SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): September 16, 1999

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

Florida	0-13358	59-2273542
(State of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

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

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

(Former Name or Former Address, if Changed Since Last Report)

CAPITAL CITY BANK GROUP, INC.

FORM 8-K
CURRENT REPORT

Item 5. Other Events

On May 7, 1999 Capital City Bank Group, Inc. (the "Company") completed its acquisition of Grady Holding Company ("GHC"), and GHC's subsidiary national bank, First National Bank of Grady County. This acquisition was accounted for as a pooling of interests, and accordingly, the Company's historical financial statements have been restated to reflect the acquisition of GHC.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits.

23	Consent of Independent Certified Public Accountants
27	Financial Data Schedule
99.1	Consolidated Financial Statements for the Company for the Years Ended December 31, 1998, 1997 and 1996
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operation
99.3	Report of Company's Independent Certified Public Accountants

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act

of 1934, the registrant has duly caused this report to be signed
on its behalf by the undersigned hereunto duly authorized.

CAPITAL CITY BANK GROUP, INC.

Date: September 16, 1999

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

CAPITAL CITY BANK GROUP, INC.

Current Report on Form 8-K

Exhibit Index

Exhibit No.	Description
23	Consent of Independent Certified Public Accountants
27	Financial Data Schedule
99.1	Consolidated Financial Statements for the Company for the Years Ended December 31, 1998, 1997 and 1996
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99.3	Report of Company's Independent Certified Public Accountants

Exhibit 23 Consent of Independent Certified Public Accountants

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 8-K into the Company's previosly filed Registration Statement File Nos. 333-20683, 333-18557, 33-60113, 333-36693, and 333-18543.

ARTHUR ANDERSEN LLP

Jacksonville, Florida
September 16, 1999

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CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Data)(1)

	For the Years Ended December 31,		
	1998	1997	1996
INTEREST INCOME			
Interest and Fees on Loans	$75,989	$72,213	$59,068
Investment Securities:			
U.S. Treasury	1,889	1,943	3,089
U.S. Government Agencies/Corp.	3,879	5,590	6,119
States and Political Subdivisions	3,028	3,235	3,540
Other Securities	649	386	332
Funds Sold	3,576	1,614	2,258
Total Interest Income	89,010	84,981	74,406
INTEREST EXPENSE			
Deposits	32,119	29,430	26,192
Short-Term Borrowings	1,904	1,974	1,651
Long-Term Debt	1,225	1,284	717
Total Interest Expense	35,248	32,688	28,560
Net Interest Income	53,762	52,293	45,846
Provision for Loan Losses	2,439	2,328	1,863
Net Interest Income After Provision for Loan Losses	51,323	49,965	43,983
NONINTEREST INCOME			
Service Charges on Deposit Accounts	8,541	8,994	8,468
Data Processing	3,523	3,160	2,969
Income from Fiduciary Activities	1,761	1,202	1,164
Securities Transactions	87	(15)	50
Other	8,672	6,143	4,638
Total Noninterest Income	22,584	19,484	17,289
NONINTEREST EXPENSE			
Salaries and Employee Benefits	26,597	25,919	22,789
Occupancy, Net	3,530	3,214	2,819
Furniture and Equipment	5,280	5,030	4,464
Other	15,037	13,673	11,958
Total Noninterest Expense	50,444	47,836	42,030
Income Before Income Taxes	23,463	21,613	19,242
Income Taxes	8,169	7,212	6,023
NET INCOME	$15,294	$14,401	$13,219
BASIC NET INCOME PER SHARE	$ 1.51	$ 1.44	$ 1.33
DILUTED NET INCOME PER SHARE	$ 1.50	$ 1.43	$ 1.33
Basic Average Common Shares Outstanding	10,146	10,031	9,909
Diluted Average Common Shares Outstanding	10,168	10,061	9,948

(1) All share and per share data have been restated to reflect the pooling-of-interests of Grady Holding Company and its subsidiaries and adjusted to reflect the 3-for-2 stock split effective June 1, 1998.

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

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in Thousands, Except Per Share Data)(1)

	As of December 31,	
	1998	1997
ASSETS		
Cash and Due From Banks	$ 68,398	$ 65,871
Funds Sold	72,625	59,799
Investment Securities, Available-for-Sale	371,597	163,151
Loans, Net of Unearned Interest	844,217	775,451
Allowance for Loan Losses	(9,827)	(9,662)
Loans, Net	834,390	765,789
Premises and Equipment	37,171	33,851
Intangibles	28,772	7,703
Other Assets	30,722	20,487
Total Assets	$1,443,675	$1,116,651

LIABILITIES

Deposits:		
Noninterest Bearing Deposits	$ 287,904	$ 204,382
Interest Bearing Deposits	965,649	718,459
Total Deposits	1,253,553	922,841
Short-Term Borrowings	25,199	46,114
Long-Term Debt	18,746	18,106
Other Liabilities	17,315	13,783
Total Liabilities	1,314,813	1,000,844
SHAREOWNERS' EQUITY		
Preferred Stock; $.01 par value, 3,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, $.01 par value; 90,000,000 shares authorized; 10,163,919 and 10,085,650 shares issued and outstanding	102	101
Additional Paid-In Capital	8,561	6,544
Retained Earnings	119,521	108,555
Accumulated Other Comprehensive Income, Net of Tax	678	607
Total Shareowners' Equity	128,862	115,807
Total Liabilities and Shareowners' Equity	$1,443,675	$1,116,651

(1) All share and per share data have been restated to reflect the pooling-of-interests of Grady Holding Company and its subsidiaries and adjusted to reflect the 3-for-2 stock split effective June 1, 1998.

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

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CONSOLIDATED STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY
(Dollars in Thousands, Except per Share Data)(1)
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<S>	Common Stock <C>	Additional Paid-In Capital <C>	Retained Earnings <C>	Accumulated Other Comprehensive Income, Net of Taxes <C>	Total <C>
Balance, December 31, 1995	$100	$3,892	$ 87,995	$1,071	$ 93,058
Net Income			13,219		13,219
Cash Dividends($.34 per share)			(3,333)		(3,333)
Issuance of Common Stock		1,050			1,050
Net Change in Unrealized Gain (Loss) On Marketable Securities				(985)	(985)
Balance, December 31, 1996	100	4,942	97,881	86	103,009
Net Income			14,401		14,401
Cash Dividends ($.37 per share)			(3,727)		(3,727)
Issuance of Common Stock		1,602			1,602
Net Change in Unrealized Gain (Loss) On Marketable Securities				521	521
Balance, December 31, 1997	101	6,544	108,555	607	115,807
Net Income			15,294		15,294
Cash Dividends($.43 per share)			(4,328)		(4,328)
Issuance of Common Stock	1	2,017			2,018
Net Change in Unrealized Gain (Loss) On Marketable Securities				71	71
Balance, December 31, 1998	$102	$8,561	$119,521	$678	$128,862

(1) All share and per share data have been restated to reflect the pooling-of-interests of Grady Holding Company and its subsidiaries and adjusted to reflect the 3-for-2 stock split effective June 1, 1998

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,
1998 1997 1996

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 15,294	$14,401	$ 13,219
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Provision for Loan Losses	2,439	2,328	1,863
Depreciation	3,565	3,404	2,985
Net Securities Amortization	758	695	1,006
Amortization of Intangible Assets	1,191	856	570
(Gain) on Sale of Investment Securities	(89)	(266)	(12)
Non-Cash Compensation	869	563	589
Deferred Income Taxes	133	213	1,043
Net (Increase) Decrease in Other Assets	(11,017)	(1,711)	1,364
Net Increase (Decrease) in Other Liabilities	3,125	1,572	4,016
Net Cash Provided by Operating Activities	16,268	22,055	26,643
CASH FLOWS FROM INVESTING ACTIVITES:			
Proceeds from Payments/Maturities of Investment Securities Available-for-Sale	84,524	69,850	84,197
Purchase of Investment Securities Available-for-Sale	(123,537)	(10,488)	(60,127)
Net Increase in Loans	(26,388)	(34,812)	(44,991)
Net Cash Received From (Used In) Acquisitions	36,726	-	(16,167)
Purchase of Premises & Equipment	(4,323)	(2,192)	(2,717)
Sales of Premises & Equipment	407	1,379	1,570
Net Cash (Used in) Provided By Investing Activities	(32,591)	23,737	(38,235)
CASH FLOWS FROM FINANCING ACTIVITES:			
Net Increase (Decrease) in Deposits	55,082	(30,011)	(30,522)
Net Increase (Decrease) in Short-Term Borrowings	(20,914)	10,156	21,670
Borrowing from Long-Term Debt	8,241	2,210	17,955
Repayment of Long-Term Debt	(7,600)	(2,951)	(1,090)
Dividends Paid	(4,281)	(3,726)	(5,871)
Issuance of Common Stock	1,148	1,126	461
Net Cash Provided By (Used in) Financing Activities	31,676	(23,196)	2,603
Net Increase (Decrease) in Cash and Cash Equivalents	15,353	22,596	(8,989)
Cash and Cash Equivalents at Beginning of Year	125,670	103,074	112,063
Cash and Cash Equivalents at End of Year	$141,023	$125,670	$103,074
Supplemental Disclosures:			
Interest Paid on Deposits	$ 31,179	$ 31,147	$ 28,995
Interest Paid on Debt	$ 3,128	$ 3,258	$ 2,368
Taxes Paid	$ 8,470	$ 7,308	$ 4,781
Loans Transferred To Other Real Estate	$ 2,011	$ 2,701	$ 2,195

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

Notes to Consolidated Financial Statements

Note 1
SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of Capital City Bank Group, Inc., and its subsidiaries (the "Company"), all of which are wholly-owned. The historical financial statements have been restated for the acquisition of Grady Holding Company and its subsidiaries which were accounted for as a pooling-of-interests (see Note 2). 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 and to reflect a three-for-two stock split effective June 1, 1998. 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, 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

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

Loans

Loans are stated at the principal amount outstanding, net of unearned income. Interest income is generally accrued based on outstanding 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

The reserve is that amount considered adequate to absorb losses inherent in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider the balance of impaired loans (which are defined as all nonperforming loans except residential mortgages and groups of small homogeneous loans), prior loan loss experience as well as the impact of current economic conditions. Specific provision for loan losses is made for impaired loans based on a comparison of the recorded carrying value in the loan to either the present value of the loan's expected cash flow, the loan's estimated market price or the estimated fair value of the underlying collateral. Specific and general provisions for loan losses are also made based on other considerations.

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.

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 goodwill and core deposit assets that were recognized in connection with the various acquisitions. All intangible assets are being amortized on the straight-line method over various periods ranging from five to 25 years with the majority being written off over an average life of approximately 15 years. The amortization of all intangible assets was approximately $1.2 million in 1998, $856,000 in 1997 and $570,000 in 1996.

The Company adopted SFAS No. 122, "Accounting for Mortgage Servicing Rights" on January 1, 1996 and SFAS No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities" on January 1, 1997. The adoption of SFAS Nos. 122 and 125 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, an assessment of recoverability is performed prior to any write-down of the asset.

Comprehensive Income

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income". Statement 130 provides new accounting and reporting standards for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. The adoption of this standard did not have a material impact on reported results of operations of the Company.

Income Taxes

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

Deferred income tax assets and liabilities result from temporary differences between the tax bases of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years.

Note 2
ACQUISITIONS

On May 7, 1999, the Company completed its acquisition of Grady Holding Company and its subsidiary, First National Bank of Grady County in Cairo, Georgia. First National Bank of Grady County is a $114 million asset institution with offices in Cairo and Whigham, Georgia. The Company issued 21.50 shares for each of the 60,910 shares of First National Bank of Grady County.

The consolidated financial statements of the company give effect to the merger which has been accounted for as a pooling-of-interests. Accordingly, financial statements for the prior periods have been restated to reflect the results of operations of these entities on a combined basis from the earliest period presented. Seperate results of operations of the combined entities for the three years ended December 31, 1998 are as follows:

(Dollars in thousands)

	1998	1997	1996
Net Interest Income:			
CCBG	$47,911	$46,524	$40,752
GHC	5,851	5,769	5,094
Combined	$53,762	$52,293	$45,846
Net Income:			
CCBG	$13,188	$12,438	$11,360
GHC	2,106	1,963	1,859
Combined	$15,294	$14,401	$13,219

On December 4 1998, the Company completed its purchase and assumption transaction with First Union National Bank ("First Union") and acquired eight of First Union's branch offices which included deposits. The Company paid a premium of approximately $16.9 million, and assumed approximately $219 million in deposits and acquired certain real estate. The premium is being amortized over ten years.

On January 31, 1998, the Company completed its purchase and assumption transaction with First Federal Savings & Loan Association of Lakeland, Florida ("First Federal-Florida") and acquired five of First Federal-Florida's offices which included loans and deposits. The Company paid a deposit premium of $3.6 million, or 6.33%, and assumed $55 million in deposits and purchased loans equal to $44 million. Four of the five offices were merged into existing offices of Capital City Bank. The deposit premium is being amortized over fifteen years.

Effective July 1, 1996, the Company acquired all of the outstanding shares of First Financial Bancorp, Inc.("First Financial"), parent company of First Federal Bank, for $20 million in cash. At the time of the acquisition, First Financial had approximately $244 million in assets, $192 million in loans, $205 million in deposits, $15 million in equity and operated five offices in North Florida. The acquisition was accounted for under the purchase method of accounting. Accordingly, the Company's consolidated results of operations only reflect First Financial's operations for the periods subsequent to June 30, 1996.

The purchase price of First Financial has been allocated to the underlying assets and liabilities based on the estimated fair values

as of the acquisition date. The Company recorded approximately $7.5 million of intangibles, primarily goodwill related to this acquisition. These assets are being amortized over periods not exceeding 15 years for financial reporting purposes. A significant portion of the amortization of the intangible assets is not deductible for tax purposes.

The following table sets forth the unaudited pro forma summary results of operations for the years ended December 31, 1996 and 1995, assuming the acquisition of First Financial, including the related debt financing, had been consummated as of January 1, 1995. The pro forma results are not necessarily indicative of the results that would have been achieved had the acquisition occurred on January 1, 1995, or that may occur in the future.

(Dollars in Thousands)	1996	1995
Net Interest Income	$49,045	$44,231
Net Income	13,303	11,517
Net Income Per Share(1)	1.34	1.17

(1) All share and per share data have been restated to reflect the pooling-of-interests of Grady Holding Company and its subsidiaries and adjusted to reflect the 3-for-2 stock split effective June 1, 1998.

Note 3
INVESTMENT SECURITIES

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

	1998			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 30,618	$ 203	$ -	$ 30,821
U.S. Government Agencies and Corporations	74,035	247	319	73,963
States and Political Subdivisions	94,917	1,159	24	96,052
Mortgage-Backed Securities	93,183	205	443	92,945
Other Securities	77,770	159	113	77,816
Total Investment Securities	$370,523	$1,973	$899	$371,597

	1997			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
U.S. Treasury	$ 26,845	$ 42	$ 4	$ 26,883
U.S. Government Agencies and Corporations	39,278	98	65	39,311
States and Political Subdivisions	64,643	619	10	65,252
Mortgage-Backed Securities	26,030	355	49	26,336
Other Securities	5,407	1	19	5,369
Total Investment Securities	$162,183	$1,115	$147	$163,151

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 as follows:

(Dollars in Thousands)

Year	Total Proceeds	Gross Realized Gains	Gross Realized Losses
1998	$46,861	$117	$30
1997	$37,964	$ 18	$33
1996	$49,302	$ 80	$30

Total proceeds include principal reductions in mortgage-backed securities and proceeds from securities which were called of $27,236,000, $29,091,000, and $37,359,000 in 1998, 1997, and 1996, respectively.

As of December 31, 1998, the Company's investment securities had the following maturity distribution based on contractual maturities:

(Dollars in Thousands)	Amortized Cost	Market Value
Due in one year or less	$ 81,429	$ 81,604
Due after one through five years	152,566	153,467
Due after five through ten years	38,769	39,025
Over ten years	4,576	4,556
Mortgage-Backed Securities	93,183	92,945
Total Investment Securities	$370,523	$371,597

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 $66,934,000 and $53,398,000 at December 31, 1998, and 1997, respectively, 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)	1998	1997
Commercial, Financial and Agricultural	$ 91,246	$ 82,641
Real Estate - Construction	51,790	51,098
Real Estate - Mortgage	542,044	492,778
Consumer	159,137	148,934
Total Loans, Net of Unearned Interest	$844,217	$775,451

Nonaccruing loans amounted to $4,996,000 and $1,403,000 at December 31, 1998 and 1997, respectively. Restructured loans amounted to $195,000 and $224,000 at December 31, 1998 and 1997, respectively. If such nonaccruing and restructured loans had been on a fully accruing basis, interest income would have been $384,000 higher in 1998 and $67,000 higher in 1997.

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)	1998	1997	1996
Balance, Beginning of Year	$9,662	$9,450	$7,522
Acquired Reserves	-	-	1,769
Provision for Loan Losses	2,439	2,328	1,863
Recoveries on Loans Previously Charged-Off	883	946	700
Loans Charged-Off	(3,157)	(3,062)	(2,404)
Balance, End of Year	$9,827	$9,662	$9,450

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

	1998		1997	
(Dollars in Thousands)	Balance	Valuation Allowance	Balance	Valuation Allowance
With Related Credit Allowance	$ 2,433	$ 427	$ 21	$ 10
Without Related Credit Allowance	1,347	-	949	-
Average Recorded Investment for the Period	4,985	-	2,894	-

The Company recognizes income on impaired loans primarily on the cash basis. Any change in the present value of expected cash flows is recognized through the allowance for loan losses. For the years ended December 31, 1998, 1997 and 1996, the Company recognized $84,000, $140,000, and $26,000, in interest income on impaired loans, of which $31,000, $138,000, and $25,000 and was collected in cash, respectively.

Note 6
PREMISES AND EQUIPMENT

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

(Dollars in Thousands)	1998	1997
Land	$ 9,259	$ 8,580
Buildings	32,399	25,966
Fixtures and Equipment	27,522	25,422
Total	69,180	59,968
Accumulated Depreciation	(32,009)	(26,117)
Premises and Equipment, Net	$37,171	$33,851

Note 7
DEPOSITS

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

(Dollars in Thousands)	1998	1997
NOW Accounts	$154,069	$127,885
Money Market Accounts	124,691	82,259
Savings Accounts	118,570	87,047
Other Time Deposits	568,319	421,268
Total	$965,649	$718,459

Time deposits in denominations of $100,000 or more totaled $103,791,000 and $51,646,000 at December 31, 1998 and 1997, respectively.

At December 31, 1998, the scheduled maturities of other time deposits were as follows:

1999	$470,997
2000	75,001
2001	12,741
2002	6,442
2003 and thereafter	3,138
	$568,319

The average balances maintained on deposit with the Federal Reserve Bank for the years ended December 31, 1998 and 1997, were $27,187,000 and $27,564,000, respectively.

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

(Dollars in Thousands)	1998	1997	1996
NOW Accounts	$ 2,223	$ 1,978	$ 2,091
Money Market Accounts	2,562	2,510	2,622
Savings Accounts	2,243	2,008	2,115
Other Time Deposits	25,091	22,934	19,364
Total	$32,119	$29,430	$26,192

Note 8
SHORT-TERM BORROWINGS
Short-term borrowings included the following at December 31:

(Dollars in Thousands)	Federal Funds Purchased	Securities Sold Under Repurchase Agreements	Other Short-Term Borrowings
1998			
Balance	$ 6,120	$17,042	$ 2,037
Maximum indebtedness at any month end	29,255	18,770	2,037
Daily average indebtedness outstanding	22,159	15,635	1,190
Average rate paid for the year	5.19%	4.43%	5.23%
Average rate paid on period-end borrowings	3.79%	6.15%	3.88%
1997			
Balance	$29,190	$15,432	$ 1,492
Maximum indebtedness at any month end	29,660	18,930	7,043
Daily average indebtedness outstanding	17,542	13,976	5,976
Average rate paid for the year	5.34%	5.17%	5.27%
Average rate paid on period-end borrowings	4.24%	4.88%	5.36%

Note 9
LONG-TERM DEBT

Long-term debt included the following at December 31:

(Dollars in Thousands)	1998	1997
Federal Home Loan Bank Note		
Due on December 19, 2005, fixed rate of 6.04%	$ 1,652	$ 1,762
Due on December 13, 2006, fixed rate of 6.20%	1,068	1,134
Due on March 14, 2013, fixed rate of 6.13%	975	-
Due on September 20, 2013, fixed rate of 5.64%	1,387	-
Due on December 17, 2018, fixed rate of 6.33%	2,000	-
Due on December 24, 2018, fixed rate of 5.34%	875	-
Due during 1999, variable rate	1,000	1,000
Due during 2001, fixed rate of 5.0%	361	-
Due during 2004, fixed rate of 6.5%	581	-
Due during 2007, fixed rate of 7.3%	475	-
Due on December 16, 2004, fixed rate of 6.52%	-	437
Due on December 16, 2004, fixed rate of 6.52%	-	241
Due on April 24, 2007, fixed rate of 7.30%	-	532
IBM Note Payable		
Due on December 31, 2000, fixed rate of 3.77%	372	-
Revolving credit note,		
Due on November 16, 2001, rates ranging from 6.23% - 7.22%	8,000	13,000
Total outstanding	$18,746	$18,106

The contractual maturites of long-term debt for the five years succeeding December 31, 1998, are as follows:

1999	$ 6,041
2000	3,559
2001	1,243
2002	394
2003 and thereafter	7,509
	$18,746

The Federal Home Loan Bank advances are collateralized with U.S. Treasury Securities and 1-4 family mortgages. Interest on the Federal Home Loan Bank advances is paid on a monthly basis.

The IBM note payable is being paid over 36 monthly installments which includes principal and interest.

Upon expiration of the revolving credit, the outstanding balance may be converted to a term loan and repaid over a period of seven years. The Company, at its option, may select from various loan rates including the following: Prime, LIBOR, or the lender's cost of funds rate, plus or minus increments thereof. The LIBOR or cost of funds rates may be fixed for a period up to six months. The revolving credit is unsecured, but upon conversion is to be collateralized by common stock of the subsidiary bank equal to 125% of the principal balance of the loan. The existing loan agreement places certain restrictions on the amount of capital which must be maintained by the Company. At December 31, 1998, the Company was in compliance with all of the terms of the agreement and had $17 million available under a $25 million line of credit facility.

Note 10
INCOME TAXES

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

(Dollars in Thousands)	1998	1997	1996
Current:			
Federal	$7,185	$6,076	$4,469
State	851	923	511
Deferred:			
Federal	117	182	891
State	16	31	152
Total	$8,169	$7,212	$6,023

The net deferred tax asset and the temporary differences comprising that balance at December 31, 1998 and 1997, are as follows:

(Dollars in Thousands)	1998	1997
Deferred Tax Asset attributable to:		
Allowance for Loan Losses	$2,806	$2,736
Stock Incentive Plan	491	764
Interest on Nonperforming Loans	144	-
Other	95	172
Total Deferred Tax Asset	$3,536	$3,672
Deferred Tax Liability attributable to:		
Employee Benefits	$1,298	$1,055
Premises and Equipment	888	964
Deferred Loan Fees	336	392
Unrealized Gains on Investment Securities	395	356
Acquired Deposits	127	177
Securities Accretion	89	94
Other	84	143
Total Deferred Tax Liability	3,217	3,181
Net Deferred Tax Asset	$ 319	$ 491

Income taxes provided were less than the tax expense computed by applying the statutory federal income tax rates to income. The primary differences are as follows:

(Dollars in Thousands)	1998	1997	1996
Statutory Rate	35%	35%	35%
Computed Tax Expense	$8,212	$7,565	$6,735
Increases (Decreases)			
Resulting From:			
Tax-Exempt Interest Income	(972)	(1,065)	(1,132)
State Income Taxes,			
Net of Federal Income			
Tax Benefit	544	393	351
Other	385	319	69
Actual Tax Expense	$8,169	$7,212	$6,023

Note 11

ASSOCIATE BENEFITS

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

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

(Dollars in Thousands)	1998	1997	1996
Change in Benefit Obligation:			
Benefit Obligation at Beginning of Year	$21,159	$17,551	$14,565
Service Cost	1,678	1,517	1,241
Interest Cost	1,478	1,331	1,156
Plan Participants' Contributions	-	-	-
Amendments	-	-	-
Actuarial Loss	1,181	1,342	83
Remeasurement Loss	169	324	981
Acquisition	-	-	569
Benefits Paid	(3,186)	(671)	(897)
Expenses Paid	(268)	(235)	(147)
Benefit Obligation at End of Year	$22,211	$21,159	$17,551
Change in Plan Assets:			
Fair Value of Plan Assets at Beginning of Year	$25,826	$20,041	$16,733
Actual Return on Plan Assets	5,382	4,918	2,718
Acquisition	-	-	-
Employer Contribution	1,494	1,773	1,634
Plan Participants' Contributions	-	-	-
Benefits Paid	(3,186)	(671)	(897)
Expenses Paid	(268)	(235)	(147)
Fair Value of Plan Assets at End of Year	$29,248	$25,826	$20,041
Funded Status	$ 7,036	$ 4,667	$ 2,490
Unrecognized Net Actuarial (Gain) Loss	(2,919)	(957)	852
Unrecognized Prior Service Cost	(704)	(940)	(1,176)
Prepaid Benefit Cost	$ 3,413	$ 2,770	$ 2,166
Weighted-Average Assumptions:			
Discount Rate	6.50%	7.00%	7.50%
Expected Return on Plan Assets	8.25%	8.25%	8.25%
Rate of Compensation Increase	5.50%	5.50%	5.50%
Components of Net Periodic Benefit Costs:			
Service Cost	$ 1,678	$ 1,517	$ 1,241
Interest Cost	1,478	1,331	1,156
Expected Return on Plan Assets	(2,103)	(1,630)	(1,307)
Amortization of Prior Service Cost	164	164	164
Transition Asset Recognition	(236)	(236)	(236)
Recognized Net Actuarial (Gain) Loss	(131)	24	130
Net Periodic Benefit Cost	$ 850	$ 1,170	$ 1,148

The Company has a Supplemental Employee Retirement Plan covering selected executives. Benefits under this plan generally are based on the associate's years of service and compensation during the years immediately preceding retirement. The Company recognized expense during 1998, 1997 and 1996 of $193,000, $201,000 and $145,000 respectively, and a minimum liability adjusted to $0, $19,148 and $69,653 at December 31, 1998, 1997 and 1996 respectively.

The Company has an Associate Incentive Plan under which shares of the Company's stock are issued as incentive awards to selected participants. Seven hundred fifty thousand shares of common stock are reserved for issuance under this plan. The expense recorded related to this plan was approximately $735,000, $1,210,000, and $740,000 in 1998, 1997 and 1996, respectively. The Company issued 48,508 shares under the plan in 1998.

The Company has an Associate Stock Purchase Plan under which associates may elect to make a monthly contribution towards the purchase of Company stock on a semi-annual basis. Four hundred fifty thousand shares of common stock are reserved for issuance under the Stock Purchase Plan. The Company issued 30,314 shares under the plan in 1998.

The Company has a Director Stock Purchase Plan. One hundred fifty thousand shares have been reserved for issuance. In 1998, the Company issued 14,052 shares under this plan.

The Company has a 401(k) Plan which enables associates to defer a portion of their salary on a pre-tax basis. The plan covers substantially all associates of the Company who meet minimum age requirements. The plan is designed to enable participants to elect to have an amount from 1% to 15% of their compensation withheld in any plan year placed in the 401(k) Plan trust account. Matching contributions from the Company can be made up to 6% of the participant's compensation at the discretion of the Company. During 1998, no contributions were made by the Company. The participant may choose to invest their contributions into seven investment funds available to CCBG participants, including the Company's common stock.

The Company has a Dividend Reinvestment and Optional Stock Purchase Plan. Seven hundred fifty thousand shares have been reserved for issuance. The Company did not issue any shares under this plan in 1998.

Note 12
EARNINGS PER SHARE

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

(Dollars in Thousands, Except Per share Data)(1)

	1998	1997	1996
Numerator:			
Net Income	$ 15,294	$ 14,401	$ 13,219
Preferred Stock Dividends	-	-	-
Numerator for Basic Earnings Per Share Income to Common Shareowners'	15,294	14,401	13,219
Effect of Dilutive securities:			
Preferred stock dividends	-	-	-
Numerator for Diluted Earnings Per Share Income Available to Common Shareowners' After Assumed Conversions	$ 15,294	$ 14,401	$ 13,219
Denominator:			
Denominator for Basic Earnings Per Share Weighted-Average Shares	10,146,393	10,031,116	9,908,762
Effects of Dilutive Securities:			
Associate Stock Incentive Plan	21,237	32,736	39,314
Dilutive Potential Common Shares	21,237	32,736	39,314
Denominator for Diluted Earnings Per Share Adjusted Weighted-Average Shares and Assumed Conversions	10,167,630	10,060,852	9,948,076
Basic Earnings Per Share	$ 1.51	$ 1.44	$ 1.33
Diluted Earnings per Share	$ 1.50	$ 1.43	$ 1.33

(1) All share and per share data have been restated to reflect the pooling-of-interests of Grady Holding Company and its subsidiaries and adjusted to reflect the 3-for-2 stock split effective June 1, 1998.

The Company adopted SFAS No. 128, "Earnings Per Share" on December 31, 1997. The adoption of the SFAS No. 128 did not have a significant impact on the reported results of operation.

Note 13
CAPITAL

The Company is subject to various regulatory capital requirements which involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items. The Company's capital amounts and classification are subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require that the Company maintain amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighed assets, and of Tier I capital to average assets. As of December 31, 1998, the Company meets all capital adequacy requirements to which it is subject.

A summary of actual, required, and capital levels necessary to be considered well-capitalized for Capital City Bank Group, Inc. ("CCBG, Inc.") consolidated and its banking subsidiaries, Capital City Bank ("CCB") and First National Bank of Grady County ("FNB"),as of December 31, 1998 and December 31, 1997 are shown below:

(Dollars in Thousands)

Required	To Be Well-Capitalized Under

	Actual		For Capital Adequacy Purposes		Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 1998:						
Tier I Capital:						
CCBG, Inc.	$ 99,473	10.14%	$41,262	4.00%	$61,893	6.00%
CCB	87,355	9.73%	35,929	4.00%	53,894	6.00%
FNB Grady	16,536	19.86%	5,347	4.00%	8,021	6.00%
Total Capital:						
CCBG, Inc.	108,977	11.11%	82,525	8.00%	103,156	10.00%
CCB	95,814	10.67%	71,859	8.00%	89,823	10.00%
FNB Grady	17,581	21.11%	10,695	8.00%	13,369	10.00%
Tier I Leverage:						
CCBG, Inc.		7.84%		3.00%		5.00%
CCB		7.62%		3.00%		5.00%
FNB Grady		14.77%		3.00%		5.00%
As of December 31, 1997:						
Tier I Capital:						
CCBG, Inc.	$107,515	14.43%	$29,805	4.00%	$44,707	6.00%
CCB	101,386	15.18%	26,707	4.00%	40,078	6.00%
FNB Grady	14,767	19.47%	3,033	4.00%	4,550	6.00%
Total Capital:						
CCBG, Inc.	116,790	15.67%	59,610	8.00%	74,512	10.00%
CCB	109,708	16.43%	53,416	8.00%	66,796	10.00%
FNB Grady	15,720	20.73%	6,067	8.00%	7,583	10.00%
Tier I Leverage:						
CCBG, Inc.		9.65%		3.00%		5.00%
CCB		10.05%		3.00%		5.00%
FNB Grady		14.12%		3.00%		5.00%

Note 14
DIVIDEND RESTRICTIONS

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

The approval of the appropriate regulatory authority is required if the total of all dividends declared by a subsidiary bank in any calendar year exceeds the bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. In 1999, the bank subsidiaries may declare dividends without regulatory approval of $17.6 million plus an additional amount equal to the net profits of the Company's subsidiary banks for 1999 up to the date of any such dividend declaration.

Note 15
RELATED PARTY INFORMATION

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 $340,000, $295,000 and $347,000 during 1998, 1997, and 1996, 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 $65,000, to be adjusted for inflation in future years.

At December 31, 1998 and 1997, certain officers and directors were indebted to the Company's bank subsidiaries in the aggregate amount of $8,831,000 and $13,688,987, respectively. During 1998, $9,554,000 in new loans were made and repayments totaled $14,411,987. These loans were made on similar terms as loans to other individuals of comparable creditworthiness.

Note 16
SUPPLEMENTARY INFORMATION

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

(Dollars in Thousands)	1998	1997	1996
Noninterest Income:			
Merchant Fee Income	$1,184	$1,126	$ 978

Interchange Commission Fees	1,004	621*	639*
Gains on the Sale of			
Real Estate Loans	1,625	853	241*
Noninterest Expense:			
Associate Insurance	1,448	1,357	1,250
Payroll Taxes	1,485	1,352	1,199
Maintenance and Repairs	2,773	2,306	2,331
Professional Fees	1,337	1,341	1,273
Printing & Supplies	1,811	1,646	1,690
Commission/Service Fees	1,336	1,078	819*
Telephone	1,158	942*	848*

*Less than 1% of the appropriate threshold.

Note 17
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'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, 1998, the amounts associated with the Company's off-balance-sheet obligations were as follows:

(Dollars in Thousands)	Amount
Commitments to Extend Credit(1)	$251,901
Standby Letters of Credit	$ 2,290

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

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

Note 18
FAIR VALUE OF FINANCIAL INSTRUMENTS

Many of the Company's assets and liabilities are short-term financial instruments whose carrying values approximate fair value. These items include Cash and Due From Banks, Interest Bearing Deposits with Other Banks, Federal Funds Sold, Federal Funds Purchased 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 as the current rate approximates the market rate.

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 counterparts. 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:

	At December 31,			
	1998		1997	
(Dollars in Thousands)	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets:				
Loans, Net of Allowance for Loan Losses	$ 834,390	$ 855,574	$765,789	$771,329
Financial Liabilities:				
Deposits	1,253,553	1,233,623	922,841	923,088

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 19
PARENT COMPANY FINANCIAL INFORMATION

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)	1998	1997	1996
OPERATING INCOME			
Income Received from Subsidiary Banks:			
Dividends	$ 7,190	$ 6,870	$ 9,870
Overhead Fees	4,007	3,868	3,123
Total Operating Income	11,197	10,738	12,993
OPERATING EXPENSE			
Salaries and Employee Benefits	2,171	2,445	2,353
Interest on Debt	832	988	523
Professional Fees	527	617	332
Advertising	711	597	430
Restructuring Charge	-	338	-
Legal Fees	115	126	85
Other	696	526	482
Total Operating Expense	5,052	5,637	4,205
Income Before Income Taxes and Equity in Undistributed Earnings of Subsidiary Banks	6,145	5,101	8,788
Income Tax Benefit	(394)	(670)	(378)
Income Before Equity in Undistributed Earnings of Subsidiary Banks	6,539	5,771	9,166
Equity in Undistributed Earnings of Subsidiary Banks	8,755	8,630	4,053
Net Income	$15,294	$14,401	$13,219

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

Parent Company Statements of Financial Condition

(Dollars in Thousands)	1998	1997
ASSETS		
Cash and Due From Group Banks	$ 4,749	$ 4,699
Investment in Subsidiary Banks	132,727	124,600

Other Assets	512	997
Total Assets	$137,988	$130,296
LIABILITIES		
Long-Term Debt	$ 8,000	$ 13,000
Other Liabilities	1,126	1,489
Total Liabilities	9,126	14,489
SHAREOWNERS' EQUITY		
Preferred Stock; $.01 par value, 3,000,000 shares authorized; no shares issued and outstanding	-	-
Common Stock, $.01 par value; 90,000,000 shares authorized; 10,163,919 and 10,085,650 shares issued and outstanding	102	101
Additional Paid-in Capital	8,561	6,544
Retained Earnings	119,521	108,555
Accumulated Other Comprehensive Income, Net of Tax	678	607
Total Shareowners' Equity	128,862	115,807
Total Liabilities and Shareowners' Equity	$137,988	$130,296

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

Parent Company Statements of Cash Flows

	1998	1997	1996
Cash Flows From Operating Activities:			
Net Income	$15,294	$14,401	$13,219
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Equity in undistributed earnings of Subsidiary Banks	(8,755)	(8,630)	(4,053)
Non-Cash Compensation	868	563	589
Amortization of Goodwill	25	25	29
Decrease (Increase) in Other Assets	1,155	(295)	(476)
Net (Decrease) Increase in Other Liabilities	(357)	299	137
Net Cash Provided by Operating Activities	8,230	6,363	9,445
Cash From Financing Activities:			
Borrowings of Long-Term Debt	-	-	15,000
Acquisition of First Financial	-	-	(20,666)
Acquisition of Interest-Bearing Deposits	-	(141)	(375)
Repayment of Long-Term Debt	(5,000)	(2,000)	-
Payment of Dividends	(4,328)	(3,727)	(3,333)
Issuance of Common Stock, Net	1,148	1,040	461
Net Cash Used in Financing Activities	(8,180)	(4,828)	(8,913)
Net Increase in Cash	50	1,535	532
Cash at Beginning of Period	4,699	3,164	2,632
Cash at End of Period	$ 4,749	$ 4,699	$ 3,164

Note 20
CORPORATE REORGANIZATION

On October 18, 1997, the Company consolidated its three remaining bank affiliates, Levy County State Bank, Farmers & Merchants Bank of Trenton and Branford State Bank into Capital City Bank. The consolidation enabled 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. The Company's operating results for 1997 included pre-tax charges of $655,000, which were attributable to the corporate reorganization.

Note 21
COMPREHENSIVE INCOME

In June 1997, the Financial Accounting Standard Board issued SFAS No. 130, "Reporting Comprehensive Income", which requires that certain transactions and other economic events that bypass the income statement must be displayed as other comprehensive income. The Company's comprehensive income consists of net income and changes in unrealized gains (losses) on securities available-for-sale, net of income taxes.

Comprehensive income for 1998, 1997 and 1996 was calculated as follows:

(Dollars in Thousands)	1998	1997	1996
Net Unrealized Gains (Losses) Recognized in Other Comprehensive Income:			
Before Tax	$ 109	$ 802	$(1,515)
Less Income Tax	38	281	530
Net of Tax	71	521	(985)

Amounts Reported in Net Income:			
Gain (Loss) On Sale of Securities	87	(15)	50
Net Amortization (Accretion)	758	695	1,006
Reclassification Adjustment	845	680	1,056
Less Income Tax Expense	296	238	370
Reclassification Adjustment, Net of Tax	549	442	686
Amounts Reported in Other Comprehensive Income:			
Unrealized Gain (Loss) Arising During the Period, Net of Tax	620	963	(299)
Net Unrealized Gains (Losses) Recognized in Reclassification Adjustments, Net of Tax	(549)	(442)	(686)
Other Comprehensive Income	71	521	(985)
Net Income	15,294	14,401	13,219
Total Comprehensive Income	$15,365	$14,922	$12,234

Selected Financial & Other Data
(Dollars in Thousands, Except Per Share Data)(1)

	For the Years Ended December 31,				
	1998	1997	1996	1995	1994
Interest Income	$ 89,010	$ 84,981	$ 74,406	$ 62,117	$ 54,065
Net Interest Income	53,762	52,293	45,846	38,763	37,281
Provision for Loan Losses	2,439	2,328	1,863	556	1,578
Net Income	15,294	14,401	13,219	11,181	10,183
Per Common Share:					
Basic Net Income	$ 1.51	$ 1.44	$ 1.33	$ 1.13	$ 1.03
Diluted Net Income	1.50	1.43	1.33	1.13	1.03
Cash Dividends Declared	.43	.37	.34	.29	.26
Book Value	12.70	11.54	10.39	9.42	8.45
Based on Net Income:					
Return on Average Assets	1.30%	1.30%	1.31%	1.31%	1.22%
Return on Average Equity	12.37	13.10	13.52	12.72	12.67
Dividend Pay-out Ratio	28.20	26.10	25.45	25.38	25.23
Averages for the Year:					
Loans, Net of Unearned Interest	$ 824,197	$ 770,416	$ 631,437	$493,654	$462,290
Earning Assets	1,065,677	1,000,466	908,137	764,259	744,458
Assets	1,180,785	1,108,088	1,012,480	855,894	831,655
Deposits	985,119	924,891	856,540	735,966	721,651
Long-Term Debt	18,041	19,412	10,895	71	1,144
Shareowners' Equity	123,647	109,948	97,738	87,878	80,399
Year-End Balances:					
Loans, Net of Unearned Interest	$ 844,217	$ 775,451	$ 741,376	$505,314	$476,221
Earning Assets	1,288,439	998,401	996,827	799,243	723,371
Assets	1,443,675	1,116,651	1,123,221	905,856	828,951
Deposits	1,253,553	922,841	952,744	778,161	722,571
Long-Term Debt	18,746	18,106	18,847	1,982	-
Shareowners' Equity	128,862	115,807	103,009	93,058	83,251
Equity to Assets Ratio	8.93%	10.37%	9.17%	10.27%	10.04%
Other Data:					
Basic Average Shares Outstanding	10,146,393	10,031,116	9,908,762	9,869,267	9,852,041
Shareowners of Record(2)	1,334	1,234	1,045	973	801
Banking Locations(2)	46	39	38	32	31
Full-Time Equivalent Associates(2)	677	637	617	544	528

(1) All share and per share data have been restated to reflect the pooling-of-interests of Grady Holding Company and its subsidiaries and adjusted to reflect the 3-for-2 stock split effective June 1, 1998.

(2) As of March 1st of the following year.

Management's Discussion and Analysis of Financial Condition and Results of Operations

FINANCIAL REVIEW

The following analysis reviews important factors affecting the financial condition and results of operations of Capital City Bank Group, Inc., for the periods shown below. The Company, has made, and may continue to make, various forward-looking statements with respect to financial and business matters that involve numerous assumptions, risks and uncertainties. The following is a list of factors, among others, that could cause actual results to differ materially from the forward-looking statements: general and local economic conditions, competition for the Company's customers from other banking and financial institutions, government legislation and regulation, changes in interest rates, the impact of rapid growth, significant changes in the loan portfolio composition, and other risks described in the Company's filings with the Securities and Exchange Commission, all of which are difficult to predict and many of which are beyond the control of the Company.

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 1998 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 subsidiary bank is referred to as the "Bank" or "CCB".

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, quarterly averages have been presented for analysis and have been noted as such. See Table 2 for annual averages and Table 14 for financial information presented on a quarterly basis.

All prior period share and per share data have been adjusted to reflect a three-for-two stock split effective June 1, 1998, and a two-for-one stock split effective April 1, 1997 and the pooling-of-interests for Grady Holding Company.

On May 7, 1999, the Company completed its acquisition of Grady Holding Company and its subsidiary, First National Bank of Grady County in Cairo, Georgia. First National Bank of Grady County is a $114 million asset institution with offices in Cairo and Whigham, Georgia. The Company issued 21.50 shares for each of the 60,910 shares of First National Bank of Grady County.

On December 4, 1998, the Company completed its purchase and assumption transaction with First Union National Bank ("First Union") and acquired eight of First Union's branch offices which included deposits. The Company paid a deposit premium of $16.9 million, and assumed $219 million in deposits and acquired certain real estate. The deposit premium is being amortized over ten years. Average balances and earnings of the Company for 1998 were not significantly impacted by the acquisition.

On January 31, 1998, the Company completed its purchase and assumption transaction with First Federal Savings & Loan Association of Lakeland, Florida ("First Federal-Florida") and acquired five of First Federal-Florida's branch offices which included loans and deposits. The Company paid a premium of $3.6 million, or 6.33%, and assumed $55 million in deposits and purchased loans equal to $44 million. Four of the five offices were merged into existing offices of Capital City Bank. The premium is being amortized over fifteen years.

On October 18, 1997, the Company consolidated its three remaining bank affiliates into Capital City Bank. See Note 20 in the Notes to Consolidated Financial Statements for further information.

On July 1, 1996, the Company completed its acquisition of First Financial Bancorp, Inc. and its wholly-owned subsidiary, First Federal Bank (collectively referred to as "First Financial"). The acquisition was accounted for as a purchase. Operating results of First Financial are included in the Company's consolidated financial statements presented herein for all periods subsequent to June 30, 1996. On

December 6, 1996, First Federal Bank was merged into the Company's lead bank, Capital City Bank. Financial comparisons to prior year periods are not necessarily comparable due to the impact of the acquisition.

The bank is headquartered in Tallahassee and, as of December 31, 1998, had forty-four offices covering seventeen counties.

EARNINGS ANALYSIS

In 1998, the Company's earnings were $15.3 million, or $1.51 per basic share, This compares to earnings of $14.4 million, or $1.44 per basic share, in 1997, and $13.2 million, or $1.33 per basic share, in 1996. The Company's diluted per share earnings were $1.50 in 1998, $1.43 in 1997 and $1.33 in 1996, respectively.

On a per diluted share basis, earnings increased 4.9% in 1998 versus 7.5% in 1997. Growth in operating revenues (defined as net interest income plus noninterest income) of $4.4 million, or 5.9%, was the most significant factor contributing to increased earnings in 1998. This 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)(1)

	For the Years Ended December 31,		
	1998	1997	1996
Interest Income	$89,010	$84,981	$74,406
Taxable Equivalent Adjustments	1,402	1,610	1,771
Total Interest Income (FTE)	90,412	86,591	76,177
Interest Expense	35,248	32,688	28,560
Net Interest Income (FTE)	55,164	53,903	47,617
Provision for Loan Losses	2,439	2,328	1,863
Taxable Equivalent Adjustments	1,402	1,610	1,771
Net Interest Income After Provision for Loan Losses	51,323	49,965	43,983
Noninterest Income	22,584	19,484	17,289
Noninterest Expense	50,444	47,836	42,030
Income Before Income Taxes	23,463	21,613	19,242
Income Taxes	8,169	7,212	6,023
Net Income	$15,294	$14,401	$13,219
Basic Net Income Per Share	$ 1.51	$ 1.44	$ 1.33
Diluted Net Income Per Share	$ 1.50	$ 1.43	$ 1.33

(1) All share and per share data have been restated to reflect the pooling-of-interests of Grady Holding Company and its subsidiaries and adjusted to reflect the 3-for-2 stock split effective June 1, 1998.

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 1998, taxable-equivalent net interest income increased $1.3 million, or 2.4%. This follows an increase of $6.3 million, or 13.2% in 1997, and $7.3 million, or 18.0%, in 1996. Taxable equivalent net interest income during 1998 is attributable to growth in earning assets. The favorable impact of asset growth was partially offset by declining yields reflecting the overall decline in general interest rates.

<TABLE>
Table 2
AVERAGE BALANCES AND INTEREST RATES
(Taxable Equivalent Basis - Dollars in Thousands)
<CAPTION>

	1998			1997			1996		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:									
Loans, Net of Unearned Interest(1)(2)	$ 824,197	$76,104	9.23%	$ 770,416	$72,365	9.39%	$ 631,437	$59,210	9.38%

Taxable Investment Securities	107,484	6,417	5.97	124,576	7,919	6.36	153,031	9,540	6.23
Tax-Exempt Investment Securities(2)	67,297	4,315	6.41	69,956	4,693	6.71	73,962	5,169	6.99
Funds Sold	66,699	3,576	5.36	35,518	1,614	4.54	49,707	2,258	4.54
Total Earning Assets	1,065,677	90,412	8.48	1,000,466	86,591	8.66	908,137	76,177	8.39
Cash & Due From Banks	53,293			53,255			56,406		
Allowance For Loan Losses	(10,056)			(9,736)			(8,645)		
Other Assets	71,871			64,103			56,582		
TOTAL ASSETS	$1,180,785			$1,108,088			$1,012,480		
Liabilities:									
NOW Accounts	$ 119,134	$ 2,223	1.87%	$ 115,663	$ 1,978	1.71%	$ 116,497	$ 2,091	1.79%
Money Market Accounts	86,244	2,562	2.97	83,684	2,510	3.00	88,642	2,622	2.96
Savings Accounts	101,007	2,243	2.22	95,323	2,008	2.11	95,935	2,115	2.20
Other Time Deposits	469,087	25,091	5.35	433,300	22,934	5.29	371,241	19,364	5.22
Total Interest Bearing Deposits	775,472	32,119	4.14	727,970	29,430	4.04	672,315	26,192	3.90
Funds Purchased	37,797	1,842	4.87	31,518	1,659	5.26	25,181	1,229	4.88
Other Short-Term Borrowings	1,190	62	5.21	5,976	315	5.27	7,016	422	6.43
Long-Term Debt	18,041	1,225	6.79	19,412	1,284	6.61	10,895	717	6.31
Total Interest Bearing Liabilities	832,500	35,248	4.23	784,876	32,688	4.16	715,407	28,560	3.99
Noninterest Bearing Deposits	209,647			196,921			184,225		
Other Liabilities	14,991			16,343			15,110		
TOTAL LIABILITIES	1,057,138			998,140			914,742		
Shareowners' Equity:									
Common Stock	102			100			100		
Additional Paid-In Capital	8,040			5,831			4,825		
Retained Earnings	115,505			104,017			92,813		
TOTAL SHAREOWNERS' EQUITY	123,647			109,948			97,738		
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$1,180,785			$1,108,088			$1,012,480		
Interest Rate Spread			4.25%			4.50%			4.40%
Net Interest Income		$55,164			$53,903			$47,617	
Net Interest Margin(3)			5.18%			5.39%			5.24%

(1) Average balances include nonaccrual loans. Interest income includes fees on loans of approximately $3,233,000, $2,913,000 and $2,241,000 in 1998, 1997, and 1996, respectively.
(2) Interest income includes the effects of taxable equivalent adjustments using a 35% tax rate to adjust interest on tax-exempt loans and securities to a taxable equivalent basis.
(3) Tax-equivalent net interest income divided by earning assets.

</TABLE>

<TABLE>
Table 3
RATE/VOLUME ANALYSIS(1)
(Taxable Equivalent Basis - Dollars in Thousands)
<CAPTION>

	1998 Changes from 1997			1997 Changes from 1996		
		Due To Average			Due To Average	
	Total	Volume	Rate	Total	Volume	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
EARNING ASSETS:						
Loans, Net of Unearned Interest(2)	$3,739	$4,965	$(1,226)	$13,155	$13,055	$ 100
Investment Securities						
Taxable	(1,502)	(1,020)	(482)	(1,621)	(1,809)	188
Tax-Exempt	(378)	(170)	(208)	(476)	(269)	(207)
Funds Sold	1,962	1,650	312	(644)	(645)	1
Total	3,821	5,425	(1,604)	10,414	10,332	82
Interest Bearing Liabilities:						
NOW Accounts	245	(149)	394	(113)	(14)	(99)

Money Market Accounts	52	(35)	87	(112)	(149)	37
Savings Accounts	235	(88)	323	(107)	(13)	(94)
Other Time Deposits	2,157	(941)	3,098	3,570	3,285	285
Funds Purchased	183	306	(123)	430	334	96
Other Short-Term Borrowings	(253)	(249)	(4)	(136)	(55)	(81)
Long-Term Debt	(59)	(242)	183	596	563	33
Total	2,560	(1,398)	3,958	4,128	3,951	177
Changes in Net Interest Income	$1,261	$6,823	$(5,562)	$ 6,286	$ 6,381	$ (95)

(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 changes.

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

For the year 1998, taxable equivalent interest income increased $3.8 million, or 4.4%, over 1997, compared to an increase of $10.4 million, or 13.7%, in 1997 over 1996. The Company's taxable equivalent yield on average earning assets of 8.48% represents a 18 basis point decrease from 1997, compared to a 27 basis point improvement in 1997 over 1996. During 1998, interest income was positively impacted by loan growth and the acquisition of First Federal-Florida. This was partially offset by lower yields on earning assets resulting from the decline in interest rates and increased competition. The loan portfolio, which is the largest and highest yielding component of earning assets, increased from 77.9% in the fourth quarter of 1997 to 81.3% in the comparable quarter of 1998, reflecting the acquisition of $219 million in deposits from First Union.

Interest expense increased $2.6 million, or 7.8%, over 1997, compared to an increase of $4.1 million, or 14.5%, in 1997 over 1996. The higher level of interest expense in 1998 is attributable to the acquisition of First Federal-Florida. The average rate paid on interest-bearing liabilities was 4.23% in 1998, compared to 4.16% and 3.99%, in 1997 and 1996, respectively. The increase in the average rate during 1998 is a direct result of the mix of deposits acquired from First Federal-Florida and the introduction of a higher yielding money market account. Certificates of deposit represent a higher cost deposit product to the Company. Based on averages, certificates as a percent of total deposits increased to 47.6% in 1998, compared to 46.9% in 1997, and 43.3% in 1996.

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 twenty-five basis points in 1998 and increased ten basis points in 1997. The decrease in 1998 is attributable to the lower yield on earning assets resulting from the lower rate environment. The increase in 1997 was attributable to the higher yield on earning assets, which was driven by a more favorable mix of earning assets.

The Company's net interest margin (defined as taxable equivalent interest income less interest expense divided by average earning assets) was 5.18% in 1998, compared to 5.39% in 1997 and 5.24% in 1996. In 1998, narrowing margins on the Company's incremental growth resulted in the decline in the margin to 5.18%, or 21 basis points.

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 $2.4 million in 1998 versus $2.3 million in 1997 and $1.9 million in 1996. The provision approximates total net charge-offs for 1998 and 1997. The Company's credit quality measures declined slightly with a nonperforming assets ratio of .79% compared to .37% at year-end 1997, and a net charge-off ratio of .28% versus .27% in 1997.

At December 31, 1998, the allowance for loan losses totaled $9.8 million compared to $9.7 million in 1997. At year-end 1998, the allowance represented 1.16% of total loans and 189% of nonperforming loans. Management considers the allowance to be adequate based on the current level of nonperforming loans and the estimate of losses inherent in the portfolio at year-end. See the section entitled "Financial Condition" for further information regarding the allowance for loan losses. Selected loss coverage ratios are presented below:

	1998	1997	1996
Provision for Loan Losses as a Multiple of Net Charge-offs	1.1x	1.1x	1.1x
Pre-tax Income Plus Provision for Loan Losses as a Multiple of Net Charge-offs	11.4x	11.3x	12.4x

Noninterest Income

In 1998, noninterest income increased $3.1 million, or 15.9%, and represented 29.0% of operating income, compared to $2.2 million, or 12.7% and 26.5%, respectively, in 1997. The increase in the level of noninterest income is attributable to all major categories with the exception of service charges. Factors affecting noninterest income are discussed below.

Service charges on deposit accounts decreased $453,000, or 5.0%, in 1998, compared to an increase of $526,000, or 6.2%, in 1997. 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. The decrease in 1998 is primarily attributable to higher compensating balances and an increase in charged-off deposit accounts. Fees were increased during the fourth quarter of 1998, and will favorably impact service charge income in 1999.

Data processing revenues increased $363,000, or 11.5%, in 1998 versus an increase of $191,000, or 6.4%, in 1997. The data processing center provides computer services to both financial and non-financial clients in North Florida and South Georgia. In recent years, revenue gains have been attributable to growth in processing for both financial and non-financial clients. In 1998, processing revenues for non-financial entities represented approximately 48% of the total processing revenues, down from 51% in 1997, reflecting growth in processing revenues for financial entities and a decline in revenues for non-financial entities. In 1998, the Company changed its method of income recognition on data processing revenues from the cash to the accrual method. This resulted in a one-time adjustment which increased revenues by $225,000.

In 1998, trust fees increased $559,000, or 46.5%, compared to $38,000, or 3.3% in 1997. Increases in both years were attributable to growth in assets under management. At year-end 1998, assets under management totaled $261.2 million, reflecting growth of $75.5 million, or 40.6%. For the comparable period in 1997, assets under management totaled $185.7 million, reflecting growth of $54.4 million or 41.4%.

Other noninterest income increased $2.5 million, or 41.2%, in 1998 versus an increase of $1.5 million, or 32.4% in 1997. The increase in 1998 was attributable to ATM fees, brokerage revenues, interchange commission fees and gains on the sale of real estate loans. The Company realized gains on the sale of real estate loans totaling approximately $1.5 million in 1998 compared to $803,000 in 1997. Interchange commission fees increased $383,000, or 61.7% from 1997. The increase in other noninterest income in 1997 was attributable to ATM fees, gains recognized on the sale of real estate loans and gains on the sale of bank assets.

Noninterest income as a percent of average assets was 1.91% in 1998 compared to 1.76% in 1997 and 1.71% in 1996.

Noninterest Expense

Noninterest expense for 1998 was $50.4 million, an increase of $2.6 million, or 5.5%, over 1997, compared with an increase of $5.8 million, or 13.8%, in 1997 over 1996. Factors impacting the Company's noninterest expense during 1998 and 1997 are discussed below.

The Company's aggregate compensation expense in 1998 totaled $26.6 million, an increase of $678,000, or 2.6%,over 1997. Salaries increased $1.5 million due to normal raises and additions to staff. In addition to acquisitions, the Company added staff to capitalize on competitive opportunities arising as a result of mergers of other commercial banks within its market. Offsetting the increase in salaries were reductions in pension expense and stock incentives. In 1997, total compensation increased $3.1 million, or 13.7%, over 1996. Salaries increased $2.3 million due to normal raises, the full-year impact of First Financial associates and a $317,000 charge associated with restructuring. Additionally, a 93% increase in the Company's stock price contributed to a $460,000, or 62.1%, increase in stock compensation covered under the Company's Associate Incentive Plan.

Occupancy expense (including furniture, fixtures & equipment) increased by $566,000, or 6.9%, in 1998, compared to $961,000, or 13.2%, in 1997. The increase in 1998 was attributable to higher cost

for maintenance and repair which increased $502,000, or 18.7%. The increase in 1997 was attributable to higher depreciation and other FF&E expense. Offsetting these increases in 1997 was a reduction in maintenance and repairs.

Other noninterest expense increased $1.4 million and $1.7 million in 1998 and 1997, or 10.0% and 14.3%, respectively. The increase in 1998 was attributable to: (1) an increase in amortization expense of approximately $335,000 due to the acquisitions of First Federal-Florida and First Union offices; (2) an increase in advertising costs of $463,000 due to greater product and market development; and (3) an increase in printing and supplies costs of $143,000. The increase in 1997 was attributable to: (1) an increase in amortization expense of approximately $300,000 due to the acquisition of First Financial offices; (2) a one-time restructuring charge of $338,000 incurred by the Company to consolidate its three remaining subsidiary banks into Capital City Bank; (3) an increase in advertising expense of $180,000 due to the Company's enhanced focus on promoting products and the acquisition of First Financial; and (4) an increase in credit card processing fees, ORE expense and other miscellaneous expenses of $259,000, $130,000 and $225,000, respectively.

Net noninterest expense ratio (defined as noninterest income minus noninterest expense less amortization as a percent of average assets) was 2.26% in 1998 compared to 2.42% in 1997 and 2.39% in 1996. The Company's efficiency ratio (expressed as noninterest expenses, net of intangible amortization, as a percent of taxable equivalent operating revenues) was 63.4%, 63.1% (excluding restructuring charges), and 63.9% in 1998, 1997, and 1996, respectively.

Income Taxes

The consolidated provision for federal and state income taxes was $8.2 million in 1998 compared to $7.2 million in 1997 and $6.0 million in 1996. The increase in the tax provision over the last three years is primarily attributable to the higher level of taxable income.

The effective tax rate was 34.8% in 1998, 33.4% in 1997, and 31.3% in 1996. 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 and an increase in the statutory tax rate for income greater than $10 million. Tax-exempt income (net of the adjustment for disallowed interest) as a percent of pre-tax income was 18.0% in 1998, 21.7% in 1997, and 26.9% in 1996.

FINANCIAL CONDITION

Average assets increased $72.7 million, or 6.6%, from $1.2 billion in 1997 to $1.1 billion in 1998. Average earning assets increased to $1.1 billion in 1998, a $65.2 million, or 6.5%, increase over 1997. Average loans increased $53.8 million, or 7.0%, and accounted for 82.5% of the total growth in average earning assets. Loan growth in 1998 was funded primarily through deposits acquired through acquisitions and maturities in the investment portfolio.

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 were generally improved during 1998. Loan demand was steady and internal growth was spread evenly throughout the year. The First Federal-Florida acquisition completed in the first quarter of 1998 increased the number of markets served and enhanced the Company's line of mortgage products and services. Price and product competition remained strong during 1998 and there continues to be an increased demand for fixed rate, longer-term financing. Areas that reflected stronger demand were real estate, home equity and indirect automobile lending.

Although management is continually evaluating alternative sources of revenue, lending is a major component of the Company's business and is key to profitability. While management strives to 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 consistently strives to identify 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)

	1997 to 1998 Change	Percentage of Total Change	Components of Total Earning Assets 1998	1997	1996
Loans:					
Commercial, Financial and Agricultural	$(4,284)	(6.6)%	8.0%	8.3%	9.2%
Real Estate - Construction	2,740	4.2	4.5	4.5	4.0
Real Estate - Mortgage	41,000	62.9	49.9	49.1	42.1
Consumer	14,325	22.0	14.9	15.1	14.2
Total Loans	53,781	82.5	77.3	77.0	69.5
Securities:					
Taxable	(17,092)	(26.2)	10.1	12.4	16.9
Tax-Exempt	(2,659)	(4.1)	6.3	7.0	8.1
Total Securities	(19,751)	(30.3)	16.4	19.4	25.0
Funds Sold	31,181	47.8	6.3	3.6	5.5
Total Earning Assets	$65,211	100.0%	100.0%	100.0%	100.0%

The Company's average loan-to-deposit ratio increased from 83.3% in 1997 to 83.7% in 1998. It declined to a level of 78.8% in the fourth quarter of 1998 compared to 84.8% in the fourth quarter of 1997. This compares to an average loan-to-deposit ratio in 1996 of 73.7%. The lower average quarterly loan-to-deposit ratio reflects the assumption of deposits from First Union.

Real estate construction and mortgage loans, combined, represented 70.3% of total loans (net of unearned interest) in 1998 versus 70.1% in 1997. See the section entitled "Risk Element Assets" for a discussion concerning loan concentrations.

The composition of the Company's loan portfolio at December 31, for each of the past five years is shown in Table 5. Table 6 arrays the Company's total loan portfolio as of December 31, 1998, based upon maturities. Demand loans and overdrafts are reported in the category of one year or less. As a percent of the total portfolio, loans with fixed interest rates have increased from 37.4% in 1997 to 41.6% in 1998.

Allowance for Loan Losses

Management attempts to maintain the allowance for loan losses at a level sufficient to provide for estimated 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 past five years.

Table 5
LOANS BY CATEGORY
(Dollars in Thousands)

	As of December 31, 1998	1997	1996	1995	1994
Commercial, Financial and Agricultural	$ 91,246	$ 82,641	$ 82,724	$ 67,975	$ 59,972
Real Estate - Construction	51,790	51,098	46,415	32,848	28,109
Real Estate - Mortgage	542,044	492,778	472,052	288,716	280,627
Consumer	159,137	148,934	143,935	120,629	113,583
Total Loans, Net of Unearned Interest	$844,217	$775,451	$745,126	$510,168	$482,291

Table 6
LOAN MATURITIES
(Dollars in Thousands)

Maturity PeriodS
Over One Over

	One Year Or Less	Through Five Years	Five Years	Total
Commercial, Financial and Agricultural	$ 49,257	$ 37,679	$ 4,310	$ 91,246
Real Estate	110,274	65,573	417,987	593,834
Consumer	43,008	114,334	1,795	159,137
Total	$202,539	$217,586	$424,092	$844,217
Loans with Fixed Rates	$ 97,967	$179,983	$ 73,161	$351,111
Loans with Floating or Adjustable Rates	104,572	37,603	350,931	493,106
Total	$202,539	$217,586	$424,092	$844,217

The allowance for loan losses at December 31, 1998 of $9.8 million compares to $9.7 million at year-end 1997. The allowance as a percent of total loans was 1.16% in 1998 versus 1.25% in 1997. 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, 1998, 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 past 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. As part of its YEAR 2000 contingency plan (discussed on page 55), the Company has reviewed its significant borrowers and allocated reserves to address the impact of the YEAR 2000 issue.

Table 7
ANALYSIS OF ALLOWANCE FOR LOAN LOSSES
(Dollars in Thousands)

	For the Years Ended December 31, 1998	1997	1996	1995	1994
Balance at Beginning of Year	$9,662	$9,450	$7,522	$8,412	$8,324
Acquired Reserves	-	-	1,769	-	-
Charge-Offs:					
Commercial, Financial and Agricultural	127	568	594	601	719
Real Estate-Construction	15	31	-	-	-
Real Estate-Mortgage	1,011	485	119	139	330
Consumer	2,004	1,978	1,691	1,310	926
Total Charge-Offs	3,157	3,062	2,404	2,050	1,975
Recoveries:					
Commercial, Financial and Agricultural	72	378	235	204	125
Real Estate - Construction	142	-	3	-	-
Real Estate - Mortgage	176	83	-	10	15
Consumer	493	485	462	413	389
Total Recoveries	883	946	700	627	529
Net Charge-Offs	2,274	2,116	1,704	1,423	1,446
Provision for Loan Losses	2,439	2,328	1,863	533	1,534
Balance at End of Year	$9,827	$9,662	$9,450	$7,522	$8,412
Ratio of Net Charge-Offs Year to Average Loans Out-Standing, Net of Unearned Interest	.28%	.28%	.27%	.29%	.31%
Allowance for Loan Losses as a Percent of Loans, Net of Unearned Interest,at End of Year	1.16%	1.25%	1.27%	1.47%	1.74%

Allowance for Loan Losses as a Multiple of Net Charge-Offs	4.32x	4.57x	5.55x	5.29x	5.82x

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 increased $3.6 million, or 219.0%, from a level of $1.6 million at December 31, 1997 to $5.2 million at December 31, 1998. During 1998, loans totaling approximately $7.8 million were added, while loans totaling $4.2 million were removed from nonaccruing status. Of the $7.8 million added, $3.6 million was attributable to two relationships. Of the $4.2 million removed from the nonaccrual category, $1.5 million consisted of principal reductions, $1.0 million represented loans transferred to ORE, $1.0 million consisted of loans brought current and returned to an accrual status and loans refinanced, and $700,000 were charged off. Where appropriate, management has allocated specific reserves to absorb anticipated losses. A majority of the Company's charge-offs in 1998 were in the consumer portfolio where loans are charged off based on past due status and are not recorded as nonaccruing loans.

<TABLE>
Table 8
ALLOCATION OF ALLOWANCE FOR LOAN LOSSES
(Dollars in Thousands)
<CAPTION>

	1998		1997		1996		1995		1994	
	Allow- ance Amount	Percent of Loans in Each Category To Total Loans	Allow- ance Amount	Percent of Loans in Each Category To Total Loans	Allow- ance Amount	Percent of Loans in Each Category To Total Loans	Allow- ance Amount	Percent of Loans in Each Category To Total Loans	Allow- ance Amount	Percent of Loans in Each Category To Total Loans
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial, Financial and Agricultural	$1,330	10.8%	$ 665	10.7%	$ 605	11.1%	$ 708	13.3%	$ 492	12.4%
Real Estate:										
Construction	468	6.1	382	6.6	274	6.2	177	6.4	208	5.8
Mortgage	2,664	64.2	2,078	63.5	3,282	63.4	2,886	56.6	3,273	58.2
Consumer	2,175	18.9	2,137	19.2	1,875	19.3	1,213	23.7	1,073	23.6
Not Allocated	3,190	-	4,400	-	3,414	-	2,538	-	3,366	-
Total	$9,827	100.0%	$9,662	100.0%	$9,450	100.0%	$7,522	100.0%	$8,412	100.0%

</TABLE>

Table 9
RISK ELEMENT ASSETS
(Dollars in Thousands)

	As of December 31, 1998	1997	1996	1995	1994
Nonaccruing Loans	$4,996	$1,403	$2,811	$3,151	$4,304
Restructured	195	224	262	1,686	1,694
Total Nonperforming Loans	5,191	1,627	3,073	4,837	5,998
Other Real Estate	1,468	1,244	1,489	1,001	1,675
Total Nonperforming Assets	$6,659	$2,871	$4,562	$5,838	$7,673
Past Due 90 Days or More	$1,124	$ 994	$ 638	$ 317	$ 364
Nonperforming Loans to Loans, Net of Unearned Interest	.61%	.21%	.41%	.95%	1.24%
Nonperforming Assets to Loans, Net of Unearned Interest, Plus Other Real Estate	.79%	.37%	.61%	1.14%	1.59%
Nonperforming Assets to Capital(1)	4.80%	2.28%	4.06%	5.81%	8.37%
Reserve to Nonperforming Loans	189.31%	593.85%	307.52%	155.51%	140.25%

(1) For computation of this percentage, "capital" refers to shareowners' 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 generally recognized only when

received. Cash collected on nonaccrual loans is applied against the principal balance or recognized as interest income based upon management's expectations as to the ultimate collectibility of principal and interest in full. If interest on nonaccruing loans had been recognized on a fully accruing basis, interest income recorded would have been $384,000 higher for the year ended December 31, 1998.

Restructured loans are those with reduced interest rates or deferred payment terms due to deterioration in the financial position of the borrower.

Other real estate totaled $1.5 million at December 31, 1998 versus $1.2 million at December 31, 1997. This category includes property owned by Capital City Bank which was acquired either through foreclosure procedures or by receiving a deed in lieu of foreclosure. During 1998, the Company added properties totaling $1.9 million (including parcels of bank premises) and partially or completely liquidated properties totaling $1.6 million, resulting in a net increase in other real estate of $300,000. 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 $325,000 at December 31, 1998.

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 Bank and the relatively close proximity of the markets, the Company has both geographic concentrations as well as concentrations in the types of loans funded. 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, 1998, approximately 70.3% of the portfolio consisted of real estate loans. Residential properties comprise approximately 68.1% 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, 1998, management believes it has identified and adequately reserved for such problem assets. However, management recognizes that many factors can adversely impact various segments of its markets, creating financial difficulties for certain borrowers. As such, management continues to focus its attention on promptly identifying and providing for potential losses as they arise.

Investment Securities

In 1998, the Company's average investment portfolio decreased $19.8 million, or 10.2%, compared to a decrease of $32.5 million, or 14.3% in 1997. As a percentage of average earning assets, the investment portfolio represented 16.4% in 1998, compared to 19.4% in 1997. During the fourth quarter of 1998, the Company purchased approximately $200.0 million in investment securities as a result of the assumption of deposits from First Union, increasing the portfolio to 28.9% of earning assets.

In 1998, average taxable investments decreased $17.1 million, or 13.7%, while tax-exempt investments decreased $2.7 million, or 3.8%. 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. The tax-exempt portfolio, as a percent of average earning assets, has declined from 18.9% in 1986 to 6.3% in 1998. Management continues to purchase "bank qualified" municipal issues when it considers the yield to be attractive and the Company can do so without adversely impacting its tax position. As part of the addition to the portfolio discussed above, municipal securities, totaling approximately $28.6 million, were purchased during the fourth quarter.

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. Securities may be classified as held-to-maturity, available-for-sale or trading. As of December 31, 1998, all securities are classified as available-for-sale. Classifying securities as available-for-sale offers management full flexibility in managing its liquidity and interest rate sensitivity without adversely impacting its regulatory capital levels. Securities in the available-for-sale portfolio are recorded at fair value and unrealized gains and losses associated with these securities are recorded, net of tax, in the accumulated other comprehensive income component of shareowners' equity. At December 31, 1998, shareowners' equity included a net unrealized gain of $678,000, compared to $607,000 at December 31,

1997. It is neither management's intent nor practice to participate in the trading of investment securities for the purpose of recognizing gains and therefore the Company does not maintain a trading portfolio.

The average maturity of the total portfolio at December 31, 1998 and 1997, was 2.98 and 1.93 years, respectively. See Table 10 for a breakdown of maturities by portfolio.

The weighted average taxable-equivalent yield of the investment portfolio at December 31, 1998, was 5.75% versus 6.48% in 1997. 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 shareowners' equity at December 31, 1998.

Table 10 and Note 3 in Notes to Consolidated Financial Statements 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	Percentage
AAA	$58,450	61.6%
AA-1	2,684	2.8
AA-2	1,831	1.9
AA-3	2,456	2.6
AA	1,493	1.6
A-1	3,275	3.4
A-2	1,077	1.1
A	3,507	3.7
BAA	424	.5
Not Rated(1)	19,721	20.8
Total	$94,918	100.0%

(1) Of the securities not rated by Moody's, $13.0 million are rated "A" or higher by S&P.

Table 10
MATURITY DISTRIBUTION OF INVESTMENT SECURITIES
(Dollars in Thousands)

	As of December 31, 1998		
	Amortized Cost	Market Value	Weighted Average Yield(1)
U. S. GOVERNMENTS			
Due in 1 year or less	$ 29,034	$ 29,164	5.59%
Due over 1 year thru 5 years	75,666	75,620	5.43
Due over 5 years thru 10 years	-	-	-
Due over 10 years	-	-	-
TOTAL	104,700	104,784	5.48
STATE & POLITICAL SUBDIVISIONS			
Due in 1 year or less	12,927	13,013	6.35
Due over 1 year thru 5 years	44,775	45,603	6.37
Due over 5 years thru 10 years	37,216	37,436	5.74
Due over 10 years	-	-	-
TOTAL	94,918	96,052	6.12
MORTGAGE-BACKED SECURITIES(2)			
Due in 1 year or less	30	30	6.04
Due over 1 year thru 5 years	92,163	91,926	5.81
Due over 5 years thru 10 years	990	989	5.81
Due over 10 years	-	-	-
TOTAL	93,183	92,945	5.81
OTHER SECURITIES			
Due in 1 Year or less	39,468	39,427	5.45
Due over 1 year thru 5 years	32,125	32,244	5.51
Due over 5 years thru 10 years	1,553	1,589	5.98
Due over 10 years*	4,576	4,556	6.91
TOTAL	77,722	77,816	5.57
Total Investment Securities	$370,523	$371,597	5.75%

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

(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 35% tax rate.

(2) Based on weighted average life.

AVERAGE MATURITY (In Years)
AS OF DECEMBER 31, 1998

U.S. Governments	2.32
State and Political Subdivisions	3.52
Mortgage-Backed Securities	4.14
Other Securities	1.83
TOTAL	2.98

Deposits And Funds Purchased

Average total deposits increased from $924.9 million in 1997 to $985.1 million in 1998, representing an increase of $60.2 million, or 6.5%, compared with an increase of $68.4 million, or 8.0%, in 1997. In 1998, the annual average increase is attributable to the acquisition of First Federal-Florida offices and internal growth. In 1997, the increase is attributable to the acquisition of First Financial.

In the fourth quarter of 1998, deposits averaged $1.06 billion, compared to $925.0 million for the same period in 1997. The Company continues to experience a notable increase in competition for deposits, in terms of both rate and product. The Company introduced CashPower, a higher yielding money market product in the fourth quarter of 1998. The new CashPower product represents 26.9% of the money market balance at year end 1998.

As of year-end 1998, deposits totaled $1.3 billion, an increase of $331 million over the year-end 1997. This increase primarily reflects growth through acquisitions (approximately $275 million) and the introduction of the CashPower account.

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

Average funds purchased, which include federal funds purchased and securities sold under agreements to repurchase, increased $6.3 million, or 19.9%. See Note 8 in the Notes to Consolidated Financial Statements for further information.

Table 11
SOURCES OF DEPOSIT GROWTH
(Average Balances - Dollars in Thousands)

	1997 to 1998 Change	Percentage of Total Change	Components of Total Deposits		
			1998	1997	1996
Noninterest Bearing Deposits	$12,726	21.1%	21.3%	21.1%	21.5%
NOW Accounts	3,471	5.8	12.1	12.5	13.6
Money Market Accounts	2,560	4.3	8.8	9.2	10.4
Savings	5,684	9.4	10.2	10.3	11.2
Other Time Deposits	35,787	59.4	47.6	46.9	43.3
Total Deposits	$60,228	100.0%	100.0%	100.0%	100.0%

Table 12
MATURITY DISTRIBUTION OF CERTIFICATES OF DEPOSIT $100,000 OR OVER
(Dollars in Thousands)

	December 31, 1998 Time Certificates of Deposit	Percent
Three months or less	$ 50,309	41.8%
Over three through six months	29,761	24.8
Over six through twelve months	28,866	24.0
Over twelve months	11,276	9.4
Total	$120,212	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 (i.e. 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 CCB.

As of December 31, 1998, the Company had a $25.0 million credit facility under which $17 million was currently available. The facility offers the Company an unsecured, revolving line of credit for a period of three years which matures in November 2001. 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 lenders' Cost of Funds rate ("COF"), plus or minus increments thereof. The LIBOR or COF rates may be fixed for a period of up to six months. The Company also has the option to select fixed rates for periods of one through five years. On July 1, 1996, the Company borrowed $15.0 million in connection with the acquisition of First Financial. In 1998, the Company reduced the amount of debt to $8.0 million. The average interest rate during 1998 was 7.11%.

The Company's credit facility imposes certain limitations on the level of the Company's equity capital, and federal and state regulatory agencies have established regulations which govern the payment of dividends to a bank holding company by its bank subsidiaries. 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 at current payout rate.

At December 31, 1998, the Company had $10.4 million in long-term debt outstanding to the Federal Home Loan Bank of Atlanta. The debt consists of ten loans. The interest rates are fixed and the weighted average rate at December 31, 1998 was 6.10%. Required annual principal reductions approximate $541,000, with the remaining balances due at maturity ranging from 2005 to 2018. The debt was used to match-fund selected lending activities and is secured investment securities and by first mortgage residential real estate loans which are included in the Company's loan portfolio. See Note 9 in the Notes to Consolidated Financial Statements for additional information as to the Company's long-term debt.

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, 1998, the Company had $251.9 million in commitments to extend credit and $2.3 million in standby letters of credit. Commitments to extend credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The Company uses the same credit policies in establishing commitments and issuing letters of credit as it does for on-balance-sheet instruments. If commitments arising from these financial instruments continue to require funding at historical levels, management does not anticipate that such funding will adversely impact its ability to meet on-going obligations.

It is anticipated capital expenditures will approximate $6.0 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.

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

Shareowners' Equity
(Dollars in Thousands)

	1998	1997	1996
Common Stock	$ 102	$ 101	$ 100
Additional Paid-in Capital	8,561	6,544	4,942
Retained Earnings	119,521	108,555	97,881
Subtotal	128,184	115,200	102,923
Accumulated Other Comprehensive Income, Net of Tax	678	607	86
Total Shareowners' Equity	$128,862	$115,807	$103,009

The Company continues to maintain a strong capital position. The ratio of shareowners' equity to total assets at year-end was 8.93%, 10.37% and 9.17%, in 1998, 1997 and 1996, respectively. The lower capital ratio in 1998 compared to 1997 reflects the acquisitions of First Federal-Florida and First Union offices. Both acquisitions were accounted for as a purchase.

The Company is subject to risk-based capital guidelines that measure capital relative to risk weighted assets and off-balance-sheet financial instruments. Capital guidelines issued by the Federal Reserve Board require bank holding companies to have a minimum total risk-based capital ratio of 8.00%, with at least half of the total capital in the form of Tier 1 capital. Capital City Bank Group, Inc., exceeded these capital guidelines, with a total risk-based capital ratio of 11.11% and a Tier 1 ratio of 10.14%, compared to 15.67% and 14.43%, respectively, in 1997.

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, 1998, the Company had a leverage ratio of 7.84% compared to 9.65% in 1997. See Note 13 in the Notes to Consolidated Financial Statements for additional information as to the Company's capital adequacy.

Dividends declared and paid totaled $.43 per share in 1998. During the fourth quarter of 1998 the quarterly dividend was raised nine percent from $.11 per share to $.12 per share. The Company declared dividends of $.37 per share in 1997 and $.34 per share in 1996. The dividend payout ratio was 28.2%, 26.1%, and 25.5% for 1998, 1997 and 1996, respectively. Dividends declared per share in 1998 represented a 16.2% increase over 1997.

At December 31, 1998, the Company's common stock had a book value of $12.70 per share compared to $11.54 in 1997. Beginning in 1994, book value has been impacted by the net unrealized gains and losses on investment securities available-for-sale. At December 31, 1998, the net unrealized gain was $678,000. At December 31, 1997, the Company had a net unrealized gain of $607,000 and thus the net impact on equity for the year was an increase in book value of $71,000.

The Company began a stock repurchase plan in 1989, which remains in effect and provides for the repurchase of up to 900,000 shares. As of December 31, 1998, the Company had repurchased 790,740 shares under the plan. No shares were repurchased during 1998.

The Company offers an Associate Incentive Plan under which certain associates are eligible to earn shares of CCBG stock based upon achieving established performance goals. The Company issued 48,508 shares in 1998 under this plan.

The Company also offers stock purchase plans to its associates and directors. In 1998, 30,314 shares were issued under these plans.

The Board of Directors approved a Dividend Reinvestment and Optional Stock Purchase Plan for the Company in December, 1996. Shares for this plan were purchased in the open market. In 1997, 14,052 shares were issued under this plan. In 1998, no shares were issued under this plan.

The Company offers a 401(k) Plan which enables associates to defer a portion of their salary on a pre-tax basis. The plan covers substantially all of the Company associates who meet the minimum age requirement. The Plan is designed to enable participants to elect to have an amount withheld from their compensation in any plan year and placed in the 401(k) Plan trust account. Matching contributions from the Company can be made up to 6% of the participant's compensation. During 1998, no contributions were made by the Company. The participants may choose to invest their contributions into seven investment funds, including CCBG common stock.

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."

YEAR 2000 COMPLIANCE

Introduction

The YEAR 2000 issue creates challenges with respect to the automated systems used by financial institutions and other companies. Many programs and systems are not able to recognize the year 2000, or that the new millennium is a leap year. The problem is not limited to computer systems. YEAR 2000 issues will potentially effect every system that has an embedded microchip containing this flaw.

The YEAR 2000 challenge impacts the Company as many of its transactions are date sensitive. The Company also is effected by the ability of its vendors, suppliers, customers and other third parties to be YEAR 2000 compliant.

State of Readiness

The Company is committed to addressing the YEAR 2000 challenges in a prompt and responsible manner and has dedicated significant resources to do so. An assessment of the Company's automated systems and third party operations was completed and a plan has been implemented. The Company's YEAR 2000 compliance plan ("Y2K Plan") has nine phases. These phases are (1) project management, (2) awareness, (3) assessment, (4) renovation, (5) testing and implementation, (6) risk assessment, (7) customer awareness, (8) contingency planning, and (9) verification. The Company has substantially completed phases one, two, three, four, five, six, and eight, although appropriate follow-up activities are continuing to occur. The Company will continue the testing and implementation phases of the Y2K Plan throughout the remainder of the year, and has adopted a comprehensive customer awareness program (phase seven).

(1) Project Management: The Company has assigned primary responsibility for the YEAR 2000 project to the President of Capital City Services Company, a wholly owned subsidiary of Capital City Bank Group, Inc. Also, the Company has hired an outside consultant to assist in project administration. Monthly updates are provided to senior management and quarterly updates are provided to the Board of Directors in order to assist them in overseeing the Company's readiness.

(2) Awareness: The Company has defined the YEAR 2000 problem and gained executive level support for allocation of the resources necessary to renovate and/or upgrade all systems. A YEAR 2000 team has been established and meets regularly. The strategy developed for YEAR 2000 compliance covers in-house systems, service bureaus for systems that are outsourced, vendors, auditors, customers, and suppliers.

(3) Assessment: The Company has completed this phase of the compliance plan. Information Technology "IT" and non-IT systems have been assessed and mission critical applications that could potentially be affected have been identified. Mission critical is defined as anything that may have a material adverse effect on the Company if not YEAR 2000 compliant.

(4) Renovation: The Company is upgrading and replacing IT and non-IT systems where appropriate, and all such replacements were complete by June 30, 1999.

(5) Testing and Implementation: The Company's testing of Mission Critical systems was approximately 99% complete by June 30, 1999. Throughout 1999, the Company will continue to test IT and non-IT systems and applications already implemented for YEAR 2000 compliance. As systems test successfully for YEAR 2000 compliance, they will be certified as compliant and accepted for implementation.

(6) Risk Assessment: Lending officers have been trained on YEAR 2000 issues and have documented YEAR 2000 readiness of borrowers. Significant borrowers were mailed a questionnaire and have been assigned a YEAR 2000 risk rating by the Company. Appropriate response to current and future credit requests will take their YEAR 2000 status into consideration. A similar assessment was conducted of deposit customers relative to liquidity risk. Investment and funding strategies have been planned to ameliorate any potential risk in this area.

(7) Customer Awareness: During the second quarter of 1999, the Company initiated a comprehensive plan to increase customer awareness of the YEAR 2000 issue and to inform customers of the bank's efforts to become compliant. This plan includes posting information on the Company's web site, distribution of quarterly press releases, statement stuffers and lobby brochures. Associate training was conducted to assure that customers are provided with accurate information about the Company's Y2K readiness.

(8) Contingency Planning: The Company has drafted a Business Resumption/Contingency Plan for the YEAR 2000. This plan will incorporate back-up systems and procedures for Core business processes, should any unforeseen disruptions occur. This plan was substantially completed by June 30, 1999.

(9) Verification: The Verification process will take place subsequent to the actual Century Date Change. This will involve verifying successful transition to the YEAR 2000 of all systems and applications, at all critical dates and functions to the YEAR 2000. Monitoring and reporting protocol has been established for this phase.

Estimated Costs to Address the Company's YEAR 2000 Issues

Costs directly related to YEAR 2000 issues are estimated to be $780,000 from 1998 to 2000, of which approximately 85% has been spent as of June 30, 1999. Approximately 75% of the total spending represents costs to modify existing systems. Costs incurred by the Company prior to 1998 were immaterial. This estimate assumes that the Company will not incur significant YEAR 2000 related costs on behalf of its vendors, suppliers, customers and other third parties.

Risks of the Company's YEAR 2000 Issues

The YEAR 2000 presents certain risks to the Company and its operations. Some risks are present because the Company purchased technology applications from other parties who face YEAR 2000 challenges and additional risks that are inherent in the business of banking. Management has identified the following potential risks which could have a material adverse effect on the Company's business.

1. The Company's subsidiary bank may experience a liquidity problem if there are a significant amount of deposits withdrawn by customers who have uncertainties associated with the YEAR 2000. The Company has implemented a contingency plan to ensure there are appropriate levels of funding available.

2. The Company's operations could be materially affected by the failure of third parties who provide mission critical IT and non-IT systems. The Company has identified its mission critical third parties and will monitor their Y2K Plan progress. In response to this concern, the Company has identified and contacted the third parties who provide mission critical applications. The Company has received YEAR 2000 compliance assurances from third parties who provide mission critical applications and will continue to monitor and test their efforts for YEAR 2000 compliance.

3. The Company's ability to operate effectively in the YEAR 2000 could be adversely affected by the ability to communicate and to access utilities. The Company is in the process of incorporating a contingency plan for addressing this situation.

4. The Company's subsidiary bank lends significant amounts to businesses and contractors in our market area. If the businesses are adversely affected by the YEAR 2000 issues, their ability to repay loans could be impaired and increased credit risk could affect the Company's financial performance. As part of the Company's Y2K Plan, the Company has identified its significant borrowers, and has documented their YEAR 2000 readiness and risk to the Company.

5. Sanctions could be imposed against the Company if it does not meet deadlines or follow timetables established by the federal and state governmental agencies which regulate the Company and its subsidiaries. The Company has incorporated the regulatory guidelines for YEAR 2000 into its Y2K Plan.

Contingency Plan

Contingency plans for YEAR 2000 related interruptions have been developed and will include, but not be limited to, the development of emergency backup and recovery procedures, remediation of existing systems parallel with installation of new systems, replacing electronic applications with manual processes, and identification of alternate suppliers. All plans were substantially completed by June 30, 1999.

Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board "FASB" issued Statement of Financial Accounting Standards "SFAS" No. 133 "Accounting for Derivative Instruments of Hedging Activities" as amended. The statement establishes accounting and reporting standards for derivative instruments (including certain derivative instruments imbedded in other contracts). The statement is effective for fiscal years beginning after June 15, 2000. The adoption of this standard is not expected to have a material impact on reported results of operations of the Company.

Effective February 1998, the Company adopted SFAS No. 132 "Employers Disclosure about Pensions and Other Post-Retirement Benefits". Statement 132 standardizes the disclosure requirements for pension and other post-retirement benefits and requires additional information on changes in the benefit obligations and fair values of plan assets. The Statement suggests combined formats for presentation of pension and other post-retirement benefit disclosures. The adoption of this standard did not have a material impact on reported results of operations of the Company.

Effective January 1, 1998, the Company adopted SFAS No. 130, "Reporting Comprehensive Income". Statement 130 provides new accounting and reporting standards for reporting and displaying comprehensive income and its components in a full set of general-purpose financial statements. The adoption of this standard did not have a material impact on reported results of operations of the Company.

In February 1997, the FASB issued SFAS No. 128, "Earnings Per Share". SFAS 128 provides new accounting and reporting standards for reporting basic and diluted earnings per share. The adoption of this standard on January 1, 1997 did not have a material impact on the reported results of operations of the Company.

In February 1997, the FASB issued SFAS No. 129, "Disclosure of Information About Capital Structure". SFAS 129 provides new accounting and reporting standards for disclosing information about an entity's capital structure. The adoption of this standard on January 1, 1997 did not have a material impact on the reported results of operation of the Company.

In June 1996, the FASB issued SFAS No. 125 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." SFAS 125 provides new accounting and reporting standards for sales, securitizations, and servicing of receivables and other financial assets, for certain secured borrowing and collateral transactions, and for extinguishment of liabilities. The adoption of this standard on January 1, 1997, did not have a material impact on the financial condition or results of operations of the Company.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk

Overview

Market risk management arises from changes in interest rates, exchange rates, commodity prices and equity prices. The Company has risk management policies to monitor and limit exposure to market risk. Capital City Bank Group does not actively participate in exchange rates, commodities or equities. In asset and liability management activities, policies are in place that are designed to minimize structural interest rate risk.

Interest Rate Risk Management

The normal course of business activity exposes Capital City Bank Group to interest rate risk. Fluctuations in interest rate risk may result in changes in the fair market value of the Company's financial instruments, cash flows and net interest income. Capital City Bank Group's asset/liability management process manages the Company's interest rate risk.

The financial assets and liabilities of the Company are classified as other-than-trading. An analysis of the other-than-trading financial components, including the fair values, are presented in Table 13. This table presents the Company's consolidated interest rate sensitivity position as of year-end 1998 based upon certain assumptions as set forth in the Notes to the Table. The objective of interest rate sensitivity analysis is to measure the impact on the Company's net interest income due to fluctuations in interest rates. The asset and liability values presented in Table 13 may not necessarily be indicative of the Company's interest rate sensitivity over an extended period of time.

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.

<TABLE>
Table 13
FINANCIAL ASSETS AND LIABILITITES MARKET RISK ANALYSIS(1)
(Dollars in Thousands)
Other Than Trading Portfolio
<CAPTION>

	December 31,							
	1999	2000	2001	2002	2003	Beyond	Total	Fair Value
Loans								
Fixed Rate	$ 89,458	$ 33,645	$ 53,607	$ 45,939	$ 46,792	$ 73,161	$ 342,602	$ 347,280
Average Interest Rate	9.90%	10.22%	9.78%	9.24%	8.87%	7.43%	9.16%	
Floating Rate(2)	388,384	43,862	21,462	14,384	13,117	20,406	501,615	508,294
Average Interest Rate	8.55%	7.86%	8.27%	8.63%	8.20%	8.09%	8.45%	
Investment Securities(3)								
Fixed Rate	97,971	52,885	28,049	39,609	21,408	119,666	359,588	359,588
Average Interest Rate	5.78%	5.59%	6.11%	6.59%	5.75%	5.72%	5.85%	
Floating Rate	-	10,770	729	-	-	510	12,009	12,009
Average Interest Rate	-	6.39%	5.71%	-	-	6.29%	6.34%	
Other Earning Assets								
Fixed Rates	-	-	-	-	-	-	-	-
Average Interest Rates	-	-	-	-	-	-	-	
Floating Rates	53,500	-	-	-	-	10,151	63,651	63,651
Average Interest Rates	5.20%	-	-	-	-	4.15	4.37%	
Total Financial Assets	$629,313	$141,162	$103,847	$ 99,932	$ 81,317	$223,894	$1,279,465	$1,290,822
Average Interest Rates	8.02%	7.46%	8.45%	8.10%	7.94%	6.43%	7.72%	
Deposits(4)								
Fixed Rate Deposits	$470,472	$ 75,001	$ 12,741	$ 6,442	$ 2,961	$ 177	$ 567,794	$571,111
Average Interest Rates	5.14%	5.45%	5.32%	5.32%	5.03%	5.93%	5.19%	
Floating Rate Deposits	374,608	-	-	-	-	-	374,608	374,608
Average Interest Rates	2.31%	-	-	-	-	-	2.31%	
Other Interest Bearing Liabilities								
Fixed Rate Debt	23,263	559	743	394	407	7,102	32,468	33,057
Average Interest Rate	2.68%	5.79%	5.52%	6.02%	6.01%	6.14%	3.64%	
Floating Rate Debt	34,199	-	-	-	-	-	34,199	34,199
Average Interest Rate	4.38%	-	-	-	-	-	4.38%	
Total Financial Liabilities	$902,542	$ 75,560	$ 13,484	$ 6,836	$ 3,368	$ 7,279	$1,009,069	$1,012,975
Average interest Rate	3.88%	5.45%	5.33%	5.36%	5.15%	6.13%	4.05%	

(1) Based upon expected cash flows, unless otherwise indicated.

(2) Based upon a combination of expected maturities and repricing opportunities.

(3) Based upon contractual maturity, except for callable and floating rate securities, which are based on expected maturity and weighted average life, respectively.

(4) Savings, NOW and money market accounts can be repriced at any time, therefore, all such balances are included as floating rates deposits in 1999. Other time deposits balances are classified according to maturity.
</TABLE>

Item 8. Financial Statements and Supplementary Data

<TABLE>
Table 14
QUARTERLY FINANCIAL DATA (UNAUDITED)
(Dollars in Thousands, Except Per Share Data)(1)
<CAPTION>

	1998				1997			
	Fourth	Third	Second	First	Fourth	Third	Second	First
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Summary of Operations:								
Interest Income	$ 22,904	$ 21,974	$ 22,402	$ 21,730	$ 21,431	$ 21,733	$ 21,211	$ 20,606
Interest Expense	9,224	8,673	8,822	8,529	8,261	8,320	8,237	7,894
Net Interest Income	13,680	13,301	13,580	13,201	13,170	13,413	12,974	12,712
Provision for Loan Loss	657	618	618	546	597	709	506	516
Net interest Income After Provision for Loan Loss	13,023	12,683	12,962	12,655	12,573	12,704	12,468	12,196
Noninterest Income	6,260	5,271	5,847	5,206	5,066	4,581	5,137	4,695
Merger Expense	115	-	-	-	-	-	-	-
Noninterest Expense	13,150	12,090	12,747	12,342	12,757	11,790	11,746	11,527
Income Before Provision for Income Taxes	6,018	5,864	6,062	5,519	4,882	5,495	5,859	5,364
Provision for Income Taxes	2,146	2,057	2,065	1,901	1,563	1,861	1,985	1,798
Net Income	$ 3,872	$ 3,807	$ 3,997	$ 3,618	$ 3,319	$ 3,634	$ 3,874	$ 3,566
Net Interest Income (FTE)	$ 14,046	$ 13,640	$ 13,922	$ 13,557	$ 13,523	$ 13,819	$ 13,398	$ 13,139
Per Common Share:								
Net Income Basic	$ .39	$ .37	$ .39	$ .36	$ .33	$ .37	$ .39	$ .36
Net Income Diluted	.38	.37	.39	.36	.32	.37	.39	.36
Dividends Declared	.11	.11	.10	.10	.09	.09	.09	.09
Book Value	12.69	12.43	12.10	11.80	11.45	11.16	11.16	11.02
Market Price(2):								
High	31.00	33.13	32.67	32.67	27.33	23.50	21.50	21.33
Low	24.13	19.00	29.75	29.25	23.00	20.83	19.33	14.00
Close	27.63	29.13	31.38	31.67	27.00	23.17	20.83	20.17
Selected Average Balances:								
Total Assets	$1,257,934	$1,148,404	$1,156,186	$1,147,054	$1,108,788	$1,106,713	$1,101,962	$1,098,426
Earning Assets	1,131,933	1,038,981	1,043,578	1,035,971	998,037	1,003,039	998,462	987,332
Loans, Net of Unearned	834,315	819,755	823,432	809,949	777,895	784,116	766,885	753,664
Total Deposits	1,059,192	954,652	962,719	952,511	916,952	924,297	925,649	922,780
Total Shareowners' Equity	128,250	123,728	121,686	119,455	113,750	112,591	106,355	103,884
Common Equivalent Shares:								
Basic	10,158	10,158	10,140	10,123	10,067	10,055	10,004	9,998
Diluted	10,179	10,158	10,140	10,123	10,167	10,055	10,004	9,998
Ratios:								
ROA	1.22%	1.32%	1.39%	1.28%	1.19%	1.30%	1.41%	1.30%
ROE	11.98%	12.20%	13.18%	12.28%	11.58%	13.01%	14.61%	13.77%
Net Interest Margin (FTE)	4.92%	5.21%	5.35%	5.31%	5.38%	5.47%	5.38%	5.34%

(1) A All share and per share data have been restated to reflect the pooling-of-interests of Grady Holding Company and its subsidiaries and adjusted to reflect the 3-for-2 stock split effective June 1, 1998.

(2) Prior to February 3, 1997, there was not an established trading market for the common stock of Capital City Bank Group, Inc.

</TABLE>

CONSOLIDATED FINANCIAL STATEMENTS

Exhibit 99.3 Report Of Independent Certified Public Accountants

To the Shareowners and Board of Directors of Capital City Bank Group, Inc.

We have audited the accompanying consolidated statements of financial condition of Capital City Bank Group, Inc. (a Florida Corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of income, changes in shareowners' equity and cash flows for each of the three years in the period ended December 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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 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, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Jacksonville, Florida
May 7, 1999