Form 10-K

Securities and Exchange Commission
Washington, D.C. 20549

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

For the Fiscal Year Ended December 31, 2002

Commission File Number 0-13358

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

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

Address: 217 North Monroe Street, Tallahassee, Florida 32301

Telephone: (850) 671-0300

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

Common Stock - $.01 par value

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

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

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

As of February 28, 2003, there were issued and outstanding 10,565,476 shares of the registrant's common stock. The registrant's voting stock is listed on the National Association of Securities Dealers Automated Quotation ("Nasdaq") National Market under the symbol "CCBG." The aggregate market value of the voting stock held by nonaffiliates of the registrant, based on the average of the bid and asked prices of the registrant's common stock as quoted on Nasdaq a on February 28, 2003, was $184.6 million.

DOCUMENTS INCORPORATED BY REFERENCE

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

CAPITAL CITY BANK GROUP, INC.
ANNUAL REPORT FOR 2002 ON FORM 10-K

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INTRODUCTORY NOTE

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

PART I

Item 1. Business

General

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

At December 31, 2002, the Company had consolidated total assets of $1.8 billion and shareowners' equity of $186.5 million. Its principal asset is the capital stock of Capital City Bank ("CCB" or "Bank"). CCB accounted for approximately 100% of the consolidated assets at December 31, 2002, and 100% of consolidated net income of the Company for the year ended December 31, 2002. In addition to its banking subsidiary, the Company has six other indirect subsidiaries, Capital City Trust Company, Capital City Securities, Inc., Capital City Mortgage Company (inactive), Capital City Services Company, First Insurance Agency of Grady County, Inc. and FNB Financial Services, Inc., all of which are wholly-owned subsidiaries of Capital City Bank.

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

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

Dividends and management fees received from the Bank are the Company's only source of income. Dividend payments by the Bank to CCBG depend on the capitalization, earnings and projected growth of the Bank, and are limited by various regulatory restrictions. See the section entitled "Regulatory Considerations" in this Item 1 and Note 15 in the Notes to Consolidated Financial Statements for additional information.

The Company had a total of 781 (full-time equivalent) associates at February 28, 2003. Page 17 contains other financial and statistical information about the Company.

Banking Services

CCB is a Florida chartered bank. The Bank is a full service bank, engaged in the commercial and retail banking business, including accepting demand, savings and time deposits; extending credit; originating residential mortgage loans; and providing data processing services, asset management services, trust services, retail brokerage services and a broad range of other financial services to corporate and individual customers, governmental entities and correspondent banks.

The Bank is a member of the "Star" ATM Network which enables customers to utilize their "QuickBucks" or "QuickCheck" cards to access cash at automatic teller machines ("ATMs") or point of sale merchants.

Data Processing Services

Capital City Services Company provides data processing services to financial institutions (including CCB), government agencies and commercial customers located throughout North Florida and South Georgia. As of February 28, 2003, the Services Company is providing computer services to six correspondent banks which have relationships with Capital City Bank.

Trust Services

Capital City Trust Company is the investment management arm of Capital City Bank. The Trust Company provides asset management for individuals through agency, personal trust, IRA's and personal investment management accounts. Administration of pension, profit sharing and 401(k) plans is a significant product line. Associations, endowments and other non-profit entities hire the Trust Company to manage their investment portfolios. Individuals requiring the services of a trustee, personal representative or a guardian are served by a staff of well trained professionals. The market value of trust assets under discretionary management exceeded $343.2 million as of December 31, 2002, with total assets under administration exceeding $422.1 million.

Brokerage Services

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

Competition

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

All of Florida's major banking concerns have a presence in Leon County. Capital City Bank's Leon County deposits totaled $560.8 million, or 39.1%, of the Company's consolidated deposits at December 31, 2002.

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

<TABLE>

	Market Share as of September 30, 2002	2001	2000
<S>	<C>	<C>	<C>
Florida:<F1><F2>			
Bradford County	38.4%	41.4%	45.8%
Citrus County	3.3%	3.7%	3.8%
Clay County	3.2%	4.0%	4.1%
Dixie County	17.5%	18.7%	14.8%
Gadsden County	29.4%	30.7%	28.0%
Gilchrist County	38.5%	39.2%	48.3%
Gulf County	23.5%	23.1%	43.3%
Hernando County	1.0%	1.5%	1.6%
Jefferson County	27.1%	28.6%	28.9%
Leon County	18.4%	23.2%	20.9%
Levy County	34.0%	37.3%	36.5%
Madison County	19.0%	23.7%	21.3%
Pasco County	.4%	.8%	1.1%
Putnam County	12.5%	15.5%	22.4%
Suwannee County	9.1%	10.4%	19.4%
Taylor County	29.0%	33.4%	35.1%
Washington County	20.4%	22.5%	22.6%
Georgia:<F3>			
Bibb County<F4>	3.1%	3.6%	--
Burke County<F4>	12.4%	11.4%	--
Grady County	31.5%	43.3%	43.5%
Troup County<F4>	10.9%	11.2%	--
Alabama:<F3>			
Chambers County<F4>	3.3%	3.4%	--

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

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

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

<F4> Entered the market in March 2001.
</FN>
</TABLE>

The following table sets forth the number of commercial banks and offices, including the Company and its competitors, within each of the respective counties as of September 30, 2002.
<TABLE>

County	Number of Commercial Banks	Number of Commercial Bank Offices
<S>	<C>	<C>
Florida:<F1>		
Bradford	3	3
Citrus	10	37
Clay	11	23
Dixie	3	4
Gadsden	4	8
Gilchrist	3	5
Gulf	3	4
Hernando	12	29
Jefferson	2	2
Leon	14	57
Levy	3	11
Madison	5	5
Pasco	20	78
Putnam	6	11
Suwannee	4	4
Taylor	3	4
Washington	3	3
Georgia:<F2>		
Bibb	10	56
Burke	5	10
Grady	5	8
Troup	8	20
Alabama:<F2>		
Chambers	5	10

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

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

REGULATORY CONSIDERATIONS

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

The Company

General
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The Company has elected to be registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve") as a financial holding company under the Gramm-Leach-Bliley Act and is registered with the Federal Reserve as a bank holding company under the Bank Holding Company Act of 1956 ("BHCA"). As a result, the Company is subject to supervisory regulation and examination by the Federal Reserve. The Gramm-Leach-Bliley Act, the BHCA and other federal laws subject financial holding companies to particular restrictions on the types of activities in which they may engage, and to

a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations.

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

The Gramm-Leach-Bliley Act also permits national banks to engage in expanded activities through the formation of financial subsidiaries. A national bank may have a subsidiary engaged in any activity authorized for national banks directly or any financial activity, except for insurance underwriting, insurance investments, real estate investment or development, or merchant banking, which may only be conducted through a subsidiary of a financial holding company. Financial activities include all activities permitted under new sections of the BHCA or permitted by regulation.

In contrast to financial holding companies, bank holding companies are limited to managing or controlling banks, furnishing services to or performing services for its subsidiaries, and engaging in other activities that the Federal Reserve determines to be so closely related to banking or managing or controlling banks as to be a proper incident thereto. Except for those activities that are now permitted for financial holding companies by the Gramm-Leach-Bliley Act, these restrictions will apply to the Company. In determining whether a particular activity is permissible, the Federal Reserve must consider whether the performance of such an activity reasonably can be expected to produce benefits to the public that outweigh possible adverse effects. Possible benefits include greater convenience, increased competition and gains in efficiency. Possible adverse effects include undue concentration of resources, decreased or unfair competition, conflicts of interest and unsound banking practices. The Federal Reserve has determined the following activities, among others, to be permissible for bank holding companies:

.. Factoring accounts receivable
.. Acquiring or servicing loans
.. Leasing personal property
.. Conducting discount securities brokerage activities
.. Performing certain data processing services
.. Acting as agent or broker and selling credit life insurance and certain other types of insurance in connection with credit transactions
.. Performing certain insurance underwriting activities

There are no territorial limitations on permissible non-banking activities of financial holding companies. Despite prior approval, the Federal Reserve may order a holding company or its subsidiaries to terminate any activity or to terminate ownership or

control of any subsidiary when the Federal Reserve has reasonable cause to believe that a serious risk to the financial safety, soundness or stability of any bank subsidiary of that bank holding company may result from such an activity.

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

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

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

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

Capital; Dividends; Source of Strength. The Federal Reserve imposes certain capital requirements on the Company under the BHCA, including a minimum leverage ratio and a minimum ratio of "qualifying" capital to risk-weighted assets. These requirements are described below under "Capital Regulations." Subject to its capital requirements and certain other restrictions, the Company is able to borrow money to make a capital contribution to the Bank, and such loans may be repaid from dividends paid from the Bank to the Company. The ability of the Bank to pay dividends, however, will be subject to regulatory restrictions which are described below under "Dividends." The Company is also able to raise capital for contributions to the Bank by issuing securities without having to receive regulatory approval, subject to compliance with federal and state securities laws.

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

Capital City Bank

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

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

Reserves

The Federal Reserve requires all depository institutions to maintain reserves against some transaction accounts (primarily NOW and Super NOW checking accounts) and non-personal time deposits. The balances maintained to meet the reserve requirements imposed by the Federal Reserve may be used to satisfy liquidity requirements.

Institutions are authorized to borrow from the Federal Reserve Bank "discount window," but Federal Reserve regulations require institutions to exhaust other reasonable alternative sources of funds before borrowing from the Federal Reserve Bank.

Dividends

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

In addition, Florida law also places certain restrictions on the declaration of dividends from state chartered banks to their holding companies. Pursuant to Section 658.37 of the Florida Banking Code, the board of directors of state chartered banks, after charging off bad debts, depreciation and other worthless assets, if any, and making provisions for reasonably anticipated future losses on loans and other assets, may quarterly, semi-annually or annually declare a dividend of up to the aggregate net profits of that period combined with the bank's retained net profits for the preceding two years and, with the approval of the Florida Department, declare a dividend from retained net profits which accrued prior to the preceding two years. Before declaring such dividends, 20% of the net profits for the preceding period as is covered by the

dividend must be transferred to the surplus fund of the bank until this fund becomes equal to the amount of the bank's common stock then issued and outstanding. A state chartered bank may not declare any dividend if (i) its net income from the current year combined with the retained net income for the preceding two years is a loss or (ii) the payment of such dividend would cause the capital account of the bank to fall below the minimum amount required by law, regulation, order or any written agreement with the Florida Department or a federal regulatory agency.

Insurance of Accounts and Other Assessments

The deposit accounts of CCB are insured by the Bank Insurance Fund of the FDIC generally up to a maximum of $100,000 per separately insured depositor, and the Bank is subject to FDIC deposit insurance assessments. The federal banking agencies may prohibit any FDIC-insured institution from engaging in any activity they determine by regulation or order poses a serious threat to the insurance fund. Pursuant to FDICIA, the FDIC adopted a risk-based system for determining deposit insurance assessments under which all insured institutions were placed into one of nine categories and assessed insurance premiums, ranging from 0.0% to 0.27% of insured deposits, based upon their level of capital and supervisory evaluation. Because the FDIC sets the assessment rates based upon the level of assets in the insurance fund, premium rates rise and fall as the number and size of bank failures increase and decrease, respectively. Under the system, institutions are assigned to one of three capital categories based solely on the level of an institution's capital, "well capitalized," "adequately capitalized" and "undercapitalized." These three groups are then divided into three subgroups that reflect varying levels of supervisory concern, from those that are considered to be healthy to those that are considered to be of substantial supervisory concern. Bank Insurance Fund and Savings Association Insurance Fund deposits may be assessed at different rates. Furthermore, the Economic Growth and Regulatory Paperwork Reduction Act of 1996 requires Bank Insurance Fund insured banks to Participate in the payment of interest due on Financing Corporation bonds used to finance the thrift bailout.

Transactions With Affiliates

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

With respect to any Covered Transaction, the term "affiliate" includes any company that controls or is controlled by a company that controls the Bank, a bank or savings association subsidiary of the Bank, any persons who own, control or vote more than 25% of any class of stock of the Bank or the Company and any persons who the Board of Directors determines exercises a controlling influence over the management of the Bank or the Company. The term "affiliate" also includes any company controlled by controlling stockholders of the Bank or the Company and any company sponsored and advised on a contractual basis by the Bank or any subsidiary or affiliate of the Bank. Such transactions between the Bank and their respective affiliates are subject to certain requirements and limitations, including limitations on the amounts of such Covered Transactions that may be undertaken with any one affiliate and with all affiliates in the aggregate. The federal banking agencies may further restrict such transactions with affiliates in the interest of safety and soundness.

Section 23A of the FRA limits Covered Transactions with any one affiliate to 10% of an institution's capital stock and surplus and limits aggregate affiliate transactions to 20% of the Bank's capital stock and surplus. Sections 23A and 23B of the FRA provide that a loan transaction with an affiliate generally must be collateralized (but may not be collateralized by a low quality asset or securities issued by an affiliate) and that

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

On October 31, 2002, the Federal Reserve issued a new regulation, Regulation W, effective April 1, 2003, that comprehensively implements Sections 23A and 23B of the FRA. Regulation W unifies in one public document the Federal Reserve's interpretations of Sections 23A and 23B, including several new interpretive proposals and addresses new issues arising as a result of the expanded scope of non-banking activities engaged in by banks and bank holding companies in recent years and those authorized for financial holding companies under the Gramm-Leach-Bliley Act.

Loans to executive officers, directors or to any person who directly or indirectly, or acting through or in concert with one or more persons, owns, controls or has the power to vote more than 10% of any class of voting securities of a bank ("Principal Shareholders") and their related interests (i.e., any company controlled by such executive officer, director, or

Principal Shareholders), or to any political or campaign committee the funds or services of which will benefit such executive officers, directors, or Principal Shareholders or which is controlled by such executive officers, directors or Principal Shareholders, are subject to Sections 22(g) and 22(h) of the FRA and the regulations promulgated thereunder (Regulation O) and Section 13(k) of the Exchange Act relating to the prohibition on personal loans to executives which exempts financial institutions in compliance with the insider lending restrictions of Section 22(h) of the FRA.

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

Community Reinvestment Act

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

Capital Regulations

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

The current guidelines require all financial holding companies and federally-regulated banks to maintain a minimum risk-based total capital ratio equal to 8%, of which at least 4% must be Tier I Capital. Tier I Capital, which includes common stockholders' equity, noncumulative perpetual preferred stock, and a limited amount of cumulative perpetual preferred stock, less certain goodwill items and other intangible assets, is required to equal at least 4% of risk-weighted assets. The remainder ("Tier II Capital") may consist of (i) an allowance for loan losses of up to 1.25% of risk-weighted assets, (ii) excess of qualifying perpetual preferred stock, (iii) hybrid capital instruments, (iv) perpetual debt, (v) mandatory convertible securities, and (vi) subordinated debt and intermediate-term preferred stock up to 50% of Tier I Capital. Total capital is the sum of Tier I and Tier II Capital less reciprocal holdings of other banking organizations' capital instruments, investments in unconsolidated subsidiaries and any other deductions as determined by the appropriate regulator (determined on a case by case basis or as a matter of policy after formal rule making).

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

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

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

Federal law and regulations establish a capital-based regulatory scheme designed to promote early intervention for troubled banks and require the FDIC to choose the least expensive resolution of bank failures. The capital-based regulatory framework contains five categories of compliance with regulatory capital requirements, including "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized," and "critically undercapitalized." To qualify as a "well capitalized" institution, a bank must have a leverage ratio of no less than 5%, a Tier I risk-based ratio of no less than 6%, and a total risk-based capital ratio of no less than 10%, and the bank must not be under any order or directive from the appropriate regulatory agency to meet and maintain a specific capital level.

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

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

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

Interstate Banking and Branching

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

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

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

USA Patriot Act of 2001

On October 26, 2001, the USA Patriot Act of 2001 (the "Patriot Act") was enacted in response to the terrorist attacks occurring on September 11, 2001. The Patriot Act is intended to strengthen the U.S. law enforcement and intelligence communities' ability to work together to combat terrorism. Title III of the Patriot Act, the International Money Laundering Abatement and Anti-Terrorist Financing Act of 2001, amended the Bank Secrecy Act and adopted additional provisions that increased the obligations of financial institutions, including the Bank, to identify their customers, watch for and report upon suspicious transactions, respond to requests for information by federal banking and law enforcement agencies, and share information with other financial institutions.

Consumer Laws and Regulations

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

Future Legislative Developments

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

Expanding Enforcement Authority

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

Effect of Governmental Monetary Policies

The commercial banking business in which the Bank engages is affected not only by general economic conditions, but also by the monetary policies of the Federal Reserve. Changes in the discount rate on member bank borrowing, availability of borrowing at the "discount window," open market operations, the imposition of changes in reserve requirements against member banks' deposits and assets of foreign branches and the imposition of and changes in reserve requirements against certain borrowings by banks and their affiliates are some of the instruments of monetary policy available to the Federal Reserve. These monetary policies are used in varying combinations to influence overall growth and distributions of bank loans, investments and deposits, and this use may affect interest rates charged on loans or paid on deposits. The monetary policies of the Federal Reserve have had a significant effect on the operating results of commercial banks and are expected to do so in the future. The monetary policies of the Federal Reserve are influenced by various factors, including inflation, unemployment, short-term and long-term changes in the international trade balance and in the fiscal policies of the U.S. Government. Future monetary policies and the effect of such policies on the future business and earnings of the Bank cannot be predicted.

Website Access to Company's Reports

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

Item 2. Properties

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

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

As of February 28, 2003, the Company had 54 banking locations. Of the 54 locations, the Company leases the land, buildings or both at 11 locations and owns the land and buildings at the remaining 43.

Item 3. Legal Proceedings

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

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

Not Applicable

PART II

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

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

The following table presents the range of high and low closing sales prices reported on the Nasdaq National Market and cash dividends declared for each quarter during the past two years. The Company had a total of 1,457 shareowners of record at February 28, 2003.

<TABLE>

	2002				2001			
	Fourth Qtr.	Third Qtr.	Second Qtr.	First Qtr.	Fourth Qtr.	Third Qtr.	Second Qtr.	First Qtr.
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Common stock price:								

High	$40.05	$36.94	$34.80	$27.50	$24.67	$25.25	$25.00	$26.13
Low	27.83	27.90	25.75	22.65	21.90	20.87	19.88	23.13
Close	39.19	33.06	34.53	27.00	24.23	23.47	24.87	25.19
Cash dividends declared per share	.1700	.1525	.1525	.1525	.1525	.1475	.1475	.1475

</TABLE>

Future payment of dividends will be subject to determination and declaration by the Board of Directors. The payment of dividends by the Company is limited by Florida law. There are also legal limits on the frequency and amount of dividends that can be paid by CCB to the Company. See subsection entitled "Dividends" on page 42. These restrictions may limit the Company's ability to pay dividends to its shareowners. As of February 28, 2003, the Company does not believe these restrictions will impair the Company's ability to declare and pay its routine and customary dividends.

<TABLE>

Item 6. Selected Financial & Other Data

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

	For the Years Ended December 31,				
	2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Interest Income	$ 106,095	$ 118,983	$ 109,334	$ 99,685	$ 89,010
Net Interest Income	83,592	70,734	63,100	58,438	53,762
Provision for Loan Losses	3,297	3,983	3,120	2,440	2,439
Net Income	23,082	16,866	18,153	15,252	15,294
Per Common Share:					
Basic Net Income	$ 2.18	$ 1.59	$ 1.78	$ 1.50	$ 1.51
Diluted Net Income	2.17	1.59	1.78	1.50	1.50
Cash Dividends Declared	.6275	.595	.545	.5525	.45
Diluted Book Value	17.60	16.08	14.56	12.96	12.69
Based on Net Income:					
Return on Average Assets	1.34%	0.99%	1.24%	1.06%	1.30%
Return on Average Equity	12.85	10.00	12.99	11.64	12.37
Dividend Pay-out Ratio	28.92	37.42	30.62	32.86	28.20
Averages for the Year:					
Loans, Net of Unearned Interest	$1,256,107	$1,184,290	$1,002,122	$ 884,323	$ 824,197
Earning Assets	1,556,500	1,534,548	1,315,024	1,291,262	1,065,677
Assets	1,727,180	1,704,167	1,463,612	1,444,069	1,180,785
Deposits	1,424,999	1,442,916	1,207,103	1,237,405	985,119
Long-Term Debt	30,423	15,308	13,070	17,274	18,041
Shareowners' Equity	179,652	168,652	139,738	131,058	123,647
Year-End Balances:					
Loans, Net of Unearned Interest	$1,285,221	$1,243,351	$1,051,832	$ 928,486	$ 844,217
Earning Assets	1,636,472	1,626,841	1,369,294	1,263,296	1,288,439
Assets	1,824,771	1,821,423	1,527,460	1,430,520	1,443,675
Deposits	1,434,200	1,550,101	1,268,367	1,202,658	1,253,553
Long-Term Debt	71,745	13,570	11,707	14,258	18,746
Shareowners' Equity	186,531	171,783	147,607	132,216	128,862
Equity to Assets Ratio	10.22%	9.43%	9.66%	9.24%	8.93%
Other Data:					
Basic Average Shares Outstanding	10,580,228	10,593,566	10,186,199	10,174,945	10,146,393
Diluted Average Shares Outstanding	10,619,484	10,633,948	10,214,842	10,196,233	10,167,630
Shareowners of Record<F2>	1,457	1,473	1,599	1,362	1,334
Banking Locations<F2>	54	56	56	48	46
Full-Time Equivalent Associates<F2>	781	787	791	678	677

<FN>

<F1> 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.

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

</FN>

</TABLE>

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

FINANCIAL REVIEW

Management's discussion and analysis provides supplemental information, which sets forth the major factors that have affected the Company's financial condition and results of operations and should be read in conjunction with the Consolidated Financial Statements and related notes. The Financial Review is divided into subsections entitled "Results of Operations," "Financial Condition," "Liquidity and Capital Resources" and "Accounting Policies." Information therein should facilitate a better understanding of the major factors and trends that affect the Company's earnings performance and financial condition, and how the Company's performance during 2002 compares with prior years. Throughout this section, Capital City Bank Group, Inc., and its subsidiaries, collectively, are referred to as "CCBG" or the "Company." Capital City Bank is referred to as "CCB" or the "Bank."

The period-to-date averages used in this report are based on daily balances for each respective period. In certain circumstances, comparing average balances for the fourth quarters of consecutive years may be more meaningful than simply analyzing year-to-date averages. Therefore, where appropriate, quarterly averages have been presented for analysis and have been noted as such. See Table 2 for annual averages and Table 14 for financial information presented on a quarterly basis.

This Report and other Company communications and statements may contain "forward-looking statements." These forward-looking statements include, among others, statements about our beliefs, plans, objectives, goals, expectations, estimates and intentions that are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. The words "may," "could," "should," "would," "believe," "anticipate," "estimate," "expect," "intend," "plan" and similar expressions are intended to identify forward-looking statements. The following factors, among others, could cause our financial performance to differ materially from what is contemplated in those forward-looking statements:

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

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

- Inflation, interest rate, market and monetary fluctuations;

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

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

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

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

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

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

- Technological changes;

- Changes in consumer spending and saving habits;

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

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

- Unanticipated regulatory or judicial proceedings;

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

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

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

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

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

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

The Company is headquartered in Tallahassee and, as of December 31, 2002, had 54 offices covering 17 counties in Florida, four counties in Georgia and one county in Alabama.

EARNINGS ANALYSIS

Earnings, after considering the effects of conversion/merger-related expenses (primarily integration costs which include severance payments and system conversion costs) and intangible amortization, were $23.1 million, or $2.17 per diluted share. This compares to $16.9 million, or $1.59 per diluted share in 2001 and $18.2 million, or $1.78 per diluted share in 2000. During 2002, conversion/merger-related expenses, net of taxes, totaled $130,000, or $.01 per diluted share, compared to $361,000, or $.03 per diluted share in 2001 and $482,000, or $.05 per diluted share in 2000. Amortization of intangible assets, net of taxes, in 2002 totaled $2.0 million, or $.19 per diluted share, compared to $2.6 million, or $.24 per diluted share in 2001, and $1.9 million, or $.19 per diluted share in 2000. The decline in amortization was a result of adopting SFAS No. 142.

The increase in earnings was attributable to 17.5% growth in operating revenues due to improvements in net interest income of 18.2% and noninterest income of 16.0%. The net interest margin increased 74 basis points over 2001 to a level of 5.47%, attributable to a 169 basis point reduction in the Company's cost of funds. Growth in noninterest income resulted from increased mortgage banking revenues reflecting the higher volume of fixed-rate residential mortgages sold to the secondary market, a sale of selected long-term adjustable rate mortgage loans and an increase in service charge fees. The loan sale recorded in the fourth quarter generated an after-tax gain of approximately $0.04 per diluted share. These and other significant factors are discussed throughout the Financial Review. A condensed earnings summary is presented in Table 1.

<TABLE>
Table 1
CONDENSED SUMMARY OF EARNINGS
(Dollars in Thousands, Except Per Share Data)

	For the Years Ended December 31,		
	2002	2001	2000
<S>	<C>	<C>	<C>
Interest Income	$106,095	$118,983	$109,334
Taxable Equivalent Adjustments	1,682	1,775	1,577
Total Interest Income (FTE)	107,777	120,758	110,911
Interest Expense	22,503	48,249	46,234
Net Interest Income (FTE)	85,274	72,509	64,677

Provision for Loan Losses	3,297	3,983	3,120
Taxable Equivalent Adjustments	1,682	1,775	1,577
Net Interest Income After Provision for Loan Losses	80,295	66,751	59,980
Noninterest Income	37,176	32,037	26,769
Noninterest Expense	81,698	72,804	59,147
Income Before Income Taxes	35,773	25,984	27,602
Income Taxes	12,691	9,118	9,449
Net Income	$ 23,082	$ 16,866	$ 18,153
Basic Net Income Per Share	$ 2.18	$ 1.59	$ 1.78
Diluted Net Income Per Share	$ 2.17	$ 1.59	$ 1.78

</TABLE>

Net Interest Income

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

In 2002, taxable equivalent net interest income increased $12.8 million, or 17.6%. This follows an increase of $7.8 million, or 12.1%, in 2001, and $4.5 million, or 7.4%, in 2000. Lower interest rates paid on deposit products and a decline

in interest bearing liabilities led to a net reduction in interest expense of $25.7 million over 2001. This favorable variance was partially offset by declining yields on earning assets, which produced a decline in taxable equivalent interest income of $13.0 million. Over the last two years, management has aggressively repriced interest bearing liabilities in response to the Federal Reserve's rapid reduction in its target rate on overnight funds.

<TABLE>

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

	2002			2001			2000		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Assets:									
Loans, Net of Unearned Interest<F1><F2>	$1,256,107	$ 95,222	7.58%	$1,184,290	$102,737	8.68%	$1,002,122	$ 92,486	9.23%
Taxable Investment Securities	135,865	6,941	5.11	170,328	9,619	5.65	199,234	11,701	5.87
Tax-Exempt Investment Securities<F2>	68,915	4,133	6.00	78,928	4,792	6.07	92,440	5,403	5.84
Funds Sold	95,613	1,481	1.53	101,002	3,610	3.55	21,228	1,321	6.22
Total Earning Assets	1,556,500	107,777	6.92	1,534,548	120,758	7.87	1,315,024	110,911	8.43
Cash & Due From Banks	72,960			69,242			62,202		
Allowance For Loan Losses	(12,409)			(11,910)			(10,468)		

Other Assets	110,129			112,287			96,854		
TOTAL ASSETS	$1,727,180			$1,704,167			$1,463,612		
Liabilities:									
NOW Accounts	$ 241,873	$ 1,272	0.53%	$ 214,881	$ 4,046	1.88%	$ 174,853	$ 4,444	2.54%
Money Market Accounts	224,275	2,904	1.30	208,526	6,237	2.99	160,258	6,673	4.16
Savings Accounts	104,967	500	0.48	108,284	1,865	1.72	106,072	2,446	2.31
Time Deposits	493,956	15,875	3.21	604,909	33,066	5.47	496,699	26,896	5.42
Total Interest Bearing Deposits	1,065,071	20,551	1.93	1,136,600	45,214	3.98	937,882	40,459	4.31
Short-Term Borrowings	72,594	767	1.06	58,111	2,164	3.72	86,119	4,968	5.77
Long-Term Debt	30,423	1,185	3.90	15,308	871	5.69	13,070	807	6.17
Total Interest Bearing Liabilities	1,168,088	22,503	1.93	1,210,019	48,249	3.99	1,037,071	46,234	4.46
Noninterest Bearing Deposits	359,928			306,316			269,221		
Other Liabilities	19,512			19,180			17,582		
TOTAL LIABILITIES	1,547,528			1,535,515			1,323,874		
Shareowners' Equity:									
Common Stock	106			106			102		
Additional Paid-In Capital	15,362			18,966			9,188		
Retained Earnings	164,184			149,580			130,448		
TOTAL SHAREOWNERS' EQUITY	179,652			168,652			139,738		
TOTAL LIABILITIES AND SHAREOWNERS' EQUITY	$1,727,180			$1,704,167			$1,463,612		
Interest Rate Spread			4.99%			3.88%			3.97%
Net Interest Income		$ 85,274			$ 72,509			$ 64,677	
Net Interest Margin<F3>			5.47%			4.73%			4.91%

<FN>
<F1> Average balances include nonaccrual loans. Interest income includes fees on loans of approximately $4.6 million, $4.3 million and $4.0 million in 2002, 2001 and 2000, respectively.

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

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

<TABLE>

Table 3
RATE/VOLUME ANALYSIS<F1>
(Taxable Equivalent Basis - Dollars in Thousands)

	2002 Changes from 2001			2001 Changes from 2000		
		Due To Average			Due To Average	
	Total	Volume	Rate	Total	Volume	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Earning Assets:						
Loans, Net of Unearned Interest<F2>	$(7,515)	$6,698	$(14,213)	$10,251	$16,814	$(6,563)

Investment Securities:						
Taxable	(2,678)	(1,987)	(691)	(2,082)	(1,697)	(385)
Tax-Exempt	(659)	(608)	(51)	(611)	(789)	178
Funds Sold	(2,129)	(215)	(1,914)	2,289	4,962	(2,673)
Total	(12,981)	3,888	(16,869)	9,847	19,290	(9,443)
Interest Bearing Liabilities:						
NOW Accounts	(2,774)	509	(3,283)	(398)	1,017	(1,415)
Money Market Accounts	(3,333)	471	(3,804)	(436)	2,008	(2,444)
Savings Accounts	(1,365)	(57)	(1,308)	(581)	51	(632)
Time Deposits	(17,191)	(6,065)	(11,126)	6,170	5,865	305
Short-Term Borrowings	(1,397)	447	(1,844)	(2,804)	(1,616)	(1,188)
Long-Term Debt	314	860	(546)	64	138	(74)
Total	(25,746)	(3,835)	(21,911)	2,015	7,463	(5,448)
Changes in Net Interest Income	$12,765	$7,723	$ 5,042	$ 7,832	$11,827	$(3,995)

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

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

For the year 2002, taxable equivalent interest income decreased $13.0 million, or 10.7%, over 2001, compared to an increase of $9.8 million, or 8.9%, in 2001 over 2000. New loan production and repricing of existing earning assets produced a 95 basis point reduction in the yield on earning assets, which declined from 7.87% for 2001 to 6.92% for 2002. This compares to a 56 basis point reduction in 2001 over 2000. The unfavorable impact of declining yields was partially mitigated by growth in earning assets of $22 million and an overall improvement in the mix. As shown in Table 3, the loan portfolio was the largest contributor to the net reduction in interest income. In the current rate environment, portfolio repricing will continue to put pressure on interest income, but may be partially or completely offset by earning asset growth.

Interest expense decreased $25.7 million, or 4.4%, over 2001, compared to an increase of $2.0 million, or 4.4%, in 2001 over 2000. The general decline in interest rates produced favorable rate variances on interest bearing liabilities throughout the year. This was further enhanced by a favorable shift in mix, as certificates of deposit (generally a higher cost deposit product) declined relative to total deposits. Certificates of deposit, as a percent of total average deposits, declined from 41.9% in 2001 to 34.7% in 2002. Lower interest rates and a favorable shift in mix led to a decline in the average rate paid on interest bearing liabilities in 2002 of 206 basis points compared to 2001.

Late in the third quarter, the Company obtained a $75 million advance from the Federal Home Loan Bank to fund anticipated future loan growth. The advance carries a weighted average rate of 2.51%. Initially, this transaction will adversely impact the margin as the monies will be invested in overnight funds until deployed into the loan portfolio.

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) increased 111 basis points in 2002 and decreased 9 basis points in 2001. The significant increase in 2002 is attributable to management's ability to rapidly adjust the average rate paid on interest bearing liabilities relative to the decline in yield on earning assets. The decrease in 2001 was attributable to the lower earning asset yield.

The Company's net interest margin (defined as taxable equivalent interest income less interest expense divided by average earning assets) was 5.47% in 2002, compared to 4.73% in 2001 and 4.91% in 2000. In 2002, the lower rates paid on interest bearing liabilities and the higher volume of earning assets resulted in a 74 basis point increase in the margin.

Repricing of maturing certificates of deposit and continued loan growth are anticipated to have a favorable impact on the net interest margin during the upcoming year. However, this may be partially or completely offset by unfavorable repricing variances associated with loans and securities and any further changes in the Federal Reserve's target rate on overnight funds.

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

Provision for Loan Losses

The provision for loan losses was $3.3 million in 2002, compared to $4.0 million in 2001 and $3.1 million in 2000. The decrease in the 2002 provision reflects the Company's lower level of charge-offs and stable credit quality. The Company experienced improvement in the credit quality of its consumer loan portfolio reflecting recent adjustments to its underwriting criteria. In 2002, consumer loan

net charge-offs declined both in terms of absolute dollars and as a percentage of total net charge-offs.

Net charge-offs remain at historically low levels relative to the size of the portfolio. In 2002, the decrease of $759,000 is largely due to lower gross charge-offs and improved recovery efforts. The Company's nonperforming assets ratio decreased to 0.30% from 0.32% at year-end 2001, and the net charge-off ratio decreased to .23% versus .31% in 2001.

At December 31, 2002, the allowance for loan losses totaled $12.5 million compared to $12.1 million in 2001. At year-end 2002, the allowance represented 0.97% of total loans. Management considers the allowance to be adequate based on the current level of nonperforming loans and the estimate of losses inherent in the portfolio at year-end. See the section entitled "Financial Condition" and Tables 7 and 8 for further information regarding the allowance for loan losses. Selected loss coverage ratios are presented below:

	2002	2001	2000
Provision for Loan Losses as a Multiple of Net Charge-offs	1.1x	1.1x	1.3x
Pre-tax Income Plus Provision for Loan Losses as a Multiple of Net Charge-offs	13.5x	8.2x	12.4x

Noninterest Income

In 2002, noninterest income increased $5.1 million, or 16.0%, and represented 30.4% of taxable equivalent operating revenue, compared to an increase of $5.3 million, or 19.7%, and 30.6%, respectively, in 2001. The increase in the level of noninterest income is attributable primarily to growth in service charge income on deposit accounts, mortgage banking revenues, and other income. The increase in 2001 was primarily attributable to all categories except data processing revenues. Factors affecting noninterest income are discussed below.

Service charges on deposit accounts increased $2.1 million, or 19.7%, in 2002, compared to an increase of $1.3 million, or 13.5%, in 2001. Service charge revenues in any one year are dependent on the number of accounts, primarily transaction accounts, the level of activity subject to service charges and the collection rate. The increase in 2002 reflects an increase in the number of accounts primarily attributable to the 2001 Georgia acquisitions and the introduction of a new overdraft protection program in the fourth quarter of 2002. A full year (versus a partial year in 2002) of the overdraft protection program will result in higher revenues in 2003. The increase in 2001 is primarily attributable to the Georgia acquisitions.

Data processing revenues decreased $73,000, or 3.5%, in 2002 versus a decrease of $446,000, or 17.7%, in 2001. The data processing center provides computer services to both financial and non-financial clients in North Florida and South Georgia. The decrease in 2002 was primarily a result of a decline in revenues from financial clients. The Company added a financial client late in the fourth quarter of 2002, increasing the number being processed to six. In 2002, processing revenues for non-financial entities represented approximately 41.5% of total processing, compared to 35.9% in 2001. The Company completed its systems conversion to a third-party provider for all financial clients during the first quarter of 2002. Management does not anticipate a significant increase in data processing revenues during 2003. The decrease in total processing revenues for 2001 was primarily the result of a decline in revenues for financial clients.

In 2002, asset management fees decreased $35,000, or 1.4%, versus an increase of $121,000, or 5.0%, in 2001. Fees lost due to distributions and the decline in stock market values over the past year have outpaced the incremental revenues attributable to new business development. At year-end 2002, assets under management totaled approximately $343 million, reflecting growth of $6.0 million, or 1.8%. This growth was attributable to the generation of new accounts in existing markets, including new Georgia markets acquired in 2001.

At year-end 2001, assets under management totaled $337 million, reflecting growth of $9.0 million, or 2.7% over 2000.

The Company continues to be among the leaders in the production of residential mortgage loans in most of its markets. In 2002, mortgage banking revenues increased $2.6 million, or 63.7%, compared to an increase of $2.8 million, or 217.5% in 2001. The Company generally sells all fixed rate residential loan production into the secondary market. The low interest rates have produced a high level of fixed rate production and increased mortgage banking revenues. The further decline in interest rates during 2002 continued a trend of higher levels of fixed rate mortgage production (in excess of 85% of total production). During the fourth quarter, the Company sold $23.5 million of residential real estate loans generating a pre-tax gain of approximately $675,000. The level of interest rates, origination volume and percent of fixed rate production is expected to impact the Company's ability to maintain the current level of mortgage banking revenues throughout 2003. The increase in revenue during 2001 reflects the declining rate environment experienced throughout the year, which produced a high level of fixed rate production.

Other noninterest income increased $580,000, or 4.5%, in 2002 versus an increase of $1.6 million, or 14.1% in 2001. The increase in 2002 was attributable primarily to retail brokerage fees and ATM/debit/credit card transaction fees. Retail brokerage fees increased $661,000, or 131.05% over 2001. The Company continues to strategically place investment advisors in its office network and expand its customer relationships through sales of investment management and brokerage products. ATM/debit/credit cards increased $175,000, or 10.5%, due to higher transaction volume. The 2001 increase was primarily attributable to increased ATM/debit/credit card fees, accounts receivable financing, credit-related insurance revenue and safe deposit fees.

Noninterest income as a percent of average assets increased to 2.15% in 2002, compared to 1.88% in 2001 and 1.83% in 2000, driven by service charge income, mortgage banking revenues and retail brokerage fees.

Noninterest Expense

Noninterest expense for 2002 was $81.7 million, an increase of $8.9 million, or 12.2%, over 2001, compared with an increase of $13.7 million, or 23.1%, in 2001. Factors impacting the Company's noninterest expense during 2002 and 2001 are discussed below.

The Company's aggregate compensation expense in 2002 totaled $43.2 million, an increase of $5.5 million, or 14.7%, over 2001. The increase is primarily attributable to the addition of the Georgia and Alabama offices, performance-based compensation (profit participation, commissions and incentives), increased pension costs and higher healthcare insurance premiums. The higher pension cost is a result of an increase in the number of plan participants and the lower than expected return on plan assets resulting from the general stock market decline in recent years. Pension costs are expected to increase in 2003 by approximately 40%. Healthcare premiums are expected to continue to increase due to additional participants and rising costs from healthcare providers. In 2001, aggregate compensation increased $7.7 million, or 25.8%, over 2000. This increase was

primarily due to the addition of associates from the Georgia acquisitions, higher commissions related to mortgage banking, increased pension costs and higher healthcare insurance premiums.

Occupancy expense (including furniture, fixtures and equipment) increased by $726,000, or 5.7%, in 2002, compared to $2.3 million, or 21.6% in 2001. The increase in 2002 was primarily due to the addition of nine offices added with the Georgia acquisitions and the completion of the data processing systems conversion. The increase in depreciation was attributable to the assets added through acquisitions and the implementation of a new data processing system. Additional increases were experienced in office leases and building maintenance/repairs. The increase in 2001 was attributable to higher depreciation, maintenance, and utilities associated with the Georgia acquisitions.

Other noninterest expense increased $2.6 million, or 11.7%, in 2002, compared to $3.7 million, or 19.6%, in 2001. The increase in 2002 was attributable to: (1) higher legal costs of $351,000 primarily resulting from merchant credit card processing (see Section entitled "Other" in "Liquidity and Capital Resources" for further discussion); (2) increased professional fees associated with external audit, tax and pension consulting of $594,000; (3) increased processing expenses of $390,000 associated with customization of a newly implemented data processing system, increased ATM processing and trust account processing; (4) increased contributions of $175,000 attributable to increased funding for Capital City Bank Group Foundation, Inc.; (5) increased telephone costs of $215,000 resulting from Georgia acquisitions and line upgrades to the existing wide-area network; and (6) higher miscellaneous expense of $1.2 million attributable to: loan underwriting/closing costs ($302,000), other losses/cash short ($304,000), credit card interchange fees ($262,000), seminars/education ($139,000), and other miscellaneous ($248,000).

The increase in 2001 was attributable to: (1) higher legal costs of $241,000 associated with merchant credit card processing (see Section entitled "Other" in "Liquidity and Capital Resources" for further discussion); (2) increased telephone costs of $470,000 due to the Georgia acquisitions and systems conversion; (3) increased advertising costs of $203,000; (4) higher intangible amortization of $926,000 that resulted from Georgia acquisitions; (5) commission service fees of $514,000; (6) higher postage costs of $256,000; and (7) higher credit card interchange costs of $1.2 million.

The net noninterest expense ratio (defined as noninterest income minus noninterest expense, net of intangible amortization and conversion/merger-related expenses, as a percent of average assets) was 2.38% in 2002, compared to 2.14% in 2001 and 1.97% in 2000. The Company's efficiency ratio (expressed as noninterest expense, net of intangible amortization and conversion/merger-related expenses, as a percent of taxable equivalent operating revenues) was 63.9%, 65.5% and 60.7% in 2002, 2001 and 2000, respectively.

Income Taxes

The consolidated provision for federal and state income taxes was $12.7 million in 2002, compared to $9.1 million in 2001 and $9.4 million in 2000. The increase in the 2002 tax provision was a result of higher taxable income and a decline in tax exempt income. The decrease in the 2001 tax provision from 2000 was primarily attributable to lower taxable income.

The effective tax rate was 35.5% in 2002, 35.1% in 2001, and 34.2% in 2000. These rates differ from the combined federal and state statutory tax rates due primarily to tax-exempt income. The increase in the effective tax rate for 2002 is primarily

attributable to an increase in state taxable income as well as a decline of tax-exempt income relative to pre-tax income. Tax-exempt income (net of the adjustment for disallowed interest) as a percent of pre-tax income was 8.7% in 2002, 13.0% in 2001, and 19.8% in 2000. The decline during the past three years was primarily a result of growth in pre-tax income, maturities in the tax-exempt security portfolio and management's decision to use these proceeds to fund loan growth, rather than replace maturities in the portfolio. See Section entitled "Financial Condition" for further discussion.

FINANCIAL CONDITION

Average assets totaled $1.7 billion, an increase of $23.0 million, or 1.3%, in 2002 versus the comparable period in 2001. Average earning assets increased to $1.6 billion in 2002, a $22.0 million, or 1.4%, increase over 2001. Throughout 2002, there has been a favorable shift in mix of earning assets as the Company continues to experience net loan growth. Loan growth was primarily funded through existing liquidity and the maturity of investment securities. Table 2 provides information on average balances and rates, Table 3 provides an analysis of rate and volume variances, while Table 4 highlights the changing mix of the Company's earning assets over the last three years.

Loans

Average loans increased $71.8 million, or 6.1%, over the comparable period in 2001. Slow loan growth in the first quarter was replaced with brisk to strong growth for the remainder of 2002. Loans, on average, increased $5.4 million in the second quarter, $31.8 million in the third quarter and $26.3 million in the fourth quarter. Loans as a percent of average earning assets increased to 80.7% for the year, compared to 77.2% for the comparable period of 2001. At December 31, 2002, this percentage had decreased to 78.5%, primarily a result of a $23.5 million loan sale consummated in November. Loan growth has occurred in all loan categories during the last three quarters of 2002 with the exception of residential 1-4 family. The decline in residential 1-4 family was a result of the high level of refinancing activity that occurred in 2002. Fixed rate loan production was generated from the refinancing activity and sold in the secondary market. The loan sale increased short-term liquidity and will be used to fund future loan growth. Management anticipates moderate to strong loan production during the first quarter of 2003 in the majority of its markets.

Although management is continually evaluating alternative sources of revenue, lending is a major component of the Company's business and is key to profitability. While management strives to identify opportunities to increase loans outstanding and enhance the portfolio's overall contribution to earnings, it can do so only by adhering to sound lending principles applied in a prudent and consistent manner. Thus, management will not relax its underwriting standards in order to achieve designated growth goals.

<TABLE>

Table 4
SOURCES OF EARNING ASSET GROWTH
(Average Balances - Dollars in Thousands)

	2001 to 2002 Change	Percentage of Total Change	Components of Average Earning Assets 2002	2001	2000
<S>	<C>	<C>	<C>	<C>	<C>
Loans:					
Commercial, Financial and Agricultural	$10,277	46.8%	8.6%	8.0%	8.2%
Real Estate - Construction	1,170	5.3	5.3	5.3	5.2
Real Estate - Com'l Mortgage	52,293	238.2	20.7	17.6	16.9
Real Estate - Residential	5,194	23.7	32.6	32.8	32.4
Consumer	2,883	13.1	13.5	13.5	13.5
Total Loans	71,817	327.2	80.7	77.2	76.2
Securities:					
Taxable	(34,463)	(157.0)	8.8	11.1	15.2
Tax-Exempt	(10,013)	(45.6)	4.4	5.1	7.0
Total Securities	(44,476)	(202.6)	13.2	16.2	22.2
Funds Sold	(5,389)	(24.6)	6.1	6.6	1.6
Total Earning Assets	$21,952	100.0%	100.0%	100.0%	100.0%

</TABLE>

The Company's average loan-to-deposit ratio increased from 82.1% in 2001, to 88.1% in 2002. This compares to an average loan-to-deposit ratio in 2000 of 83.0%. The higher average loan-to-deposit ratio in 2002 reflects both higher loans and a decline in deposits.

Real estate loans, combined, represented 71.7% of total loans at December 31, 2002, versus 72.8% in 2001. This decline from the prior year reflects the decline in 1-4 family residential loans discussed above. See the section entitled "Risk Element Assets" for a discussion concerning loan concentrations.

The composition of the Company's loan portfolio at December 31, for each of the past five years is shown in Table 5. Table 6 arrays the Company's total loan portfolio as of December 31, 2002, based upon maturities. As a percent of the total portfolio, loans with fixed interest rates represent 32.9% as of December 31, 2002, versus 36.4% at December 31, 2001.

<TABLE>

Table 5
LOANS BY CATEGORY
(Dollars in Thousands)

	As of December 31, 2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Commercial, Financial and Agricultural	$ 141,459	$ 128,480	$ 108,340	$ 98,894	$ 91,246
Real Estate - Construction	91,110	72,778	84,133	62,166	51,790
Real Estate - Com'l Mortgage	356,807	302,239	231,099	214,036	542,044
Real Estate - Residential<F1>	474,069	530,546	444,489	383,536	-
Consumer	221,776	209,308	183,771	169,854	159,137
Total Loans, Net of Unearned Interest	$1,285,221	$1,243,351	$1,051,832	$928,486	$844,217

<FN>
<F1> Real Estate - Residential loan information included in Real Estate - Com'l Mortgage category for 1998
</FN>
</TABLE>

<TABLE>

Table 6
LOAN MATURITIES
(Dollars in Thousands)

	Maturity Periods			
	One Year Or Less	Over One Through Five Years	Over Five Years	Total
<S>	<C>	<C>	<C>	<C>
Commercial, Financial and Agricultural	$ 64,444	$ 68,955	$ 8,060	$ 141,459
Real Estate	152,019	125,660	644,307	921,986
Consumer<F1>	73,368	129,945	18,463	221,776
Total	$289,831	$324,560	$670,830	$1,285,221
Loans with Fixed Rates	$195,707	$213,074	$ 14,640	$ 423,421
Loans with Floating or Adjustable Rates	94,124	111,486	656,190	861,800
Total	$289,831	$324,560	$670,830	$1,285,221

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

Allowance for Loan Losses

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

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

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

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

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

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

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

The allowance for loan losses is compared against the sum of the specific reserves assigned to problem loans plus the general reserves assigned to pools of loans that are not specific problem loans. Adjustments are made when appropriate. An unallocated reserve is reflected in 2002 as a result of a change in policy regarding the methodology of calculating a required reserve. In previous years, the allowance for loan losses was compared to the highest end of a range of required calculated reserves. This year, a most likely reserve value was determined within the computed range of required calculated reserve, with the actual allowance for loan losses compared to the most likely reserve value. The unallocated reserve is monitored on a regular basis and adjusted based on qualitative factors. Table 7 analyzes the activity in the allowance over the past five years.

<TABLE>

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

	For the Years Ended December 31,				
	2002	2001	2000	1999	1998
<S>	<C>	<C>	<C>	<C>	<C>
Balance at Beginning of Year	$12,096	$10,564	$ 9,929	$9,827	$9,662
Acquired Reserves	-	1,206	-	-	-
Charge-Offs:					
Commercial, Financial and Agricultural	818	483	626	480	127
Real Estate - Construction	-	-	7	-	15
Real Estate - Com'l Mortgage	-	32	-	354	1,011
Real Estate - Residential<F1>	175	159	168	251	-
Consumer	3,279	3,976	2,387	2,113	2,004
Total Charge-Offs	4,272	4,650	3,188	3,198	3,157
Recoveries:					
Commercial, Financial and Agricultural	136	44	52	142	72
Real Estate - Construction	-	-	11	-	142
Real Estate - Com'l Mortgage	20	65	73	84	176
Real Estate - Residential<F1>	37	116	54	11	-
Consumer	1,181	768	513	623	493
Total Recoveries	1,374	993	703	860	883
Net Charge-Offs	2,898	3,657	2,485	2,338	2,274
Provision for Loan Losses	3,297	3,983	3,120	2,440	2,439
Balance at End of Year	$12,495	$12,096	$10,564	$9,929	$9,827

Ratio of Net Charge-Offs to Average Loans Outstanding	.23%	.31%	.25%	.26%	.28%
Allowance for Loan Losses as a Percent of Loans at End of Year	.97%	.97%	1.00%	1.07%	1.16%
Allowance for Loan Losses as a Multiple of Net Charge-Offs	4.31x	3.31x	4.25x	4.25x	4.32x

<FN>
<F1> Real Estate - Residential charge-off and recovery information is included in the Real Estate - Com'l Mortgage category for 1998.
</FN>
</TABLE>

The allowance for loan losses at December 31, 2002 of $12.5 million compares to $12.1 million at year-end 2001. The allowance as a percent of total loans was 0.97% in 2002 and 2001. The allowance for loan losses as a percentage of loans reflects management's current estimation of the credit quality of the Company's loan portfolio. While there can be no assurance that the Company will not sustain loan losses in a particular period that are substantial in relation to the size of the allowance, management's assessment of the loan portfolio would not indicate a likelihood of this occurrence. It is management's opinion that the allowance at December 31, 2002 is adequate to absorb losses inherent in the loan portfolio at year-end.

Table 8 provides an allocation of the allowance for loan losses to specific loan types for each of the past five years. The reserve allocations, as calculated using the above methodology, are assigned to specific loan categories corresponding to the type represented within the components discussed. The greatest losses experienced by the Company have occurred in the consumer loan portfolio, including credit cards. As such, the greatest amount of the allowance is allocated to consumer loans despite its relatively small balance. Management is making changes in the underwriting of consumer loans throughout the Company and in the management of the credit card portfolio in an effort to reduce the charge-offs associated with consumer purpose loans.

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 $76,000, or 3.1%, from a level of $2.4 million at December 31, 2001, to $2.5 million at December 31, 2002. During 2002, loans totaling approximately $4.7 million were added, while loans totaling $4.6 million were removed from nonaccruing status. Of the $4.6 million removed, $714,000 consisted of principal reductions, $1.4 million represented loans transferred to other real estate, $2.4 million consisted of loans brought current and returned to an accrual status and loans refinanced, and $111,000 was charged off. Where appropriate, management has allocated specific reserves to absorb anticipated losses. The majority (72%) of the Company's charge-offs in 2002 were in the consumer portfolio where loans are charged off based on past due status and are not recorded as nonaccruing loans.

Approximately 80% of the Company's nonaccrual loans are secured by 1-4 family residential properties or residential lots. These loans are believed to have little exposure to credit loss as evidenced by the relatively small amount of charge-offs experienced in nonaccrual loans. The housing markets in the areas served by the Company continue to be strong despite the general decline in the economy.

All nonaccrual loans exceeding $25,000 not secured by 1-4 family residential properties are reviewed quarterly for impairment. Loans are considered impaired when it is probable that all principal and interest will not be collected according to the contractual terms. When a loan is considered impaired, it is reviewed for exposure to credit loss. If credit loss is probable, a specific reserve is allocated to absorb the anticipated loss. The Company had $1.1 million in loans considered impaired at December 31, 2002. The anticipated loss in those impaired loans is $219,000.

<TABLE>

Table 8
ALLOCATION OF ALLOWANCE FOR LOAN LOSSES

(Dollars in Thousands)	2002 Allowance Amount	2002 Percent of Loans in Each Category To Total Loans	2001 Allowance Amount	2001 Percent of Loans in Each Category To Total Loans	2000 Allowance Amount	2000 Percent of Loans in Each Category To Total Loans	1999 Allowance Amount	1999 Percent of Loans in Each Category To Total Loans	1998 Allowance Amount	1998 Percent of Loans in Each Category To Total Loans
Commercial, Financial and Agricultural	$ 2,740	11.0%	$ 3,257	10.3%	$ 1,423	10.3%	$1,873	10.7%	$1,599	10.8%
Real Estate:										
Construction	348	7.1	600	5.9	424	8.0	477	6.7	556	6.1
Com'l Mortgage	2,559	27.8	3,098	24.3	3,157	22.0	3,228	23.0	3,461	64.2
Residential<F1>	1,021	36.9	947	42.7	922	42.3	573	41.3	-	-
Consumer	4,210	17.2	4,194	16.8	3,423	17.4	3,327	18.3	3,110	18.9
Not Allocated	1,617	-	-	-	1,215	-	451	-	1,101	-
Total	$12,495	100.0%	$12,096	100.0%	$10,564	100.0%	$9,929	100.0%	$9,827	100.0%

<FN>
<F1> Real Estate - Residential allowance for loan losses information is included in the Real Estate - Com'l Mortgage category for 1998.
</FN>
</TABLE>

<TABLE>

Table 9
RISK ELEMENT ASSETS
(Dollars in Thousands)

	As of December 31, 2002	2001	2000	1999	1998
Nonaccruing Loans	$ 2,510	$ 2,414	$ 2,919	$ 2,965	$ 4,996
Restructured	-	20	19	26	195
Total Nonperforming Loans	2,510	2,434	2,938	2,991	5,191
Other Real Estate	1,333	1,506	971	934	1,468
Total Nonperforming Assets	$ 3,843	$ 3,940	$ 3,909	$ 3,925	$ 6,659
Past Due 90 Days or More	$ 2,453	$ 1,065	$ 1,102	$ 781	$ 1,124
Nonperforming Loans/Loans	.20%	.20%	.28%	.32%	.61%
Nonperforming Assets/Loans Plus Other Real Estate	.30%	.32%	.37%	.42%	.79%
Nonperforming Assets/Capital<F1>	1.93%	2.14%	2.47%	2.76%	4.80%
Reserve/Nonperforming Loans	497.72%	496.96%	359.57%	331.96%	189.31%

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

Interest on nonaccrual loans is generally recognized only when received. Cash collected on nonaccrual loans is applied against the principal balance or recognized as interest income based upon management's expectations as to the ultimate collectibility of principal and interest in full. If interest on nonaccruing loans had been recognized on a fully accruing basis, interest income recorded would have been $116,000 higher for the year ended December 31, 2002.

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 $1.3 million at December 31, 2002, versus $1.5 million at December 31, 2001. 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 2002, the Company added properties totaling $1.2 million, and partially or completely liquidated properties totaling $1.4 million, resulting in a net decrease in other real estate of approximately $200,000. 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 $2.1 million at December 31, 2002.

The increase in past due loans was due to one relationship which subsequently has been brought to a current status.

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. Furthermore, due to the nature of the Company's markets, a significant portion of the portfolio has historically been secured with real estate.

While the Company has a majority of its loans secured by real estate, the primary type of real estate collateral is 1-4 family residential properties. At December

31, 2002, approximately 71.8% of the portfolio consisted of real estate loans. Residential properties comprise approximately 51.4% of the real estate portfolio.

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

Management is continually analyzing its loan portfolio in an effort to identify and resolve its problem assets as quickly and efficiently as possible. As of December 31, 2002, 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 2002, the Company's average investment portfolio decreased $44.5 million, or 17.8%, from 2001 and $42.4 million, or 14.5%, from 2001 compared to 2000. As a percentage of average earning assets, the investment portfolio represented 13.2% in 2002, compared to 16.2% in 2001. In both years, the decline in the portfolio was attributable to the maturities of investment securities in all categories, which in anticipation of future loan growth, were not replaced during the period. In December 2002, some liquidity was invested into the securities portfolio, with plans of investing more in early 2003. In 2003, liquidity levels will be closely monitored to determine if additional investments should be purchased.

In 2002, average taxable investments decreased $34.5 million, or 20.2%, while tax-exempt investments decreased $10.0 million, or 12.7%. Although the Tax Reform Act of 1986 significantly reduced the tax benefits associated with tax-exempt securities, management will continue to purchase "bank qualified" municipal issues when it considers the yield to be attractive and the Company can do so without adversely impacting its tax position. As of December 31, 2002, the Company may purchase additional tax-exempt securities without adverse tax consequences.

The investment portfolio is a significant component of the Company's operations and, as such, it functions as a key element of liquidity and asset/liability management. As of December 31, 2002, all securities are classified as available-for-sale. Classifying securities as available-for-sale offers management full flexibility in managing its liquidity and interest rate sensitivity without adversely impacting its regulatory capital levels. Securities in the available-for-sale portfolio are recorded at fair value with unrealized gains and losses associated with these securities recorded, net of tax, in the accumulated other comprehensive income (loss) component of shareowners' equity. At December 31, 2002, shareowners' equity included a net unrealized gain of $3.1 million, compared to a gain of $2.4 million at December 31, 2001. 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, 2002 and 2001, was 1.32 and 2.02 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, 2002 was 4.98%, versus 5.72% in 2001. The quality of the municipal portfolio at such date is depicted on page 38. There were no investments in obligations, other than U.S. Governments, of any one state, municipality, political subdivision or any other issuer that exceeded 10% of the Company's shareowners' equity at December 31, 2002.

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

Table 10
MATURITY DISTRIBUTION OF INVESTMENT SECURITIES

<TABLE>

(Dollars in Thousands)	As of December 31, 2002 Amortized Cost	Market Value	Weighted Average Yield<F1>
<S>	<C>	<C>	<C>
U. S. GOVERNMENTS			
Due in 1 year or less	$ 27,037	$ 27,651	4.57%
Due over 1 year through 5 years	34,476	34,751	3.09
Due over 5 years through 10 years	-	-	-
Due over 10 years	-	-	-
TOTAL	61,513	62,402	3.74
STATE & POLITICAL SUBDIVISIONS			
Due in 1 year or less	5,193	5,251	5.48
Due over 1 year through 5 years	56,724	59,264	5.96
Due over 5 years through 10 years	928	960	6.41
Due over 10 years	-	-	-
TOTAL	62,845	65,475	5.93
MORTGAGE-BACKED SECURITIES<F2>			
Due in 1 year or less	10,593	10,707	4.66
Due over 1 year through 5 years	24,048	25,112	5.61
Due over 5 years through 10 years	109	111	4.27
Due over 10 years	-	-	-
TOTAL	34,750	35,930	5.31
OTHER SECURITIES			
Due in 1 year or less	8,515	8,693	5.42
Due over 1 year through 5 years	1,016	1,065	6.18
Due over 5 years through 10 years	127	127	-
Due over 10 years<F3>	6,623	6,623	5.12
TOTAL	16,281	16,508	5.34
TOTAL INVESTMENT SECURITIES	$175,389	$180,315	4.98%

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

<F2> Based on weighted average life.

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

AVERAGE MATURITY (In Years)

AS OF DECEMBER 31, 2002	
U.S. Governments	.75
State and Political Subdivisions	1.99
Mortgage-Backed Securities	1.60
Other Securities	.75
TOTAL	1.32

</TABLE>

<TABLE>

MUNICIPAL PORTFOLIO QUALITY
(Dollars in Thousands)

Moody's Rating	Amortized Cost	Percentage
AAA	$41,879	66.6%
AA-1	3,091	4.9
AA-2	1,411	2.2
AA-3	2,332	3.7
AA	100	.2
A-1	374	.6
A-2	737	1.2
Not Rated<F1>	12,921	20.6
Total	$62,845	100.0%

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

Deposits and Funds Purchased

Average total deposits of $1.4 billion in 2002 decreased $17.9 million, or 1.2% from the prior year. The Company experienced a steep decline in certificates of deposit beginning in the second quarter of 2001 and continuing through 2002. Average certificates of deposit as a percent of average total deposits have declined from 41.9% in 2001 to 34.7% in 2002. This was primarily a result of increased competition and the relative low level of interest rates. This decline was partially offset by growth of nonmaturity deposits which created a favorable shift in the deposit mix and a positive impact on the Bank's cost of funds.

Deposits may continue to decline slightly during the first quarter primarily as a result of continued run-off in the certificate of deposit portfolio. Run-off in 2003, if any, is anticipated to be at a slower pace in terms of amount and percent, than experienced during 2002.

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

Average short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase and other borrowings, increased $14.5 million, or 24.9%. The increase is primarily attributable to higher repurchase agreements sold throughout 2002. During the third quarter, the Company borrowed $75 million from the Federal Home Loan Bank consisting of four separate advances. Of the $75 million borrowed, $20 million was classified as short-term borrowings. See Note 9 in the Notes to Consolidated Financial Statements for further information.

<TABLE>

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

	2001 to 2002 Change	Percentage of Total Change	Components of Total Deposits		
			2002	2001	2000

Noninterest Bearing Deposits	$ 53,612	299.2%	25.3%	21.2%	22.3%
NOW Accounts	26,992	150.7	17.0	14.9	14.5
Money Market Accounts	15,749	87.9	15.7	14.5	13.5
Savings	(3,317)	(18.5)	7.4	7.5	8.8
Time Deposits	(110,953)	(619.3)	34.7	41.9	41.1
Total Deposits	$(17,917)	(100.0)%	100.0%	100.0%	100.0%

</TABLE>

<TABLE>

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

	December 31, 2002	
	Time Certificates of Deposit	Percent
<S>	<C>	<C>
Three months or less	$43,496	47.2%
Over three through six months	22,935	24.9
Over six through twelve months	13,679	14.9
Over twelve months	11,933	13.0
Total	$92,043	100.0%

</TABLE>

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 in an effort to ensure the Company has ready access to sufficient liquid funds to meet normal transaction requirements, take advantage of investment opportunities and cover unforeseen liquidity demands. In addition to core deposit growth, sources of funds available to meet liquidity demands include cash received through ordinary business activities (i.e., collection of interest and fees), federal funds sold, loan and investment maturities, bank lines of credit for the Company, approved lines for the purchase of federal funds by CCB and Federal Home Loan Bank advances.

The Company ended 2002 with approximately $90 million in liquidity generated through $75 million in borrowings advanced from the Federal Home Loan Bank and the $23.5 million loan sale in November. Liquidity is expected to decline as the Company purchases investment securities and funds loan growth.

As of December 31, 2002, the Company had a $25.0 million credit facility under which all the funds were currently available. The facility offers the Company an unsecured, revolving line of credit for a period of three years which matures in November 2004. 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. As of December 31, 2002, the Company did not have any debt outstanding on the line of credit.

The Company's credit facility imposes certain limitations on the level of the Company's equity capital, and federal and state regulatory agencies have established regulations which govern the payment of dividends to a bank holding company by its bank subsidiaries. As of year-end 2002, the Company was in compliance with all of these contractual and/or regulatory requirements. A further discussion of the Company's credit facility can be found in Note 10 in the Notes to Consolidated Financial Statements.

At December 31, 2002, the Company had $71.7 million in long-term debt outstanding to the Federal Home Loan Bank of Atlanta. The debt consists of 23 loans. The interest rates are fixed and the weighted average rate at December 31, 2002 was 3.90%. Required annual principal reductions approximate $1.3 million, with the remaining balances due at maturity ranging from 2004 to 2021. During the third quarter, the Company borrowed $75 million from the Federal Home Loan Bank to fund the recent growth in loan demand and the continued decline in certificates of deposit. The borrowing consists of four separate advances with maturities ranging from 12 to 36 months and a weighted average rate of 2.51%. Of this amount, $55 million was classified as long-term. The remaining long-term debt consists of

$16.8 million used to match-fund longer-term, fixed rate loan products, which management elected not to fund internally from an asset/liability perspective. The debt is secured by 1-4 family residential mortgage loans. See Note 10 in the Notes to Consolidated Financial Statements for additional information as to the Company's long-term debt.

The Company does not currently engage in the use of derivative instruments to hedge interest rate risks. However, the Company is a party to financial instruments with off-balance-sheet risks in the normal course of business to meet the financing needs of its customers. At December 31, 2002, the Company had $397.0 million in commitments to extend credit and $3.7 million in standby letters of credit. Commitments to extend credit are agreements to lend to a customer so long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. The Company uses the same credit policies in establishing commitments and issuing letters of credit as it does for on-balance-sheet instruments.

If commitments arising from these financial instruments continue to require funding at historical levels, management does not anticipate that such funding will adversely impact its ability to meet on-going obligations. In the event these commitments require funding in excess of historical levels, management believes current liquidity, available lines of credit from the Federal Home Loan Bank, investment security maturities and the Company's $25.0 million credit facility provide a sufficient source of funds to meet these commitments.

It is anticipated capital expenditures will approximate $8 million over the next twelve months. The capital expenditures are expected to consist primarily of five new offices in existing markets, office equipment and furniture, and technology purchases. Management believes these capital expenditures can be funded internally without impairing the Company's ability to meet its on-going obligations.

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

<TABLE>

Shareowners' Equity
(Dollars in Thousands)

	2002	2001	2000
Common Stock	$ 106	$ 106	$ 101
Additional Paid-in Capital	14,717	17,178	7,369
Retained Earnings	168,587	152,149	141,659
Subtotal	183,410	169,433	149,129
Accumulated Other Comprehensive Income (Loss), Net of Tax	3,121	2,350	(1,522)
Total Shareowners' Equity	$186,531	$171,783	$147,607

</TABLE>

The Company continues to maintain a strong capital position. The ratio of shareowners' equity to total assets at year-end was 10.22%, 9.43% and 9.66%, in 2002, 2001 and 2000, respectively.

The Company is subject to risk-based capital guidelines that measure capital relative to risk weighted assets and off-balance-sheet financial instruments. Capital guidelines issued by the Federal Reserve Board require bank holding companies to have a minimum total risk-based capital ratio of 8.00%, with at least half of the total capital in the form of Tier 1 capital. As of December 31, 2002, the Company exceeded these capital guidelines with a total risk-based capital ratio of 13.00% and a Tier 1 ratio of 12.03%, compared to 11.80% and 10.84%, respectively, in 2001.

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, 2002, the Company had a leverage ratio of 8.46% compared to 7.53% in 2001. See Note 14 in the Notes to Consolidated Financial Statements for additional information as to the Company's capital adequacy.

At December 31, 2002, the Company's common stock had a book value of $17.60 per diluted share compared to $16.08 in 2001. Beginning in 1994, book value has been impacted by the net unrealized gains and losses on investment securities available-for-sale. At December 31, 2002, the net unrealized gain was $3.1 million compared to a net unrealized gain in 2001 of $2.4 million. The current unrealized gain is a result of the decline in interest rates over the past two years.

On March 30, 2000, the Company's Board of Directors authorized the repurchase of up to 500,000 shares of its outstanding common stock. The purchases will be made in the open market or in privately negotiated transactions. The Company acquired 124,620 shares during 2002 and 214,000 shares during 2001. On January 24, 2002, the Company's Board of Directors authorized the repurchase of an additional 250,000 shares of its outstanding common stock. From March 30, 2000 through February 28, 2003, the Company repurchased 457,754 shares at an average purchase price of $24.04 per share.

The Company offers an Associate Incentive Plan under which certain associates are eligible to earn shares of CCBG stock based upon achieving established performance goals. In 2002, the Company issued 10,094 shares, valued at approximately $245,000 under this plan.

The Company also offers stock purchase plans at a reduced price to its associates and directors. In 2002, 28,858 shares, valued at approximately $688,000, were issued under these plans.

The Board of Directors approved a Dividend Reinvestment and Optional Stock Purchase Plan for the Company in December 1996. In 2002 and 2001, shares for this plan were purchased in the open market, and thus there were no newly issued shares 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's 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 2002 and 2001, no contributions were made by the Company. The participants may choose to invest their contributions into fifteen investment funds, including CCBG common stock. The purchase of CCBG common stock is strictly voluntary, and there are no restrictions on the sale of CCBG common stock held in the 401(k) Plan.

Dividends

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

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

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

Dividends declared and paid totaled $.6275 per share in 2002. During the fourth quarter of 2002 the quarterly dividend was raised 11.5% from $.1525 per share to $.17 per share. The Company declared dividends of $.595 per share in 2001 and $.545 per share in 2000. The dividend payout ratio was 28.9%, 37.4% and 30.6% for 2002, 2001 and 2000, respectively. Dividends declared per share in 2002 represented a 5.5% increase over 2001.

Inflation

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

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

Other

Prior to 2002, Capital City Bank maintained several relationships with various Independent Service Organizations (ISOs) in connection with its card processing operations. During late 2000 and early 2001, a small number of one of the ISO's merchants generated a large amount of charge-backs. The Bank and the ISO were previously named defendants in one merchant lawsuit citing the improper use of merchant reserve balances. That lawsuit was dismissed. While no outstanding litigation currently exists, the Bank may be exposed to litigation in the future. Management does not believe that the ultimate resolution of these issues will have a material impact on the Company's financial position or results of operations. The Bank no longer maintains merchant service relationships with these ISOs.

ACCOUNTING POLICIES

Critical Accounting Policies

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

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

Intangible Assets: Intangible assets consist primarily of goodwill and core deposit assets that were recognized in connection with various acquisitions. Goodwill represents the excess of the cost of acquired businesses over the fair market value of their identifiable net assets. The Company performs an impairment review on an annual basis to determine if there has been impairment of its goodwill. The Company has determined that no impairment existed at December 31, 2002. Impairment testing requires management to make significant judgments and estimates relating to the fair value of its identified reporting units. Significant changes to these estimates may have a material impact on the Company's reported results.

Core deposit assets represent the premium the Company paid for core deposits. Core deposit intangibles are amortized on the straight-line method over various periods ranging from 10 - 15 years, with the majority being amortized over approximately 10 years. Generally, core deposits refer to nonpublic, nonmaturing deposits including noninterest-bearing deposits, NOW, money market and savings. The Company makes certain estimates relating to the useful life of these assets, and rate of run-off based on the nature of the specific assets and the customer bases acquired. If there is a reason to believe there has been a permanent loss in value, management will assess these assets for impairment. Any changes in the original estimates may materially affect reported earnings.

Accounting Pronouncements

In December 2002, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS 148). SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS No.123, "Accounting for Stock-Based Compensation" (SFAS 123), to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002 and the interim disclosure provisions are effective for periods beginning after December 15, 2002. As permitted under SFAS 123 and SFAS 148, the Company will continue to follow the accounting guidelines pursuant to Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to

Employees" (APB 25), for stock-based compensation and to furnish the pro forma disclosures as required under SFAS 148.

The Company accounts for its stock-based compensation plans under the recognition and measurement principles of APB 25, and related Interpretations, requiring that compensation expense be recorded equal to the intrinsic value of the award at the measurement date.

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

The Interpretation requires the guarantor to recognize a liability for the non-contingent component of the guarantee; this is the obligation to stand ready to perform in the event that specified triggering events or conditions occur. The initial measurement of this liability is the fair value of the guarantee at inception. The recognition of the liability is required even it is not probable that payments will be required under the guarantee or if the guarantee was issued with a premium payment or as part of a transaction with multiple elements. The Company has adopted the disclosure requirements of the Interpretation in Note 6 and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002. To date, the Company has not entered into or modified any guarantees pursuant to the provisions of the Interpretation.

In October 2002, the FASB issued SFAS No. 147, "Accounting for Certain Acquisitions of Banking or Thrift Institutions" (SFAS 147). SFAS 147 removes financial institutions (with the exception of combinations of mutual enterprises) from the scope of both SFAS No. 72 (SFAS 72), "Accounting for Certain Acquisitions of Banking or Thrift Institutions" and FASB Interpretation No. 9, applying APB Opinions No. 16 and 17, "When a Savings and Loan Association or a Similar Institution is Acquired in a Business Combination Accounted for by the Purchase Method" and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets." As a result, the requirement under SFAS 72 to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of SFAS 147. In addition, SFAS 147 amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The adoption of SFAS 147 has not had a material impact on the reported results of operations of the Company.

In December 2001, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 01-6 ("SOP 01-6"), Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others, effective for fiscal years beginning after December 15, 2001. SOP 01-6 reconciles and conforms the accounting and financial reporting provisions for similar transactions as applied to different entities within the financial services industry. The adoption of SOP 01-6 has not had a material impact on the Company's results of operations or financial position. Refer to Notes 4,5 and 8 for the Company's disclosure pursuant to SOP 01-6.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

Overview

Market risk management arises from changes in interest rates, exchange rates, commodity prices and equity prices. The Company has risk management policies to monitor and limit exposure to market risk and does not 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 CCBG to interest rate risk. Fluctuations in interest rates may result in changes in the fair market value of the Company's financial instruments, cash flows and net interest income. CCBG'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 2002 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. The opposite is true in a falling rate environment. However, as general interest rates rise or fall, other factors such as current market conditions and competition may impact how the Company responds to changing rates and thus impact the magnitude of change in net interest income. Nonmaturity deposits offer management greater discretion as to the direction, timing and magnitude of interest rate changes and can have a material impact on the Company's interest rate sensitivity. In addition, the relative level of interest rates as compared to the current yields/rates of existing assets/liabilities can impact both the direction and magnitude of the change in net interest margin as rates rise and fall from one period to the next.

<TABLE>

Table 13
FINANCIAL ASSETS AND LIABILITIES MARKET RISK ANALYSIS<F1>
Other Than Trading Portfolio

(Dollars in Thousands)	Maturing or Repricing in: 2003	2004	2005	2006	2007	Beyond	Total	Fair Value
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Loans:								
Fixed Rate	$ 195,707	$ 99,460	$ 74,641	$ 26,441	$12,532	$14,640	$ 423,421	$ 438,742
Average Interest Rate	7.70%	8.26%	7.92%	8.44%	8.40%	7.09%	7.92%	
Floating Rate<F2>	528,042	82,597	144,790	70,538	12,640	23,194	861,800	892,982
Average Interest Rate	5.65%	7.39%	7.19%	7.62%	7.54%	8.07%	6.33%	
Investment Securities:<F3>								
Fixed Rate	61,498	52,305	44,310	7,747	1,061	7,987	174,908	174,908
Average Interest Rate	5.06%	4.15%	5.61%	6.70%	6.18%	4.74%	4.96%	
Floating Rate	5,407	-	-	-	-	-	5,407	5,407
Average Interest Rate	5.36%	-	-	-	-	-	5.36%	
Other Earning Assets:								
Floating Rate	170,936	-	-	-	-	-	170,936	170,936
Average Interest Rate	1.21%	-	-	-	-	-	1.21%	
Total Financial Assets	$ 961,590	$234,362	$263,741	$104,726	$26,233	$45,820	$1,636,471	$1,682,975
Average Interest Rate	5.23%	7.04%	7.13%	7.76%	7.90%	7.18%	6.06%	
Deposits:<F4>								
Fixed Rate	$ 362,761	$ 48,955	$ 15,154	$ 5,321	$ 5,874	$ 6	$ 438,071	$ 442,183
Average Interest Rate	2.30%	3.28%	3.76%	4.30%	4.01%	4.85%	2.51%	
Floating Rate	590,048	-	-	-	-	-	590,048	590,048
Average Interest Rate	0.52%	-	-	-	-	-	0.52%	
Other Interest Bearing Liabilities:								
Fixed Rate Debt	1,261	41,254	17,069	1,095	1,075	9,991	71,745	72,631
Average Interest Rate	5.62%	2.45%	3.37%	5.33%	5.31%	5.44%	3.23%	
Floating Rate Debt	113,675	-	-	-	-	-	113,675	113,675

Average Interest Rate	1.06%	-	-	-	-	-	1.06%	
Total Financial Liabilities	$1,067,745	$ 90,209	$ 32,223	$ 6,416	$ 6,949	$ 9,997	$1,213,539	$1,218,537
Average Interest Rate	1.19%	2.90%	3.56%	4.48%	4.21%	5.44%	1.45%	

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

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

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

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

Item 8. Financial Statements and Supplementary Data

<TABLE>

Table 14
QUARTERLY FINANCIAL DATA (UNAUDITED)
(Dollars in Thousands, Except Per Share Data)

	2002				2001			
	Fourth	Third	Second	First	Fourth	Third	Second	First
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Summary of Operations:								
Interest Income	$ 26,052	$ 26,403	$ 26,599	$ 27,041	$ 28,706	$ 30,258	$ 30,882	$ 29,137
Interest Expense	4,667	4,946	5,693	7,197	9,454	12,256	13,396	13,143
Net Interest Income	21,385	21,457	20,906	19,844	19,252	18,002	17,486	15,994
Provision for Loan Losses	863	991	641	802	932	1,222	1,007	822
Net Interest Income After Provision for Loan Losses	20,522	20,466	20,265	19,042	18,320	16,780	16,479	15,172
Noninterest Income	11,243	9,087	8,552	8,294	8,536	7,918	8,255	7,328
Conversion/ Merger Expense	59	-	39	114	588	-	-	-
Noninterest Expense	21,316	20,526	20,293	19,351	19,251	18,993	18,132	15,840
Income Before Provision for Income Taxes	10,390	9,027	8,485	7,871	7,017	5,705	6,602	6,660
Provision for Income Taxes	3,668	3,226	3,037	2,760	2,522	1,963	2,322	2,311
Net Income	$ 6,722	$ 5,801	$ 5,448	$ 5,111	$ 4,495	$ 3,742	$ 4,280	$ 4,349
Net Interest Income (FTE)	$ 21,786	$ 21,873	$ 21,331	$ 20,284	$ 19,689	$ 18,431	$ 17,935	$ 16,454
Per Common Share:								
Net Income Basic	$ .63	$ .55	$ .52	$ .48	$ .42	$ .35	$ .40	$ .42
Net Income Diluted	.63	.55	.51	.48	.42	.35	.40	

.42

Dividends Declared	.1700	.1525	.1525	.1525	.1525	.1475	.1475	.1475
Diluted Book Value	17.60	17.18	16.74	16.38	16.08	16.24	15.87	15.62
Market Price:								
High	40.05	36.94	34.80	27.50	24.67	25.25	25.00	26.13
Low	27.83	27.90	25.75	22.65	21.90	20.87	19.88	23.13
Close	39.19	33.06	34.53	27.00	24.23	23.47	24.87	25.19
Selected Average Balances:								
Loans	$1,292,893	$1,266,591	$1,234,787	$1,229,344	$1,242,516	$1,204,323	$1,192,103	$1,082,961
Earning Assets	1,591,536	1,511,485	1,547,603	1,575,698	1,584,225	1,561,519	1,556,186	1,416,861
Assets	1,762,174	1,678,620	1,720,095	1,748,211	1,756,995	1,734,392	1,733,115	1,570,587
Deposits	1,404,818	1,388,396	1,440,615	1,467,257	1,488,961	1,483,527	1,479,159	1,301,123
Shareowners' Equity	185,412	180,910	176,678	175,485	176,549	170,511	169,516	155,896
Common Equivalent Average Shares:								
Basic	10,552	10,551	10,576	10,644	10,674	10,685	10,713	10,297
Diluted	10,591	10,590	10,606	10,675	10,715	10,693	10,721	10,305
Ratios:								
ROA	1.51%	1.37%	1.27%	1.19%	1.01%	.86%	.99%	1.12%
ROE	14.38%	12.72%	12.37%	11.81%	10.10%	8.71%	10.13%	11.32%
Net Interest Margin (FTE)	5.44%	5.74%	5.52%	5.22%	4.93%	4.70%	4.62%	4.70%
Efficiency Ratio	62.08%	63.68%	65.20%	64.88%	65.30%	68.17%	65.09%	63.12%

</TABLE>

CONSOLIDATED FINANCIAL STATEMENTS

Independent Auditors' Report

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

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

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

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

As discussed above, the consolidated statement of financial condition of Capital City Bank Group, Inc. and subsidiary as of December 31, 2001 and the related consolidated statements of income, changes in shareowners' equity and cash flows for each of the years in the two-year period ended December 31, 2001 were audited by other auditors who have ceased operations. As described in Note 6, these consolidated financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of January 1, 2002. In our opinion, the disclosures for 2001 and 2000 in Note 6 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 consolidated financial statements of Capital City Bank Group, Inc. and subsidiary other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the 2001 and 2000 consolidated financial statements taken as a whole.

KPMG LLP

Jacksonville, Florida
January 27, 2003

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Capital City Bank Group, Inc.:

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

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

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

ARTHUR ANDERSEN LLP

Atlanta, Georgia
January 24, 2002

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

<TABLE>

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

	For the Years Ended December 31,		
	2002	2001	2000
INTEREST INCOME			
Interest and Fees on Loans	$ 94,921	$102,473	$ 92,306
Investment Securities:			
U.S. Treasury	2	367	696
U.S. Government Agencies/Corporations	5,366	6,933	8,632
States and Political Subdivisions	2,752	3,281	4,006
Other Securities	1,573	2,319	2,373
Funds Sold	1,481	3,610	1,321
Total Interest Income	106,095	118,983	109,334
INTEREST EXPENSE			
Deposits	20,551	45,214	40,459
Short-Term Borrowings	767	2,164	4,968
Long-Term Debt	1,185	871	807
Total Interest Expense	22,503	48,249	46,234
Net Interest Income	83,592	70,734	63,100
Provision for Loan Losses	3,297	3,983	3,120
Net Interest Income After Provision for Loan Losses	80,295	66,751	59,980
NONINTEREST INCOME			
Service Charges on Deposit Accounts	12,749	10,647	9,380
Data Processing	2,006	2,079	2,525
Asset Management Fees	2,521	2,556	2,435
Securities Transactions	10	4	2
Mortgage Banking Revenues	6,575	4,016	1,265
Other	13,315	12,735	11,162
Total Noninterest Income	37,176	32,037	26,769
NONINTEREST EXPENSE			
Salaries and Associate Benefits	43,215	37,686	29,967
Occupancy, Net	5,719	5,497	4,638
Furniture and Equipment	7,677	7,173	5,779
Other	25,087	22,448	18,763
Total Noninterest Expense	81,698	72,804	59,147
Income Before Income Taxes	35,773	25,984	27,602
Income Taxes	12,691	9,118	9,449
NET INCOME	$ 23,082	$ 16,866	$ 18,153
BASIC NET INCOME PER SHARE	$ 2.18	$ 1.59	$ 1.78
DILUTED NET INCOME PER SHARE	$ 2.17	$ 1.59	$ 1.78
Average Basic Common Shares Outstanding	10,580	10,594	10,186
Average Diluted Common Shares Outstanding	10,619	10,634	10,215

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

<TABLE>

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

	As of December 31, 2002	As of December 31, 2001
ASSETS		
Cash and Due From Banks	$ 89,823	$ 92,413
Funds Sold	170,936	164,417
Total Cash and Cash Equivalents	260,759	256,830
Investment Securities, Available-for-Sale	180,315	219,073
Loans, Net of Unearned Interest	1,285,221	1,243,351
Allowance for Loan Losses	(12,495)	(12,096)
Loans, Net	1,272,726	1,231,255
Premises and Equipment, Net	48,897	47,037
Intangibles	29,034	32,276
Other Assets	33,040	34,952
Total Assets	$1,824,771	$1,821,423
LIABILITIES		
Deposits:		
Noninterest Bearing Deposits	$ 406,081	$ 389,146
Interest Bearing Deposits	1,028,119	1,160,955
Total Deposits	1,434,200	1,550,101
Short-Term Borrowings	113,675	67,042
Long-Term Debt	71,745	13,570
Other Liabilities	18,620	18,927
Total Liabilities	1,638,240	1,649,640
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; 10,556,968 and 10,642,575 shares issued and outstanding at December 31, 2002 and December 31, 2001, respectively	106	106
Additional Paid-In Capital	14,717	17,178
Retained Earnings	168,587	152,149
Accumulated Other Comprehensive Income, Net of Tax	3,121	2,350
Total Shareowners' Equity	186,531	171,783
Commitments and Contingencies (Note 18)		
Total Liabilities and Shareowners' Equity	$1,824,771	$1,821,423

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

<TABLE>

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

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Taxes	Total
Balance, December 31, 1999	$102	$ 9,249	$129,055	$(6,190)	$132,216
Comprehensive Income:					
Net Income			18,153		
Net Change in Unrealized Gain (Loss) On Available-for-Sale Securities				4,668	
Total Comprehensive Income					22,821
Cash Dividends ($.545 per share)			(5,549)		(5,549)
Issuance of Common Stock		786			786
Repurchase and Retirement of Common Stock	(1)	(2,666)			(2,667)

Balance, December 31, 2000	101	7,369	141,659	(1,522)	147,607
Comprehensive Income:					
Net Income			16,866		
Net Change in Unrealized Gain (Loss) On Available-for-Sale Securities				3,872	
Total Comprehensive Income					20,738
Cash Dividends ($.595 per share)			(6,376)		(6,376)
Issuance of Common Stock	7	14,749			14,756
Repurchase and Retirement of Common Stock	(2)	(4,940)			(4,942)
Balance, December 31, 2001	106	17,178	152,149	2,350	171,783
Comprehensive Income:					
Net Income			23,082		
Net Change in Unrealized Gain (Loss) On Available-for-Sale Securities				771	
Total Comprehensive Income					23,853
Cash Dividends ($.6275 per share)			(6,644)		(6,644)
Issuance of Common Stock		934			934
Repurchase and Retirement of Common Stock		(3,395)			(3,395)
Balance, December 31, 2002	$106	$14,717	$168,587	$3,121	$186,531

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

<TABLE>

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in Thousands)

	For the Years Ended December 31,		
	2002	2001	2000
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 23,082	$ 16,866	$ 18,153
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Provision for Loan Losses	3,297	3,983	3,120
Depreciation	4,897	4,373	3,979
Loss on Disposal of Fixed Assets	32	108	-
Net Securities Amortization	889	1,173	1,368
Amortization of Intangible Assets	3,242	3,772	2,837
Gain on Sale of Investment Securities	(10)	(4)	(2)
Non-Cash Compensation	892	489	369
Deferred Income Taxes	(1,479)	7	(293)
Net Decrease (Increase) in Other Assets	4,183	1,744	(3,709)
Net (Decrease) Increase in Other Liabilities	(953)	967	926
Net Cash Provided by Operating Activities	38,062	33,478	26,748
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from Payments/Maturities/Sales of Investment Securities Available-for-Sale	82,466	117,198	50,837
Purchase of Investment Securities Available-for-Sale	(43,370)	(6,053)	(492)
Net Increase in Loans	(46,006)	(103,042)	(125,831)
Net Cash Received From Acquisitions	-	81,390	-
Purchase of Premises & Equipment	(6,868)	(7,671)	(3,236)
Proceeds From Sales of Premises & Equipment	89	418	69
Net Cash (Used in) Provided by Investing Activities	(13,689)	82,240	(78,653)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net (Decrease) Increase in Deposits	(115,901)	77,844	65,709
Net Increase (Decrease) in Short-Term Borrowings	46,633	(41,431)	17,196
Borrowing from Long-Term Debt	62,058	7,861	1,428
Repayment of Long-Term Debt	(3,883)	(6,269)	(3,979)
Dividends Paid	(6,644)	(6,376)	(5,549)
Repurchase of Common Stock	(3,395)	(4,942)	(2,667)
Issuance of Common Stock	688	435	685
Net Cash (Used in) Provided By Financing Activities	(20,444)	27,122	72,823
Net Increase in Cash and Cash Equivalents	3,929	142,840	20,918
Cash and Cash Equivalents at Beginning of Year	256,830	113,990	93,072
Cash and Cash Equivalents at End of Year	$260,759	$256,830	$113,990

SUPPLEMENTAL DISCLOSURES:

Interest Paid on Deposits	$ 23,694	$ 44,990	$ 41,863
Interest Paid on Debt	$ 1,825	$ 2,883	$ 5,873
Taxes Paid	$ 13,175	$ 9,290	$ 10,878
Loans Transferred to Other Real Estate	$ 1,238	$ 2,149	$ 904
Issuance of Common Stock as Non-cash Compensation	$ 246	$ 785	$ 101

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

</TABLE>

Notes to Consolidated Financial Statements

Note 1
SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

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

Use of Estimates

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

Cash and Cash Equivalents

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

Investment Securities

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

Loans

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

Allowance for Loan Losses

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

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

Commercial purpose loans exceeding $100,000 that are not impaired, but have weaknesses requiring closer management attention, are analyzed to determine if an allowance is required. This analysis is based primarily on the underlying value of the collateral. If the value of the collateral is considered insufficient, an allowance is made for the deficiency. The value of the collateral is dependent on current economic conditions in the communities we serve and is subject to change. In addition, the analysis includes changes in risk ratings that are assigned based on the Bank's Asset Classification Policy, and for the ultimate disposition of the loan. The ultimate disposition may include upgrades in risk ratings, payoff of the loan, or charge-off of the loan. This migration analysis results in a charge-off ratio by loan pool of classified loans that is applied to the balance of the pool to determine general reserves for specifically identified problem loans. This charge-off ratio is adjusted for various environmental factors including past due and nonperforming trends in the loan portfolio, the micro-and macro-economic outlook, and credit administration practices as determined by independent parties.

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

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

Long-Lived Assets

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

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

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

Goodwill

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

Income Taxes

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

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

Stock Based Compensation

In December 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" (SFAS 148). SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS No.123, "Accounting for Stock-Based Compensation" (SFAS 123), to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The transition guidance and annual disclosure provisions of SFAS 148 are effective for fiscal years ending after December 15, 2002 and the interim disclosure provisions are effective for periods beginning after December 15, 2002. As permitted under SFAS 123 and SFAS 148, the Company will continue to follow the accounting guidelines pursuant to Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25), for stock-based compensation and to furnish the pro forma disclosures as required under SFAS 148.

The Company accounts for its stock-based compensation plans under the recognition and measurement principles of APB 25, and related Interpretations, requiring compensation expense be recorded equal to the intrinsic value of the award at the measurement date.

The Company has a Director Stock Purchase Plan ("DSPP"). The DSPP allows the Company's directors to purchase common stock at a price equal to 90 percent of the closing price on the date of purchase. The DSPP has 150,000 shares reserved for issuance. In 2002, 2001 and 2000, CCBG issued 3,550, 3,475 and 5,001 shares, respectively, under this plan. A total of 33,726 shares have been issued to directors since the inception of this plan. As the DSPP is considered non-compensatory under the provision of APB 25, no compensation expense has been recognized for the Company's purchase plan activity.

The Company sponsors an Associate Stock Purchase Plan ("ASPP"). Under the ASPP, substantially all associates may purchase the Company's common stock through payroll deductions at a price equal to 90 percent of the lower of the fair market value at the beginning or end of each six-month offering period. Stock purchases under the ASPP are limited to 10% of an employee's eligible compensation, up to a maximum of $25,000 (fair market value on each enrollment date) in any plan year. As the ASPP is considered non-compensatory under the provisions of APB 25, no compensation expense has been recognized for the Company's purchase plan activity.

The ASPP has 450,000 shares of common stock reserved for issuance. CCBG issued 25,270, 15,004 and 26,397 shares under the plan in 2002, 2001 and 2000, respectively. A total of 221,167 shares have been issued since inception of this plan.

<TABLE>
Transactions under the ASPP were as follows:

	Number of Shares	Purchase Price per Share<F1>
<S>	<C>	<C>
Available at December 31, 1999	295,504	
Purchased	(26,397)	$17.55
Available at December 31, 2000	269,107	
Purchased	(15,004)	$22.04

Available at December 31, 2001	254,103	
Purchased	(25,270)	$23.64
Available at December 31, 2002	228,833	

<FN>
<F1> Weighted Average Price for two annual offering periods
</FN>
</TABLE>

Based on the Black-Scholes option pricing model, the weighted average estimated fair value of the purchase rights granted under the ASPP was $4.95 for 2002, $4.38 for 2001 and $3.55 for 2000. In calculating pro forma compensation at December 31, the fair value of each stock purchase right is estimated on the date of grant using the following weighted average assumptions:

<TABLE>

	2002	2001	2000
<S>	<C>	<C>	<C>
Dividend yield	2.4%	2.4%	2.6%
Expected volatility	33.0%	26.0%	25.0%
Risk-free interest rate	1.7%	4.6%	6.1%
Expected life (in years)	.50	.50	.50

</TABLE>

In addition, the Company has an Associate Incentive Plan under which shares are granted to participants based upon the achievement of performance goals established by the Board of Directors at the beginning of each award period. A total of 750,000 shares of common stock have been reserved for issuance under this Plan.

Award periods are either one year for the short-term plan, or three years for the long-term plan. As the Company accounts for these plans as variable awards under APB 25, compensation expense is measured under the intrinsic value method as of the measurement date and recognized over the related service period. CCBG issued 10,094, 28,689 and 5,775 shares under the plan in 2002, 2001 and 2000, respectively. A total of 185,169 shares have been issued since inception of this plan.

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS 123, to its stock-based employee compensation plans as of December 31:

<TABLE>

(Dollars in Thousands, Except Per Share Data)	2002	2001	2000
<C>	<C>	<C>	<C>
Net income, as reported	$23,082	$16,866	$18,153
Add: Stock based compensation included in reported net income, net of tax	580	318	240
Deduct: Stock based compensation determined under fair value based method for all awards, net of tax	(407)	(360)	(364)
Pro forma net income	$23,255	$16,824	$18,029
Earnings per share:			
Basic-as reported	$ 2.18	$ 1.59	$ 1.78
Basic-pro forma	$ 2.20	$ 1.59	$ 1.77
Diluted-as reported	$ 2.17	$ 1.59	$ 1.78
Diluted-pro forma	$ 2.19	$ 1.58	$ 1.76

</TABLE>

Accounting Pronouncements

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

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

In October 2002, the FASB issued SFAS No. 147, "Accounting for Certain Acquisitions of Banking or Thrift Institutions" (SFAS 147). SFAS 147 removes financial institutions (with the exception of combinations of mutual enterprises) from the scope of both SFAS No. 72 (SFAS 72), "Accounting for Certain Acquisitions of Banking or Thrift Institutions" and FASB Interpretation No. 9, applying APB Opinions No. 16 and 17, "When a Savings and Loan Association or a Similar Institution is Acquired in a Business Combination Accounted for by the Purchase Method" and requires that those transactions be accounted for in accordance with SFAS No. 141, "Business Combinations," and SFAS No. 142, "Goodwill and Other

Intangible Assets." As a result, the requirement under SFAS 72 to recognize (and subsequently amortize) any excess of the fair value of liabilities assumed over the fair value of tangible and identifiable intangible assets acquired as an unidentifiable intangible asset no longer applies to acquisitions within the scope of SFAS 147. In addition, SFAS 147 amends SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to include in its scope long-term customer-relationship intangible assets of financial institutions such as depositor- and borrower-relationship intangible assets and credit cardholder intangible assets. The adoption of SFAS 147 has not had a material impact on the reported results of operations of the Company.

In December 2001, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 01-6 (SOP 01-6), Accounting by Certain Entities (Including Entities With Trade Receivables) That Lend to or Finance the Activities of Others, effective for fiscal years beginning after December 15, 2001. SOP 01-6 reconciles and conforms the accounting and financial reporting provisions for similar transactions as applied to different entities within the financial services industry. The adoption of SOP 01-6 has not had a material impact on the Company's results of operations or financial position. Refer to Notes 4,5 and 8 for the Company's disclosure pursuant to SOP 01-6.

Note 2
ACQUISITIONS

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

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

Note 3
INVESTMENT SECURITIES

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

<TABLE>

	2002			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury	$ 10,438	$ 5	$ -	$ 10,443
U.S. Government Agencies and Corporations	51,075	884	-	51,959
States and Political Subdivisions	62,845	2,632	2	65,475
Mortgage-Backed Securities	34,750	1,180	-	35,930
Other Securities	16,281	227	-	16,508
Total Investment Securities	$175,389	$4,928	$ 2	$180,315

</TABLE>
<TABLE>

	2001			
(Dollars in Thousands)	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury	$ -	$ -	$ -	$ -
U.S. Government Agencies and Corporations	41,303	1,076	-	42,379
States and Political Subdivisions	70,905	1,182	22	72,065
Mortgage-Backed Securities	64,382	876	10	65,248
Other Securities	38,774	623	16	39,381
Total Investment Securities	$215,364	$3,757	$48	$219,073

</TABLE>

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

<TABLE>

Year	Total Proceeds	Gross Realized Gains	Gross Realized Losses
<S>	<C>	<C>	<C>
2002	$44,576	$10	$ -
2001	$84,794	$ 4	$ -
2000	$37,096	$ 2	$ -

</TABLE>

Total proceeds do not include principal reductions in mortgage-backed securities and proceeds from securities which were called of $37.9 million, $33.0 million and $13.7 million in 2002, 2001 and 2000, respectively.

As of December 31, 2002, the Company's investment securities had the following maturity distribution based on contractual maturities:

<TABLE>

(Dollars in Thousands)	Amortized Cost	Market Value
<S>	<C>	<C>
Due in one year or less	$ 40,745	$ 41,595
Due after one through five years	92,216	95,080
Due after five through ten years	1,055	1,087
Over ten years	6,623	6,623
Mortgage-Backed Securities	34,750	35,930
Total Investment Securities	$175,389	$180,315

</TABLE>

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

Securities with an amortized cost of $115.4 million and $149.6 million at December 31, 2002 and 2001, 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:

<TABLE>

(Dollars in Thousands)	2002	2001
<S>	<C>	<C>
Commercial, Financial and Agricultural	$ 141,459	$ 128,480
Real Estate - Construction	91,110	72,778
Real Estate - Com'l Mortgage	356,807	302,239
Real Estate - Residential	359,338	434,378
Real Estate - Home Equity	92,277	65,879
Real Estate - Loans Held-for-Sale	22,454	30,289
Consumer	221,776	209,308
Total Loans, Net of Unearned Interest	$1,285,221	$1,243,351

</TABLE>

Nonaccruing loans amounted to $2.5 million and $2.4 million, at December 31, 2002 and 2001, respectively. Restructured loans amounted to $0 and $20,000, at December 31, 2002 and 2001, respectively. 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 $116,000 and $122,000 higher for the year ended December 31, 2002 and 2001, respectively.

Note 5
ALLOWANCE FOR LOAN LOSSES

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

<TABLE>

(Dollars in Thousands)	2002	2001	2000
<S>	<C>	<C>	<C>
Balance, Beginning of Year	$12,096	$10,564	$ 9,929
Acquired Reserves	-	1,206	-
Provision for Loan Losses	3,297	3,983	3,120
Recoveries on Loans Previously Charged-Off	1,374	993	703
Loans Charged-Off	(4,272)	(4,650)	(3,188)
Balance, End of Year	$12,495	$12,096	$10,564

</TABLE>
<TABLE>

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

	2002		2001	
(Dollars in Thousands)	Balance	Valuation Allowance	Balance	Valuation Allowance
<S>	<C>	<C>	<C>	<C>
With Related Credit Allowance	$ 412	$ 219	$ 956	$ 112
Without Related Credit Allowance	722	-	176	-
Average Recorded Investment for the Period	2,544	*	1,827	*

</TABLE>

The Company recognizes income on impaired loans primarily on the cash basis. Any change in the present value of expected cash flows is recognized through the allowance for loan losses. For the years ended December 31, 2002, 2001 and 2000 the Company recognized $169,000, $36,000 and $86,000, in interest income on

impaired loans, of which $169,000, $36,000 and $77,000, respectively, was collected in cash.

Note 6
INTANGIBLE ASSETS

The Company had intangible assets of $29.0 million and $32.3 million at December 31, 2002 and December 31, 2001, respectively. Intangible assets at December 31, were as follows:

<TABLE>

	2002		2001	
(Dollars in Thousands)	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
<S>	<C>	<C>	<C>	<C>
Core Deposits Intangibles	$33,752	$11,398	$33,752	$ 8,156
Goodwill	10,466	3,786	10,466	3,786
Total Intangible Assets	$44,218	$15,184	$44,218	$11,942

</TABLE>

Net Core Deposit Intangibles:

As of December 31, 2002 and December 31, 2001, the Company had net core deposit intangibles of $22.4 million and $25.6 million, respectively. Amortization expense for the twelve months of 2002, 2001 and 2000 was $3.2 million, $3.8 million and $2.8 million, respectively. The estimated annual amortization expense for the next five years is expected to be $3.2 million per year.

Goodwill:

As of December 31, 2002 and December 31, 2001, the Company had goodwill, net of accumulated amortization, of $6.7 million. As a result of the discontinuance of amortization related to this goodwill, the adoption of SFAS No. 142 increased annual 2002 earnings by approximately $622,000. Goodwill is the Company's only intangible asset that is no longer subject to amortization under the provisions of SFAS No. 142. On December 31, 2002, the Company performed its annual impairment review and concluded that no impairment adjustment was necessary.

Transitional Disclosures:

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

<TABLE>

(Dollars in Thousands, Except Per Share Data)	2002	2001	2000
<S>	<C>	<C>	<C>
Reported Net Income	$23,082	$16,866	$18,153
Goodwill Amortization	-	707	681
Adjusted Net Income	$23,082	$17,573	$18,834
Basic Earnings Per Share:			
Reported Net Income	$ 2.18	$ 1.59	$ 1.78
Goodwill Amortization	-	.07	.07
Adjusted Net Income	$ 2.18	$ 1.66	$ 1.85
Diluted Earnings Per Share:			
Reported Net Income	$ 2.17	$ 1.59	$ 1.78
Goodwill Amortization	-	.07	.07
Adjusted Net Income	$ 2.17	$ 1.66	$ 1.85

</TABLE>

Note 7
PREMISES AND EQUIPMENT

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

<TABLE>

(Dollars in Thousands)	2002	2001
Land	$ 11,239	$10,342
Buildings	46,131	42,573
Fixtures and Equipment	44,242	42,601
Total	101,612	95,516
Accumulated Depreciation	(52,715)	(48,479)
Premises and Equipment, Net	$ 48,897	$47,037

</TABLE>

Note 8
DEPOSITS

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

<TABLE>

(Dollars in Thousands)	2002	2001
NOW Accounts	$ 276,487	$ 244,153
Money Market Accounts	209,508	220,755
Savings Accounts	104,053	99,685
Time Deposits	438,071	596,362
Total	$1,028,119	$1,160,955

</TABLE>

Time deposits in denominations of $100,000 or more totaled $92.0 million and $136.8 million at December 31, 2002 and 2001, respectively.

At December 31, 2002, the scheduled maturities of time deposits were as follows: (Dollars in Thousands)

2003	$362,761
2004	48,955
2005	15,154
2006	5,321
2007 and thereafter	5,880
	$438,071

The average balances maintained on deposit with the Federal Reserve Bank for the years ended December 31, 2002 and 2001, were $39.5 million and $35.5 million, respectively.

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

<TABLE>

(Dollars in Thousands)	2002	2001	2000
NOW Accounts	$ 1,272	$ 4,046	$ 4,444
Money Market Accounts	2,904	6,237	6,673
Savings Accounts	500	1,865	2,446
Time Deposits < $100,000	12,060	26,046	22,078
Time Deposits > $100,000	3,815	7,020	4,818
Total	$20,551	$45,214	$40,459

</TABLE>

Note 9
SHORT-TERM BORROWINGS

Short-term borrowings included the following:

(Dollars in Thousands)	Federal Funds Purchased	Securities Sold Under Repurchase Agreements	Other Short-Term Borrowings
2002			
Balance at December 31,	$14,120	$77,318	$22,237
Maximum indebtedness at any month end	17,395	77,318	22,237
Daily average indebtedness outstanding	9,079	55,679	7,836
Average rate paid for the year	1.46%	0.87%	1.89%
Average rate paid on period-end borrowings	0.55%	0.83%	2.32%
2001			
Balance at December 31,	$ 5,025	$59,792	$ 2,225
Maximum indebtedness at any month end	22,875	59,792	31,503
Daily average indebtedness outstanding	10,817	39,505	7,789
Average rate paid for the year	3.96%	3.17%	6.20%
Average rate paid on period-end borrowings	1.89%	1.03%	1.82%

Note 10
LONG-TERM DEBT

Long-term debt included the following at December 31:

(Dollars in Thousands)	2002	2001
Federal Home Loan Bank Notes,		
Due on March 8, 2004, fixed rate of 6.64%	$ 113	$ 204
Due on March 10, 2004, fixed rate of 2.22%	20,000	-
Due on September 10, 2004, fixed rate of 2.48%	20,000	-
Due on December 16, 2004, fixed rate of 6.52%	116	188
Due on December 16, 2004, fixed rate of 6.52%	69	103
Due on September 12, 2005, fixed rate of 3.06%	15,000	-
Due on December 19, 2005, fixed rate of 6.04%	1,222	1,322
Due on February 15, 2006, fixed rate of 3.00%	120	153
Due on December 13, 2006, fixed rate of 6.20%	-	870
Due on April 24, 2007, fixed rate of 7.30%	249	306
Due on June 13, 2008, fixed rate of 5.40%	786	929
Due on October 19, 2009, fixed rate of 3.69%	993	-
Due on December 18, 2012, fixed rate of 4.84%	650	-
Due on March 18, 2013, fixed rate of 6.37%	807	854
Due on September 23, 2013, fixed rate of 5.64%	1,148	1,215
Due on January 27, 2014, fixed rate of 5.79%	1,387	1,427
Due on May 27, 2014, fixed rate of 5.92%	609	647
Due on July 20, 2016, fixed rate of 6.27%	1,607	1,726
Due on October 31, 2017, fixed rate of 4.79%	1,236	-
Due on December 11, 2017, fixed rate of 4.78%	1,093	-
Due on December 20, 2017, fixed rate of 5.37%	1,025	-
Due on December 17, 2018, fixed rate of 6.33%	1,776	1,836
Due on December 24, 2018, fixed rate of 6.29%	794	817
Due on February 16, 2021, fixed rate of 3.00%	945	973
Total outstanding	$71,745	$13,570

The contractual maturities of long-term debt for the five years succeeding December 31, 2002, are as follows: (Dollars in Thousands)

2003	$ 1,261
2004	41,254
2005	17,069
2006	1,095
2007 and thereafter	11,066

Total	$71,745

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

The Company has the ability to draw on a Revolving Credit Note, due on November 16, 2004. Upon expiration of this note, the outstanding balance may be converted to a term loan and repaid over a period of seven years. The Company, at its option, may select from various loan rates including the following: Prime, LIBOR, or the lender's cost of funds rate, plus or minus increments thereof. The LIBOR or cost of funds rates may be fixed for a period up to six months. The revolving credit is unsecured, but upon conversion is to be collateralized by common stock of the subsidiary bank equal in value to 125% of the principal balance of the loan. The existing loan agreement places certain restrictions on the amount of capital which must be maintained by the Company. At December 31, 2002, the Company was in compliance with all of the terms of the agreement and had $25 million available under a $25 million line of credit facility.

Note 11
INCOME TAXES

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

<TABLE>

(Dollars in Thousands)	2002	2001	2000
Current:			
Federal	$12,123	$7,709	$8,172
State	2,047	1,402	1,570
Deferred:			
Federal	(1,337)	6	(245)
State	(142)	1	(48)
Total	$12,691	$9,118	$9,449

</TABLE>

<TABLE>

The net deferred tax assets (liabilities) and the temporary differences comprising that balance at December 31, 2002 and 2001, are as follows:

(Dollars in Thousands)	2002	2001
Deferred Tax Assets attributable to:		
Allowance for Loan Losses	$4,028	$2,992
Stock Incentive Plan	1,144	904
Interest on Nonperforming Loans	44	113
Acquired Deposits	1,165	803
Other	950	583
Total Deferred Tax Assets	$7,331	$5,395
Deferred Tax Liabilities attributable to:		
Associate Benefits	$ 167	$ 698
Unrealized Gains on Investment Securities	1,805	1,359
Depreciation on Premises and Equipment	2,051	1,643
Deferred Loan Fees	2,098	1,169
Securities Accretion	171	253
Acquired Deposits	-	76
Other	140	331
Total Deferred Tax Liabilities	6,432	5,529
Net Deferred Tax Assets (Liabilities)	$ 899	$ (134)

</TABLE>
<TABLE>

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

(Dollars in Thousands)	2002	2001	2000
Tax Expense at Federal Statutory Rate	$12,521	$9,094	$9,661

Increases (Decreases)			
Resulting From:			
Tax-Exempt Interest Income	(1,084)	(1,179)	(1,357)
State Taxes, Net of Federal Benefit	1,238	913	1,000
Other	16	290	145
Actual Tax Expense	$12,691	$9,118	$9,449

</TABLE>

Note 12
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.

<TABLE>

(Dollars in Thousands)	2002	2001	2000
<S>	<C>	<C>	<C>
Change in Projected Benefit Obligation:			
Benefit Obligation at Beginning of Year	$ 33,642	$26,811	$18,980
Service Cost	2,842	2,732	2,255
Interest Cost	2,348	2,122	1,777
Actuarial Loss	1,671	2,052	3,019
Amendments to Plan(1)	-	1,553	2,099
Benefits Paid	(2,385)	(1,362)	(1,119)
Expenses Paid	(177)	(266)	(200)
Projected Benefit Obligation at End of Year	$ 37,941	$33,642	$26,811
Change in Plan Assets:			
Fair Value of Plan Assets at Beginning of Year	$ 30,113	$31,319	$32,521
Actual Return on Plan Assets	(3,357)	(1,493)	(798)
Employer Contributions	3,229	524	915
Amendments to Plan<F1>	-	1,391	-
Benefits Paid	(2,385)	(1,362)	(1,119)
Expenses Paid	(177)	(266)	(200)
Fair Value of Plan Assets at End of Year	$ 27,423	$30,113	$31,319
Funded Status	$(10,518)	$(3,529)	$ 4,508
Unrecognized Net Actuarial Loss (Gain)	10,672	3,557	(3,000)
Unrecognized Prior Service Cost	1,434	1,718	2,203
Unrecognized Net Transition Obligation Liability (Asset)	1	2	(232)
Prepaid Benefit Cost	$ 1,589	$ 1,748	$ 3,479
Weighted-Average Assumptions:			
Discount Rate	6.75%	7.25%	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	$ 2,842	$ 2,732	$ 2,255
Interest Cost	2,348	2,122	1,777
Expected Return on Plan Assets	(2,404)	(2,629)	(2,643)
Amortization of Prior Service Cost	284	327	343
Transition Asset Recognition	1	(231)	(236)
Recognized Net Actuarial Loss (Gain)	317	(168)	(663)
Net Periodic Benefit Cost	$ 3,388	$ 2,153	$ 833

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

The Company has a Supplemental Executive 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 2002, 2001 and 2000 of approximately $393,000, $214,000 and $167,000, respectively, and no minimum liability, at December 31, 2002, 2001 and 2000, respectively.

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

<TABLE>

(Dollars in Thousands)	2002	2001	2000
<S>	<C>	<C>	<C>
Change in Projected Benefit Obligation:			
Benefit Obligation at Beginning of Year	$ 1,458	$ 1,255	$ 1,347
Service Cost	118	73	59
Interest Cost	169	102	83
Actuarial Loss (Gain)	1,025	(111)	(283)
Amendments	-	139	49
Projected Benefit Obligation at End of Year	$ 2,770	$ 1,458	$ 1,255
Change in Plan Assets:			
Funded Status	$(2,770)	$(1,458)	$(1,255)
Unrecognized Net Actuarial Loss (Gain)	645	(333)	(242)
Unrecognized Prior Service Cost	546	605	525
Accrued Benefit Cost	$(1,579)	$(1,186)	$ (972)
Weighted-Average Assumptions:			
Discount Rate	6.75%	7.25%	7.50%
Rate of Compensation Increase	5.50%	5.50%	5.50%
Components of Net Periodic Benefit Costs:			
Service Cost	$ 118	$ 73	$ 59
Interest Cost	169	102	83
Amortization of Prior Service Cost	59	59	48
Recognized Net Actuarial Loss (Gain)	47	(20)	(23)
Net Periodic Benefit Cost	$ 393	$ 214	$ 167

</TABLE>

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 2002, 2001 and 2000, no contributions were made by the Company. The participant may choose to invest their contributions into fifteen investment funds available to CCBG participants, including CCBG's common stock.

The Company has a Dividend Reinvestment and Optional Stock Purchase Plan. A total of 250,000 shares have been reserved for issuance. In recent years, shares for the Dividend Reinvestment and Optional Stock Purchase Plan have been acquired in the open market and, thus, CCBG did not issue any shares under this plan in 2002, 2001 and 2000.

Note 13
EARNINGS PER SHARE

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

(Dollars in Thousands, Except Per Share Data)	2002	2001	2000
<S>	<C>	<C>	<C>
Numerator:			
Net Income	$ 23,082	$ 16,866	$ 18,153
Denominator:			

Denominator for Basic Earnings Per Share Weighted-Average Shares	10,580,228	10,593,566	10,186,199
Effects of Dilutive Securities Associate Stock Incentive Plan	39,267	40,382	28,643
Denominator for Diluted Earnings Per Share Adjusted Weighted-Average Shares and Assumed Conversions	10,619,495	10,633,948	10,214,842
Basic Earnings Per Share	$ 2.18	$ 1.59	$ 1.78
Diluted Earnings per Share	$ 2.17	$ 1.59	$ 1.78

</TABLE>

Note 14
CAPITAL

The Company is subject to various regulatory capital requirements which involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items. The Company's capital amounts and classification are subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Quantitative measures established by regulation to ensure capital adequacy require that the Company maintain amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. As of December 31, 2002, the Company met all capital adequacy requirements to which it is subject.

A summary of actual, required, and capital levels necessary to be considered well-capitalized for Capital City Bank Group, Inc. consolidated and its banking subsidiary, Capital City Bank, as of December 31, 2002 and December 31, 2001 are as follows:

<TABLE>

(Dollars in Thousands)	Actual		Required For Capital Adequacy Purposes		To Be Well-Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
<S>	<C>	<C>	<C>	<C>	<C>	<C>
As of December 31, 2002:						
Tier I Capital:						
CCBG	$154,376	12.03%	$ 51,340	4.00%	*	*
CCB	150,360	11.73%	51,261	4.00%	$ 76,891	6.00%
Total Capital:						
CCBG	166,871	13.00%	102,681	8.00%	*	*
CCB	162,855	12.71%	102,522	8.00%	128,152	10.00%
Tier I Leverage:						
CCBG	154,376	8.46%	38,505	3.00%	*	*
CCB	150,360	8.25%	38,446	3.00%	64,076	5.00%
As of December 31, 2001:						
Tier I Capital:						
CCBG	$137,158	10.84%	$ 50,602	4.00%	*	*
CCB	136,271	10.79%	50,497	4.00%	$ 75,746	6.00%
Total Capital:						
CCBG	149,254	11.80%	101,205	8.00%	*	*
CCB	148,368	11.75%	100,994	8.00%	126,243	10.00%
Tier I Leverage:						
CCBG	137,158	7.53%	37,952	3.00%	*	*
CCB	136,271	7.48%	37,813	3.00%	63,121	5.00%

*Non-applicable to bank holding companies.

</TABLE>

Note 15
DIVIDEND RESTRICTIONS

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

The approval of the appropriate regulatory authority is required if the total of all dividends declared by a subsidiary bank in any calendar year exceeds the bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. In 2003, the bank subsidiary may declare dividends without regulatory approval of $15.5 million plus an additional amount equal to the net profits of the Company's subsidiary bank for 2003 up to the date of any such dividend declaration.

Note 16
RELATED PARTY INFORMATION

The Chairman of the Board of Capital City Bank Group, Inc., is employed by and is the former chairman of the law firm which serves as general counsel to the Company and its subsidiary. Fees paid by the Company and its subsidiary for these services, in aggregate, approximated $647,000, $534,000 and $335,000 during 2002, 2001 and 2000, 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 with Smith Interest General Partnership L.L.P., provides for annual lease payments of approximately $85,000, to be adjusted for inflation in future years.

At December 31, 2002 and 2001, certain officers and directors were indebted to the Company's bank subsidiary in the aggregate amount of $18.0 million and $12.7 million, respectively. During 2002, $34.0 million in new loans were made and repayments totaled $28.7 million. In the opinion of management, these loans were made on similar terms as loans to other individuals of comparable creditworthiness and were all current at year-end.

Note 17
SUPPLEMENTARY INFORMATION

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

<TABLE>

(Dollars in Thousands)	2002	2001	2000
<S>	<C>	<C>	<C>
Noninterest Income:			
ATM Fees	$1,142	$1,015<F1>	$ 892<F1>
Retail Brokerage Fees	1,166	505<F1>	747<F1>
Merchant Fee Income	3,715	3,612	3,388
Interchange Commission Fees	2,133	2,014	1,718
Noninterest Expense:			
Pension Expense	3,388	2,153	833<F1>
Associate Insurance	2,585	2,339	1,697
Payroll Taxes	2,177	2,073	1,710
Maintenance and Repairs	4,198	4,267	2,972
Professional Fees	1,895	1,301<F1>	1,331
Printing & Supplies	1,772	1,757	1,590
Commission/Service Fees	3,464	2,863	3,517
Telephone	1,832	1,617	1,147<F1>

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

Note 18
FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISKS

The Company is a party to financial instruments with off-balance-sheet risks in the normal course of business to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit and standby letters of credit.

The Company's maximum exposure to credit loss under standby letters of credit and commitments to extend credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in establishing commitments and issuing letters of credit as it does for on-balance-sheet instruments. As of December 31, 2002, the amounts associated with the Company's off-balance-sheet obligations were as follows:

<TABLE>

(Dollars in Thousands)	Amount

<S> <C>

Commitments to Extend Credit<F1>	$396,996
Standby Letters of Credit	$ 3,693

<FN>
<F1> Commitments include unfunded loans, revolving lines of credit (including credit card lines) and other unused commitments.
</FN>
</TABLE>

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

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

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

Note 19
FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

Long-Term Debt - The fair value of each note is calculated using present value techniques, based upon projected cash flows and estimated discount rates as well as rates being offered for similar debt.

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

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

<TABLE>
At December 31,

(Dollars in Thousands)	2002 Carrying Value	2002 Estimated Fair Value	2001 Carrying Value	2001 Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Financial Assets:				
Cash	$ 89,823	$ 89,823	$ 92,413	$ 92,413
Short-Term Investments	170,936	170,936	164,417	164,417
Investment Securities	180,315	180,315	219,073	219,073
Loans, Net of Allowance for Loan Losses	1,272,726	1,331,724	1,231,255	1,305,282
Total Financial Assets	$1,713,800	$1,772,798	$1,707,158	$1,781,185
Financial Liabilities:				
Deposits	$1,434,200	$1,438,964	$1,550,101	$1,569,116
Short-Term Borrowings	113,675	113,675	67,042	67,042
Long-Term Debt	71,745	72,631	13,570	14,630
Total Financial Liabilities	$1,619,620	$1,625,270	$1,630,713	$1,650,788

</TABLE>

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

Note 20
PARENT COMPANY FINANCIAL INFORMATION

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

<TABLE>

Parent Company Statements of Income

(Dollars in Thousands)	2002	2001	2000
<S>	<C>	<C>	<C>
OPERATING INCOME			
Income Received from Subsidiary Bank:			
Dividends	$12,678	$12,963	$ 8,713
Overhead Fees	3,061	2,393	2,373
Other Income	59	-	-
Total Operating Income	15,798	15,356	11,086
OPERATING EXPENSE			
Salaries and Associate Benefits	2,311	1,878	1,715
Interest on Debt	7	83	147
Professional Fees	994	399	332
Advertising	138	132	100
Legal Fees	197	85	67
Other	335	285	341
Total Operating Expense	3,982	2,862	2,702
Income Before Income Taxes and Equity in Undistributed Earnings of Subsidiary Bank	11,816	12,494	8,384
Income Tax Benefit	(248)	(124)	(121)
Income Before Equity in Undistributed Earnings of Subsidiary Bank	12,064	12,618	8,505
Equity in Undistributed Earnings of Subsidiary Bank	11,018	4,248	9,648
Net Income	$23,082	$16,866	$18,153

</TABLE>

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

Parent Company Statements of Financial Condition (Dollars in Thousands)	2002	2001
<S>	<C>	<C>
ASSETS		
Cash and Due From Subsidiary Bank	$ 3,970	$ 3,224
Investment in Subsidiary Bank	183,780	171,991
Other Assets	1,148	892
Total Assets	$188,898	$176,107
LIABILITIES		
Other Liabilities	$ 2,367	$ 4,324
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; 10,556,968 and 10,642,575 shares issued and outstanding at December 31, 2002 and December 31, 2001, respectively	106	106
Additional Paid-In Capital	14,717	17,178
Retained Earnings	168,587	152,149
Accumulated Other Comprehensive Income, Net of Tax	3,121	2,350
Total Shareowners' Equity	186,531	171,783
Total Liabilities and Shareowners' Equity	$188,898	$176,107

</TABLE>

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

Parent Company Statements of Cash Flows (Dollars in Thousands)	2002	2001	2000
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$23,082	$16,866	$18,153
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Equity in Undistributed Earnings of Subsidiary Bank	(11,018)	(4,248)	(9,648)
Non-Cash Compensation	892	489	369
(Increase) Decrease in Other Assets	(256)	206	(925)
(Decrease) Increase in Other Liabilities	(2,603)	386	(501)
Net Cash Provided by Operating Activities	10,097	13,699	7,448
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net Cash Received From Acquisitions	-	1,471	-
CASH FROM FINANCING ACTIVITIES:			
Borrowings of Long-Term Debt	2,040	1,025	500
Repayments of Long-Term Debt	(2,040)	(2,275)	(2,250)
Payment of Dividends	(6,644)	(6,376)	(5,549)
Repurchase of Common Stock	(3,395)	(4,942)	(2,667)
Issuance of Common Stock	688	435	685
Net Cash Used in Financing Activities	(9,351)	(12,133)	(9,281)
Net Increase (Decrease) in Cash	746	3,037	(1,833)
Cash at Beginning of Period	3,224	187	2,020
Cash at End of Period	$ 3,970	$ 3,224	$ 187

</TABLE>

Note 21
COMPREHENSIVE INCOME

SFAS No. 130, "Reporting Comprehensive Income," requires that certain transactions and other economic events that bypass the income statement be displayed as other comprehensive income. The Company's comprehensive income consists of net income and changes in unrealized gains on securities available-for-sale, net of income taxes. Changes in unrealized gains (net of taxes) on securities are reported as other comprehensive income and totaled $771, $3,872, and $4,668 for 2002, 2001 and 2000, respectively. Reclassification adjustments consist only of realized gains on sales of investment securities and were not material for the years ended December 31, 2002, 2001 and 2000.

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

On May 29, 2002, the Board of Directors of the Company on the recommendation of its Audit Committee, decided to no longer engage Arthur Andersen LLP ("Arthur Andersen") as the Company's independent public accountants and to engage KPMG LLP ("KPMG") to serve as the Company's independent public accountants for the fiscal year 2002.

For each of the years ended December 31, 2001 and 2000, Arthur Andersen's reports on the Company's consolidated financial statements did not contain an adverse opinion or disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended December 31, 2001 and 2000 and through May 29, 2002, there were no disagreements with Arthur Andersen on any matter of accounting principles or practice, financial statement disclosure, or auditing scope or procedure which, if not resolved to Arthur Andersen's satisfaction, would have caused them to make reference to the subject matter in connection with their report on the Company's consolidated financial statements for such years; and there were no reportable events as defined in Item 304(a)(1)(v) of Regulation S-K.

During the years ended December 31, 2001 and 2000, the Company did not consult KPMG with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company's consolidated financial statements, or any other matters or reportable events as set forth in Items 301(a)(2)(i) and (ii) of Regulation S-K. During the year ended December 31, 2002, there were no disagreements with KPMG on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which, if not resolved to KPMG's satisfaction, would have caused them to make reference to the subject matter in connection with their report on the Company's consolidated financial statements included herein.

Part III

Item 10. Directors and Executive Officers of the Registrant

Incorporated herein by reference to the sections entitled "Nominees for Election as Directors" and "Continuing Directors and Executive Officers" in the Registrant's Proxy Statement dated April 2, 2003, to be filed on or about April 2, 2003.

Item 11. Executive Compensation

Incorporated herein by reference to the sections entitled "Summary Compensation Table" and the subsection entitled "What are directors paid for their services?" under the section entitled "Corporate Governance" in the Registrant's Proxy Statement dated April 2, 2003, to be filed on or about April 2, 2003.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Incorporated herein by reference to the section entitled "Share Ownership" in the Registrant's Proxy Statement dated April 2, 2003, to be filed on or about April 2, 2003.

Equity Compensation Plan Information

The following table summarizes information about the Company's equity compensation plans as of December 31, 2002. All outstanding awards relate to the Company's common stock. For additional information about the Company's equity compensation plans, see Stock Based Compensation in note 1 to our consolidated financial statements.

<TABLE>

	Number of securities to be issued upon exercise of	Weighted-average exercise price of outstanding	Number of securities remaining available for future issuance under equity compensation plans (excluding

Plan Category	outstanding options, warrants and rights	options, warrants and rights	securities reflected in column (a))
	(a)	(b)	(c)
Equity Compensation Plans Approved by Securities Holders	-	-	909,938
Equity Compensation Plans Not Approved by Securities Holders	-	-	-
	-	-	909,938

Item 13. Certain Relationships and Related Transactions

Incorporated herein by reference to the subsection entitled "Transactions With Management and Related Parties" under the section entitled "Executive Officers and Transactions with Management" in the Registrant's Proxy Statement dated April 2, 2003, to be filed on or about April 2, 2003.

PART IV

Item 14. Evaluation Of Disclosure Controls And Procedures Changes In Internal Controls

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Within ninety (90) days prior to the date of this report, the Company's management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective. However, the design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions, regardless of how remote.

CHANGES IN INTERNAL CONTROLS

The Company's management, including the Chief Executive Officer and Chief Financial Officer, has reviewed the Company's internal controls. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

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

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

1. Financial Statements

   Independent Auditors' Report

   Report of Independent Public Accountants

   Consolidated Statements of Income for Years Ended December 31, 2002, 2001 and 2000

   Consolidated Statements of Financial Condition as of December 31, 2002 and 2001

   Consolidated Statements of Changes in Shareowners' Equity for Years Ended December 31, 2002, 2001 and 2000

   Consolidated Statements of Cash Flows for Years Ended December 31, 2002, 2001 and 2000

   Notes to Consolidated Financial Statements

2. Financial Statement Schedules

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

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

Reg. S-K Exhibit Table Item No.	Description of Exhibit
2(a)	Agreement and Plan of Merger, dated as of September 25, 2000, by and between Capital City Bank Group, Inc. and First Bankshares of West Point, Inc. - incorporated herein by reference to Exhibit 2(d) of the Registrant's Form 10-K (filed 3/30/01).
2(b)	Purchase and Assumption Agreement, dated as of October 3, 2000, by and between Capital City Bank and First Union National Bank - incorporated herein by reference to Exhibit 2(e) of the Registrant's Form 10-K (filed 3/30/01).
2(c)	Plan of Merger and Merger Agreement, dated August 23, 2001, by and between Capital City Bank and First National Bank of Grady County - incorporated herein by reference to Exhibit 2(f) of the Registrant's Form 10-K (filed 3/28/02).
3(a)	Amended and Restated Articles of Incorporation - incorporated herein by reference to Exhibit 3 of the Registrant's 1996 Proxy Statement (filed 4/11/96).
3(b)	Amended and Restated Bylaws - incorporated herein by reference to Exhibit 3(b) of the Registrant's Form 10-Q (filed 1/13/97).

Reg. S-K Exhibit Table Item No.	Description of Exhibit
10(a)	Promissory Note and Pledge and Security Agreement evidencing a line of credit by and between Registrant and SunTrust Bank, dated November 16, 1995 - incorporated herein by reference to Exhibit 10(b) of the Registrant's Form 10-K (filed 3/29/96).
10(b)	Capital City Bank Group, Inc. 1996 Associate Incentive Plan, as amended - incorporated herein by reference to Exhibit 10 of the Registrant's Form S-8 (filed 12/23/96).
10(c)	Capital City Bank Group, Inc. Amended and Restated Director Stock Purchase Plan - incorporated herein by reference to Exhibit 10(d) of the Registrant's Form 10-K (filed 3/30/00).
10(d)	Capital City Bank Group, Inc. Supplemental Executive Retirement Plan filed with this report.
21	Subsidiaries - Filed with this report.
23	Consent of Independent Auditors - Filed with this report.
99.1	Certification required by the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification required by the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K

No Reports on Form 8-K were filed during the fourth quarter of fiscal year 2002.

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on March 27, 2003, on its behalf by the undersigned, thereunto duly authorized.

CAPITAL CITY BANK GROUP, INC.

/s/ William G. Smith, Jr.

- -----------------------------

William G. Smith, Jr.

President and Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on March 27, 2003 by the following persons in the capacities indicated.

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

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

Directors:

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

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

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

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

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

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

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

CERTIFICATIONS

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

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

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

CERTIFICATIONS

I, J. Kimbrough Davis, certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

4. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 27, 2003

/s/ J. Kimbrough Davis

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J. Kimbrough Davis
Executive Vice President and
Chief Financial Officer

CAPITAL CITY BANK GROUP, INC.
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

THIS SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN was authorized and and approved on September 18, 1995, by the Board of Directors of Capital City Bank Group, Inc. (hereinafter the "Company"). It is intended to be an unfunded, nonqualified deferred compensation plan for the benefit of certain highly compensated executives of the Company and its subsidiaries to be selected from time to time in the sole discretion of the Board of Directors of the Company. Employees selected to participate in this Plan shall execute a Deferred Compensation Agreement, a form of which is attached hereto as Exhibit "A". All references to the "Qualified Plan" of the Company shall mean the Capital City Bank Group, Inc. Retirement Plan, a defined benefit pension plan qualified under section 401(a) of the Internal Revenue Code of 1986, as amended (the "Code"), covering the employees of the Company and its subsidiaries.

1. Supplemental Retirement Benefits. The supplemental retirement benefits available to a participating employee under this Plan shall be computed utilizing the same pension benefit formula under the Qualified Plan, except that the compensation limitation under the Code used to determine the average monthly compensation of the participant will not apply. Under this Plan, the monthly retirement benefit will be capped at 60% of the average

monthly compensation after offset by the amount of pension benefit under the Qualified Plan.

A participant's Monthly Benefit at Normal Retirement under this Plan shall be determined by the following formula:

Monthly Benefit at Normal Retirement = (A + B + C) -D, where:

"A" equals 1.9% of the average monthly compensation (determined as of the calculation date) multiplied by the participant's credited service after December 31, 1988 determined as of the calculation date but limited to 30 years) .

"B" equals .38% (.4% if born prior to 1955 and after 1937, or .424% if born prior to 1938) of the participant's average monthly compensation determined as of the calculation date which is in excess of $2,000, multiplied by the participant's credited service earned after December 31,1988 (determined as of the calculation date, and limited to the smaller of 30 years, or 35 years minus the years of credited service as of December 31, 1988), and

"C" equals the accrued benefit as of December 31, 1988 under the prior retirement formula, adjusted for changes in the participant's average monthly compensation since 1988.

"D" equals the monthly benefit payable under the Qualified Plan.

2. Mid-Career Hires. The Board of Directors, in its sole discretion, may credit a Participant who was a mid-career hire by the Company with additional years of service under this Plan to compensate such Participant for retirement benefits lost under a prior employer's pension plan. The Board of Directors may also, in its sole discretion, choose to offset benefits under this Plan by any pension benefits accrued under a prior employer's pension plan

on behalf of a Participant who was a mid-career hire by the Company.

3. Late or Earlv Retirement Benefits. The eligibility and method of determining the computation of late retirement benefits or early retirement benefits shall be the same as under the Qualified Plan. However, the Board of Directors, in its sole

discretion, may waive any reduction of benefits due to early retirement.

4. Payment of Retirement Benefits. On the date one year prior to the Participant's Normal Retirement Date or Early Retirement Date, as the case may be, the Participant may elect to receive his retirement benefit in one actuarily determined lump sum amount within 90 days after the Participant's actual retirement; otherwise, the Participant shall receive his retirement benefits in equal monthly installments over the remainder of his life, commencing on the 15th day of the first month following his actual retirement, as determined herein.

5. Death Benefits. If a Participant should die after retirement but before his retirement benefits are fully paid under this Plan, such retirement benefits will continue to be paid to the Participant's designated beneficiary under the Deferred Compensation Agreement based on the election made prior to

retirement. If a Participant dies prior to retirement and prior to his election, the computed death benefit will be equal to the greater of 24 times the average monthly compensation, or the accrued retirement benefit as computed under this Plan, prior to offset for benefits under the Qualified Plan. The computed death benefit will then be offset by the death benefit paid under the Qualified Plan. The death benefits as determined by the preceding provisions of this Paragraph 5 will be paid monthly to the Participant's designated beneficiary under the Deferred Compensation Agreement on an actuarially equivalent basis for his or her lifetime, but for not less than 120 months. If the Participant fails to designate a beneficiary (or beneficiaries) on the Deferred Compensation Agreement, or if there is no surviving designated beneficiary at the Participant's death, then such death benefits under this paragraph shall be payable in one lump sum amount to the Participant's estate within five (5) years after the date of the Participant's death.

6. Disability Benefits. Benefits payable under this Plan upon the Participant's permanent disability shall be calculated under the same formula as provided in the Qualified Plan, except that the compensation and benefit limitations imposed upon qualified defined benefit pension plans under the Code shall not be taken into account. The disability benefits payable under this Plan will be offset by any disability benefits payable under the Qualified Plan.

7. Chanqe in Control. In the event of a change in control of the Company, the Participant will be credited with an additional two years of credited service for purposes of computation of retirement benefits under this Plan. Accrued benefits based upon normal retirement shall be payable to the Participant within 30 days of the change in control. "Change in control" shall be defined to include a sale of substantially all of the assets of the Company, a change in share ownership of greater than 50% within a 24-month period, or any other determination of change in control made by the Board of Directors.

8. Plan Termination. This Plan may be terminated at any time by the Board of Directors. However, all supplemental retirement benefits accrued under this Plan prior to termination shall be non-forfeitable except as provided in Paragraph 10 herein. Any offsets from the Qualified Plan shall be based on benefits accrued through the date of termination of this Plan, and the benefits accrued under this Plan as determined by this Paragraph upon Plan termination shall be paid in accordance with the provisions of Paragraph 4 herein.

9. Ownership of Assets. Until made available to the Participant or his designated beneficiary as provided herein, all amounts of compensation deferred under this Plan shall remain for all purposes a part of the general funds of the Company (without being restricted to the provisions of benefit under this Plan) and shall be subject to the claims of the Company's general creditors.

No person other than the Company shall, by virtue of the provisions of this Plan and any Deferred Compensation Agreement with a Participant, have any interest in such funds. To the extent that any person acquires a right to receive payment from the Company under this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company.

10. Forfeiture. Notwithstanding anything herein contained to the contrary, no payment of any then-unpaid installments of deferred compensation shall be made, and all rights under this Plan of the Participant, his designated beneficiary, personal representatives, heirs, or administrators, or any other person, to receive payments thereof, shall be forfeited if either or both of the following events shall occur:

A. The Participant shall engage in any activity or conduct which, in the opinion of the Board, is inimical to the best interests of the Company and is or would be cause for involuntary termination of the Participant's employment.

B. After the Participant ceases to be employed by the Company, he shall fail or refuse to provide advice and counsel to the Company when reasonably requested to do so.

11. Spendthrift Provision. The right of the Participant or any other person to the payment of deferred compensation or other benefits under this Plan shall not be assigned, transferred, pledged, or encumbered except by will or by the laws of descent and distribution.

12. No Employment Contract. Nothing contained herein shall be construed as conferring upon the Participant the right to continue in the employ of the Company as an executive or in any other capacity.

13. Other Benefit Plans. Any deferred compensation payable under this Plan shall not be deemed "salary" or "other compensation" to the Participant for the purpose of computing benefits to which he may be entitled under any pension plan or other arrangement of the Company for the benefit of its employees.

14. Administration. This Plan will be administered by the Board of Directors. The Board may appoint a representative to handle daily administrative matters. The interpretation of any provisions of this Plan shall rest solely with the Board, and any decisions or interpretations by the Board as to a Participant's rights or benefits under this Plan shall be final, binding and conclusive on all persons for all purposes. No member of the Board shall be liable to any person for any action taken or omitted in connection with the interpretation and administration of this Plan unless attributable to his own willful misconduct or lack of good faith. Except as otherwise provided herein, the terms used within this Plan shall have the same meaning as those terms used under the Qualified Plan.

15. Bindinq Effect. This Plan and the Deferred Compensation Agreement with the Participant shall be binding upon and inure to

the benefit of the Company, its successors and assigns, and the Participant and his designated beneficiary, personal representatives, heirs, and administrators.

16. Governing Law. This Plan shall be governed by the laws of the state of Florida.

IN WITNESS WHEREOF, this Plan has been executed by the duly authorized officers of the Company on the 22nd day of March, 1996, effective as of January 1, 1996.

CAPITAL CITY BANK GROUP, INC.

By /s/ DuBose Ausley

DuBose Ausley, Chairman

Attest: /s/ J. Kimbrough Davis

Its Secretary

Exhibit 21. List of Subsidiaries of Registrant

Direct Subsidiary:
Capital City Bank

Indirect Subsidiaries:
Capital City Mortgage Company (Florida)
Capital City Securities, Inc. (Florida)
Capital City Services Company (Florida)
Capital City Trust Company (Florida)
First Insurance Agency of Grady County, Inc. (Georgia)
FNB Financial Services, Inc. (Georgia)

Exhibit 23. Consent of Independent Auditors

Independent Auditors' Consent

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

We consent to the incorporation by reference in the registration statements (No. 333-18557, No. 33-60113, No. 333-36693 and No. 333-18543) on Forms S-8 and (No. 333-20683) on Form S-3D of Capital City Bank Group, Inc. of our report dated January 27, 2003, with respect to the consolidated statement of financial condition of Capital City Bank Group, Inc. and subsidiary as of December 31, 2002, and the related consolidated statements of income, changes in shareowners' equity and cash flows for the year then ended, which report appears in the December 31, 2002, annual report on Form 10-K of Capital City Bank Group, Inc.

Our report refers to the adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets during 2002. Our report also refers to our audit of the disclosures added to revise the 2001 and 2000 consolidated financial statements, as more fully described in Note 6 to the consolidated financial statements. However, we were not engaged to audit, review, or apply any procedures to the 2001 and 2000 consolidated financial statements other than with respect to such disclosures.

KPMG LLP
Jacksonville, Florida
March 27, 2003

Exhibit 99.1. CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that (1) this Annual Report of Capital City Bank Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods covered in the Report.

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

Date: March 27, 2003

Exhibit 99.2. CERTIFICATION

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that (1) this Annual Report of Capital City Bank Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2002, as filed with the Securities and Exchange Commission on the date hereof (this "Report"), fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934, as amended, and (2) the information contained in this Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods covered in the Report.

/s/ J. Kimbrough Davis

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J. Kimbrough Davis
Executive Vice President and
Chief Financial Officer

Date: March 27, 2003