%
Maximum Outstanding at Month-End	$27,806	$35,516	$27,449

At December 31, 1995, the Company had $2.0 million in debt outstanding to the Federal Home Loan Bank of Atlanta. The debt, which has a fixed rate of interest of 6.04%, requires annual principal reductions of approximately $110,000 with the remaining balance due at maturity in 2005. The debt was used to match-fund selected lending activities and is secured by first mortgage residential loans which are included in the Company's loan portfolio. See Note 8 in the Notes to Consolidated Financial Statements.

Table 12

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

	1994 to 1995 Change	Percentage of Total Change	Components of Total Deposits 1995	1994	1993
Noninterest Bearing Deposits	$ 4,586	45.3%	24.4%	24.1%	23.7%
NOW Accounts	(1,897)	(18.7)	13.9	14.3	12.4
Money Market Accounts	(5,985)	(59.1)	10.7	11.8	12.7
Savings	(22,333)	(220.5)	13.0	16.7	18.1
Other Time	35,759	353.0	38.0	33.1	33.1
Total Deposits	$10,130	100.0%	100.0%	100.0%	100.0%

Table 13

MATURITY DISTRIBUTION OF CERTIFICATES OF DEPOSIT $100,000 OR OVER
(Dollars in Thousands)

	December 31, 1995 Time Certificates of Deposit	Percent
Three months or less	$15,798	34.8%
Over three through six months	13,732	30.3
Over six through twelve months	6,496	14.3
Over twelve months	9,340	20.6
Total	$45,366	100.0%

Liquidity and Capital Resources

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 to ensure it 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 such as the collection of interest and fees, federal funds sold, loan and investment maturities, bank lines of credit for the Company and approved lines for the purchase of federal funds by the Group Banks.

As of December 31, 1995, the Company has available a $25.0 million credit facility. The facility offers the Company an unsecured, revolving line of credit for a period of three years which matures in November 1998. Upon expiration of the revolving line of credit, the outstanding balance may be converted to a term loan and repaid over a period of seven years. The term loan is to be secured by stock of a subsidiary bank equal to at least 125% of the principal balance of the term loan. The Company, at its option, may select from various loan rates including Prime, LIBOR or the Certificate of Deposit ("CD") rate, plus or minus increments thereof. The

LIBOR or CD rates may be fixed for a period of up to six months. During 1995, the Company had no long-term debt outstanding under this credit facility. The new facility was established to increase the Company's borrowing capacity and to consolidate two existing credit facilities in the amount of $6.0 million each. It is anticipated the Company may borrow up to $20 million in connection with the proposed acquisition of First Financial Bancorp, Inc., which is expected to close during the second half of 1996. See Notes 2 and 8 in the Notes to Consolidated Financial Statements.

The Company's new credit facility imposes certain limitations on the level of the Company's equity capital, and federal and state regulatory agencies have established regulations which govern the payment of dividends to a bank holding company by its bank subsidiaries. Based on the Company's current financial condition, these limitations and/or regulations do not impair the Company's ability to meet its cash obligations or limit the Company's ability to pay future dividends on its common stock. See Notes 8 and 12 in the Notes to Consolidated Financial Statements for additional information.

At December 31, 1995, the Company had $2.0 million in debt outstanding to the Federal Home Loan Bank of Atlanta. The debt, which has a fixed rate of interest of 6.04%, requires annual principal reductions of approximately $110,000 with the remaining balance due at maturity in 2005. The debt was used to match-fund selected lending activities and is secured by first mortgage residential loans which are included in the Company's loan portfolio. See Note 8 in the Notes to Financial Statements.

The Company is a party to financial instruments with off-balance-sheet risks in the normal course of business to meet the financing needs of its customers. At December 31, 1995, the Company had $111.2 million in commitments to extend credit and $1.8 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 obligations 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.

It is anticipated capital expenditures, excluding the purchase of First Financial Bancorp, Inc., will approximate $5.0 million to $7.0 million over the next twelve months. Management believes these capital expenditures can be funded internally without impairing the Company's ability to meet its on-going obligations.

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

Shareholders' Equity
(Dollars in Thousands)

	1995	1994	1993
Common Stock	$ 31	$ 31	$ 31
Additional Paid in Capital	5,868	5,852	5,857
Retained Earnings	80,658	73,989	67,753
Subtotal	86,557	79,872	73,641
Treasury Stock	(6,367)	(6,588)	(6,502)
Unrealized Gains (Losses)	968	(884)	-
Total Shareholders' Equity	$81,158	$72,400	$67,139

The Company continues to maintain a strong capital position. The ratio of shareholders' equity to total assets at year-end was 9.97%, 9.75%, and 8.81% in 1995, 1994, and 1993, respectively, which ratios exceeded all minimum required regulatory capital levels. The lower capital ratio in 1993 primarily reflects the purchase of $1.8 million in treasury stock during the year. The Company has traditionally satisfied its regulatory capital requirements through earnings and expects to continue to do so.

The Company is subject to risk-based capital guidelines that measure capital relative to risk weighted assets and off-balance-sheet financial instruments. Capital guidelines issued by the Federal Reserve Board in effect at December 31, 1995 require bank holding companies to have a minimum total risk-based capital ratio of 8.00%, with at least half of the total capital in the form of Tier 1 capital. Capital City Bank Group, Inc., significantly exceeded these capital guidelines, with a total risk-based capital ratio of 19.26% and a Tier 1 ratio of 18.02%. The proposed acquisition of First Financial Bancorp, Inc., will be treated, when consummated, as a purchase for accounting purposes and thus result in a lower risk-based capital ratio. On a proforma basis as of December 31, 1995, the total risk-based capital ratio would have been 13.06% versus 19.26%.

In addition, a tangible leverage ratio is now being used in connection with the risk-based capital standards and is defined as Tier 1 capital divided by average assets. The minimum leverage ratio under this standard is 3% for the highest-rated bank holding companies which are not undertaking significant expansion programs. An additional 1% to 2% may be required for other companies, depending upon their regulatory ratings and expansion plans. On December 31, 1995, the Company had a leverage ratio of 9.84%, which is in excess of regulatory requirements. On a proforma basis as of December 31, 1995, the acquisition of First Financial Bancorp, Inc., would have reduced this ratio to 6.73%.

In 1995, the Board of Directors declared dividends totaling $1.00 per share, consisting of $.11 per share payable in July 1995 and $.89 per share payable in January 1996. The Company declared dividends of $.91 per share in 1994 and $.83 per share in 1993. The dividend payout ratio was 29.9%, 29.3%, and 29.4% for 1995, 1994, and 1993, respectively. Dividends declared per share in 1995 represented a 9.9% increase over 1994.

At December 31, 1995, the Company's common stock had a book value of $28.44 per share compared to $25.44 in 1994 and $23.56 in 1993. In 1994 and 1995, book value was impacted by the adoption of SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires the unrealized gains or losses on securities held in the available-for-sale securities portfolio be recorded, net of taxes, as a component of the Company's equity capital. At December 31, 1995, the net unrealized gain was $968,000. At December 31, 1994, the Company had a net unrealized loss of $884,000 and thus the net impact on equity for the year was $1.9 million, or $.65 per share. See Note 1 in the Notes to Consolidated Financial Statements for further discussion of SFAS No. 115.

There is currently no established trading market for the common stock of Capital City Bank Group, Inc., and therefore, no bid or sale quotations are generally available. Based on sales of stock of which the Company has knowledge, the stock has traded in a range of $26.00 to $33.00 per share for the two-year period ended December 31, 1995, with the most recent trades at December 31, 1995, being at $33.00 per share.

The Company began a stock repurchase plan in 1989, which remains in effect and provides for the repurchase of up to 300,000 shares. As of December 31, 1995, the Company has repurchased 263,580 shares under the plan. No shares were repurchased during 1995. On January 26, 1996, 1,692 shares were issued to certain employees for achieving established performance goals for the year ended December 31, 1995. The total value of the shares issued was $56,000 based on a stock price of $33.00 per share.

Interest Rate Sensitivity

Table 14 presents the Company's consolidated interest rate sensitivity position as of year-end 1995. The objective of interest rate sensitivity analysis is to attempt to measure the impact on the Company's net interest income due to fluctuations in interest rates. Interest rate sensitivity is managed at the bank level, enabling bank management to incorporate its own interest rate projections, liquidity needs and factors specific to the local market into the analysis. The information in Table 14 has been prepared on a consolidated basis and is assembled and presented in response to regulatory reporting requirements.

The asset and liability values presented in Table 14 are as of December 31, 1995, which may not necessarily be indicative of the Company's interest rate sensitivity over an extended period of time. The information, as presented, incorporates certain assumptions which are set-forth in the footnotes to the table.

The Company is currently liability sensitive which generally indicates that in a period of rising interest rates the net interest margin will be adversely impacted as the velocity and/or volume of liabilities being repriced exceeds assets. 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.

Inflation

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

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

Accounting Pronouncements

As discussed in Note 1 in the Notes to Consolidated Financial Statements, on January 1, 1994, the Company adopted SFAS No. 115, which changed the accounting for certain debt and equity securities from amortized cost to fair value. Those securities classified as available-for-sale were reported at fair value of $230.7 million on December 31, 1995. As required by the new accounting standard, the net unrealized gain or loss on investment securities in the available-for-sale portfolio was recorded, net of taxes, as a separate component of shareholders' equity. At December 31, 1995, the net unrealized gain totaled $968,000 versus a net unrealized loss of $884,000 at December 31, 1994. As a result of a Financial Accounting Standards Board (FASB) interpretation allowing a one-time transfer of securities from the held-to-maturity category, investment securities with an amortized cost of $122.6 million were transferred from held-to-maturity to available-for-sale on December 27, 1995. At December 31, 1995, there were no securities classified as held-to-maturity. See Note 3 in the Notes to Consolidated Financial Statements for further information.

In 1993, the Company adopted SFAS No. 109, "Accounting for Income Taxes," which changed the accounting for income taxes to the asset and liability method from the deferral method previously required by Accounting Principles Board Opinion 11. A tax expense of $484,000 reflecting the cumulative effect of adopting this new standard is included in 1993 net income. The adoption of SFAS No. 109 did not impact the effective tax rate. However, since SFAS No. 109 requires that deferred tax assets and liabilities be adjusted to reflect the effect of tax law or rate changes, the outcome of tax legislation may have an impact on future income tax expense.

On January 1, 1995, the Company adopted SFAS No. 114 - "Accounting by Creditors for Impairment of a Loan". As a result of applying the new rules, certain impaired loans are reported at the present value of expected future cash flows using the loan's effective interest rate, or as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent. The adoption of the standard did not have a material impact on the Company's financial position or results of operations. See Note 5 in the Notes to Financial Statements for further information.

In March 1995, the FASB issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of. The statement was adopted by the Company on January 1, 1996. The adoption of this standard did not have a significant impact on the financial condition or results of operations of the Company.

In May 1995, the FASB issued SFAS No. 122, "Accounting for Mortgage Servicing Rights". The statement requires that an enterprise recognize as separate assets the rights to service mortgage loans for others, however those servicing rights are acquired. Additionally, the enterprise must periodically assess its capitalized mortgage servicing rights for impairment based on the fair value of those rights. This statement was adopted by the Company on January 1, 1996. The adoption of this statement did not have a material impact on the financial condition or results of operations of the Company.

<TABLE>
Table 14
INTEREST RATE SENSITIVITY ANALYSIS
(Dollars in Thousands)

<CAPTION>	December 31, 1995					
	0-90 Days	91-180 Days	181-365 Days	Over One Year	Non-Rate Sensitive	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans, Net of Unearned Interest	$136,677	$ 45,193	$ 92,598	$169,505	$	$443,973
Investment Securities (1)	45,193	31,338	54,435	100,081		231,047
Funds Sold	41,150	-	-	-		41,150
Total Earning Assets	223,020	76,531	147,033	269,586		716,170
Cash, Property and Other Assets	-	-	-	-	103,963	103,963
Less: Allowance for Loan Losses	-	-	-	-	(6,474)	(6,474)
Total Assets	$223,020	$ 76,531	$147,033	$269,586	$ 97,489	$813,659
Demand Deposits	$ -	$ -	$ -	$ -	$ 168,566	$168,566
NOW Accounts(2)	122,517	-	-	-	122,517	
Money Market(2)	67,942	-	-	-		67,942
Savings(2)	-	-	78,522	-		78,522
Other Time	92,429	68,660	54,465	46,478		262,032
Total Deposits	282,888	68,660	132,987	46,478	$ 168,566	$699,579
Funds Purchased	17,367	-	-	-		17,367
Other Short-Term Borrowings	2,400	-	-	-		2,400

Long-Term Debt	-	-	-	1,982		1,982
Other Liabilities	-	-	-	-	11,173	11,173
Shareholders' Equity	-	-	--	-	81,158	81,158
Total Liabilities & Shareholders' Equity	$302,655	$ 68,660	$132,987	$ 48,460	$ 260,897	$813,659
Interest Rate Sensitivity Gap	$(79,635)	$ 7,871	$ 14,046	$221,126	$(163,408)	
Cumulative Interest Rate Sensitivity Gap	$(79,635)	$(71,764)	$(57,718)	$163,408	$ -	
Cumulative Gap as a Percentage of Earning Assets	(11.12%)	(10.02%)	(8.06%)	22.82%		

(1) Distribution reflects repricing opportunity as certain securities are listed at their callable date rather than their maturity date.
(2) Nonmaturity deposits have been assigned to specified repricing categories based upon expectations as to how these deposits reprice relative to changing interest rates. Management believes the current presentation is based on reasonable assumptions and may in fact overstate the Company's interest rate sensitivity.
</TABLE>

CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors of
Capital City Bank Group, Inc.
Tallahassee, Florida

We have audited the accompanying consolidated statements of financial condition of Capital City Bank Group, Inc. (a Florida Corporation) and subsidiaries as of December 31, 1995 and 1994, and the related consolidated statements of income, changes in shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements of Capital City Bank Group, Inc. and subsidiaries as of December 31, 1993, were audited by other auditors whose report dated February 4, 1994, on those statements was unqualified and included an explanatory paragraph that described the change in the Company's method of accounting for income taxes in 1993, as discussed in Note 1 to the consolidated financial statements.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Capital City Bank Group, Inc. and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP
Atlanta, Georgia

January 26, 1996

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(Dollars in Thousands)

	As of December 31, 1995	1994
ASSETS		
Cash and Due From Banks (Note 7)	$ 61,613	$63,327
Federal Funds Sold	41,150	25,740
Interest Bearing Deposits in Other Banks	300	-
Investment Securities Held-to-Maturity (market value of $145,003 in 1994) (Note 3)	-	150,441
Investment Securities Available-for-Sale (Note 3)	230,747	48,847
Loans (Notes 4 and 5)	447,779	426,013
Unearned Interest	(3,806)	(5,209)
Allowance for Loan Losses	(6,474)	(7,551)
Loans, Net	437,499	413,253
Premises and Equipment (Note 6)	26,240	24,292
Accrued Interest Receivable	7,339	5,546
Intangibles (Note 1)	1,129	1,379
Other Assets	7,642	9,805
Total Assets	$813,659	$742,630
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$168,566	$167,711
Interest Bearing Deposits (Note 7)	531,013	480,463
Total Deposits	699,579	648,174
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	17,367	13,964
Other Short-Term Borrowings (Note 8)	2,400	999
Long-Term Debt (Note 8)	1,982	-
Other Liabilities	11,173	7,093
Total Liabilities	732,501	670,230
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; 4,000,000 shares authorized; 3,105,243 issued	31	31
Additional Paid In Capital	5,868	5,852
Retained Earnings	80,658	73,989
Treasury Stock: 251,527 shares in 1995 and 259,428 shares in 1994, at cost	(6,367)	(6,588)
Net Unrealized Gain (Loss) on Available-for-Sale Securities	968	(884)
Total Shareholders' Equity	81,158	72,400
Total Liabilities and Shareholders' Equity	$813,659	$742,630

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

CONSOLIDATED STATEMENTS OF INCOME

(Dollars In Thousands, Except Per Share Data)

For the Years Ended December 31,	1995	1994	1993
INTEREST INCOME			
Interest and Fees on Loans	$40,826	$35,490	$33,554
Investment Securities:			
U.S. Treasury	4,205	4,967	5,564
U.S. Government Agencies and Corporations	3,500	1,991	1,621
States and Political Subdivisions	3,444	3,461	3,492
Other Securities	261	313	210
Deposits in Other Banks	2	17	119
Federal Funds Sold	2,239	1,652	1,835
Total Interest Income	54,477	47,891	46,395
INTEREST EXPENSE			
Deposits (Note 7)	19,382	13,990	14,213
Federal Funds Purchased and Securities Sold Under Repurchase Agreements	1,053	650	548
Other Short-Term Borrowings (Note 8)	49	31	23
Long-Term Debt (Note 8)	4	54	56
Total Interest Expense	20,488	14,725	14,840
Net Interest Income	33,989	33,166	31,555
Provision for Loan Losses (Note 5)	293	1,246	960
Net Interest Income After Provision for Loan Losses	33,696	31,920	30,595
NONINTEREST INCOME			
Service Charges on Deposit Accounts	5,649	5,408	5,601

Data Processing	2,608	2,434	2,380
Income from Fiduciary Activities	942	680	643
Securities Transactions (Note 3)	8	(147)	28
Other (Note 13)	3,963	4,634	3,826
Total Noninterest Income	13,170	13,009	12,478
NONINTEREST EXPENSE			
Salaries and Employee Benefits (Note 10)	17,959	17,087	16,183
Occupancy, Net	2,538	2,343	2,183
Furniture and Equipment	3,346	2,910	2,909
Other (Note 13)	9,623	10,371	9,761
Total Noninterest Expense	33,466	32,711	31,036
Income Before Income Taxes and Accounting Change	13,400	12,218	12,037
Income Taxes (Note 9)	3,878	3,393	3,309
Income Before Accounting Change	9,522	8,825	8,728
Cumulative Effect of a Change in Accounting Method (Note 1)	-	-	(484)
NET INCOME	$ 9,522	$ 8,825	$ 8,244
Net Income Per Share Before Accounting Change	$ 3.34	$ 3.10	$ 2.99
Net Income Per Share	$ 3.34	$ 3.10	$ 2.82
Average Common Shares Outstanding	2,853	2,847	2,924

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

<TABLE>

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Dollars in Thousands, Except per Share Data)

<CAPTION>

	Common Stock	Additional Paid In Capital	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) On Securities, Net of Taxes	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1992	$31	$5,857	$61,936	$(4,656)	$ -	$63,168
Net Income			8,244			8,244
Cash Dividends ($.83 per share)			(2,427)			(2,427)
Sale of Treasury Stock				3		3
Purchase of Treasury Stock				(1,849)		(1,849)
Balance, December 31, 1993	$31	$5,857	$67,753	$(6,502)	$ -	$67,139
Cumulative Adjustment Due to Change In Accounting (Note 1)					848	848
Net Income			8,825			8,825
Cash Dividends ($.91 per share)			(2,589)			(2,589)
Sale of Treasury Stock		(5)		65		60
Purchase of Treasury Stock				(151)		(151)
Net Change In Unrealized Gains/(Losses)					(1,732)	(1,732)
Balance, December 31, 1994	$31	$5,852	$73,989	$(6,588)	$ (884)	$72,400
Net Income			9,522			9,522
Cash Dividends ($1.00 per share)			(2,853)			(2,853)
Sale of Treasury Stock		16		221		237
Transfer of Held-to-Maturity Securities to Available-for-Sale (Note 3)					503	503
Net Change In Unrealized Gains (Losses)					1,349	1,349
Balance, December 31, 1995	$31	$5,868	$80,658	$(6,367)	$ 968	$81,158

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

</TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	For the Years Ended December 31, 1995	1994	1993
Net Income	$ 9,522	$ 8,825	$ 8,244
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:			
Provision for Loan Losses	293	1,246	960
Depreciation	2,363	1,916	1,881
Net Loss on Sale of Properties	83	812	144
Amortization of Intangible Assets	250	341	338
Non-Cash Compensation	206	70	-
Deferred Income Taxes	893	101	74
Cumulative Effect of Accounting Change	-	-	484
Net (Increase) Decrease in			

Interest Receivable	(1,793)	(79)	(339)
Net (Increase) Decrease in Other Assets	1,284	(79)	(1,537)
Net Increase (Decrease) in Other Liabilities	3,817	604	319
Net Cash Provided by Operating Activities	16,918	13,757	10,568
Cash Flows Used in Investing Activities:			
Proceeds from Payments/Maturities of Investment Securities Held-To-Maturity	48,529	77,324	82,541
Proceeds from Payments/Maturities of Investment Securities Available-for-Sale	32,486	17,389	-
Purchase of Investment Securities Held to Maturity	(27,000)	(64,865)	(114,726)
Purchase of Investment Securities Available for Sale	(83,621)	(11,398)	-
Net Increase in Loans	(24,539)	(22,669)	(17,235)
Purchase of Premises & Equipment	(4,482)	(6,065)	(6,952)
Sales of Premises & Equipment	89	279	1,008
Cash Acquired in Bank Acquisitions	-	-	28,811
Net Cash Used in Investing Activities	(58,538)	(10,005)	(26,553)
Cash Flows Provided by (Used in) Financing Activities:			
Net Increase (Decrease) in Deposits	51,405	(14,571)	21,150
Net Increase (Decrease) in Federal Funds Purchased	3,403	(9,300)	5,703
Net Increase (Decrease) in Other Short-Term Borrowings	1,401	(202)	(20)
Addition to Long-Term Debt	1,982	-	1,400
Repayment of Long-Term Debt	-	(1,900)	(1,500)
Dividends Paid	(2,590)	(2,447)	(2,282)
Sale (Purchase) of Treasury Stock	15	(156)	(1,846)
Net Cash Provided by (Used in) Financing Activities	55,616	(28,576)	22,605
Net Increase (Decrease) in Cash and Cash Equivalents	13,996	(24,824)	6,620
Cash and Cash Equivalents at Beginning of Year	89,067	113,891	107,271
Cash and Cash Equivalents at End of Year	$103,063	$ 89,067	$113,891
Supplemental Disclosures:			
Interest on Deposits	$ 18,441	$14,381	$14,944
Interest on Debt	1,106	$ 735	$ 627
Taxes Paid	$ 2,868	$ 3,614	$ 3,013
Securities Transferred from Held-To-Maturity To Available-for-Sale	$122,630	$ -	$ -
Loans Transferred To Other Real Estate	$ 647	$ 453	$ 910

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

Notes to Consolidated Financial Statements

Note 1

SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of Capital City Bank Group, Inc., and its subsidiaries (the "Company"), all of which are wholly-owned. All material intercompany transactions and accounts have been eliminated.

The Company follows generally accepted accounting principles and reporting practices applicable to the banking industry. Prior year financial statements and other information have been reclassified to conform to the current year presentation. The principles which materially affect the financial position, results of operations and cash flows are summarized below.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from these estimates; however, in the opinion of management, such variances would not be material.

Cash and Cash Equivalents

Cash and cash equivalents include cash and due from banks, interest-bearing deposits in other banks, securities purchased under agreements to resell and federal funds sold. Generally, federal funds are purchased and sold for one-day periods and all items have an initial maturity of ninety days or less.

Investment Securities

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities, as of January 1, 1994. Prior to January 1, 1994, all investment securities were classified as held-for-investment and recorded at amortized cost. In accordance with SFAS No. 115, investment securities are classified as either held-to-maturity or available-for-sale.

Investment securities classified as held-to-maturity are stated at cost, adjusted for amortization of premiums and accretion of discounts. Held-to-maturity securities are carried at amortized cost as the Company has the ability and positive intent to hold these securities to maturity. Investment securities in the available-for-sale portfolio are carried at fair value and represent securities that are available to meet liquidity and/or other needs of the Company. The Company does not maintain a trading account.
Gains and losses are recognized and shown separately in the Consolidated Statements of Income upon realization or when impairment of values is deemed to be other than temporary. These gains or losses are recognized using the specific identification method. Unrealized holding gains and losses for securities in the available-for-sale portfolio are excluded from the Consolidated Statements of Income and reported net of taxes as a separate component of shareholders' equity until realized.

Loans

Loans are stated at the principal amount outstanding. Interest income on certain loans, which are made on a discount basis, is recognized using the sum-of-the-months-digits method which does not differ materially from the interest method.

Interest income on all other loans, except for those designated as nonaccrual loans, is accrued based on the outstanding daily balances. Fees charged to originate loans and loan origination costs are deferred and amortized over the life of the loan as a yield adjustment.

Allowance for Loan Losses

Provisions for loan losses are charged to operating expenses and added to the allowance to maintain it at a level deemed appropriate by management to absorb known and inherent risks in the loan portfolio. When establishing the allowance, management makes various estimates regarding the value of collateral and future economic events. Actual future experience may differ from these estimates.

Recognized loan losses are charged to the allowance when loans are deemed to be uncollectible due to such factors as the borrower's failure to pay principal and interest or when loans are classified as losses under internal or external review criteria. Recoveries of principal on loans previously charged-off are added to the allowance.

Loans are placed on a nonaccrual status when management believes the borrower's financial condition, after giving consideration to economic conditions and collection efforts, is such that collection of interest is doubtful. Generally, loans are placed on nonaccrual status when interest becomes past due 90 days or more, or management deems the ultimate collection of principal and interest is in doubt.

Statement of Financial Accounting Standards No. 114 -- "Accounting by Creditors for Impairment of a Loan", as amended, requires impaired loans to be measured based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price, or at the fair value of the collateral if the loan is collateral dependent. This accounting pronouncement, which was adopted on a prospective basis on January 1, 1995, did not have a material impact on the Company's financial condition, results of operations, or allowance for loan loss.

Long-Lived Assets

Premises and equipment are stated at cost less accumulated depreciation, computed on the straight-line method over the estimated useful lives for each type of asset. Additions and major facilities are capitalized and depreciated in the same manner. Repairs and maintenance are charged to operating expense as incurred.
Intangible assets consist primarily of core deposit assets which were recognized in connection with prior acquisitions. Core deposit is separate and distinct from goodwill and is an intangible asset which represents the present value of the future stream of income to be derived from investing the core deposits of the acquired bank. All intangible assets are being

amortized on the straight-line method over various periods ranging from one to twenty five years with the majority being written off over an average life of approximately ten years.

The pretax amortization of all intangible assets was approximately $250,000 in 1995, $341,000 in 1994 and $338,000 in 1993. The Company adopted, SFAS No. 122, accounting for Mortgage Servicing Rights on January 1, 1996. The adoption of SFAS No 122 did not have a significant impact on the financial condition or results of operations of the Company.

Long-lived assets are evaluated regularly for other than temporary impairment. If circumstances suggest that their value may be impaired and the write down would be material, as assessment of recoverability is performed prior to any write down of the asset. SFAS No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of must be adopted on or before January 1, 1996. The Company adopted the standard on January 1, 1996, and the adoption did not have a significant impact on the financial condition or results of operations of the Company.

Other Real Estate

Other real estate includes property owned by the Company which was acquired either through foreclosure or by receiving a deed in lieu of foreclosure. The properties are included in "other assets" in the statement of financial condition and are recorded at the estimated properties' fair value. Other real estate totaled $1.0 million and $1.6 million at December 31, 1995 and 1994, respectively.

Income Taxes

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

Effective January 1, 1993, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 109, "Accounting for Income Taxes", which mandates the asset and liability method of accounting for deferred income taxes. The Company had previously accounted for deferred taxes under the deferral method required by Accounting Principles Board (APB) Opinion 11. The cumulative effect of adopting the new accounting standard was a reduction in the Company's net income of $484,000, which was recognized in the first quarter of 1993. See Note 9 for further discussion.

Note 2

ACQUISITIONS

During 1993, the Company consummated the purchase and assumption of four branch offices. Assets and liabilities acquired through acquisition, on a combined basis, are as follows:

(Dollars in Thousands)

Loans	$(13,229)
Premises & Equipment	(855)
Intangible Assets	(1,236)
Other Assets	(70)
Total Assets	$(15,390)
Deposits	44,097
Other Liabilities	104
Cash Acquired in Acquisitions	$ 28,811

On December 10, 1995, the Company executed an Agreement and Plan of Merger to acquire First Financial Bancorp, Inc., ("FFB") for $22.00 per share in cash, or a total purchase price of approximately $20.3 million. First Financial is a $230 million federal savings bank headquartered in Tallahassee, Florida, with six offices located in five Florida counties. It is anticipated the transaction will close during the second half of 1996, expanding the number of counties served by the Company from seven to eleven and increasing the number of offices to thirty five.

Note 3

INVESTMENT SECURITIES

As a result of a Financial Accounting Standards Board (FASB) interpretation allowing a one-time transfer of securities from the held-to-maturity category, investment securities with an amortized cost of $122,630,000 and net unrealized appreciation of $503,000 were transferred from held-to-maturity to available-for-sale on December 27, 1995.

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

(Dollars in Thousands)

Available-for-Sale	1995 Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 72,289	$ 470	$ 54	$72,705
U.S. Government Agencies and Corporations	70,883	264	96	71,051
States and Political Subdivisions	75,986	1,037	143	76,880
Mortgaged Backed Securities	5,965	47	26	5,986
Other Securities	4,107	19	1	4,125
Total Investment Securities	$229,230	$1,837	$320	$230,747

Held-To-Maturity	1994 Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 72,979	$ 1	$1,681	$ 71,299
U.S. Government Agencies and Corporations	23,018	2	1,415	21,605
States and Political Subdivisions	49,125	134	2,026	47,233
Mortgage Backed Securities	3,005	2	183	2,824
Other Securities	2,314	-	272	2,042
Total Investment Securities	$150,441	$ 139	$5,577	$145,003

Available-for-Sale	1994 Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 18,634	$ -	$ 180	$ 18,454
U.S. Government Agencies and Corporations	7,041	3	443	6,601
States and Political Subdivisions	19,641	77	805	18,913
Mortgage Backed Securities	2,932	-	32	2,900
Other Securities	1,981	-	2	1,979
Total Investment Securities	$ 50,229	$80	$1,462	$ 48,847

The total proceeds from the sale of investment securities and the gross realized gains and losses from the sale of such securities for each of the last three years is presented below:

(Dollars in Thousands)

Year	Total Proceeds	Gross Realized Gains	Gross Realized Losses
1995	$25,296	$11	$ 3
1994	$11,476	$13	$160
1993	$31,681	$70	$ 42

Total proceeds include principal reductions in mortgage backed securities and proceeds from securities which were called of $22,546,000, $4,033,000, and $31,581,000, in 1995, 1994, and 1993, respectively.

As of December 31, 1995, the Company's investment securities had the following maturity distribution:

(Dollars in Thousands)

	Amortized Cost	Market Value
Due in one year or less	$ 74,144	$ 74,201
Due after one through five years	130,007	131,227
Due after five through ten years	19,681	19,925
Over ten years	5,398	5,394
Total Investment Securities	$229,230	$230,747

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

Securities with an amortized cost of $60,289,000 at December 31, 1995, were pledged to secure public deposits and for other purposes.

Note 4

LOANS

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

(Dollars in Thousands)

	1995	1994
Commercial, Financial and Agricultural	$ 46,149	$ 39,288
Real Estate - Construction	28,391	24,314
Real Estate - Mortgage	259,503	255,755
Consumer	113,736	106,656
Total Gross Loans	$447,779	$426,013

Nonaccruing loans amounted to $2,996,000 and $4,278,000 at December 31, 1995 and 1994, respectively. Restructured loans amounted to $1,686,000 and $1,694,000 at December 31, 1995 and 1994, respectively. If such nonaccruing and restructured loans had been on a fully accruing basis, interest income would have been $320,000 higher in 1995 and $529,000 higher in 1994.

Note 5

ALLOWANCE FOR LOAN LOSSES

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

(Dollars in Thousands)

	1995	1994	1993
Balance, Beginning of Year	$7,551	$7,594	$7,585
Provision for Loan Losses	293	1,246	960
Recoveries on Loans Previously Charged-Off	526	466	570
Loans Charged-Off	(1,896)	(1,755)	(1,521)
Balance, End of Year	$6,474	$7,551	$7,594

The value of a loan which is deemed "impaired" is measured based on the present value of expected future cash flows discounted at the loan's initial effective interest rate or the fair value of the collateral, if the loan is collateral dependent. If the value of a loan is less than its recorded investment, a valuation allowance is established. This valuation allowance is included in the total allowance for loan losses, which is established to cover losses inherent in the portfolio as a whole. Certain loan categories including residential, consumer and credit card loans are excluded from the scope of this statement. Adoption of SFAS No. 114 did not have a material impact on the level of the allowance for loan losses.

As of January 1, 1995, loans which were previously deemed insubstance foreclosures and classified as other real estate have been reclassified as loans. Insubstance foreclosures are not material and have not been reclassified for prior periods.

Impaired loans are primarily defined as all nonaccruing loans. Selected information pertaining to impaired loans at December 31, 1995 is depicted in the table below.

(Dollars in Thousands)

	Balance	Valuation Allowance
Impaired Loans:		
With Related Credit Allowance	$ 946	$ 334
Without Related Credit Allowance	$ 1,962	$ -
Average Recorded Investment for the Period	$ 3,282	$ *

* Not Applicable

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 period ended December 31, 1995, the Company recognized $93,000 in interest income on impaired loans, of which $75,000 was collected in cash.

Note 6

PREMISES AND EQUIPMENT

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

(Dollars in Thousands)

	1995	1994
Land	$ 5,705	$ 5,286
Buildings	21,120	20,001
Fixtures and Equipment	18,409	16,656
Total	45,234	41,943
Accumulated Depreciation	(18,994)	(17,651)

Premises and Equipment, Net	$ 26,240	$ 24,292

Note 7

DEPOSITS

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

(Dollars in Thousands)

	1995	1994
NOW Accounts	$122,517	$ 95,540
Money Market Accounts	67,942	71,763
Savings Accounts	78,522	101,009
Other Time Deposits	262,032	212,151
Total	$531,013	$480,463

Time deposits in denominations of $100,000 or more totaled $45,366,000 and $40,774,000, at December 31, 1995 and 1994, respectively.

The average balances maintained on deposit with the Federal Reserve Bank for the years ended December 31, 1995 and 1994, were $29,811,000 and $27,600,000, respectively.

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

(Dollars in Thousands)

	1995	1994	1993
NOW Accounts	$ 1,806	$ 1,809	$ 1,617
Money Market Accounts	2,108	1,731	1,779
Savings Accounts	1,942	2,597	2,953
Other Time Deposits	13,526	7,853	7,864
Total	$19,382	$13,990	$14,213

Note 8

DEBT

As of December 31, 1995, the Company has available a $25.0 million credit facility. The facility offers the Company an unsecured, revolving line of credit for a period of three years which matures in November 1998. Upon expiration of the revolving line of credit, the outstanding balance may be converted to a term loan and repaid over a period of seven years. The term loan is to be secured by stock of a subsidiary bank equal to at least 125% of the principal balance of the term loan. The Company, at its option, may select from various loan rates including Prime, LIBOR or the Certificate of Deposit ("CD") rate, plus or minus increments thereof. The LIBOR or CD rates may be fixed for a period of up to six months. During 1995, the Company had no long-term debt outstanding under this credit facility. The existing loan agreement places certain restrictions on the amount of capital which must be maintained by the Company. On December 31, 1995, the Company's capital exceeded the most restrictive covenants of the agreement.

At December 31, 1995, the Company had $2.0 million in debt outstanding to the Federal Home Loan Bank of Atlanta. The debt, which has a fixed rate of interest of 6.04%, requires annual principal reductions of approximately $110,000 with the remaining balance due at maturity in 2005. The debt was used to match-fund selected lending activities and is secured by first mortgage residential loans which are included in the Company's loan portfolio.

As of December 31, 1995 and 1994, the Company had other short-term borrowings totaling $2.4 million and $1.0 million, respectively. These notes are secured by investment securities and the average interest rates were 4.23% and 3.67% for the years ended 1995 and 1994, respectively.

Note 9

INCOME TAXES

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

(Dollars in Thousands)

	1995	1994	1993
Currently Payable:			
Federal	$2,646	$2,894	$2,848
State	339	398	387
Deferred:			
Federal	762	87	59
State	131	14	15

Total	$3,878	$3,393	$3,309

The net deferred tax asset and liability and the temporary differences comprising those balances at December 31, 1995 and 1994, are as follows:

(Dollars in Thousands)

	1995	1994
Deferred Tax Asset:		
Allowance for Loan Losses	$2,438	$2,842
Deferred Loan Fees	-	338
Unrealized Losses on Investment Securities	-	497
Stock Incentive Plan	261	206
Writedown of Real Estate Held for Sale	25	38
Other	81	140
Total Deferred Tax Asset	$2,805	$4,061
Deferred Tax Liability:		
Premises and Equipment	$ 851	$ 845
Employee Benefits	593	374
Unrealized Gains on Investment Securities	549	-
FDIC Premiums	-	254
Deferred Loan Fees	109	-
Other	84	30
Total Deferred Tax Liability	2,186	1,503
Net Deferred Tax Asset	$ 619	$2,558

Income taxes amounted to less than the tax expense computed by applying the statutory federal income tax rates to income. The reasons for these differences
are as follows:

(Dollars in Thousands)

	1995	1994	1993
Computed Tax Expense	$4,556	$4,154	$4,093
Increases (Decreases) Resulting From:			
Tax-Exempt Interest Income	(1,046)	(1,079)	(1,087)
State Income Taxes, Net of Federal Income Tax Benefit	310	272	265
Other	58	46	38
Actual Tax Expense	$3,878	$3,393	$3,309

Note 10

EMPLOYEE BENEFITS

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

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

(Dollars in Thousands)

	1995	1994	1993
Components of Pension Expense:			
Service Cost	$ 774	$ 764	$ 685
Interest Cost	983	848	845
Actual Return on Plan Assets	(3,029)	(318)	(525)
Net Amortization and Deferral	2,173	(406)	(331)
Total	$ 901	$ 888	$ 674
Actuarial Present Value of Projected Benefit Obligations:			
Accumulated Benefit Obligations:			
Vested	$ 8,353	$6,861	$6,896
Nonvested	1,695	1,097	1,067
	$10,048	$7,958	$7,963
Plan Assets at Fair Value (primarily listed stocks and bonds, U.S. Government Securities and interest bearing deposits)	$ 15,946	$ 12,156	$ 10,898
Projected Benefit Obligation	(14,565)	(11,672)	(11,825)
Plan Assets in Excess of Projected Benefit Obligation	1,381	484	(927)
Unrecognized Net Loss	1,636	2,187	3,466
Unrecognized Net Asset	(1,412)	(1,648)	(1,884)

Prepaid Pension Cost	$ 1,605	$ 1,023	$ 655
Major Assumptions:			
Discount Rate	7.50%	8.25%	7.50%
Rate of Increase in Compensation Levels	5.50%	5.50%	5.50%
Expected Long-Term Rate of Return on Plan Assets	7.50%	7.50%	7.50%

The Company has a stock incentive plan under which shares of the Company's stock are issued as incentive awards to selected participants. The expense recorded related to this plan was approximately $424,000, $258,000 and $354,000 in 1995, 1994 and 1993, respectively.

The Company has an Employee Stock Purchase Plan under which employees may elect to make a monthly contribution towards the purchase of company stock on a semiannual basis. One hundred fifty thousand (150,000) shares of common stock are reserved for issuance under the Stock Purchase Plan. The Company will issue 6,660 shares under the plan in 1996, for the period ended December 31, 1995.

Note 11

RELATED PARTY TRANSACTIONS

The Chairman of the Board of Capital City Bank Group, Inc., is chairman of the law firm which serves as general counsel to the Company and its subsidiaries. Fees paid by the Company and its subsidiaries for these services, in aggregate, approximated $225,000, $242,000, and $266,000 during 1995, 1994, and 1993, respectively.

Under a lease agreement expiring in 2024, a bank subsidiary leases land from a partnership in which several directors and officers have an interest. The lease agreement provides for annual lease payments of approximately $53,000, to be adjusted for inflation in future years.

At December 31, 1995 and 1994, certain officers and directors were indebted to the Company's bank subsidiaries in the aggregate amount of $11,669,000 and $11,514,000, respectively. During 1995, $12,298,000 in new loans were made and repayments totaled $12,143,000. These loans were made on similar terms as loans to other individuals of comparable creditworthiness.

Note 12

DIVIDEND RESTRICTIONS

The approval of the appropriate regulatory authority is required if the total of all dividends declared by a subsidiary bank in any calendar year exceeds the bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. In 1996, the bank subsidiaries may declare dividends without regulatory approval of $9.8 million plus an additional amount equal to the net profits of the Company's subsidiary banks for 1996 up to the date of any such dividend declaration.

Note 13

SUPPLEMENTARY INFORMATION

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

(Dollars in Thousands)

	1995	1994	1993
Noninterest Income:			
Merchant Fee Income	$1,227	$ 932	$ 642
Noninterest Expense:			
Employee Insurance	1,068	932	954
Payroll Taxes	963	927	879
Maintenance and Repairs	1,955	1,760	1,689
Professional Fees	565*	667	659
Advertising	494*	706	659
Printing & Supplies	1,634	1,129	1,065
Telephone	662*	700	561*
Insurance (including FDIC Premium)	1,042	1,285	1,209
Commission/Service Fees	878	890*	695*

*Less than 1% of operating income in the year reported.

Note 14

FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISKS

The Company is a party to financial instruments with off-balance-sheet risks in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. The Company does not participate in financial guarantees, options, interest rate caps and floors, interest rate swaps or futures contracts.

The Company's maximum exposure to credit loss under standby letters of credit and commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in establishing commitments and issuing letters of credit as it does for on-balance-sheet instruments. As of December 31, 1995, the amounts associated with the Company's off-balance-sheet obligations were as follows:

	Amount
Commitments to Extend Credit(1)	$111,248
Standby Letters of Credit	$ 1,812

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

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

Standby letters of credit are conditional commitments issued by the corporation to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities. In general, management does not anticipate any material losses as a result of participating in these types of transactions.

However, any potential losses arising from such transactions are reserved for in the same manner as management reserves for its other credit facilities.

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

Due to the close proximity and the nature of the markets served by the Company's subsidiary banks, the Company has both a geographic concentration as well as a concentration in the types of loans funded. Capital City Bank, which is headquartered in North Florida, accounts for approximately 82% of the Companys total loan volume. At December 31, 1995 approximately 64% of the Company's loan portfolio consisted of real estate related loans.

Note 15

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Long-Term Debt - The carrying value of the Company's long-term debt approximates fair value.

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

The Company's financial instruments which have estimated fair values differing from their respective carrying values are presented below:

(Dollars in Thousands)	At December 31, 1995 Carrying Value	1995 Estimated Fair Value	1994 Carrying Value	1994 Estimated Fair Value
Financial Assets:				
Investment Securities (1)	$230,747	$230,747	$199,288	$193,850
Loans, Net of Allowance for Loan Losses	437,499	441,446	413,253	405,899
Financial Liabilities:				
Deposits	699,579	700,868	648,174	646,354

(1) At December 31, 1995 all investment securities were carried at fair value. See Note 3 for further information.

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

Note 16

PARENT COMPANY FINANCIAL INFORMATION

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

Parent Company Statements of Financial Condition

(Dollars in Thousands)	1995	1994
ASSETS		
Cash and Due from Group Banks	$ 4,378	$ 2,820
Investment in Group Banks	80,143	72,442
Other Assets	227	351
Total Assets	$84,748	$75,613
LIABILITIES		
Dividends Payable	$ 2,539	$ 2,277
Long-Term Debt (Note 8)	-	-
Other Liabilities	1,051	936
Total Liabilities	3,590	3,213
SHAREHOLDERS' EQUITY		
Common Stock, $.01 par value; 4,000,000 shares authorized; 3,105,243 issued	31	31
Additional Paid in Capital	5,868	5,852
Retained Earnings	80,658	73,989
Treasury Stock: 251,527 shares in 1995 and 259,428 shares in 1994, at cost	(6,367)	(6,588)
Net Unrealized Gain (Loss) on Available-for-Sale Securities	968	(884)
Total Shareholders' Equity	81,158	72,400
Total Liabilities and Shareholders' Equity	$84,748	$75,613

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

Parent Company Statements of Income

(Dollars in Thousands)	1995	1994	1993
OPERATING INCOME			
Income Received from Group Banks:			
Dividends (Note 12)	$3,884	$4,615	$4,675
Group Overhead Fees	2,702	2,311	1,986
Total Operating Income	6,586	6,926	6,661

OPERATING EXPENSE			
Salaries and Employee Benefits	2,064	1,565	1,617
Legal Fees	48	74	63
Professional Fees	243	157	171
Advertising	391	594	433
Travel and Entertainment	52	72	63
Amortization of Excess of Purchase Price Over Book Value of Net Assets Acquired	52	52	52
Interest on Debt	-	54	56
Dues and Memberships	46	49	42
Other	204	361	180
Total Operating Expense	3,100	2,978	2,677
Income Before Income Taxes and Equity in Undistributed Earnings of Group Banks	3,486	3,948	3,984
Income Tax Benefit	(135)	(233)	(230)
Income Before Equity in Undistributed Earnings of Group Banks	3,621	4,181	4,214
Equity in Undistributed Earnings of Group Banks	5,901	4,644	4,030
Net Income	$9,522	$8,825	$8,244

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

Parent Company Statements of Cash Flows

	1995	1994	1993
Net Income	$9,522	$8,825	$8,244
Adjustments to Reconcile Net Income to Cash Provided by Operating Activities:			
Equity in undistributed Earnings of Group Banks	(5,901)	(4,644)	(4,030)
Non-Cash Compensation	206	70	-
Amortization of Excess of Purchase Price Over Book Value of Net Assets Acquired	52	52	51
(Increase) Decrease in Other Assets	140	3	(189)
Net Increase in Other Liabilities	114	228	333
Net Cash Provided by Operating Activities	4,133	4,534	4,409
Cash Flows Used in Financing Activities:			
Addition to Long-Term Debt	-	-	1,400
Repayment of Long-Term Debt	-	(1,900)	(1,500)
Payment of Dividends	(2,590)	(2,447)	(2,282)
Sale (Purchase) of Treasury Stock, Net	15	(156)	(1,846)
Net Cash Used in Financing Activities	(2,575)	(4,503)	(4,228)
Net Increase in Cash	1,558	31	181
Cash at Beginning of Period	2,820	2,789	2,608
Cash at End of Period	$4,378	$2,820	$ 2,789

Note 17

CORPORATE REORGANIZATION

On July 25, 1994, Capital City First National Bank, Capital City Second National Bank, Industrial National Bank, City National Bank, Havana State Bank, First National Bank of Jefferson County and Gadsden National Bank, each being wholly-owned subsidiaries of Capital City Bank Group, Inc., entered into a "Plan of Merger and Merger Agreement" under which the six national banks where merged into and with Havana State Bank, a state banking corporation. The effective date of the merger was January 1, 1995. Simultaneous with the merger, the name and headquarters was changed from Havana State Bank, Havana, Florida to Capital City Bank, Tallahassee, Florida. Capital City Bank is a member of the Federal Reserve Bank of Atlanta and its deposits are insured by the Federal Deposit Insurance Corporation. At the time of merger, Capital City Bank had 20 banking locations and represented approximately 82% of the Company's total assets. The Company's operating results for 1994 included pre-tax charges of $731,000 which were attributable to corporate reorganization.

Net Income and Balance Sheet Information By Bank (Unaudited)

(Dollars In Thousands)		Capital City Bank*	Levy County State Bank	Farmers & Merchants Bank of Trenton	Branford State Bank
For the Year:	1995	$ 7,743	$ 909	$ 576	$ 557
Net Income	1994	7,337	1,000	503	419
	1993	7,088	777	477	364

At December 31:

Loans, Net of Unearned Interest	1995	$362,462	$42,313	$21,384	$17,714
	1994	342,606	42,343	20,021	15,834
	1993	323,272	43,366	19,498	13,288
Assets	1995	$699,697	$78,020	$36,898	$32,247
	1994	611,923	71,004	33,457	28,953
	1993	623,972	75,583	32,950	30,181
Noninterest Bearing Deposits	1995	$154,241	$12,321	$ 5,163	$5,362
	1994	152,450	11,104	5,903	4,897
	1993	156,634	9,782	5,049	4,407
Interest Bearing Deposits	1995	$424,228	$56,636	$27,176	$22,974
	1994	383,991	51,983	23,749	20,740
	1993	386,229	57,835	24,553	22,143
Shareholders' Equity	1995	$ 63,756	$ 8,156	$ 3,971	$ 3,547
	1994	57,607	7,497	3,537	3,036
	1993	54,766	7,060	3,317	2,774

*Information for Capital City Bank is presented on a proforma basis for years prior to 1995.

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

The Board of Directors has appointed Arthur Andersen LLP, independent certified public accountants, as independent auditors for Capital City Bank Group, Inc., and its subsidiaries for the current fiscal year ending December 31, 1996, subject to ratification by the shareholders. Fiscal 1996 will be the third year Arthur Andersen LLP will audit the books and records of the Company. The decision to change the Company's independent auditors from James D. A. Holley & Co. to Arthur Andersen LLP was made by the Company's Board of Directors on January 21, 1994. Arthur Andersen LLP was engaged on April 5, 1994. During the periods in which James D. A. Holley & Co. audited the books and records of the Company, none of the reports issued by such firm on the financial statements of the Company contained an adverse opinion or disclaimer of opinion, or was qualified or modified as to uncertainty, audit scope or accounting principles. The Company has never had any disagreements with James D. A. Holley & Co. or Arthur Andersen LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Item 10. Directors and Executive Officers of the Registrant

Incorporated herein by reference to the sections entitled "Election of Directors" and "Executive Officers, Compensation and Other Information" in the Registrant's Proxy Statement dated April 10, 1996 to be filed on or before April 10, 1996.

Item 11. Executive Compensation

Incorporated herein by reference to the section entitled "Executive Officers, Compensation and Other Information" in the Registrant's Proxy Statement dated April 10, 1996, to be filed on or before April 10, 1996.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated herein by reference to the subsection entitled "Information Concerning Nominees" under the section entitled "Election of Directors", and "Principal Shareholders" in the Registrant's Proxy Statement dated April 10, 1996, to be filed on or before April 10, 1996.

Item 13. Certain Relationships and Related Transactions

Incorporated herein by reference to the subsection entitled "Compensation Committee Interlocks and Insider Participation" under the section entitled "Executive Officers, Compensation and Other Information" in the Registrant's Proxy Statement dated April 10, 1996 to be filed on or before April 10, 1996.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

EXHIBITS

2(a) Agreement and Plan of Merger, dated as of December 10, 1995, by and among Capital City Bank Group, Inc.; a Florida corporation to be formed as a direct wholly-owned subsidiary of the Company; and First Financial Bancorp, Inc.*

3(a) Articles of Incorporation, as amended, of Capital City Bank Group, Inc., were filed as Exhibit 3(a) to the Registrant's Form S-14 filed on August 26, 1983 (File No. 2-86158), and are incorporated herein by reference.

3(b) By-Laws, as amended, of Capital City Bank Group, Inc. are incorporated herein by reference to Exhibit 3(b) of the Company's 1983 Form 10-K (File No. 2-86158).

10(a) Merger Agreement and Plan of Merger, dated July 25, 1994, by and among Capital City First National Bank, Capital City Second National Bank, Industrial National Bank, City National Bank, Havana State Bank, First National Bank of Jefferson County and Gadsden National Bank, is incorporated herein by reference to Exhibit A in Registrant's Form 10K-A, dated April 5, 1995.

10(b) Promissory Note and Pledge and Security Agreement evidencing a line of credit by and between Registrant and SunTrust, dated November 18, 1995.

10(c) Capital City Bank Group, Inc. 1992 Stock Incentive Plan is incorporated herein by reference to Exhibit A of the Registrant's 1992 Proxy Statement, dated Aril 8, 1992.

10(d) Capital City Bank Group, Inc. 1995 Associate Stock Purchase Plan is incorporated herein by reference to Exhibit A of the Registrant's 1995 Proxy Statement, dated April 7, 1995.

10(e) Capital City Bank Group, Inc. 1996 Associate Incentive Plan is incorporated herein by reference to Exhibit A of the Registrant's 1996 Proxy, dated onor about April 10, 1996.

21 For a listing of Capital City Bank Group's subsidiaries See Item I.

22 (a) Report of Independent Accountants

27 Financial Data Schedule

*To be filed as an amendment to this Form 10K

FINANCIAL STATEMENT SCHEDULES

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

REPORTS ON FORM 8-K

Capital City Bank Group, Inc. ("CCBG") filed no Form 8-K during the fourth quarter of 1995.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on March 22, 1996, 1996 on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITY BANK GROUP, INC.

/s/ William G. Smith
President
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 22, 1996 by the following persons in the capacities indicated.

/s/ WILLIAM G. SMITH
William G. Smith
President
(Principal Executive Officer)

/s/ J. KIMBROUGH DAVIS
J. Kimbrough Davis
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

Directors:

/s/ DuBose Ausley

DuBose Ausley

/s/ Thomas A. Barron
Thomas A. Barron

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

/s/ John K. Humphress
John K. Humphress

/s/ Payne H. Midyette, Jr.
Payne H. Midyette, Jr.

/s/ Godfrey Smith
Godfrey Smith

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

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PROMISSORY NOTE

November 16, 1995 $25,000,000

For value received, the undersigned, Capital City Bank Group, Inc., a corporation organized and existing under the laws of the state of Florida (hereinafter "Company") promises to pay to the order of SunTrust Bank, Atlanta f/k/a Trust Company Bank, a Georgia banking corporation, (hereinafter the "Bank") at its offices in Atlanta, Georgia, or at any other place designated by the holder hereof, in lawful money of the United States of America, on the Revolving Maturity Date, or at such earlier date as hereinafter provided, the principal sum of

TWENTY-FIVE MILLION DOLLARS ($25,000,000)

or such lesser amount of loans and other financial accommodations as may at the Bank's sole discretion from time to time be advanced or, upon repayment, readvanced to the Company by the Bank hereunder together with interest from the date hereof on the unpaid principal balance at such annual rate or rates of interest as shall be computed and paid in accordance with the terms and conditions hereinafter set forth.

This Note evidences the obligation of the Company to repay, with interest, any and all present and future indebtedness of the Company for loans and financial accommodations at any time hereafter made or extended by the Bank hereunder up to the aggregate principal amount of $25,000,000 at any one time outstanding. The payment of any indebtedness evidenced by this Note shall not affect the enforceability of this Note as to any future, different or other indebtedness evidenced hereby.

Section 1. Definitions. As used herein, the following terms shall have the meanings set forth below:

(A) "Advances" shall mean any portion of the outstanding principal balance hereof bearing interest as a Cost of Funds Advance, a Prime Rate Advance or a LIBOR Advance, each individually called an "Advance" and collectively "Advances".

(B) "Business Day" shall mean (i) with respect to Interest Periods applicable to the LIBOR Rate, a day on which the Bank is open for business and on which foreign exchange markets in Atlanta, Georgia, and London are open for business; and (ii) with respect to all other Interest Periods, and for all other purposes hereunder, a day on which the Bank, and commercial banks in New York, New York are open for business.

(C) "Cost of Funds Rate" shall mean, as of any date of determination thereof, that rate per annum which is forty-five one hundredths of one percent (.45%) per annum above that rate of interest per annum representing the cost to the Bank of funds in an amount and for an Interest Period similar to a requested Cost of Funds Advance all as determined by the Bank in accordance with its usual method of determining its cost of funds.

(D) "Cost of Funds Advance" shall mean Advances which bear interest at the Cost of Funds Rate each individually called a "Cost of Funds Advance" and collectively "Cost of Funds Advances."

(E) "Interest Period" shall mean, with respect to any borrowing as to which the Company has elected the LIBOR Rate, a period of 30, 60, 90, 120, 150, or 180 days, and shall mean with respect to any borrowing as to which the Company has elected the Cost of Funds Rate or the Prime Rate a period of from 1 up to 180 days, provided however, (a) if any Interest Period would otherwise end on a day which is not a Business Day, that Interest Period shall be extended through the next succeeding day which is a Business Day, unless such Business Day falls in another calendar month, in which case the Interest Period shall end on the next preceding Business Day, and (b) no Interest Period shall extend beyond the Revolving Maturity Date.

(F) "LIBOR Rate" shall mean, as of any date of determination thereof, that rate per annum which is forty-five one hundredths of one percent (.45%) per annum above the quotient of

(i) the per annum rate of interest determined by the Bank to be the rate quoted by the Bank at which U.S. dollar deposits for the relevant Interest Period in an amount comparable to the principal amount of the applicable LIBOR Advance, are offered to the Bank by other prime banks in the London Inter-Bank Market as of 11:00 a.m., London time, on the day which is two Business Days prior to the first day of such Interest Period, divided by

(ii) a percentage equal to 1.00 minus the stated maximum rate of all reserve requirements (expressed as a percentage) as specified in Regulation D of the Board of Governors of the Federal Reserve System (including, without limitation, any marginal, emergency, supplemental, special or other reserves) that would be applicable on the day which is two Business Days prior to the first day of the Interest Period during which the LIBOR Rate is to be applicable to eurocurrency liabilities in excess of $100,000 and with a maturity day as of the last day of the Interest Period, all as conclusively determined by the Bank, such sum to be rounded up to the nearest whole multiple of 1/100 of 1%.

(G) "LIBOR Advances" are Advances that bear interest at the LIBOR Rate, each individually called a "LIBOR Advance" and collectively "LIBOR Advances".

(H) "Prime Rate" shall mean that rate of interest from time to time publicly announced by the Bank as its prime rate, which rate shall change simultaneously with any change in the prime rate of the Bank.

(I) "Prime Rate Advances" are Advances that bear interest at the Prime Rate, each individually called a "Prime Rate Advance" and collectively "Prime Rate Advances".

(J) "Revolving Maturity Date" means November 16, 1998.

(K) "Subsidiary" shall mean, a corporation of which shares of stock having ordinary voting power to elect a majority of the board of directors or other managers are owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, by the Company, collectively referred to as "Subsidiaries".

Section 2. Interest Rates. The Company shall pay interest upon each Advance comprising the unpaid principal balance from time to time outstanding hereunder from the date hereof until the maturity of this Note, whether by acceleration or otherwise, at a rate per annum, calculated on the basis of a 360 day year and upon the actual number of days elapsed, equal to any one of the following described rates of interest, any one of which may be selected by the Company in accordance with the terms hereinafter provided:

(A) The Cost of Funds Rate for such Interest Period as the Company shall select. Unpaid interest accruing at such rate will be due and payable on the last day of March, June, September and December during the term of this Note.

(B) The LIBOR Rate for such Interest Period as the Company may select. Unpaid interest accruing at such rate will be due and payable on the last day of March, June, September and December during the term of this Note.

(C) The Prime Rate from time to time in effect for such Interest Period as the Company may select. Unpaid interest accruing at such rate will be due and payable on the last day of March, June, September and December during the term of this Note.

Section 3. Method of Making Advances and Selection of Interest Rates. When the Company desires an Advance hereunder, or if the Company desires to renew or convert an Advance pursuant to Section 5 below, the Company shall advise the Bank as to the amount of such Advance and the interest rate to be applicable thereto by giving to the Bank either written or telephonic notice thereof (which telephonic notice shall be promptly confirmed in writing) in accordance with the following terms and conditions:
margin change at this point

(A) If the Company shall elect the LIBOR Rate, notification of such election and the duration of the Interest Period to be applicable thereto, shall be given to the Bank by the Company before two o'clock p.m. Atlanta time on the second Business Day prior to the first day of the applicable Interest Period.

(B) If the Company shall elect the Cost of Funds Rate or the Prime Rate notification of such election, and the duration of the Interest Period applicable thereto, shall be given to the Bank by the Company before two o'clock p.m. Atlanta time on the first Business Day of the applicable Interest Period.

Section 4. Repayment of Principal. The Company shall pay the entire outstanding principal balance relative to each Cost of Funds Advance, Prime Rate Advance and LIBOR Advance on the last Business Day of the applicable Interest Period.

Section 5. Renewals and Conversion of Advances. The Company may on any Business Day, renew or convert any outstanding Advance into an Advance of the same or another type in the same aggregate principal amount provided that (a) renewal or conversion of an Advance shall be made only on the last Business Day of the then current Interest Period applicable thereto and (b) the Bank is advised of the Company's election to renew or convert such

Advance in accordance with the provisions set forth in Section 3 above.

Section 6. Failure to Select Interest Rates. If no interest rate basis has been elected for any Advance or for the principal balance outstanding hereunder prior to maturity of this Note, or if such election shall not be timely or shall be deemed canceled as herein provided, then the applicable rate of interest during any such period shall be the 90-day LIBOR Rate or the Prime Rate, whichever is less.

Section 7. Prepayment and Unavailability of Dollar Deposits. No prepayment of any Advance shall be permissible during the Interest Period applicable thereto, and any election of any interest rate hereunder shall be final for the relevant Interest Period, provided that, with regard to the LIBOR Rate election, if Bank should determine that dollar deposits in an aggregate amount comparable to the amount of a requested LIBOR Advance for periods equal to the Interest Period elected by the Company, are not being offered to the Bank in the London Inter-Bank Market, then Bank shall promptly give notice of such fact to the Company and said election shall be deemed canceled. Thereafter, in the event that the Bank determines that such dollar deposits are again being offered to the Bank in the London Inter-Bank Market, then Bank shall promptly give notice of such fact to the Company, and of the fact that the Bank can again consider a LIBOR Rate election.

Section 8. Conversion to Term Loan. The Bank agrees, on the terms and conditions contained herein, to make a loan (the "Term Loan") to the Company on the Revolving Maturity Date in a principal amount up to but not exceeding the outstanding principal balance of all Advances made hereunder as of such date. The Term Loan shall be repayable, and the Company hereby promises to pay to the order of Bank principal and interest on the Term Loan, as follows:

The principal amount of the Term Loan will be repaid in twenty-eight (28) consecutive quarterly installments, each in an amount equal to two and one-half of one percent (2.5%) of the outstanding principal amount of the Note as of such date. Accrued but unpaid interest on the outstanding principal balance shall be payable quarterly on the same day as principal payments. The first such installment shall be due on March 30, 1999, with subsequent installments on the last day of each March, June, September and December, and thereafter to and including December 31, 2005 provided, however, that the last such installment shall be in the amount necessary to repay in full all accrued but unpaid interest and the unpaid principal amount of the Term Loan.

The Bank's obligation to make the Term Loan shall be subject to the following:

(A) All of the representations and covenants contained in Sections 8 and 9 of this Note shall be true and correct as of the date of the Term Loan, and Company shall be in full compliance therewith.

(B) Company shall execute and deliver to Bank a Pledge and Security Agreement substantially in the form of Exhibit A, wherein Company shall pledge to Bank, in order to secure Company's obligation and indebtedness under the Term Loan, bank Subsidiary stock of a value at least equal to one hundred twenty-five percent (125%) of the principal amount of the Term Loan.

The Company shall pay interest upon the unpaid principal balance from time to time outstanding under the Term Loan from the date hereof until the maturity of the Term Loan, whether by acceleration or otherwise, at a rate per annum, calculated on the basis of a 360 day year and upon the actual number of days elapsed, equal to any one of the following described rates of interest, any one of which may be selected by the Company in accordance with the terms of the Note:

(A) The Cost of Funds Rate for such Interest Period as the Company shall select.

(B) The LIBOR Rate for such Interest Period as the Company may select.

(C) The Prime Rate from time to time in effect for such Interest Period as the Company may select.

Section 9. Representations and Warranties. The Company represents and warrants to Bank as follows:

(A) The Company is a corporation validly existing and in good standing under the laws of the state of Florida.

(B) The execution and delivery of this Note and the performance by the Company of its provisions have been duly authorized by all requisite corporate action. This Note is enforceable against the Company in accordance with its terms except to the extent enforcement may be limited by any applicable bankruptcy or insolvency laws.

(C) The most recent consolidated balance sheet and statement of income and retained earnings of the Company and its Subsidiaries provided by the Company to Bank give a true and fair view of the state of affairs of the Company and of the Company and its Subsidiaries as of such dates, and there has been no material adverse change in the financial condition of the Company or the Subsidiaries since such dates.

(D) The Company will be in full compliance with all terms and conditions of this Note at the time any request for an Advance is made hereunder.

Section 10. Covenants. Prior to the maturity of this Note, whether by acceleration or otherwise, the Company will do each of the following:

(A) Within 45 days after the end of each fiscal quarter of the Company, the Company will provide to the Bank consolidated financial statements of the Company and its Subsidiaries.

(B) Within 90 days after the end of each fiscal year of the Company, the Company will provide to the Bank (i) audited consolidated financial statements of the Company and its Subsidiaries for such fiscal year, and (ii) financial statements of only the Company for such fiscal year.

(C) The Company shall promptly provide to the Bank such information respecting the condition or operation, financial or otherwise, of the Company or its Subsidiaries as the Bank may from time to time reasonably request.

(D) The Company shall preserve and maintain its existence as a corporation.

(E) The Company will maintain a minimum consolidated tangible shareholder's equity of $60,000,000.

(F) The Company will limit payment of dividends to its shareholders in the aggregate to 50% of the Company's cumulative net consolidated income after December 31, 1993.

(G) (i) The Company (on a consolidated basis) and Capital City Bank will each maintain minimum leverage ratios of 6.5%, minimum Tier 1 Capital to Risk-Weighted Assets ratios of 7.00%, and minimum Tier 1 Capital plus Tier 2 Capital to Risk-Weighted Assets ratios of 10.00%.

(ii) The terms "Tier 1 Capital", "Tier 2 Capital" and "Risk-Weighted Assets" as used in this subsection (G) shall have the meanings assigned to them pursuant to 12 C.F.R. 3.1 et seq.

(H) The Company (on a consolidated basis) and Capital City Bank, each will maintain minimum Return on Average Assets Ratios of 0.90% each.

(I) The Company's consolidated and each bank Subsidiary's ratio of non-performing assets (i.e. other real estate owned plus non-accrual loans) shall not exceed 2.50% of related assets (i.e. net loans plus other real estate).

(J) Company shall cause all bank Subsidiaries to each maintain at all times reserves equal to 80% of total nonperforming loans (i.e. nonaccrual, and restructured loans).

(K) The Company will not create, incur, assume, or suffer to exist, or permit any Subsidiary to create, incur, assume, or suffer to exist any lien or encumbrance upon or with respect to any of its properties, now owned or hereafter acquired, including, without limitation, the common stock of bank Subsidiaries, except:

(i) Any lien or encumbrance (purchase money or otherwise)incurred by the Company or any Subsidiary in the normal course of its business which does not materially interfere with the use and enjoyment of the property so encumbered or materially impair the value of the property subject to said lien, provided that the aggregate amount of all indebtedness secured by such liens or encumbrances shall at no time exceed $1,000,000; provided, however, the Company will not create, or allow to exist, any lien or encumbrance upon any of the stock of any Subsidiary;

(ii) Any lien or encumbrance on any loans owned by Capital City Bank secured by 1-4 family residential properties, including, without limitation, open-end loans and loans extended under lines of credit (said loans which are owned by Capital City Bank are hereinafter referred to as "Residential Mortgages") if such lien or encumbrance is granted to the Federal Home Loan Bank ("FHLB") to secure repayment of loans or advances made by FHLB to Capital City Bank, provided, however, the unpaid principal balance from time to time outstanding upon the loans or advances made by FHLB to Capital City Bank shall at no time exceed 65% of the unpaid principal balance of the Residential Mortgages securing such loans or advances; and

(iii) Any lien or encumbrance on the common stock of a bank Subsidiary or Subsidiaries granted by the Company in favor of Bank pursuant to and in accordance with the Pledge and Security Agreement referenced in Section 8 (B) hereof.

(L) Neither the Company nor any Subsidiary will incur or suffer to exist any indebtedness other than (i) the obligations owing to Bank pursuant to this Note; (ii) any indebtedness secured by a lien or encumbrance in accordance with the provisions of Section 9(K)(i) or 9(K)(ii) above; and (iii) indebtedness incurred in the ordinary course of business.

(M) The Company will at all times be in material compliance with, and the Company will cause each bank Subsidiary to at all times be in material compliance with, all applicable federal, state, and local banking laws, rules, and regulations.

(N) The Company's Chief Executive Officer or Chief Financial Officer will provide the Bank a certificate within forty-five (45) days after the end of each fiscal quarter and within sixty (60) days after the end of each fiscal year certifying that the Company is in full compliance with the terms and conditions of this Note.

(O) The Company shall cause to be delivered a favorable written opinion of counsel for the Company with respect to the matters set forth in Section 9 of this Note, and such other matters deemed necessary by the Bank.

Section 11. Events of Default. Any one or more of the following conditions or events shall constitute an Event of Default hereunder:

(A) The Company shall fail to pay any interest or other sums owing pursuant to this Note within five calendar days after said sum shall be due and payable; or

(B) If the Company or any Subsidiary should fail to comply with the terms and conditions of any other agreement between Company and Bank and such failure to comply is not cured to the reasonable satisfaction of Bank within ten (10) days after Bank delivers written notice thereof to Company; or

(C) (i) If the Company should liquidate, dissolve, or enter into any transaction of merger or consolidation in which the Company is not the surviving entity; or (ii) If during the term of this Note the Company or any of its Subsidiaries should sell, transfer or otherwise dispose of (whether in one transaction or a series of transactions) assets which in the aggregate exceed 10% of the consolidated assets of the Company and its Subsidiaries; or (iii) If during the term of this Note the Company should cause or allow any one or more Subsidiaries to liquidate, dissolve or enter into any transaction of merger or consolidation (other than a merger or consolidation with the Company or another Subsidiary) if the aggregate assets of all such Subsidiaries, plus the aggregate assets sold, transferred or otherwise disposed of pursuant to (ii) above, exceeds 10% of the consolidated assets of the Company and its Subsidiaries; or

(D) If any representation or warranty made by the Company to Bank in connection with this Note shall be false or misleading in any material respect as of the date made; or

(E) If final judgment for the payment of money in excess of $500,000 should be rendered against the Company or any Subsidiary and the same shall remain unpaid, unstayed on appeal, undischarged, or undismissed for a period of thirty (30) days; or

(F) Any condition shall exist or any event shall occur, the existence or occurrence of which shall cause, or permit or allow any creditor of the Company or any Subsidiary to cause, any obligation of the Company or such Subsidiary for borrowed money with an unpaid principal balance in excess of $500,000.00 to become due prior to its stated maturity date or prior to its regularly scheduled dates of payment; or

(G) The Company shall fail to comply with the provisions of any of the covenants set forth above in Section 9 of this Note; or

(H) If any person or entity, or any two or more related persons or entities, shall in the aggregate acquire or hold beneficial ownership of 30% or more of the outstanding voting securities of the Company, other than any person or entity, or any two or more related persons or entities, which own or hold beneficial ownership of 30% or more of the outstanding voting securities of the Company as of December 31, 1994. (The term "beneficial ownership" as used in this subsection (H) shall have the same meaning as provided in Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended); or

(I) The failure to execute and deliver the Security Agreement, or the Security Agreement shall at any time after its execution cease to be in full force and effect or cease to create a valid and perfected first priority security interest in the Collateral; or if the validity or enforceability of the Security Agreement shall be contested by the Company; or if the Company shall fail to perform any of its obligations under the Security Agreement; or

(J) Any involuntary petition is filed against the Company or any Subsidiary under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect and such petition shall remain undismissed for a period of 60 days or the Company or such Subsidiary approves, consents, or acquiesces thereto; or any bank regulatory agency shall commence proceedings that may result in the appointment of a custodian, receiver or trustee for all, or a substantial part of, the properties or assets of the Company or any Subsidiary; or

(K) If the Company or any Subsidiary makes an assignment for the benefit of creditors or files a voluntary petition seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency or readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect.

Section 12. Remedies. (A) Upon the occurrence of any one or more of the Events of Default set forth above in Section 11 as Events of Default (A) through (I) then Bank may, at its option, accelerate the maturity of this Note and declare the entire unpaid principal balance thereof, all accrued but unpaid interest thereon, and any other sums then due and owing pursuant to this Note, to be immediately due and payable without presentment, demand, protest, or other notice of any kind, all of which are hereby waived by the Company.

(B) Upon the occurrence of any one of the Events of Default set forth above in Section 11 as Events of Default (J) and (K) then simultaneously therewith the maturity of this Note shall be accelerated and the entire unpaid principal balance thereof, all accrued but unpaid interest thereon, and any other sums owing pursuant to this Note, will be immediately due and payable without presentment, demand, protest, or other notice of any kind, all of which are hereby waived by the Company.

(C) The Bank shall make no further disbursements hereunder (i) upon the occurrence of any one or more of the Events of Default set forth above in Section 11, or (ii) on and after the Revolving Maturity Date.

Section 13. Default Rate. The Company shall pay interest on any unpaid and overdue principal hereof from and including the date payment thereof was due, but excluding the date of actual payment, at an interest rate of two percent (2%) per annum above the Prime Rate.

Section 14. Miscellaneous. This Note shall be delivered to and accepted by the Bank in Atlanta, Georgia, and shall be governed by, and construed and enforced in accordance with the laws of the State of Georgia. Section headings have been inserted for convenience only and shall not be construed as part of this Note. Any accounting terms used in this Note but not specifically defined herein shall have the meanings generally given to such terms under generally accepted accounting principles. If this Note is collected by law or through an attorney at law, the Company shall pay all costs of collection plus reasonable attorneys' fees. The Bank is hereby authorized to set-off, without prior notice, any deposit, account or other indebtedness owed by Bank to the Company against any obligation owing or arising under this Note. The failure or forbearance of the Bank to exercise any right granted hereunder or otherwise granted by law, shall not constitute a waiver of such right. This Note shall be binding upon the Company and its successors and assigns. The Company hereby waives diligence, presentment, demand, protest and notice of any kind whatsoever.

The Company has caused this Note to be executed, by its duly authorized officer(s) on the day and year first above written.

CAPITAL CITY BANK GROUP, INC.

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

Exhibit A

PLEDGE AND SECURITY AGREEMENT

THIS PLEDGE AND SECURITY AGREEMENT (this "Pledge Agreement"), dated as of November 16, 1996 by Capital City Bank Group, Inc., a corporation organized and existing under the laws of the state of Florida (the "Pledgor"), in favor of SunTrust Bank, Atlanta, a Georgia banking corporation (the "Bank").

W I T N E S S E T H:

WHEREAS, Bank extended to Pledgor a certain revolving credit facility dated as of November 16, 1995 in the maximum aggregate amount at any one time outstanding of $25,000,000 (the "Revolving Credit Facility"); and

WHEREAS, the Bank has agreed to make a term loan to the Pledgor in the amount of the unpaid principal balance of the Revolving Credit Facility (the "Loan"), which Loan will be evidenced by a promissory note of even date herewith in the original principal amount of $25,000,000, or so much thereof as may be outstanding under the Revolving Credit Facility (the "Note");

WHEREAS, it is a condition precedent to the obligation to make the Loan to the Pledgor that the Pledgor shall have executed and delivered this Pledge Agreement to the Bank;

NOW, THEREFORE, in consideration of the premises and in order to induce the Bank to make the Loan to the Pledgor, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Pledgor hereby agrees with the Bank as follows:

1. Pledge. The Pledgor hereby pledges, assigns, hypothecates, transfers, and grants to the Bank a first lien on, and security interest in, shares of the common stock of (the "Company") evidenced by stock certificate no(s)., together with all dividends, stock dividends, stock splits, warrants, options, stock purchase rights, and all other sums of money and property at any time and from time to time distributed by the Company in respect of, or in exchange or substitution for, any and all of such stock, and all proceeds thereof, whether now existing or at any time hereafter acquired or issued, and appropriate undated stock powers duly executed in blank (the "Collateral")as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity or by acceleration) of all indebtedness and obligations of the Pledgor to the Bank, whether now existing or hereafter arising, however evidenced, whether direct or indirect, liquidated or unliquidated, absolute or contingent, individual or joint with any other person or entity including, without limitation, all indebtedness and obligations arising out of or in connection with the Note, this Pledge Agreement or any other collateral security document or agreement of the Pledgor in favor of the Bank delivered in connection with the Pledge Agreement and the Note, whether for principal, interest, fees, costs, expenses or otherwise (all of the foregoing, together with any extensions, renewals, substitutions or modifications of any of them, in whole or in part, and reasonable attorney's fees if collected at law or by or through an attorney-at-law or in bankruptcy, receivership or other proceedings, being hereinafter called the "Obligations").

2. Stock Dividends, Distributions, Etc. If, while this Pledge Agreement is in effect, the Pledgor shall become entitled to receive or shall receive, with respect to or on account of any of the Collateral, (i) any stock certificate (including, without limitation, any certificate representing a stock dividend or a distribution in connection with any reclassification, increase or reduction of capital, or issued in connection with any reorganization), warrant, option or similar right, whether as an addition to or in substitution or exchange for any of the Collateral, or otherwise, (ii) any sums of money or property paid upon or in respect of the Collateral upon the liquidation or dissolution of the Company, or (iii) any distribution of capital or property on or in respect of any of the Collateral pursuant to the recapitalization or reclassification of the capital of the Company or pursuant to the reorganization thereof, the Pledgor agrees to accept the same as the Bank's agent and to hold the same in trust, segregated from the other assets of the Pledgor, on behalf of and for the benefit of the Bank and to deliver the same forthwith to the Bank, in the exact form received, with the endorsement of the Pledgor and appropriate undated stock powers duly executed in blank when necessary, to be held by the Bank, subject to the terms hereof, as additional Collateral.

3. Cash Dividends; Voting Rights. The Bank shall be entitled to receive directly all cash dividends that the Pledgor shall be entitled to receive in respect to the Collateral and may apply such cash dividends as payment to Bank for any amounts then due, or to become due within 15 days, to the Bank under the Note, and Pledgor shall take all such action as may be necessary or appropriate to give effect to such right; provided, however, unless a default shall have occurred and be continuing under the Note or this Pledge Agreement, any such cash dividend shall be paid to Pledgor without any restriction as to use or application, except as otherwise provided herein. The Pledgor shall be entitled to vote the Collateral and to give consents, waivers and ratifications in respect to the Collateral, provided, however, that no vote shall be cast or consent, waiver or ratification given or action taken which would be inconsistent with or violate any provision of this Pledge Agreement, the Note or any other document, instrument, or agreement evidencing or securing any of the Obligations. After the occurrence and during the continuance of any default hereunder, the Bank shall have the right, upon notice to the Pledgor, to exercise voting rights as specified in Section 4 below.

4. Rights of the Bank. The Bank shall not be liable for failure to collect or realize upon the Obligations or any collateral security or guarantee therefor, or any part thereof, or for any delay in so doing nor shall it be under any obligation to take any action whatsoever with regard thereto. Any or all of the Collateral held by the Bank hereunder may, if any default shall have occurred and be continuing hereunder, after notice to the Pledgor, be registered in the name of the Bank or its nominee, and the Bank or its nominee may thereafter, without notice, exercise all voting and corporate rights of a shareholder of the Company and exercise any and all rights of conversion, exchange, subscription or any other rights, privileges or options pertaining to any of the Collateral as if it were the absolute owner thereof, including without limitation, the right to exchange at its discretion any and all of the Collateral upon the merger, consolidation, reorganization, recapitalization or other readjustment of the Company or upon the exercise by the Bank of any right, privilege or option pertaining to any of the Collateral, and in connection therewith, to deposit and deliver any and all of the Collateral with any committee, depositary, transfer agent, registrar or designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it, but the Bank shall have no duty to exercise any of the aforesaid rights, privileges or options and shall not be responsible for any failure to do so or delay in so doing.

5. Representations, Warranties and Covenants of the Pledgor. The Pledgor represents and warrants that, (a) it is the legal record and beneficial owner of, and has good title to, the Collateral, subject to no pledge, lien, mortgage, hypothecation, security interest, charge, voting restriction, option or other encumbrance whatsoever; (b) the Certificate is genuine and is in all respects what it purports to be; (c) it has full power, authority and legal right to pledge all of the Collateral pursuant to this Pledge Agreement; (d) this Pledge Agreement has been duly authorized, executed and delivered by the Pledgor and constitutes a legal, valid and binding obligation of the Pledgor, and is enforceable in accordance with its terms except as may be limited by applicable bankruptcy, insolvency, moratorium or other similar laws affecting creditors' rights generally and except as enforceability may be limited by applicable principles of equity; (e) no consent of any other person or entity (including, without limitation, creditors of the Pledgor) and no consent, license, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any nation or government, any state or other political subdivision thereof or any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government (collectively, a "Governmental Authority") is required to be obtained by the Pledgor in connection with the execution, delivery or performance of this Pledge Agreement or the pledge of the Collateral hereunder; (f) the execution, delivery and performance of this Pledge Agreement will not violate any law, treaty, rule or regulation, or any determination, order, judgment, writ, award or decree of any court, arbitrator or Governmental Authority or any provision of any security issued by the Pledgor or of any agreement, instrument or undertaking to which the Pledgor is a party or which purports to be binding upon the Pledgor or upon any of its assets, and will not result in the creation or imposition of any lien, charge or encumbrance on or security interest in any of the assets of the Pledgor except as contemplated by this Pledge Agreement; (g) all shares of the Company's stock pledged hereunder have been duly and validly issued, are fully paid and non-assessable; (h) the pledge, assignment and delivery of the Collateral pursuant to this Pledge Agreement creates a valid first lien on and a perfected security interest in the Collateral, and the proceeds thereof, subject to no prior pledge, lien, mortgage, hypothecation, security interest, charge, voting restriction, option or encumbrance or to any agreement purporting to grant to any third party a security interest in the property or assets of the Pledgor which would include the Collateral.

6. No Disposition, Etc. Without the prior written consent of the Bank, the Pledgor agrees that it will not sell, assign, transfer, exchange, or otherwise dispose of, or grant any option with respect to, the Collateral, nor will it create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, voting restriction, option or any other encumbrance with respect to any of the Collateral, or any interest therein, or any proceeds thereof, except for the security interest provided for by this Pledge Agreement. Without the prior written consent of the Bank, the Pledgor agrees that it will not vote any of the shares in the Company for, consent to, permit, or take any action to facilitate (i) the authorization or issuance of any additional shares of capital stock of the Company or options, warrants, subscription rights or other instruments or securities of any other kind that are convertible into additional shares of stock of the Company, (ii) the issuance or sale of any treasury stock of the Company, or (iii) any action taken with the intent to decrease or impair the value of the Collateral.

7. Default. The Pledgor shall be in default under this Pledge Agreement upon the occurrence of any one or more of the following events: (i) the occurrence of any Event of Default (as defined in the Note); (ii)

upon default by the Pledgor in the payment, performance or observance of any provision of this Pledge Agreement or any instrument, document, agreement or of any other writing evidencing, securing or otherwise related to or delivered in connection with any other of the Obligations; or (iii) any representation or warranty made to the Bank by the Pledgor herein or in any such instrument, document, agreement or other writing provided to the Bank which proves to be false or misleading in any material respect.

8. Remedies. If a default shall have occurred and be continuing hereunder, then the Bank, without demand of performance or other demand, advertisement or notice of any kind (except the notice specified below of time and place of public or private sale) to or upon the Pledgor or any other person (all and each of which demands, advertisements and/or notices are hereby expressly waived), may forthwith collect, receive, appropriate and realize upon the Collateral, or any part thereof, and/or may forthwith sell, assign, give option or options to purchase, contract to sell or otherwise dispose of and deliver said Collateral, or any part thereof, in one or more parcels at public or private sale or sales, at any exchange or broker's board or at the Bank's offices or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery, with the right to the Bank upon any such sale or sales, public or private, to purchase the whole or any part of said Collateral so sold, free of any right or equity of redemption in the Pledgor after such sale, which right or equity is hereby expressly waived or released to the extent permitted by law. The Bank shall apply the net proceeds of any such collection, recovery, receipt, appropriation, realization or sale, after deducting all reasonable costs and expenses of every kind incurred therein or incidental to the care, safekeeping or otherwise of any and all of the Collateral, including attorneys' fees as specified herein, to the payment in whole or in part of the Obligations in such order as the Bank may elect, the Pledgor remaining liable for any deficiency remaining unpaid after such application, and only after so paying over such net proceeds and after the payment by the Bank of any other amount required by any provisions of law, including, without limitation, Section 9-504(1)(C) of the Uniform Commercial Code as enacted in the State of Georgia, need the Bank account for the surplus, if any, to the Pledgor. The Pledgor agrees that, to the extent permitted by law, the Bank need not give more than ten days' notice of the time and place of any public sale or of the time after which a private sale or other intended disposition is to take place and that such notice is reasonable notification of such matters. No notification need be given to the Pledgor if it has signed after default a statement renouncing or modifying any right to notification of sale or other intended disposition. In addition to the rights and remedies granted to the Pledgor in this Pledge Agreement and in any other instrument or agreement evidencing, securing or otherwise related to any of the Obligations, the Bank and the Pledgor (except to the extent legally waived herein) shall have all the rights and remedies of a secured party or debtor, respectively, under the Uniform Commercial Code of the State of Georgia. The Pledgor shall be liable for the deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay all amounts to which the Bank is entitled in respect of the Obligations secured hereby.

9. Indemnity. The Pledgor agrees to indemnify and hold harmless the Bank from and against any and all claims, demands, losses, judgments and liabilities (including liabilities for penalties) of whatsoever kind or nature, and to reimburse the Bank for all costs and expenses, including reasonable attorneys' fees, growing out of or resulting from this Pledge Agreement or the exercise by the Bank of any right or remedy granted to it hereunder or under the Note except for any claims, demands, losses, judgments and liabilities that are due to the willful misconduct or gross negligence of Bank. In no event shall the Bank be liable for any matter or thing in connection with this Agreement other than to account for moneys and stock actually received by it in accordance with the terms hereof.

10. Further Assurance. The Pledgor agrees that it will join with the Bank in executing and, at its own expense, file and refile under the Uniform Commercial Code such financing statements, continuation statements and other documents in such offices as the Bank may deem necessary or appropriate and wherever required or permitted by law in order to perfect and preserve the Bank's security interest in the Collateral and hereby authorizes the Bank to file financing statements and amendments thereto relative to all or any part of the Collateral without the signature of the Pledgor where permitted by law, and agrees to do such further acts and things and to execute and deliver to the Bank such additional conveyances, assignments, agreements and instruments as the Bank may require or deem advisable to carry into effect the purposes of this Pledge Agreement or to further assure and confirm unto the Bank its rights, powers and remedies hereunder.

11. Severability. Any provision of this Pledge Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or

unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

12. Termination; Release. Upon payment in full of all Obligations, this Pledge Agreement shall terminate, and the Bank will duly assign, transfer and deliver to the Pledgor (without recourse and without any representation or warranty) such of the Collateral as may be in the possession of the Bank and as has not theretofore been sold or otherwise applied or released pursuant to this Pledge Agreement, together with any moneys at the time held by the Bank hereunder relating to the Collateral.

13. Notices, Etc. All notices and other communications hereunder shall be in writing and shall be delivered or mailed by certified mail-return receipt requested, postage prepaid addressed

(a) if to the Pledgor, at:

Capital City Bank Group, Inc.
217 North Monroe
Tallahassee, Florida 32301

Attention: Mr. J. Kimbrough Davis

(b) if to the Bank, at:

SunTrust Bank, Atlanta
P. O. Box 4418
Mail Code 121
Atlanta, Georgia 30302

Attention: Mr. Edward T. Summers
Southeastern Financial Institutions

or at such other address as shall have been furnished in writing by the Pledgor, the Bank or any holder of the Note to the party required to give notice hereunder. Any such notice or communication shall be deemed received on the fourth (4th) business day after being deposited in the mail or upon actual receipt, whichever shall occur first.

14. Miscellaneous. This Pledge Agreement shall be binding upon the successors and assigns of the Pledgor and shall inure to the benefit of and be enforceable by the Bank and its successors and assigns. This Pledge Agreement may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought. The headings in this Pledge Agreement are for purposes of reference only and shall not limit or define the meaning hereof. In the event that any provision of this Pledge Agreement shall prove to be invalid or unenforceable, such provision shall be deemed to be severable from the other provisions of this Agreement which shall remain binding on all parties hereto.

15. No Waiver; Cumulative Remedies. The Bank shall not by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder and no waiver shall be valid unless in writing, signed by the Bank, and then only to the extent therein set forth. A waiver of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Bank would otherwise have on any future occasion. No failure to exercise nor any delay in exercising on the part of the Bank, any right, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently and are not exclusive of any rights or remedies provided by law.

16. Applicable Law. This Pledge Agreement and the rights and obligations of the parties hereunder shall be construed in accordance with and be governed by the law (without giving effect to the conflict of law principles thereof) of the State of Georgia.

IN WITNESS WHEREOF, the Pledgor has caused this Pledge Agreement to be duly executed and delivered under seal by its duly authorized officers on the day and year first above written.