FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

COMMUNITY FIRST BANKING CO

CIK:**1035903**| IRS No.: **582309605** | State of Incorp.:**GA** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **000-22543** | Film No.: **99574015**
SIC: **6035** Savings institution, federally chartered

Mailing Address	Business Address
P O BOX 250	*P O BOX 250*
CARROLLTON GA 30117-0250	*CARROLLTON GA 30117-0250*
	7708341071

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

|X| Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For fiscal year ended December 31, 1998 OR

|_| Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ___________ to ____________

Commission file number 0-22543

Community First Banking Company
(Exact Name of Registrant as Specified in Its Charter)

Georgia	58-2309605
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
110 Dixie Street Carrollton, Georgia	30117
(Address of Principal Executive Offices)	(Zip Code)

(770) 834-1071
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $.01 par value
(Title of Class)

Indicate by check mark whether the registrant : (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of 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|

Aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, computed by reference to the average bid and asked prices of such common equity as of March 22, 1999: $38,307,989

Number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: 2,560,656 shares of Common Stock at March 22, 1999.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Annual Report to Shareholders for the fiscal year ended December 31, 1998 are incorporated by reference into Part II.

Portions of the Registrant's Proxy Statement for the Annual Meeting of Shareholders, scheduled to be held on April 29, 1999, are incorporated by reference into Part III.

PART I

ITEM 1. BUSINESS OF THE COMPANY

Community First Banking Company (the "Company") was incorporated in the State of Georgia on March 12, 1997, for the purpose of becoming a holding company to own 100% of the outstanding capital stock of Carrollton Federal Bank, FSB (the "Savings Bank"). The Savings Bank was organized on August 1, 1994 as a federal savings bank subsidiary of CF Mutual Holdings (the "Mutual Holding Company"), a federally chartered mutual holding company. Prior to that date, the predecessor of the Savings Bank had operated as a mutual savings bank since 1929.

On June 27, 1997, we completed a conversion and reorganization (the "Conversion") whereby the Company became the unitary holding company for the Savings Bank and the Mutual Holding Company was dissolved.

On December 29, 1997, the Savings Bank converted from a federal savings bank regulated by the Office of Thrift Supervision (the "OTS") to a Georgia chartered state commercial bank regulated by the Georgia Department of Banking and Finance (the "Georgia Department") and concurrently changed its name to Community First Bank (the "Bank").

The Company directs, plans and coordinates the activities of the Bank and its subsidiaries. Accordingly, the information presented in this Annual Report relates primarily to the Bank. The Bank is a community-oriented financial institution operating from seven branch offices in western Georgia. These branches provide customary banking services such as customer and commercial checking accounts, NOW accounts, savings accounts, certificates of deposit, lines of credit and MasterCard and VISA credit cards. Lending activities include the origination of consumer and commercial business loans on a secured and unsecured basis, residential mortgage and home equity loans, and commercial real estate loans.

The Bank has three wholly-owned operating subsidiaries that broaden the services the Bank offers to the community. The first, CFB Securities, Inc., offers traditional brokerage services and products such as mutual funds, stocks and bonds through an NASD member firm. CFB Securities, Inc. began operations in 1996 and is located in space immediately adjacent to the Bank's main office lobby in Carrollton, Georgia.

The second subsidiary of the Bank, CFB Financial Inc., began operations in 1996 to service the loan needs of consumers traditionally associated with consumer finance companies. CFB Financial, Inc. has seven full-time employees operating in its offices in Villa Rica and Douglasville, Georgia, and at the Bank's branch in Hiram, Georgia. This subsidiary offers a wide range of small loans granted in conformity with the Georgia Industrial Loan Act.

The third subsidiary, CFB Insurance Agency, Inc., began operations in 1997. Based in Bowdon, Georgia, CFB Insurance Agency, Inc. offers a full line of insurance products to existing Bank customers as well as the general public.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for more detailed information about the business of the Company and the Bank.

COMPETITION

The Bank has operated in its local community since 1929. Management estimates that the Bank has a 30% market share in Carroll County, a 20% market share in each of Haralson and Heard Counties, and a 1% market share in each of Douglas and Paulding Counties.

The Bank faces significant competition both in making loans and in attracting deposits principally from national, regional and local commercial banks, savings banks, savings and loan associations, credit unions, broker-dealers, mortgage banking companies (including FNMA) and insurance companies. Its most direct competition for deposits has historically come from commercial banks, savings banks, savings and loan associations and credit unions. The Bank faces additional competition for deposits from short-term money market funds, other corporate and government securities funds and from other financial institutions such as brokerage firms and insurance companies. In addition, the Bank faces additional competition from commercial banks headquartered outside of the State of Georgia as a result of the enactment of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, which became fully effective on June 1, 1997. See "-Supervision and Regulation."

The Bank experiences strong competition for real estate loans principally from other savings associations, commercial banks, and mortgage banking companies. The Bank competes for loans principally through the interest rates and loan fees it charges and the efficiency and quality of services it provides borrowers. Competition may increase as a result of the continuing reduction of restrictions on the interstate operations of financial institutions.

EMPLOYEES

The Company and the Bank had 154 full-time employees and 18 part-time employees at December 31, 1998. None of these employees is represented by a collective bargaining agreement, and management believes that it enjoys good relations with its personnel.

SUPERVISION AND REGULATION

General. The Company is a bank holding company registered with the Board of Governors of the Federal Reserve System (the "Federal Reserve") under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). As such, the Company and its non-bank subsidiaries are subject to the supervision, examination, and reporting requirements of the BHC Act and the regulations of the Federal Reserve.

The BHC Act requires every bank holding company to obtain the Federal Reserve's prior approval before: (a) it may acquire direct or indirect ownership or control of any voting shares of any bank if, after the acquisition, the bank holding company will directly or indirectly own or control more than 5% of the voting shares of the bank; (b) it or any of its subsidiaries, other than a bank, may acquire all or substantially all of the assets of any bank; or (c) it may merge or consolidate with any other bank holding company.

The BHC Act further provides that the Federal Reserve may not approve any transaction that: (a) would result in a monopoly; (b) would be furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking anywhere in the United States; (c) could substantially lessen competition or to tend to create a monopoly in any section of the country; or (d) would otherwise be in restraint of trade. The Federal Reserve could, however, approve a proposed transaction if its anticompetitive effects were clearly outweighed by the public interest in meeting the convenience and needs of the community to be served. The Federal Reserve is also required to consider the financial and managerial resources and future prospects of the participants in the transaction and convenience and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy, which is discussed below.

The BHC Act, as amended by the interstate banking provisions of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Banking Act"), repealed the prior statutory restrictions on interstate acquisitions of banks by bank holding companies. As a result, the Company and any other bank holding company located in Georgia may now acquire a bank located in any other state, and any bank holding company located outside Georgia may lawfully acquire any Georgia-based bank, regardless of state law to the contrary, in either case subject to certain restrictions. The Interstate Banking Act also generally provides that national and state-chartered banks may now branch interstate through acquisitions of banks in other states. By adopting legislation prior to June 1, 1997, states could either "opt in" and accelerate the date after which interstate branching is permissible or "opt out" and prohibit interstate branching altogether.

In response to the Interstate Banking Act, the Georgia General Assembly adopted the Georgia Interstate Banking Act, which was effective July 1, 1995. The Georgia Interstate Banking Act provides that (i) interstate acquisitions by institutions located in Georgia will be permitted in states that also allow national interstate acquisitions and (ii) interstate acquisitions of institutions located in Georgia will be permitted by institutions in states that allow national interstate acquisitions.

Additionally, on January 26, 1996, the Georgia General Assembly adopted the Georgia Interstate Branching Act, which permits Georgia-based banks and bank holding companies owning or acquiring banks outside of Georgia and all non-Georgia banks and bank holding companies owning or acquiring banks in

Georgia to merge an acquired bank into an interstate branch network. The Georgia Interstate Branching Act also allows banks to establish de novo branches on an unlimited basis.

The BHC Act generally prohibits the Company from engaging in activities other than banking or managing or controlling banks or other permissible subsidiaries and from acquiring or retaining direct or indirect control of any company engaged in any activities other than those activities determined by the Federal Reserve to be incidental to banking or managing or controlling banks. In determining whether a particular activity is permissible, the Federal Reserve must consider whether the performance of the activity reasonably can be expected to produce benefits to the public, such as greater convenience, increased competition, or gains in efficiency, that outweigh possible adverse effects, such as undue concentration of resources, decreased or unfair competition, conflicts of interest, or unsound banking practices. For example, 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 in selling credit life insurance and certain other types of insurance in connection with credit transactions, and performing certain insurance underwriting activities all have been determined by the Federal Reserve to be permissible bank holding company activities. The BHC Act does not place territorial limitations on permissible non-banking activities of bank holding companies. Despite prior approval, the Federal Reserve may order a holding company or its subsidiaries to terminate any activity or its ownership or control of any subsidiary when it has reasonable cause to believe that continuation of the activity, ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company.

The Bank is a member of the Federal Deposit Insurance Corporation (the "FDIC"), and as such, its deposits are insured by the FDIC to the maximum extend provided by law. The Bank is also subject to numerous state and federal statutes and regulations that affect its business, activities, and operations and is supervised and examined by one or more state or federal bank regulatory agencies.

The FDIC and the Georgia Department of Banking and Finance (the "Georgia Department") regularly examine the operations of the Bank and are given authority to approve or disapprove mergers, consolidations, the establishment of branches, and similar corporate actions. The FDIC and the Georgia Department also have the power to prevent the continuance or development of unsafe or unsound banking practices or other violations of law.

Payment of Dividends. The Company is a legal entity separate and distinct from its banking and other subsidiaries. The principal sources of cash flow of the Company, including cash flow to pay dividends to its shareholders, are dividends by the Bank. There are statutory and regulatory limitations on the payment of dividends by the Bank to the Company as well as by the Company to its shareholders.

If a federal banking regulator believes that a depository institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the institution's financial condition, could include the payment of dividends), it could require, after notice and hearing, that the institution cease and desist from that practice. The federal banking agencies have indicated that paying dividends that deplete a depository institution's capital base to an inadequate level would be an unsafe and unsound banking practice. Under the Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), a depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. See "--Prompt Corrective Action." Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

Under dividend restrictions imposed under federal and state laws, the Bank, without obtaining governmental approvals, could declare aggregate dividends to the Company of up to $2.0 million (representing 50% of the previous year's net income) in 1999.

The payment of dividends by the Company and the Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines.

Capital Adequacy. The Company and the Bank are required to comply with the capital adequacy standards established by the Federal Reserve and the appropriate federal banking regulator in the case of the Bank. There are two basic measures of capital adequacy for bank holding companies that have been promulgated by the Federal Reserve: a risk-based measure and a leverage measure. All applicable capital standards must be satisfied for a bank holding company to be considered in compliance.

The risk-based capital standards are designed to make regulatory capital requirements more sensitive to differences in risk profile among banks and bank holding companies, to account for off-balance-sheet exposure, and to minimize disincentives for holding liquid assets. Assets and off-balance-sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represented capital as a percentage of total risk-weighted assets and off-balance-sheet items.

The minimum guideline for the ratio (the "Total Risk-Based Capital Ratio") of total capital ("Total Capital") to risk-weighted assets (including certain off-balance-sheet items, such as standby letters of credit) is 8%. At least half of Total Capital must consist of common stock, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock, and a limited amount of cumulative perpetual stock, less goodwill and certain other intangible assets. ("Tier 1 Capital"). The remainder may consist of subordinated debt, other preferred stock and a limited amount of loan loss reserves ("Tier 2 Capital"). At December 31, 1998, the Company's consolidated Total Risk-Based Capital Ratio and its Tier 1 Risk-Based Capital Ratio (i.e., the ratio of Tier 1 Capital to risk-weighted assets) were 9.9% and 8.9%, respectively.

In addition, the Federal Reserve has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum ratio (the "Leverage Ratio") of Tier 1 Capital to average assets, less goodwill and certain other intangible assets, of 3% for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies are generally required to maintain a Leverage Ratio of at least 3%, plus an additional cushion of 100 to 200 basis points. The Company's Leverage Ratio at December 31, 1998 was 6.1%. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Furthermore, the Federal Reserve has indicated that it will consider a "tangible Tier 1 Capital Leverage Ratio" (deducting all intangibles) and other indicia of capital strength in evaluating proposals for expansion or new activities.

The Bank is subject to risk-based and leverage capital requirements adopted by the FDIC, which are substantially similar to those adopted by the Federal Reserve for bank holding companies.

The Bank was in compliance with applicable minimum capital requirements as of December 31, 1998. The Company has not been advised by any federal banking agency of any specific minimum capital ratio requirement applicable to it or to the Bank.

Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies, including issuance of a capital directive, the termination of deposit insurance by the FDIC, a prohibition on the taking of brokered deposits, and certain other restrictions on its business. As described below, substantial additional restrictions can be imposed upon FDIC-insured depository institutions that fail to meet applicable capital requirements. See "--Prompt Corrective Action."

The federal bank regulators continue to indicate their desire to raise capital requirements applicable to banking organizations beyond their current levels. In this regard, the Federal Reserve and the FDIC have, pursuant to FDICIA, adopted regulations requiring regulators to consider interest rate risk (when the interest rate sensitivity of an institution's assets does not match the sensitivity of its liabilities or its off-balance-sheet position) in the evaluation of a bank's capital adequacy. The bank regulatory agencies' methodology for evaluating interest rate risk requires banks with excessive interest rate risk exposure to hold additional amounts of capital against such exposures.

Support of Subsidiary Institutions. Under Federal Reserve policy, the Company is expected to act as a source of financial strength for, and to commit resources to support, the Bank. This support may be required when, absent this

Federal Reserve policy, the Company may not be inclined to provide it. In addition, any capital loans by a bank holding company to any if its banking subsidiaries are subordinate in right of payment to deposits and to certain other indebtedness of such banks. In the event of bank holding company's bankruptcy, the bankruptcy trustee will assume any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a banking subsidiary and will be entitled to a priority of payment.

Prompt Corrective Action. FDICIA establishes a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, which became effective in December 1992, the federal banking regulators are required to establish five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized) and to take certain mandatory supervisory actions, and are authorized to take other discretionary actions, with respect to institutions in the three undercapitalized categories, the severity of which will depend upon the capital category in which the institution is placed. Generally, subject to a narrow exception, FDICIA requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

The capital levels established for each of the categories are as follows:

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Capital Category	Tier 1 Capital	Total Risk-Based Capital	Tier 1 Risk-Based Capital	Other
Well Capitalized	5% or more	10% or more	6% or more	Not subject to a capital directive
Adequately Capitalized	4% or more	8% or more	4% or more	--
Undercapitalized	less than 4%	less than 8%	less than 4%	--
Significantly Undercapitalized	less than 3%	less than 6%	less than 3%	--
Critically Undercapitalized	2% or less tangible equity	--	--	--

</TABLE>

For purposes of the regulation, the term "tangible equity" includes core capital elements counted as Tier 1 Capital for purposes of the risk-based capital standards, plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets with certain exceptions. A depository institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives an unsatisfactory examination rating.

At December 31, 1998, the Bank had the requisite capitals levels to qualify as well capitalized.

FDIC Insurance Assessments. The FDIC has adopted a risk-based assessment system for insured depository institutions that takes into account the risks attributable to different categories and concentrations of assets and liabilities. The system assigns an institution to one of three capital categories: (a) well capitalized; (b) adequately capitalized; and (c) undercapitalized. These three categories are substantially similar to the prompt corrective action categories described above, with the "undercapitalized" category including institutions that are undercapitalized, significantly undercapitalized, and critically undercapitalized for prompt corrective action purposes. The FDIC also assigns an institution to one of three supervisory subgroups within each capital group. The supervisory subgroup to which an institution is assigned is based on a supervisory evaluation provided to the FDIC by the institution's primary federal regulator and information that the FDIC determines to be relevant to the institution's financial condition and the risk posed to the deposit insurance funds. The FDIC then determines an institution's insurance assessment rate based on the capital category and supervisory category to which it is assigned. There are nine assessment risk classifications (i.e., combinations of capital groups and supervisory subgroups) to which different assessment rates are applied.

Since 1996, the deposit insurance premiums for 92% of all Bank Insurance Fund (BIF") members in the highest capital and supervisory categories have been set at $2,000 per year, regardless of deposit size. Effective as of January 1, 1997, assessments to help pay off the $780 million in annual interest payments on the $8 billion FICO bonds issued in the late 1980s as part of the government rescue of the thrift industry were imposed on BIF-insured deposits in annual amounts presently estimated at 1.29 basis points. Beginning in January 2000, these rates will increase to an estimated 2.43 basis points.

The FDIC may terminate its insurance of deposits upon a finding that an institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order, or condition imposed by the FDIC.

Proposed Legislation and Regulatory Action. New regulations and statutes are regularly proposed that contain wide-ranging proposals for altering the structures, regulations and competitive relationships of the nation's financial institutions. It cannot be predicted whether or what form any proposed regulation or statute will be adopted or the extent to which our business may be affected by such regulations or statutes.

ITEM 2. PROPERTIES

The following table sets forth certain information with respect to the Company's properties at December 31, 1998.

DESCRIPTION/ADDRESS	LEASED/ OWNED
Main Office 110 Dixie St., Carrollton, GA	Owned
640 W. Bankhead Hwy, Villa Rica, GA	Owned
207 W. College St., Bowdon, GA	Owned
501 Alabama Ave., Bremen, GA	Leased
1119 South Park St., Carrollton, GA	Owned
9060 Hwy. 27, Franklin, GA	Owned
4166 Jimmy Lee Smith Parkway, Hiram, GA (Wal*Mart Branch)	Leased
3218 Highway 5, Douglasville, GA	Leased
664 W. Bankhead Hwy.,Villa Rica, GA	Leased
3357 Jimmy Lee Smith Parkway, Hiram, GA	Leased
119 South White Street, Carrollton, GA	Owned

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Company is a party or of which any of its properties are subject; nor are there material proceedings known to the Company to be contemplated by any governmental authority; nor are there material proceedings known to the Company, pending or contemplated, in which any director, officer or affiliate or any principal security holder of the Company, or any associate of any of the foregoing, is a party or has an interest adverse to the Company.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

Information regarding the quarterly high and low sales prices for the Company's Common Stock, the number of record shareholders and the Company's dividend policy is contained in the Company's Annual Report to Shareholders for the year ended December 31, 1998 under the heading "Market for Common Stock and Related Shareholder Matters" and is hereby incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this item is included in the Company's Annual Report to Shareholders for the year ended December 31, 1998 under the heading "Selected Consolidated Financial Data" and is hereby incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The responses to this item are included in the Company's Annual Report to Shareholders for the year ended December 31, 1998 under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" and are hereby incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company's net interest income and the fair value of its financial instruments (interest earning assets and interest bearing liabilities) are influenced by changes in market interests rates. The Company actively manages its exposure to interest rate fluctuations through policies established by its Asset/Liability Committee (the "ALCO"). The ALCO meets regularly and is responsible for approving asset/liability management policies, developing and implementing strategies to improve balance sheet positioning and net interest income and assessing the interest rate sensitivity of the Bank.

The Company utilizes an interest rate simulation model to monitor and evaluate the impact of changing interest rates on net interest income. The estimated impact on the Company's net interest income sensitivity over a one-year time horizon is indicated in the table below, which assumes an immediate and sustained parallel shift in interest rates of 100 basis points and no change in the composition of the Company's balance sheet.

The Company's ALCO policy requires that a 100 basis point shift in interest rates should not result in a decrease of net interest income of more than 5% of capital. The information presented in Table 13 of the Company's 1998 Annual Report is based on the same assumptions set forth in the ALCO policy.
<TABLE>
<CAPTION>
Net Interest Income Sensitivity
(in thousands)

	Principal /Notional Amounts of Earning Assets, Interest Bearing Liabilities at December 31, 1998	Percent Increase(Decrease) in Interest Income/ExpenseGiven Immediate and Sustained Parallel Interest Rate Shifts Down 100 Basis Points	Up 100 Basis Points
<S>	<C>	<C>	<C>
Assets repricing in			
One year or less	$212,073		
Over one year	151,976		
Total	$364,049	-2.87%	2.57%
	========		
Liabilities repricing in			
One year or less	$175,830		
Over one year	145,341		
Total	$321,171	-4.94%	4.69%
	========		
Net interest sensitivity		-0.23%	-0.21%

</TABLE>

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data listed in Item 14 are included in the Company's Annual Report to Shareholders for the year ended December 31, 1998 under the headings "Report of Independent Certified Public Accountants" and "Selected Quarterly Financial Results" and are hereby incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The responses to this Item are included in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 1999 under the headings "Section 16(a) Beneficial Ownership Reporting Compliance", "Election of Directors" and "Executive Officers" and are incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The responses to this Item are included in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 1999 under the headings "Executive Compensation" and "Election of Directors- Director Compensation" and "Compensation Committee Interlocks and Insider Participation" and are incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The responses to this item are included in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 1999 under the heading "Stock Owned by Management" and are incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The responses to this Item are included in the Company's Proxy Statement for the Annual Meeting of Shareholders to be held on April 29, 1999 under the heading "Certain Transactions" and are incorporated herein by reference.

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements

Report of Independent Certified Public Accountants

Consolidated Balance Sheets at December 31, 1998 and 1997

Consolidated Statements of Earnings for the Years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Comprehensive Income for the Years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Stockholders' Equity for the Years ended December 31, 1998, 1997 and 1996

Consolidated Statements of Cash Flows for the Years ended December 31, 1998, 1997 and 1996

Notes to Consolidated Financial Statements

(b) Reports on Form 8-K:

None

(c) Exhibits

Exhibit Number	Exhibit
3.1	Articles of Incorporation (1), as amended (2).
3.2	Bylaws (1).
4.1	See Exhibits 3.1 and 3.2 for provisions of the Company's Articles of Incorporation and Bylaws governing the rights of

holders of securities of the Company.

10.1* 1997 Stock Option Plan. (2)

10.2* Management Recognition Plan. (2)

10.3* Employee Stock Ownership Plan and Trust. (1)

10.4* Employee Stock Ownership Plan Trust Agreement. (1)

10.5(a) [Reserved]

10.5(b)* Employment Agreement between Gary D. Dorminey, the Company and the Bank dated as of June 1, 1997 (1).

10.5(c)* Employment Agreement between D. Lane Poston, the Company and the Bank dated as of June 1, 1997 (1).

10.5(d)* Employment Agreement between C. Lynn Gable, the Company and the Bank dated as of June 1, 1997 (1).

10.5(e)* Employment Agreement between Anyce C. Fox, the Company and the Bank dated as of June 1, 1997 (1).

10.6* Retirement Plan (1).

10.7* 401(k) Retirement Plan (1).

13.1 The following portions of the Company's 1998 Annual Report to Shareholders have been incorporated by reference herein:

Market for Stock and Related Shareholder Matters

Selected Consolidated Financial Data

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

Consolidated Financial Statements, the Notes thereto and the Independent Auditors' Report thereon

Selected Quarterly Financial Results

23.1 Consent of Porter Keadle Moore, LLP.

27.1 Financial Data Schedule (SEC use only).

* Indicates a management compensation plan or agreement.

(1) Incorporated by reference to the exhibit of the same number contained in the Registrant's Registration Statement on Form S-1 (Regis. No. 333-23533).

(2) Incorporated by reference to the exhibit of the same number contained in the Registrant's Annual Report on Form 10-K for the year ended December 31, 1997 (File No. 0-22543).

(d) Financial Statements

The financial statement schedules or which provision is made in the applicable accounting regulations of the Commission are either not required under the related instructions or are inapplicable and have therefore been omitted.

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 its behalf by the undersigned, thereunto duly authorized on March 25, 1999.

COMMUNITY FIRST BANKING COMPANY

By: /s/ Gary D. Dorminey

Gary D. Dorminey
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 25, 1999.

Signature	Title
/S/ Gary D. Dorminey Gary D. Dorminey	President, Chief Executive Officer and Director*
/s/ T. Aubrey Silvey T. Aubrey Silvey	Chairman of the Board
/s/ Anna L. Berry Anna L. Berry	Director
/s/ Gary M. Bullock Gary M. Bullock	Vice Chairman of the Board
/s/ Jerry L. Clayton Jerry L. Clayton	Director
/s/ Thomas E. Reeve Thomas E. Reeve	Director
/s/ Michael P. Steed Michael P. Steed	Director
/s/ Dean B. Talley Dean B. Talley	Director
/s/ Thomas S. Upchurch Thomas S. Upchurch	Director
/s/ C. Lynn Gable C. Lynn Gable	Senior Vice President and Chief Financial Officer**

* Principal Executive Officer
** Principal Accounting and Financial Officer

EXHIBIT 13.1 ANNUAL REPORT TO SHAREHOLDERS

TABLE OF CONTENTS

Dear Shareholders:

On behalf of the Board of Directors and employees of Community First Banking Company and its wholly owned subsidiary Community First Bank, we are pleased to present to you our 1998 operating results. 1998 was CFB's full first year of operation as a Georgia state chartered bank.

We reported to you in last year's annual report that a stock repurchase plan was being undertaken during 1998. In fact, as of the date of this letter, we have repurchased 1,005,863 pre-split shares or 41.7% of the original stock offering. As a result of this aggressive repurchase and earnings growth, our 1998 basic earnings per share based on year-end shares outstanding were $1.16 per share.

CFBC, upon its initial stock offering, set aside 8% of its shares into an Employee Stock Ownership Plan for its employees. The loan to fund the ESOP is being amortized over 5 years. This short-lived operating expense will disappear in 2002. Without this non-cash expense, our 1998 earnings per year-end share would have been approximately $1.70 per share. This equates to an earnings multiple of 11.8 on the current stock price of $20 per share.

1999 looks to be an excellent year for CFBC. Savings from the sale of three Wal*Mart branches in December 1998 and increased net interest margins should be reflected in the operating numbers during 1999.

Sincerely,

T. Aubrey Silvey	Gary D. Dorminey
Chairman	President and CEO

BUSINESS OF THE COMPANY

Community First Banking Company (the "Company") was incorporated in the

State of Georgia on March 12, 1997, for the purpose of becoming a holding company to own 100% of the outstanding capital stock of Carrollton Federal Bank, FSB (the "Savings Bank"). The Savings Bank was organized on August 1, 1994 as a federal savings bank subsidiary of CF Mutual Holdings (the "Mutual Holding Company"), a federally chartered mutual holding company. Prior to that date, the predecessor of the Savings Bank had operated as a mutual savings bank since 1929.

On June 27, 1997, we completed a conversion and reorganization (the "Conversion") whereby the Company became the unitary holding company for the Savings Bank and the Mutual Holding Company was dissolved.

On December 29, 1997, the Savings Bank converted from a federal savings bank regulated by the Office of Thrift Supervision (the "OTS") to a Georgia chartered state commercial bank regulated by the Georgia Department of Banking and Finance (the "Georgia Department") and concurrently changed its name to Community First Bank (the "Bank").

The Company directs, plans and coordinates the activities of the Bank and its subsidiaries. Accordingly, the information presented in this Annual Report relates primarily to the Bank. The Bank is a community-oriented financial institution operating from seven branch offices in western Georgia. These branches provide customary banking services such as customer and commercial checking accounts, NOW accounts, savings accounts, certificates of deposit, lines of credit and MasterCard and VISA credit cards. Lending activities include the origination of consumer and commercial business loans on a secured and unsecured basis, residential mortgage and home equity loans, and commercial real estate loans.

The Bank has three wholly-owned operating subsidiaries that broaden the services the Bank offers to the community. The first, CFB Securities, Inc., offers traditional brokerage services and products such as mutual funds, stocks and bonds through an NASD member firm. CFB Securities, Inc. began operations in 1996 and is located in space immediately adjacent to the Bank's main office lobby in Carrollton, Georgia.

The second subsidiary of the Bank, CFB Financial Inc., began operations in 1996 to service the loan needs of consumers traditionally associated with consumer finance companies. CFB Financial, Inc. has seven full-time employees operating in its offices in Villa Rica and Douglasville, Georgia, and at the Bank's branch in Hiram, Georgia. This subsidiary offers a wide range of small loans granted in conformity with the Georgia Industrial Loan Act.

The third subsidiary, CFB Insurance Agency, Inc., began operations in 1997. Based in Bowdon, Georgia, CFB Insurance Agency, Inc. offers a full line of insurance products to existing Bank customers as well as the general public.

SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth certain selected consolidated financial data of Community First Banking Company and other data regarding the Mutual Holding Company and the Savings Bank. The data at December 31, 1996, 1995, and 1994, and for the years then ended, have been derived from audited consolidated financial statements of CF Mutual Holdings and subsidiaries.
<TABLE>
<CAPTION>

	1998	1997	1996	1995	1994
	(in thousands except per share data)				
BALANCE SHEET DATA (YEAR END)					
<S>	<C>	<C>	<C>	<C>	<C>
Loans, gross	267,735	286,391	272,435	273,171	283,476
Earning assets	361,169	361,675	326,443	314,706	330,801
Assets	391,986	393,881	352,532	334,477	353,351
Deposits	285,937	315,531	307,756	289,288	289,328
Stockholders' equity	26,124	69,038	25,258	25,030	22,083
Common shares outstanding	2,578,074	4,479,570	N/A	N/A	N/A
STATEMENT OF EARNINGS DATA					
Net interest income	15,574	16,132	13,409	13,217	13,224
Provision for loan losses	782	2,067	1,143	250	99
Noninterest income	5,597	3,690	3,244	3,119	2,137
Noninterest expense (1)	16,038	17,670	15,276	11,764	12,325
Income taxes (benefit)	1,348	(28)	(14)	1,375	553
Net earnings	3,003	113	248	2,947	2,384
PER COMMON SHARE					
Basic	0.87	0.03	N/A	N/A	N/A
Diluted	0.82	0.03	N/A	N/A	N/A
Cash dividends declared	0.35	0.15	N/A	N/A	N/A
Book value	10.14	15.41	N/A	N/A	N/A

KEY PERFORMANCE RATIOS

Return on average assets	0.73%	0.03%	0.07%	0.86%	0.72%
Return on average equity	6.31%	0.02%	0.99%	12.51%	11.41%
Net interest margin to average earning assets	4.11%	4.53%	4.21%	4.07%	4.15%
Average equity to average assets	11.62%	12.61%	7.32%	6.85%	6.28%
Noninterest expense to average assets (1)	3.92%	4.61%	4.45%	3.42%	3.70%
Efficiency ratio (1)(2)	75.75%	89.14%	91.73%	72.01%	80.23%
Dividend payout ratio	40.23%	500.0%	N/A	N/A	N/A
OTHER DATA					
Number of full service offices	7	12	12	7	8

</TABLE>

(1) Includes one-time SAIF assessment of $1,723 in 1996.
(2) The efficiency ratio is calculated by dividing noninterest expense by the sum of net interest income plus noninterest income.

<TABLE>
<CAPTION>

SELECTED QUARTERLY FINANCIAL RESULTS
(in thousands except per share data)

Year Ended December 31, 1998	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
<S>	<C>	<C>	<C>	<C>
Interest income	7,839	8,171	8,222	7,988
Interest expense	4,220	4,357	4,251	3,818
Net interest income	3,619	3,814	3,971	4,170
Provision for loan losses	221	226	181	154
Net interest income after provision for loan losses	3,398	3,588	3,790	4,016
Noninterest income	1,423	1,327	1,672	1,175
Noninterest expense	3,684	3,834	4,371	4,149
Earnings before income taxes	1,137	1,081	1,091	1,042
Income tax expense	320	338	355	335
Net earnings	817	743	736	707
Basic earnings per share (1)	.30	.23	.19	.17
Diluted earnings per share (1)	.28	.22	.18	.16

Year Ended December 31, 1997	4th Quarter	3rd Quarter	2nd Quarter	1st Quarter
Interest income	8,110	8,360	7,710	7,273
Interest expense	3,768	3,797	3,959	3,797
Net interest income	4,342	4,563	3,751	3,476
Provision for loan losses	1,443	320	209	95
Net interest income after provision for loan losses	2,899	4,243	3,542	3,381
Noninterest income	873	1,079	958	780
Noninterest expense	6,546	3,973	3,546	3,605
Earnings (loss) before income taxes	(2,774)	1,349	954	556
Income tax expense (benefit)	(965)	432	317	188
Net earnings (loss)	(1,809)	917	637	368
Basic earnings per share (1)	(.40)	.21	.14	.08
Diluted earnings per share (1)	(.40)	.21	.14	.08

</TABLE>

(1) Earnings (loss) per share is computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings (loss) per share does not necessarily equal the total for the year.

In December 1997, the Company recorded certain adjustments resulting in $3.7 million in year end charges. The charges included $1.1 million in additional reserves for loan losses to reflect the continuing change from a thrift to a commercial portfolio; $1.9 million in a non-recurring compensation charge in connection with the approval of the Management Recognition Plan; $.6 million of a non-recurring charge related to the closing of two unprofitable branches and the obsolescence of certain computer equipment associated with the Year 2000 compliance; and $.1 million in charges associated with the conversion to a state banking charter.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

As a bank holding company, the Company's financial condition and results of operations are primarily dependent upon its wholly owned subsidiary, the Bank. Consequently, this section discusses principally the operations of the Bank, which directly affect the Company's financial condition and results of operations.

The Company's profitability depends primarily on net interest income, which is the difference between interest and dividend income on interest-earning assets, principally loans and investment securities, and interest expense on interest-bearing deposits and other interest bearing liabilities. Net earnings also are dependent, to a lesser extent, on the level of provision for loan losses, non-interest income and non-interest expenses, such as salaries and related benefits, occupancy and equipment, deposit insurance premiums, and miscellaneous other expenses, as well as provisions for federal and state income tax.

The Bank historically operated as a traditional savings and loan, raising money by offering savings products of relatively short duration and lending this money for the purpose of home financing. As regulations affecting the savings and loan industry changed, the Bank began offering primarily adjustable rate mortgages (ARM's) in 1981. Additional authority for checking accounts and consumer and commercial loans also allowed the Bank to offer additional services to its traditional customer base. On December 29, 1997, the Bank converted from a federal savings bank to a Georgia chartered state bank and thereby gained additional opportunities to diversify its products and services.

Simultaneous to the Bank's conversion, certain adjustments were made at year-end 1997 in preparation for its first year of operation as a state chartered commercial bank. Included in these adjustments were an additional provision for loan losses to bring the allowance for loan losses to 1.0 % of loans outstanding at December 31, 1997, and certain non-recurring charges related to the Management Recognition Plan, closing of unprofitable branches and computer equipment obsolescence associated with the Year 2000 compliance issue. The declining interest rate environment during 1998 placed significant pressure on the Bank's net interest margin. The slight decline in net interest income for 1998 was offset by the improvements realized in noninterest income and noninterest expense. In keeping with management's focus on cost control and profitability, the decision was made in late 1998 to sell three of our four branches located in Wal*Mart Superstores in the south metro-Atlanta area. This sale was completed in December, 1998.

Another facet of the conversion process during 1998 was management's efforts to achieve optimal capital levels. Under common stock repurchase plans approved by the Board of Directors, the Company purchased on the open market 997,154 shares of its common stock at an aggregate purchase price of $45.4 million during the year ended December 31, 1998. Of the 997,154 total shares repurchased, 772,535 shares have been retired and 224,619 shares are held in treasury for issuance under the Company's employee benefits plans.

FORWARD-LOOKING STATEMENTS

This annual report, both in the Management's Discussion and Analysis section and elsewhere, contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. Although the Company believes that the assumptions underlying the forward-looking statements contained in the discussion are reasonable, any of the assumptions could be inaccurate, and therefore, no assurance can be made that any of the forward-looking statements included in this discussion will be accurate. Factors that could cause actual results to differ from results discussed in forward-looking statements include, but are not limited to: economic conditions (both generally and in the markets where the Company operates); competition from other providers of financial services offered by the Company; government regulation and legislation; changes in interest rates; material unforeseen changes in the financial stability and liquidity of the Company's credit customers; material unforeseen complications related to Year 2000 issues for the Company, its suppliers and customers and governmental agencies; and other risks detailed in the Company's filings with the Securities and Exchange Commission, all of which are difficult to predict and which may be beyond the control of the Company. The Company undertakes no obligation to revise forward-looking statements to reflect events or changes after the date of this discussion or to reflect the occurrence of unanticipated events.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 1998, 1997 AND 1996

Net earnings totaled approximately $3 million for 1998 as compared to $113,000 for 1997 and $248,000 for 1996. Return on average assets and return on average equity for the year ended December 31, 1998 were .73% and 6.31% respectively as compared to .03% and .02% at December 31, 1997 and .07% and .99% at December 31, 1996. The $2.9 million increase in net earnings during 1998 was primarily attributable to a $1.9 million, or 51.7%, increase in noninterest income; a $1.6 million, or 9.2%, decrease in noninterest expense; and a $1.3 million, or 62.2%, reduction in the provision for loan losses. The 1997 change is attributable to $1.1 million in additional reserves for loan losses to reflect the continuing change from a thrift to a commercial bank portfolio; $1.9 million in a non-recurring compensation charge in connection with the approval of the Management Recognition Plan; $.6 million of a non-recurring charge related to the closing of two unprofitable branches and the obsolescence of certain computer equipment associated with the Year 2000 compliance; and $.1

million in charges associated with the conversion to a state banking charter. The 1996 decrease in income is attributable to the $1.7 million increase in deposit insurance premiums during 1996. The premium increase was primarily due to the special one-time Savings Association Insurance Fund (SAIF) assessment of 65.7 cents per $100 of assessable SAIF deposits effective September 30, 1996. An $893,000 increase in the provision for loan losses during 1996 also contributed to the reduction in earnings in 1996, as well as additional expenses due to the opening of four new branch locations during 1996.

NET INTEREST INCOME

Net interest income (the difference between interest earned on assets and the interest paid on deposits and liabilities) is the single largest component of operating income. Management actively manages this income source to provide the largest possible amount of income while balancing interest rate, credit and liquidity risks.

Net interest income, on a taxable equivalent basis, was $15.6 million in 1998, compared to $16.2 million in 1997, and $13.5 million in 1996. The decrease of 3.1% in 1998 was primarily the result of the decrease in yields on investment securities and increases in other borrowings. The 20% increase in 1997 was primarily the result of an increase in interest income on investment securities funded by proceeds from the stock offering and increased loan volume. The 1997 increase was also due to increased loan yields as the loan portfolio shifted from residential mortgage loans to higher yielding commercial and consumer loans.

AVERAGE BALANCES, INTEREST RATES AND YIELDS

The following table presents for the periods indicated the total dollar amount of interest from average interest-earning assets and the resultant yield, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. Dividends received are included as interest income. Average balances for 1998 and 1997 are average daily balances while average balances for 1996 are based on month-end balances. Management believes that the use of average monthly balances is representative of its operations.

TABLE 1 CONSOLIDATED AVERAGE BALANCES, INTEREST AND RATES
<TABLE>
<CAPTION>

	1998			1997		
	Average Balance	Interest	Yield /Rate	Average Balance	Interest	Yield /Rate
			(in thousands)			
<S>	<C>	<C>		<C>	<C>	<C>
Assets:						
Interest-earning assets:						
Interest earning deposits and fed funds sold	$ 25, 533	1,436	5.62%	$19,268	1,064	5.55%
Investment securities:						
Taxable	80,128	4,764	5.94	51,584	3,653	7.08
Nontaxable	2,270	177	7.80	2,099	164	7.81
Total investment securities	82,398	4,941	6.00	53,683	3,817	7.11
Loans (including loan fees) (1)	272,055	25,903	9.52	283,723	26,628	9.39
Total interest-earning assets	379,986	32,280	8.50	356,674	31,509	8.83
Allowance for loan losses	(2,895)			(2,193)		
Cash and due from banks	10,316			8,980		
Premises and equipment	9,036			9,750		
Other assets	13,038			9,763		
Total assets	$ 409,481			$382,974		
Liabilities and equity:						
Interest bearing liabilities:						
Deposits:						
Demand	$ 56,842	1,463	2.57%	$ 48,745	1,501	3.08%
Savings	37,902	1,069	2.82	39,223	1,157	2.95
Time	204,932	11,720	5.72	208,849	11,848	5.67
Other borrowings	41,197	2,394	5.81	13,465	815	6.05
Total interest bearing liabilities	340,873	16,646	4.88	310,282	15,321	4.94
Non-interest bearing demand deposits	15,942			21,588		
Other liabilities	5,087			2,820		
Equity	47,579			48,284		

Total liabilities and equity	$ 409,481			$382,974		
	=========			========		
Excess of interest-bearing assets over interest-bearing liabilities	39,113			46,393		
Ratio of interest-bearing assets to interest-bearing liabilities	111.47%			114.95%		
Net interest income		15,634			16,188	
Net interest rate spread			3.62%			3.89%
			=====			========
Net interest margin (2)			4.11%			4.53 %
			=====			======
Tax equivalent adjustments						
Investment securities		(60)			(56)	
Net interest income		15,574			16,132	
		======			======	

</TABLE>

TABLE 1 CONSOLIDATED AVERAGE BALANCES, INTEREST AND RATES (continued)
<TABLE>
<CAPTION>

	1996		
	Average Balance	Interest	Yield /Rate
<S>	<C>	<C>	<C>
Assets:			
Interest-earning assets:			
Interest earning deposits and fed funds sold	$ 15,158	822	5.42
Investment securities:			
Taxable	30,387	2,411	7.93
Nontaxable	1,236	127	10.28
	-----	---	-----
Total investment securities	31,623	2,538	8.03
Loans (including loan fees) (1)	272,786	24,874	9.12
	-------	------	----
Total interest-earning assets	319,567	28,234	8.84
Allowance for loan losses	(2,446)		
Cash and due from banks	9,005		
Premises and equipment	8,327		
Other assets	9,322		

Total assets	$343,775		
	========		
Liabilities and equity:			
Interest bearing liabilities:			
Deposits:			
Demand	$ 46,821	1,386	2.96
Savings	32,991	889	2.69
Time	202,641	11,338	5.60
Other borrowings	18,650	1,169	6.27
	------	-----	----
Total interest bearing liabilities	301,103	14,782	4.91
Non-interest bearing demand deposits	15,635		
Other liabilities	1,893		
Equity	25,144		

Total liabilities and equity	$343,775		
	========		
Excess of interest-bearing assets over interest-bearing liabilities	18,464		
Ratio of interest-bearing assets to interest-bearing liabilities	106.13%		
Net interest income		13,452	
Net interest rate spread			3.93%
			====
Net interest margin (2)			4.21%
			=====
Tax equivalent adjustments			
Investment securities		(43)	
Net interest income		13,409	
		======	

</TABLE>
(1) Average balances include nonaccrual loans and mortgage loans held for sale.
(2) Excludes provision for loan losses.

RATE/VOLUME ANALYSIS

The banking industry often utilizes two key ratios to measure relative profitability of net interest income. The net interest rate spread measures the difference between the average yield on earning assets and the average rate paid on interest bearing sources of funds. The interest rate spread eliminates the impact of noninterest bearing deposits and gives a direct perspective on the effect of market interest rate movements. The net interest margin is defined as net interest income as a percent of average total earning assets and takes into account the positive impact of investing noninterest bearing deposits.

The net interest spread was 3.62% in 1998, 3.89% in 1997 and 3.93% in 1996, while the net interest margin was 4.11% in 1998, 4.53% in 1997 and 4.21% in 1996. The decrease in the spread during 1998 was primarily due to lower average loan balances, higher average investment securities with lower yields and higher average borrowings. The decrease in the spread during 1997 was primarily due to a larger percentage of interest bearing assets being in investment securities (funded by the stock conversion), which have a lower yield than loans. The increase in the margin in 1997 resulted from the greater amount of interest bearing assets funded primarily by the stock conversion proceeds. The table below shows the change in net interest income for the past two years due to changes in volume and rate, on a tax equivalent basis (assuming a 34% tax rate). Variances resulting from a combination of changes in rate and volume are allocated in proportion to the absolute dollar amounts of the change in each category.

TABLE 2 RATE/ VOLUME VARIANCE ANALYSIS
<TABLE>
<CAPTION>

	1998 Compared to 1997 Increase (decrease) due to changes in			1997 Compared to 1996 Increase (decrease) due to changes in		
	Volume	Yield/ Rate	Net Change	Volume	Yield/ Rate	Net Change
			(in thousands)			
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income on:						
Interest earning deposits and federal funds sold	$ 359	13	372	442	(200)	242
Investment securities:						
Taxable	2,023	(912)	1,111	1,268	(26)	1,242
Nontaxable	13	0	13	72	(35)	37
Loans (including loan fees)	(1,095)	370	(725)	1,074	680	1,754
Total interest income	1,300	(529)	771	2,856	419	3,275
Interest expense on:						
Deposits:						
Demand	250	(288)	(38)	155	(40)	115
Savings	(39)	(49)	(88)	169	99	268
Time	(229)	101	(128)	382	128	510
Other borrowings	1,679	(100)	1,579	(303)	(51)	(354)
Total interest expense	1,661	(336)	1,325	403	136	539
Net interest income	(361)	(193)	(554)	2,453	283	2,736

</TABLE>

NONINTEREST INCOME

Noninterest income consists primarily of revenues generated from service charges and fees on deposit accounts and profits earned through sales of credit life insurance. In addition, gains or losses realized from the sale of investment portfolio securities are included in noninterest income. Total noninterest income for 1998 increased 51.7% or $1.9 million as compared to 1997. In addition to increases in all categories of fee based income, the largest component of noninterest income growth during 1998 was the net gain on sale of available for sale securities totaling $860,000 compared to a $20,000 loss in 1997. Management periodically liquidates securities available for sale to meet loan demand and other liquidity needs.

Service charges on deposit accounts increased $331,000 or 12.1% due to management's effort to increase fee based income. Fees on transaction accounts were increased during 1998 as the result of an independent review of the Bank's fee structure that was performed in the fourth quarter of 1997 and implemented in 1998. The 1997 increase of $380,000 or 16.2% was primarily due to a 14% increase in transaction accounts for the year ended December 31, 1997.

Miscellaneous income increased $610,000 or 233% for the year ended December 31, 1998 as compared to 1997. This increase resulted primarily from three items: an insurance settlement of $250,000; net gain on sale of other assets, including other real estate of $294,000 for 1998 compared to a net loss in 1997 of $51,000; and the gain on the sale of three branches located in Wal*Mart Superstores of $100,000 in 1998. Income from insurance sold increased by $86,000 or 16.4% in 1998. This increase is attributable to the sales and marketing efforts of CFB Financial, Inc. and CFB Insurance, Inc., the finance and insurance subsidiaries of the Bank.

NONINTEREST EXPENSE

Noninterest expense decreased $1.6 million or 9.2% for the year ended December 31, 1998 as compared to 1997. Approximately half of these cost savings relate to the closing of two unprofitable branches in February 1998. Expenses associated with other real estate also decreased by $194,000 and losses related to branch operations were reduced by $182,000. Management continues to emphasize operating efficiencies and expense control to reduce the impact of noninterest expense on net earnings.

Noninterest expense for 1997 increased $2.4 million or 15.7% as compared to 1996. Salaries and wages increased $61,000 in 1997 or 16% compared to 1996 primarily due to staffing needs at the Wal*Mart branches that were opened from March through September 1996 and were open throughout the entire year of 1997. One additional branch was opened in July 1997 on Maple Street in Carrollton, Georgia. ESOP and MRP expense was $2.6 million in 1997. These benefit packages were begun in 1997 in conjunction with and subsequent to the initial public offering. The 1997 expense contains a one time $1.8 million bonus accrued to reimburse recipients for the tax liability relating to preferred stock awards granted to the directors and certain executive officers. Occupancy and equipment expense increased $299,000 or 18.6% in 1997 compared to 1996 primarily because of the opening of one additional branch and four Wal*Mart branches being opened for the full year in 1997.

Deposit insurance premiums decreased $2.2 million in 1997 from 1996. This decrease is attributed primarily to a one-time assessment to all SAIF institutions which was $1.7 million for the Company for the year ended December 31,1996, and to a significant reduction in the rate of deposit insurance assessment. The year ended December 31, 1997, had a one time charge of $505,000 for the loss on abandonment of premises and equipment relating to the closing of two branches and the obsolescence of certain computer equipment associated with Year 2000 compliance. Other operating expenses, including advertising, office supplies, and data processing, increased 12% in 1997.

INCOME TAXES

Income tax expense of $1.3 million was recognized for the year ended December 31, 1998 and an income tax benefit of $28,000 and $14,000 was recognized for the years ended December 31, 1997 and 1996, respectively. The effective tax rate differed from the expected 34% federal rate applied to earnings before income taxes primarily due to tax exempt interest income. Additional information regarding the Company's income taxes can be found in Note (8) of the Notes to Consoldiated Financial Statements.

CHANGES IN FINANCIAL CONDITION

The Company's consolidated assets at December 31, 1998 totaled $392 million, compared to $394 million at December 31, 1997. This represents a .5% decrease in total assets at year-end 1998. The average balance sheet (Table 1) reflects a $26.5 million or 6.9% increase in average total assets from 1997 to 1998. Average investment securities for 1998 increased $28.7 million resulting from an arbitrage transaction where the bank borrowed $40 million of FHLB 7 yr./2 yr. callable advances and purchased $40 million in bonds. Average loans decreased $11.7 million or 4.1% from 1997 to 1998. Average stockholders' equity decreased $705,000 or 1.5% from 1997 to 1998 primarily as the result of the Company's stock repurchase program.

On December 29, 1997 the Board of Directors of the Company authorized a stock repurchase program whereby the Company was authorized to purchase up to 600,000 shares of its common stock through open market purchases. On August 20, 1998 the Company completed cumulative common stock repurchases of 600,000 shares. On August 20, 1998, the Company's Board of Directors also authorized negotiations for the repurchase of 172,535 shares from a single shareholder. The purchase of the 172,535 shares was concluded on August 21, 1998. A total of 772,535 shares were retired during the first nine months of 1998 at an average cost of $47.13 per share. On August 25, 1998, the Board of Directors of the Company authorized another stock repurchase program for treasury to fund future requirements for common stock under the Management Recognition Plan and 1997 Stock Option Plan. The Company intends to repurchase an aggregate number of shares of common stock not to exceed 337,898 shares. In accordance with this plan, 224,619 shares had been purchased as of December 31, 1998 at an average price of $40.16 per share. As a result of the stock repurchases outstanding common shares were reduced by 1.9 million shares or 42.4% in 1998.

On December 31, 1998, the Bank sold substantially all the assets and liabilities of three of its four Wal*Mart branch locations (Stockbridge, Fayetteville and Newnan) to The First Citizens Bank of Newnan ("FCBN"). Management determined that operating these branches (which were primarily outside of the Bank's core market area) without traditional branches in the same area would not contribute to the Bank's profitability. The disposition resulted in a cash payment to FCBN of approximately $27.5 million consisting of deposit liabilities of approximately $28.9 million, net of certain other assets.

INVESTMENT SECURITIES

The Company classifies its securities in one of three categories: trading, available for sale or held to maturity. There were no trading securities at December 31, 1998 and 1997. Securities held to maturity are those securities for which the Company has the ability and intent to hold to maturity. All other securities are classified as available for sale. Securities available for sale are recorded at fair value. Securities held to maturity are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses, net of the related tax effect, on securities available for sale are excluded from earnings and are reported as a separate component of stockholders' equity until realized.

At December 31, 1998, approximately 61.7% of the Company's investment securities and other investments were comprised of mortgage-backed securities that are insured or guaranteed by the Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), or Government National Mortgage Association (GNMA). Collateralized Mortgage Obligations (CMOs) not insured or guaranteed by FHLMC, FNMA or GNMA comprised 8.0% of the investment portfolio, U.S. government agency obligations comprised 1.4%, U.S. government treasury obligations comprised 4.1%, preferred stock of FNMA, FHLMC and Student Loan Mortgage Association (SLMA) comprised 13.2%, FHLB stock comprised 3.0%, municipal securities comprised 3.1% and common stock comprised 5.5% of such portfolio at December 31, 1998.

The Company's securities portfolio is managed in accordance with the Company's Investment Policy adopted by the Board of Directors and administered by the Asset/Liability Committee, which consists of an outside director, the President and Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and Senior Vice President. The policy lists specific areas of permissible investments consistent with the Company's investment strategy. Under the Company's policy, at the time of purchase of an investment security, management designates the security as either held for maturity or available for sale based on the Company's investment objectives, operational needs and intent. The Company does not maintain a trading account portfolio. Investment activities are monitored to ensure that they are consistent with established guidelines and objectives.

During the first quarter of 1998, management initiated a leverage program designed to make optimal utilization of the Bank's assets and capital. This program utilizes borrowed funds, principally FHLB advances, secured by mortgage loans to purchase additional securities. The revenue contribution from the leverage program (the net spread between the leverage borrowing cost and earnings on new securities purchased) is not expected to add any material operating expense to the Bank. The securities purchased in conjunction with the leverage program are primarily treasuries and other government agency issues. As of December 31, 1998, the leverage program at the bank had added $40 million in total borrowings and earning assets.

The following table sets forth certain information regarding the classifications of the Company's investment securities at December 31, 1998, 1997 and 1996. Securities classified as available for sale are carried at their estimated fair value at December 31, 1998. Securities held to maturity are carried at amortized cost at all respective dates. There were no trading securities at December 31, 1998, 1997 or 1996.

TABLE 3 CARRYING VALUE OF INVESTMENTS
<TABLE>
<CAPTION>

Securities available for sale:	1998	1997	1996
		(in thousands)	
<S>	<C>	<C>	<C>
U.S. Treasuries	$ 3,049	$ 3,013	$ --
U.S. Government agencies	1,005	23,248	18,830
State, county and municipal	2,184	2,159	2,231
Mortgage-backed securities	51,646	11,552	12,866
Equity securities	13,818	9,520	--

	$71,702	$49,492	$ 33,927
	-------	-------	--------

Securities held to maturity:

U.S. Treasuries	$ --	--	500
U.S. Government agencies	--	5,669	6,216
State, county and municipals	115	115	115
Mortgage-backed securities	117	222	933
	---	---	---
	232	$6,006	$7,764
	---	------	------
Total investment securities	$71,934	$55,498	$41,691
	=======	=======	=======

</TABLE>

The following table presents the expected maturity of the total investment securities portfolio by maturity date and average yields based upon amortized cost (for all obligations on a fully taxable basis assuming a 34% tax rate) at December 31, 1998. It should be noted that the composition and maturity/repricing distribution of the investment portfolio is subject to change depending upon rate sensitivity, capital needs and liquidity needs.

TABLE 4 EXPECTED MATURITY OF INVESTMENT SECURITIES
<TABLE>
<CAPTION>

	Within one year		After one but within five years		After five but within ten years		After ten years		
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Totals
	------	-----	------	-----	------	-----	------	-----	------
				(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Securities held to maturity:									
State, county and municipals	$ -	-	115	4.55%	-	-	-	-	115
Mortgage-backed securities	33	8.52%	84	7.25%	-	-	-	-	117
	--	-----	--	-----	-	-	-	-	---
	33	8.52%	199	5.69%	-	-	-	-	232
	==	=====	===	=====	=	=	=	=	===
Securities available for sale:									
U.S. Treasury Securities	999	5.95%	1,997	6.03%	-	-	-	-	2,996
U.S. Government Agencies	-	-	1,000	7.35%	-	-	-	-	1,000
State, county and municipals	51	6.94%	103	7.26%	888	8.12%	1,039	8.51%	2,081
Mortgage-backed securities	-	-	1,912	6.86%	5,880	6.98%	44,156	6.36%	51,948
Equity securities:									
FNMA Preferred Stock	2,018	-	-	-	-	-	-	-	2,018
SLMA Preferred Stock	5,732	-	-	-	-	-	-	-	5,732
FHLMC Preferred Stock	2,009	-	-	-	-	-	-	-	2,009
Common Stock (Banks)	5,184	-	-	-	-	-	-	-	5,184
	-----	-----	-----	-----	------	-----	------	-----	-----
	$ 15,993	6.00%	5,012	6.64%	6,768	7.13%	45,195	6.41%	72,968
	========	=====	=====	=====	=====	=====	======	=====	======

</TABLE>
LENDING ACTIVITIES

The Bank has general authority to originate and purchase loans secured by real estate, secured or unsecured loans for commercial, corporate, business, or agricultural purposes and loans for personal, family, or household purposes, and may issue credit cards and extend credit in connection therewith. While not restricted by law, the Bank limits its lending activities mainly to the counties in which it has offices.

At December 31, 1998, the Bank's loans-to-one borrower limit was $7.4 million for amply secured loans (25% of statutory capital base) and $4.4 million for unsecured loans (15% of statutory capital) and its five largest loans or groups of loans-to-one borrower, including related entities, were $4.6 million, $4.4 million, $3.6 million, $3.0 million and $2.9 million. The $4.6 million loan is a development loan secured by a 228 lot residential subdivision and an 18 hole golf course. The $4.4 million loan is a commercial installment note secured by a restaurant, motel and adjacent real estate. The $3.6 million loan is a construction and permanent financing on a 240 unit apartment complex in Chattanooga, Tennessee, which represents a participation with other lenders. The $3.0 million loan was to fund the purchase of a clothing manufacturing business secured by real estate and equipment, inventory, furniture, fixtures, and accounts receivable. The $2.9 million loan was to facilitate the purchase of an architectural firm.

Loan Portfolio Composition. The following table sets forth the composition of the Bank's loan portfolio by type of loan at the dates indicated.

TABLE 5 LOAN PORTFOLIO

<TABLE>
<CAPTION>

	December 31,									
	1998		1997		1996		1995		1994	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(in thousands)									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Real estate mortgage loans(1)	$197,182	74%	$209,836	73%	$203,799	75%	$225,481	83%	$240,990	85%
Real estate construction loans	18,853	7	18,016	6	10,760	4	5,052	2	1,828	1
Commercial loans	20,905	8	16,507	6	10,293	4	8,643	3	8,351	3
Consumer and other installment loans	30,795	11	42,032	15	47,583	17	33,995	12	32,307	11
loans Total loans	267,735	100%	286,391	100%	272,435	100%	273,171	100%	283,476	100%
Less: Allowance for loan losses	2,880		2,789		2,601		2,291		2,392	
Loans, net	$264,855		$283,602		$269,834		$270,880		$281,084	

(1)Real estate mortgage loans contain commercial loans secured by real estate in the following amounts:

1998	1997	1996	1995	1994
$ 74,237	$ 78,675	$ 47,493	$ 35,301	$ 30,404

</TABLE>

CONTRACTUAL PRINCIPAL REPAYMENTS AND INTEREST RATES. The following table sets forth certain information at December 31, 1998 regarding the dollar amount of loans maturing or repricing in the Bank's portfolio based on the contractual terms to maturity, before giving effect to net items. Demand loans, loans having no stated schedule of repayments and no stated maturity or repricing and overdrafts are reported as due in one year.

TABLE 6 LOAN PORTFOLIO MATURITIES
<TABLE>
<CAPTION>

Loan Type	Less Than 1 year	1 year through 5 years	Over 5 years	Total
		(in thousands)		
<S>	<C>	<C>	<C>	<C>
Commercial	$12,127	$7,942	$ 836	$20,905
Construction	12,172	2,220	4,461	18,853
Total	$24,299	$10,162	$5,297	$39,758

</TABLE>

The following table sets forth, as of December 31, 1998, the dollar amount of all loans, before net items, maturing or repricing after one year from December 31, 1998 that have fixed interest rates or that have adjustable interest rates.

TABLE 7 RATE STRUCTURE FOR LOANS MATURING OVER ONE YEAR
<TABLE>
<CAPTION>

Loan Type	Fixed Rates	Adjustable Rates	Total
	(in thousands)		
<S>	<C>	<C>	<C>
Commercial	$7,751	$1,027	$8,778
Construction	4,638	2,043	6,681
Total	$12,389	$3,070	$15,459

</TABLE>

Scheduled contractual amortization of loans does not reflect the actual term of the Bank's loan portfolio. The average life of loans is substantially less than their contractual terms because of prepayments and due-on-sale clauses, which give the Bank the right to declare a conventional loan immediately due and payable in the event, among other things, that the borrower sells the real property subject to the mortgage.

PROVISION AND ALLOWANCE FOR LOAN LOSSES

The Bank manages asset quality and controls risk through diversification of the loan portfolio and the application of policies designed to foster sound underwriting and loan monitoring practices. The Bank's Asset Review Committee is charged with monitoring asset quality, establishing credit policies and procedures, and enforcing the consistent application of these policies and procedures across the Bank. Loan review specialists are charged with credit reviews and reporting deviation from policy, or any change in the quality of a credit, to the Asset Review Committee and the Executive Committee of the Board of Directors.

The provision for loan losses is the annual cost of providing an adequate allowance for anticipated potential future losses on loans. The amount each year is dependent upon many factors including loan growth, net charge-offs, changes in the composition of the loan portfolio, delinquencies, management's assessment of loan portfolio quality, the value of collateral, and economic factors and trends.

Reviews of non-performing and past due loans and larger credits, designed to identify potential charges to the allowance for loan losses, as well as determine the adequacy of the allowance, are made on a regular basis during the year.

These reviews are made by the responsible lending officers, as well as a separate credit review department, and consider such factors as the financial strength of borrowers, the value of the applicable collateral, past loan loss experience, anticipated loan losses, growth in the loan portfolio, and other factors, including prevailing and anticipated economic conditions.

Whenever a loan, or portion thereof, is considered by management to be uncollectible, it is charged against the allowance for loan losses. Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Banks' allowance for loan losses. Such agencies may require the Banks to recognize additions to the allowances based on their judgments about information available to them at the time of their examination.

The provision for loan losses decreased by $1,285,000 in 1998 compared to 1997. The allowance for loan losses as a percentage of total loans increased to 1.08% in 1998 from .97% at year end 1997. The net loan loss provision was lower for 1998 than 1997 and higher than 1996 because the Company chose to charge-off certain loans in 1997 in preparation for conversion to a state chartered commercial bank. These charge offs were the result of higher deficiency balances associated with consumer loans and credit card loans as well as charge-offs taken upon the foreclosure of real estate. The Bank does not currently allocate the allowance for loan losses to the various loan categories.

TABLE 8 ANALYSIS OF THE ALLOWANCE FOR LOAN LOSSES
<TABLE>
<CAPTION>

	Year Ended December 31,				
	1998	1997	1996	1995	1994
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Allowance at beginning of period	$2,789	$2,601	$ 2,291	$ 2,392	$ 2,687
Provisions	782	2,067	1,143	250	99
Charge-offs					
Mortgage loans	199	351	32	82	277
Commercial loans	33	95	117	59	0
Consumer loans	962	1,768	776	307	181
Total charge-offs	1,194	2,214	925	448	458
Recoveries					
Mortgage loans	-	42	25	7	40
Commercial loans	-	-	-	-	-
Consumer loans	503	293	67	90	24
Total Recoveries	503	335	92	97	64
Net charge-offs	691	1,879	833	351	394
Allowance at end of period	$2,880	$2,789	$2,601	$2,291	$2,392
Allowance for loan losses to total non-performing loans at end of period	260.87%	254.00%	41.66%	99.61%	76.64%
Allowance for loan losses to average loans at end of period	1.04%	1.00%	0.95%	0.82%	0.88%
Net charge-offs to average loans outstanding during the period	0.25%	0.67%	0.31%	0.13%	0.14%
Average gross loans(1)	$277,063	$279,412	$272,803	$278,323	$272,815

</TABLE>

(1) Beginning and ending annual period balances were used to calculate average

gross loans.

ASSET QUALITY AND RISK ELEMENTS

At December 31, 1998, non-performing assets, comprised of nonaccrual loans, other real estate owned and loans for which payments are more than 90 days past due, totaled $6.6 million compared to $7.7 million at year end 1997.

It is the general policy of the Bank to stop accruing interest income and place the recognition of interest on a cash basis when a loan is placed on nonaccrual status and any interest previously accrued but not collected is reversed against current income. Loans made by the Bank to facilitate the sale of other real estate are made on terms comparable to loans of similar risk.

There were no commitments to lend additional funds on nonaccrual loans at December 31, 1998. Table 9 summarizes the Bank's non-performing assets for each of the last five years.

TABLE 9 RISK ELEMENTS

	December 31, 1998	1997	1996	1995	1994
	(in thousands)				
Non-accruing loans:					
Mortgage	1,014	752	4,843	1,785	1,656
Construction	-	199	-	-	-
Commercial	-	-	-	-	-
Consumer	90	147	1,400	515	1,465
Accruing loans greater than 90 days delinquent:					
Mortgage	-	-	-	-	-
Construction	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total non-performing loans	1,104	1,098	6,243	2,300	3,121
Real estate owned(1)	5,479	6,628	180	253	968
Total non-performing assets	6,583	7,726	6,423	2,553	4,089
Total non-performing loans as a percentage of total net loans	0.42%	0.39%	2.31%	0.85%	1.11%
Total non-performing assets as a percentage of total assets	1.68%	1.96%	1.82%	0.76%	1.16%

(1) Consists of real estate acquired by foreclosure.

There may be additional loans within the Bank's portfolio that may become classified as conditions dictate; however, management was not aware of any such loans that are material in amount at December 31, 1998.

SOURCE OF FUNDS

GENERAL. Deposits are the primary source of the Bank's funds for lending and other investment purposes. In addition to deposits, the Bank derives funds from loan principal repayments, principal, interest and dividend payments on investments and other sources. Loan repayments are a relatively stable source of funds, while deposit inflows and outflows are significantly influenced by general interest rates and market conditions. Borrowings may be used on a short-term basis to compensate for reductions in the availability of funds from other sources. They may also be used on a longer term basis for general business purposes.

DEPOSITS. The Bank's deposits are attracted principally from within the Bank's primary market area through the offering of a wide selection of deposit instruments, including NOW accounts, money market accounts, regular savings accounts, and term certificate accounts. Included among these deposit products are individual retirement account certificates of approximately $47.1 million at December 31, 1998. Deposit account terms vary, with the principal references being the minimum balance required, the time periods the funds must remain on deposit and the interest rate. As of December 31, 1998, the certificates of deposit with principal amounts of $100,000 or more totaled $41.4 million.

Interest rates paid, maturity terms, service fees and withdrawal penalties are established by the Bank on a periodic basis. Determination of rates and terms are predicated on funds acquisition and liquidity requirements, rates paid by competitors, growth goals and federal regulations.

The Bank does not advertise for deposits outside its local market area or utilize the services of deposit brokers. A listing on the Internet has been established primarily for people relocating to the Bank's primary market area.

The following table sets forth the dollar amount of deposits in the various types of deposit programs offered by the Bank at the dates indicated.

TABLE 10 DEPOSITS

	December 31, 1998		1997		1996	
	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate	Amount	Weighted Average Interest Rate
			(in thousands)			
Time deposits	$188,052	5.6%	$207,326	5.7%	$210,488	5.6 %
Savings accounts	31,630	2.3	38,273	3.2	34,077	3.0
Transaction accounts						
NOW and money market accounts	52,644	2.2	51,198	2.1	47,288	2.6
Non-interest bearing accounts	13,611	-	18,734	-	15,903	-
Total transaction accounts	66,255		69,932		63,191	
Total deposits	$285,937		$315,531		$307,756	

The following table sets forth the maturities of the Bank's certificates of deposit having principal amounts of $100,000 or more at December 31, 1998.

TABLE 11 MATURITIES OF CERTIFICATES OF DEPOSIT OVER $100,000

Certificates of deposit maturing in:	(in thousands)
Less than three months	$ 6,725
Three to six months	5,833
Six to 12 months	13,924
Over 12 months	14,967
Total certificates of deposit with balances of $100,000 or more	$41,449

BORROWINGS. The Bank may obtain advances from the FHLB of Atlanta upon the security of its FHLB of Atlanta stock and certain of the Bank's residential mortgage loans, provided certain standards related to creditworthiness have been met. Such advances are made pursuant to several credit programs, each of which has its own interest rate and range of deposit accounts, and to permit increased lending.

The Bank had $42.9 million FHLB advances outstanding at December 31, 1998. All were fixed rate advances and had a weighted average rate of 5.37%.

The following table sets forth the maximum month-end balance and average balance of the Bank's FHLB advances during the periods indicated. See also Note (6) to the Consolidated Financial Statements.

TABLE 12 FHLB ADVANCES

	Year Ended December 31, 1998	1997	1996
		(in thousands)	

Maximum balance	$45,055	$16,295	$20,236
Average balance	37,564	12,071	16,514
Weighted average interest rate during year	5.45 %	5.70 %	5.56 %
Balance outstanding at year-end	$42,945	$5,495	$16,295
Weighted average interest rate at year-end	5.37 %	5.73 %	5.90 %

</TABLE>

The Company also borrowed $5 million on June 2, 1998 from another financial institution and pledged all the issued and outstanding shares of capital stock owned of the Bank. The note payable bears interest at prime less one percent with the entire outstanding balance due December 2, 1999. This loan was obtained to help fund the repurchase of 238,700 shares of the Company's common stock on June 2, 1998 in accordance with the Company's stock repurchase plan.

INTEREST RATE SENSITIVITY MANAGEMENT

The absolute level and volatility of interest rates can have a significant impact on the Company's profitability. The objective of interest rate risk management is to identify and manage the sensitivity of net interest income to changing interest rates in order to achieve the Company's overall financial goals. Based on economic conditions, asset quality and various other considerations, management establishes tolerance ranges for interest rate sensitivity and manages within these ranges.

On February 27, 1998 the Bank purchased an interest rate cap. This interest rate cap was purchased as part of an arbitrage transaction where the Bank borrowed $40 million of FHLB 7 yr./2 yr. callable advances, and purchased $40 million in bonds. The Company anticipates continued limited use of derivative interest rate contracts when appropriate in its asset-liability rate management.

The Company uses income simulation modeling as the primary tool in measuring interest rate risk and managing interest rate sensitivity. Simulation modeling considers not only the impact of changing market rates of interest on future net interest income, but also such other potential causes of variability as earning asset volume, mix, yield curve relationships, customer preferences and general market conditions.

Interest rate sensitivity is a function of the repricing characteristics of the Company's portfolio of assets and liabilities. These repricing characteristics are the time frames within which the interest bearing assets and liabilities are subject to change in interest rates either at replacement, repricing or maturity during the life of the instruments. Interest rate sensitivity management focuses on the maturity structure of assets and liabilities and their repricing characteristics during periods of changes in market interest rates. Effective interest rate sensitivity management seeks to ensure that both assets and liabilities respond to changes in interest rates within an acceptable timeframe, thereby minimizing the effect of interest rate movements on net interest income. Interest rate sensitivity is measured as the difference between the volumes of assets and liabilities in the Company's current portfolio that are subject to repricing at various time horizons: immediate through three months, four to twelve months, one to five years, over five years, and on a cumulative basis. The differences are known as interest sensitivity gaps. Table 13 shows interest sensitivity gaps for these different intervals as of December 31, 1998.

TABLE 13 INTEREST RATE SENSITIVITY ANALYSIS

<TABLE>
<CAPTION>

	Immediate Through Three Months	Four Through Twelve Months	One Through Five Years	Over Five Years	Totals
			(in thousands)		
<S>	<C>	<C>	<C>	<C>	<C>
Interest earning assets:					
Interest bearing deposits and federal funds sold	21,853	-	-	-	21,853
Investment securities	17,274	7,454	18,570	28,636	71,934
Other investments	2,328	-	-	-	2,328
Loans (including mortgage loans held for sale)	80,848	82,316	72,703	32,067	267,934
Total interest-earning assets	122,303	89,770	91,273	60,703	364,049
Interest-bearing demand and savings deposits	12,983	36,629	34,662	-	84,274
Time deposits	35,887	83,831	68,334	-	188,052
Note payable & other borrowings	65	5,535	2,345	40,000	47,945
Subordinated debt	-	900	-	-	900
Total interest-bearing liabilities	48,935	126,895	105,341	40,000	321,171
Interest sensitivity gap per period	73,368	(37,125)	(14,068)	20,703	

Cumulative interest sensitivity gap	73,368	36,243	22,175	42,878
Cumulative gap as a percentage of total interest-earning assets	20.15%	9.96%	6.09%	11.78%
Cumulative interest-earning assets as a percentage of cumulative interest-bearing liabilities	249.93%	120.61%	107.89%	113.35%

</TABLE>

As seen in the preceding table, for the first 365 days, 54.8% of earning asset funding sources will reprice compared to 58.3% of all interest earning assets. Changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. In addition, the interest rate spread between an asset and its supporting liability can vary significantly while the timing of repricing for both the asset and the liability remains the same, thus impacting net interest income. This characteristic is referred to as basis risk and generally relates to the possibility that the repricing characteristics of short-term assets tied to the Company's prime lending rate are different from those of short-term funding sources such as certificates of deposit.

Varying interest rate environments can create unexpected changes in prepayment levels of assets and liabilities which are not reflected in the interest rate sensitivity analysis report. These prepayments may have significant effects on the Company's net interest margin. Because of these factors an interest sensitivity gap report may not provide a complete assessment of the Company's exposure to changes in interest rates.

Table 13 indicates the Company is in an asset sensitive or positive gap position at twelve months. This asset sensitive position would generally indicate that the Company's net interest income would increase should interest rates rise and would decrease should interest rates fall. Due to the factors cited previously, current simulation results indicate only minimal sensitivity to parallel shifts in interest rates. Management also evaluates the condition of the economy, the pattern of market interest rates and other economic data to determine the appropriate mix and repricing characteristics of assets and liabilities required to produce an optimal net interest margin.

LIQUIDITY AND CAPITAL RESOURCES

The objective of liquidity management is to ensure that sufficient funding is available, at reasonable cost, to meet the ongoing operational cash needs of the Company and to take advantage of income producing opportunities as they arise. While the desired level of liquidity will vary depending upon a variety of factors, it is the primary goal of the bank to maintain a high level of liquidity in all economic environments. Liquidity is defined as the ability of a company to convert assets into cash or cash equivalents without significant loss and to raise additional funds by increasing liabilities. Liquidity management involves maintaining the Company's ability to meet the day to day cash flow requirements of the Company's customers, whether they are depositors wishing to withdraw funds or borrowers requiring funds to meet their credit needs. Without proper liquidity management, the Company would not be able to perform the primary functions of a financial intermediary and would, therefore, not be able to meet the needs of the communities it serves.

The primary function of asset and liability management is not only to assure adequate liquidity in order for the Company to meet the needs of its customer base, but to maintain an appropriate balance between interest-sensitive assets and interest-sensitive liabilities so that the Company can also meet the investment returns anticipated by its shareholders. Daily monitoring of the sources and use of funds is necessary to maintain an acceptable cash position that meets both requirements. In a banking environment, both assets and liabilities are considered sources of liquidity funding and both are, therefore, monitored on a daily basis.

The asset portion of the balance sheet provides liquidity primarily through loan principal repayments, maturities of investment securities and, to a lesser extent, sales of securities. Installment loan payments are becoming an increasingly important source of liquidity for the Company as this portfolio continues to grow. Loans that mature or reprice in one year or less amounted to $163 million at December 31, 1998. Investment securities maturing in the same time frame totaled $27.1 million. Other short-term investments such as federal funds sold and maturing interest bearing deposits with other banks are additional sources of liquidity funding.

The liability portion of the balance sheet provides liquidity through various customers' interest bearing and non-interest bearing deposit accounts. These sources of liquidity are short-term in nature and are used as necessary to fund asset growth and meet short-term liquidity needs. Liquidity is also provided by advances from the FHLB of Atlanta.

As disclosed in the Company's Consolidated Statements of Cash Flows included in the Consolidated Financial Statements, net cash provided by operating activities increased $5.3 million from December 31, 1997 to December

31, 1998. Net cash provided by investing activities of $1.5 million in 1998 resulted primarily from a net decrease in loans of $17.2 million, a net increase in funds used for investments of $17.7 million and $2.3 million provided from the sale of real estate and repossessions. Cash used in financing activities totaled $4.5 million for 1998. A net increase in notes payable providing $42.5 million was offset by purchases of the Company's stock of $45.4 million during 1998.

Management considers the Company's liquidity position at the end of 1998 to be sufficient to meet its foreseeable cash flow requirements for the next 12 months. Reference should be made to the Consolidated Statements of Cash Flows appearing in the Consolidated Financial Statements for a three-year analysis of the changes in cash and cash equivalents resulting from operating, investing and financing activities.

IMPACT OF INFLATION AND CHANGING PRICES

The financial statements and related financial data presented herein have been prepared in accordance with GAAP, which requires the measurement of financial position and operating results in terms of historical dollars, without considering changes in relative purchasing power over time due to inflation.

Unlike most industrial companies, virtually all of the Company's assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than does the effect of inflation.

YEAR 2000 ISSUES

The "Year 2000" issue refers to potential problems that may result from the improper processing of dates and date-dependent calculations by computers and other microchip-embedded technology (like an alarm or telephone system). In simple terms, problems with year 2000 can result from a computer's inability to recognize a two-digit date field (00) as representing the year 2000 and its incorrect recognition of the year as 1900. Failure to identify and correct this problem could result in system processing errors that would disrupt the Company's normal business operations. In recognition of the seriousness of this issue, and in accordance with directives on Year 2000 issued by banking regulatory agencies, the Company established a Year 2000 Committee in January, 1998. This committee is chaired by a member of senior management and reports directly to the Company's Board of Directors on a quarterly basis.

State of Readiness

The Company has adopted the seven phase action plan outlined by the FDIC to address Year 2000 issues and expects to address all aspects of the action plan in a timely manner and to be prepared for the impact Year 2000 will have on the Company, its systems, vendors and customers. The seven phases are:

1. Awareness - The Year 2000 committee and committee chairperson were appointed and authorized to develop an overall strategy for addressing the Year 2000 issue. An ongoing awareness program has been developed to keep directors, employees and customers informed about the Year 2000 issue and apprised of the Company's progress in addressing it.

2. Inventory - This entails completion of a specific, detailed inventory of all hardware, software and other microchip-embedded products used by the Company. Procedures are established to ensure that any new purchases are properly analyzed for Year 2000 compliance and then inventoried. Vendors and suppliers are contacted to ascertain Year 2000 compliance status and efforts to remediate potential problems.

3. Assessment - Mission critical areas are identified and tested to address potential problem areas. Budgets are developed for expected expenses and other resources needed to adequately address potential problems. The potential risk exposure posed by borrowers and large depositors is also evaluated.

4. Renovation/Analysis - Vendors that supply system applications are requested to provide certification that their product used by the Company is Year 2000 compliant. Non-compliant systems are renovated or replaced.

5. Testing - All replaced or upgraded systems are tested to ensure full correction of any Year 2000 issues and then reviewed by a third party for validation of corrective action. Contingency plans are tested for effectiveness.

6. Implementation - A final review of all systems after the renovation of problematic areas is completed. Management and system users will carefully assess the status of corrective action.

7. Post-Implementation - Utilizing the contingency plans, the Year 2000 committee will continue to refine backup processes and procedures to be used in a worst-case scenario.

This seven-phase program applies to both information technology ("IT") and non-information technology ("non-IT") systems affected by Year 2000 that have been designated by the Year 2000 Committee as "mission critical." For purposes of the Year 2000 project, mission critical systems are defined as any technology element that, if not able to function properly, could result in financial liability, loss of revenue, significant customer service/support problems and damage to the Company's reputation.

The following table identifies our primary IT and non-IT mission critical systems and elements:

IT	Non-IT
Mainframe hardware	Security systems
Mainframe software	HVAC systems
ATMs	Vault doors
PC network hardware	Printed forms
PC network software	Phone systems

As of September 30, 1998, the awareness and inventory phases of the Year 2000 project were completed for our mission critical IT and non-IT systems.

The Federal Financial Institutions Examination Council (FFIEC) issued a statement entitled "Year 2000 Project Management Awareness" in May, 1997. This statement established key milestones that banks and other financial institutions must meet with regard to Year 2000 testing and remediation. The following table sets forth each deadline contained in this statement and where the Company stands with respect to meeting each deadline.

Date	Task	The Company's Status
June 30, 1998	Complete development of all written testing strategies, plans and policies; due diligence to determine Year 2000 risk posed by customers implemented.	Completed
September 1, 1998	Commence testing of internal mission-critical systems; assessment of customers' Year 2000 preparedness and potential impact of the institution in progress.	Completed
December 31, 1998	Testing of internal mission-critical systems substantially complete. Continued assessement of customer Y2K preparedness.	Completed
March 31, 1999	External testing with material third parties begins.	Scheduled for completion by June 30, 1999.
June 30, 1999	Testing of all mission-critical systems completed and corrective actions substantively completed.	Scheduled for completion by June 30, 1999.

The FFIEC has, under its bank supervisory authority, developed a multi-phase examination process to determine if banks are complying with the provisions of the awareness statement described above. The Company intends to comply with all regulatory requirements established by banking regulatory agencies.

As is the case with many financial institutions, the Company is dependent upon third parties to provide systems used in daily operations. Examples include, but are not limited to, firms that provided both mainframe and desktop computer hardware, bank processing software that tracks loans and deposits, telecommunications services, check clearing and electrical utilities. Even though many providers of these products have advised that they are Year 2000 compliant, the Company is performing independent testing and validation that will confirm that this is the case for each product as it is installed and used in the Company's operations. Generally speaking, the Company utilizes hardware and software providers that are registered under the Securities and Exchange Act of 1934; the SEC filings for each provider are being reviewed by management to determine if any significant disclosures with regard to the Year 2000 are made.

In addition, the Company has requested all providers of hardware, software, processing services and other systems that are date-sensitive to provide written certification of the Year 2000 status for their product or service. The following table sets forth the Company's significant material relationships with third parties that, in the opinion of management, could potentially result in business interruption if the product or service provided is not Year 2000 compliant. This table is not intended to itemize all relationships with third-party service providers.

Product/Service	Year 2000 Assessment Status
Software	Certified by proxy
Service Bureau	Certified by proxy
Telecommunications services	Completed
Wire transfers	Testing completed with FedLine
Check clearing	Certified compliant by proxy

In accordance with recently issued accounting guidelines on how Year 2000 costs should be recognized for financial statement purposes (EITF 96-14), the Company intends to recognize as current period expense all costs associated with the consulting, inventory, testing and resources components of the Year 2000 budget. The costs associated with remediation, which comprise approximately 90% of the Year 2000 budget, are primarily related to the installation of a new wide-area desktop computer network (WAN) that will replace the majority of the desktop computers, file servers and peripheral equipment currently in use. In addition to being Year 2000 compliant, the upgrades will provide the Company with a uniform standard desktop computer configuration, and internal e-mail capability. The Company intends to leverage this new WAN technology to increase the levels of employee productivity and improve operating efficiency. The costs of the WAN component of the Year 2000 remediation budget will be recognized over a useful life of five years starting at the first quarter of 1999.

The Company expects to fund the costs associated with preparing for Year 2000 out of its normal operating cash flows. No major information technology initiatives have been postponed as a result of Year 2000 preparation that would have a material impact on the Company's financial condition of results of operations.

Credit Risk - The Company, in the conduct of its ordinary operations, extends credit to individuals, partnerships and corporations. The extension of credit to businesses is based upon an evaluation of the borrower's ability to generate cash flows from operations sufficient to repay principal and interest, in addition to meeting the operating needs of the business. Failure of one of the Company's business borrowers to adequately prepare for the impact of a Year 2000 failure could potentially impair its ability to repay the loan. An example of this would be a loan to a building supply store that has computer accounting systems that fail to recognize Year 2000 and, consequently, are unable to calculate and bill accounts receivable in January 2000. This failure would most likely have an negative impact on the customer's cash flow and, consequently, their ability to repay the loan in accordance with its original terms.

In order to assess the Year 2000 risk within the loan portfolio, the Bank's Commercial Loan department developed a risk assessment process to determine if any borrower with total debt of $150,000 or more is dependent upon computer technology. After these borrowers were identified, the loan officer responsible for each account completed a survey that includes questions that examine four key components of Year 2000 preparedness: Project Planning; Staffing and Resources Budget; and Contingency Planning. Based on the results of the survey questions, the account officer rated each borrower as a "low," "medium" or "high" risk for Year 2000. The completed surveys and ratings were then independently reviewed by the Company's Asset Review Committee, which had authority to request additional information from the borrower and, if necessary, change the Year 2000 risk rating. As of December 31, 1998, the survey, rating and review process was substantially completed. The survey results indicated that the total aggregate credit exposure for surveyed borrowers was rated low for Year 2000 risk.

Management believes that the allowance for loan losses at December 31, 1998 is sufficient to absorb losses inherent in the loan portfolio, including losses related to failure of borrowers to adequately prepare for the direct and indirect impact a Year 2000 computer failure may have on their business. However, additional charges to the provision for loan loss will be made if, in the estimation of management, the increased risk of loan loss related to Year 2000 is not adequately provided for in the allowance for loan losses as of any balance sheet date.

Liquidity risk is the risk to the Bank's earnings and capital arising from an inability to raise sufficient cash to meet obligations as they come due. This risk is a very significant one for the Company since its primary business is banking, which involves taking deposits, which are generally due upon demand. Since the Company uses these deposits to fund loans and purchase investment securities, a dramatic increase in deposit withdrawals because of the Year 2000 problems specific to the Company or of a more general nature could have an adverse impact on the Company. Specifically, the Company could be forced to liquidate investments under adverse market conditions (that is, to sell at a loss) in order to fund a significantly higher level of deposit withdrawal activity. The Company is assessing its liquidity risk by running various scenarios of deposit withdrawals coincident with the turn of the century, ranging from normal activity to what could be reasonably expected in a panic situation. As of December 31, 1998, the Company (or the Bank) has federal funds lines of credit totaling approximately $5 million, unpledged investment securities available for repurchase agreements of approximately $50 million, secured borrowing availability at the Federal Home Loan Bank of approximately $40 million, all of which can provide additional liquidity if the lending institutions (in the case of borrowings) have funds available to lend at that point in time. In addition, the Company will secure borrowing facilities for the Bank with the Federal Reserve that will allow access to additional borrowed funds. The Federal Reserve has indicated in widely published reports that it will provide additional cash to the banking system through the discount window and other credit facilities in order to alleviate liquidity pressures on financial institutions resulting from the desire of individuals to hold cash from late 1999 through the first quarter of 2000.

Transaction risk is the risk to the Company's earnings and capital resulting from failure to deliver one of its products or services in an acceptable manner. An example of transaction risk related to Year 2000 is the inability of the Bank's service bureau to properly bill customers for loan payments due and account for the payments when received or the inability of a customer to perform a deposit or withdrawal from an ATM. In both of these examples, the individual customer is directly affected and the Company is impacted by the collective impact of all incorrectly processed customer transactions. Since all of the Company's products and services are processed in some manner by computer systems, all aspects of product design, delivery and support are being carefully evaluated in order to determine potential transaction risks.

The Company's Year 2000 policy also addresses other risks related to the Year 2000 issue which include, but are not limited to, strategic risk (adverse impact on business decisions or the implementation of business decisions, such as acquisitions); reputational risk (impact of bad publicity on customers and the Company's value); and legal risk (risk of litigation related to adverse impact of Year 2000 issues on the Company).

Contingency Planning For Year 2000

The Company's Year 2000 committee has drafted a written Business Remediation and Business Resumption Contingency Plan. The purpose of this plan is to ensure that the Company is prepared to address any crisis situation(s) that could result from failure of any of the Company's systems of third-party vendors and suppliers to recognize Year 2000 critical dates. The Company's Year 2000 contingency plan is modeled after the FFIEC Interagency Statement on the Contingency Planning in Connection with Year 2000 issued in May, 1997 and is comprised of four key phases:

1. Organizational Planning - identification of core business processes and establishment of a timeline for a Year 2000 contingency plan.

2. Business Impact Analysis - determination of Year 2000 failure risks for all core business processes and identification of failure scenarios. The minimal level of acceptable service in the event of failure is also determined.

3. Development of Contingency Plan - identification and selection of the most reasonable and cost-effective contingency strategy for each core business process in the event of failure.

4. Contingency Plan Validation - validation of each plan by a qualified independent party and final approval by senior management and the board of directors.

A core business process is, for the purposes of the Company's Year 2000 contingency planning, defined as a group of interrelated tasks performed as a basic and integral part of the Company's daily operation. Examples of core business processes include posting of payments on loans and processing of checks, both which require a complex infrastructure of hardware, software, communications and power. Core business processes are further defined by potential impact on the Company and its operations. "Mission Critical" core business processes are those which if not functioning properly because of failure to recognize Year 2000, will most likely cause an immediate loss of revenue and crisis-level customer service problems that could damage the Company's reputation. These specific contingency plans detail precisely how the "most likely worst-case scenarios" resulting from system failure will be handled. The objective of the contingency planning is not to duplicate the complete functionality of failed systems, but, rather to identify the most economical means of resuming a minimally acceptable level of service in as short a time as possible.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The Board of Directors
Community First Banking Company

We have audited the accompanying consolidated balance sheets of Community First Banking Company and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1998. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Community First Banking Company and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

Atlanta, Georgia
January 22, 1999

<TABLE>
<CAPTION>

COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 1998 and 1997

Assets

	1998	1997
	(in thousands)	
<S>	<C>	<C>
Cash and due from banks, including reserve requirements of $2,624,000 and $1,949,000	$ 10,883	10,767
Interest-bearing deposits in financial institutions	3,553	1,862
Federal funds sold	18,300	17,655
Cash and cash equivalents	32,736	30,284
Securities available for sale	71,702	49,492
Securities held to maturity	232	6,006
Other investments	2,328	2,269
Mortgage loans held for sale	199	789
Loans, net	264,855	283,602

Premises and equipment, net	8,160	9,095
Accrued interest receivable	2,558	3,169
Other real estate and repossessions	5,479	6,722
Other assets	3,737	2,453
	$ 391,986	393,881
Liabilities and Stockholders' Equity		
Deposits:		
Demand	$ 13,611	18,734
Interest-bearing demand	52,644	51,198
Savings	31,630	38,273
Time	146,603	161,431
Time, over $100,000	41,449	45,895
Total deposits	285,937	315,531
Note payable and other borrowings	47,945	5,495
Subordinated debentures	900	900
Payable for branch sales	27,461	-
Accrued interest payable and other liabilities	3,619	2,917
Total liabilities	365,862	324,843
Commitments		
Stockholders' equity:		
Convertible preferred stock, par value $.01, authorized 96,542 shares, 96,542 shares issued and outstanding	1	-
Common stock, par value $.01, authorized 10,000,000 shares, issued 3,282,054 and 4,827,124 shares, outstanding 2,578,074 and 4,479,570 shares	33	24
Additional paid-in capital	13,481	47,040
Unearned ESOP and MRP shares	(4,196)	(3,476)
Retained earnings	26,611	24,725
Accumulated other comprehensive income (loss), net of tax	(785)	725
	35,145	69,038
Less treasury stock at cost, 224,619 shares	(9,021)	-
Total stockholders' equity	26,124	69,038
	$ 391,986	393,881

</TABLE>
See accompanying notes to consolidated financial statements.

<TABLE>
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COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Consolidated Statements of Earnings

For the Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
	(in thousands except per share data)		
<S>	<C>	<C>	<C>
Interest income:			
Interest and fees on loans	$ 25,903	26,628	24,874
Interest-bearing deposits and federal funds sold	1,436	1,064	822
Interest and dividends on investment securities:			
U.S. Treasury	180	107	44
U.S. Government agencies and mortgage-backed	4,249	3,375	2,133
State, county and municipals	117	108	83
Other	335	171	234
Total interest income	32,220	31,453	28,190
Interest expense:			
Interest on deposits:			
Demand	1,463	1,501	1,386
Savings	1,069	1,157	889
Time	11,720	11,848	11,338
	14,252	14,506	13,613
Interest on note payable and other borrowings	2,394	815	1,168
Total interest expense	16,646	15,321	14,781
Net interest income	15,574	16,132	13,409
Provision for loan losses	782	2,067	1,143

Net interest income after provision for loan losses	14,792	14,065	12,266
Noninterest income:			
Service charges on deposits	3,061	2,730	2,350
Gain (loss) on sales of securities available for sale	860	(20)	178
Insurance commissions	609	523	426
Miscellaneous	1,067	457	290
Total noninterest income	5,597	3,690	3,244
Noninterest expense:			
Salaries and employee benefits	6,820	7,063	6,453
ESOP and MRP expense	2,502	2,580	-
Occupancy and equipment	2,031	1,907	1,608
Deposit insurance premiums	179	160	2,340
Loss on abandonment of premises and equipment	-	505	-
Other operating	4,506	5,455	4,875
Total noninterest expense	16,038	17,670	15,276
Earnings before income taxes	4,351	85	234
Income tax (benefit) expense	1,348	(28)	(14)
Net earnings	$ 3,003	113	248
Basic earnings per share	$ 0.87	0.03	N/A
Diluted earnings per share	$ 0.82	0.03	N/A

</TABLE>

See accompanying notes to consolidated financial statements.

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COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 1998, 1997 and 1996

<S>	<C> 1998	<C> 1997 (in thousands)	<C> 1996
Net earnings	$ 3,003	113	248
Other comprehensive income, net of tax:			
Unrealized gains (losses) on securities available for sale	(3,295)	1,221	(210)
Less income tax effect of gains (losses)	(1,252)	464	(80)
Unrealized gains (losses) arising during the year, net of tax	(2,043)	757	(130)
Reclassification adjustment for gains (losses) included in net earnings	860	(20)	178
Less income tax effect of reclassification adjustments	327	(8)	68
Reclassification adjustment for gains (losses) included in net earnings, net of tax	533	(12)	110
Other comprehensive income (loss)	(1,510)	745	(20)
Comprehensive income	$ 1,493	858	228

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>
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COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

For the Years Ended December 31, 1998, 1997 and 1996

(in thousands except per share data)

<S> <C> <C> <C> <C> <C> <C> <C> <C>

	Preferred Stock	Common Stock	Additional Paid-in Capital	Unearned ESOP and MRP Shares	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Treasury Stock	Total
Balance, December 31, 1995	$ -	-	-	-	25,030	-	-	25,030
Net earnings	-	-	-	-	248	-	-	248
Change in accumulated other comprehensive income (loss), net of tax	-	-	-	-	-	(20)	-	(20)
Balance, December 31, 1996	-	-	-	-	25,278	(20)	-	25,258
Net Proceeds from issuance of common stock	-	24	46,794	-	-	-	-	46,818
Common stock acquired by ESOP	-	-	-	(3,862)	-	-	-	(3,862)
Cash dividends declared ($.15 per share)	-	-	-	-	(666)	-	-	(666)
Release of ESOP shares	-	-	246	386	-	-	-	632
Change in accumulated other comprehensive income (loss), net of tax	-	-	-	-	-	745	-	745
Net earnings	-	-	-	-	113	-	-	113
Balance, December 31, 1997	-	24	47,040	(3,476)	24,725	725	-	69,038
Purchase of treasury stock	-	-	-	-	-	-	(45,435)	(45,435)
Retirement of treasury stock	-	(8)	(36,406)	-	-	-	36,414	-
Cash dividends declared ($.35 per share)	-	-	-	-	(1,100)	-	-	(1,100)
Issuance of preferred stock and grant of MRP shares	1	-	2,063	(2,064)	-	-	-	-
Release of ESOP and MRP shares, net of tax of $440	-	-	784	1,344	-	-	-	2,128
Change in accumulated other comprehensive income (loss), net of tax	-	-	-	-	-	(1,510)	-	(1,510)
Net earnings	-	-	-	-	3,003	-	-	3,003
Retroactive restatement for 100% stock dividend declared on January 21, 1999	-	17	-	-	(17)	-	-	-
Balance, December 31, 1998	$ 1	33	13,481	(4,196)	26,611	(785)	(9,021)	26,124

</TABLE>

See accompanying notes to consolidated financial statements.

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COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the Years Ended December 31, 1998, 1997 and 1996

(in thousands)

<S> <C> <C> <C>

	1998	1997	1996
Cash flows from operating activities:			
Net earnings	$ 3,003	113	248
Adjustments to reconcile net earnings to net cash provided by operating activities:			

Depreciation, amortization and accretion	954	1,296	1,117
Provision for loan losses	782	2,067	1,143
ESOP and MRP compensation expense	2,502	2,580	-
Deferred income tax expense (benefit)	1,213	(1,406)	(947)
Loss (gain) on sales of securities available for sale	(860)	20	(178)
Loss on abandonment of premises and equipment	-	505	-
Loss (gain) on sales of premises, equipment and other assets, net	(294)	51	(67)
Gain on sale of branches	(100)	-	-
Change in (net of effect of sale of branches):			
Mortgage loans held for sale	590	(507)	2,809
Accrued interest receivable	611	(481)	(290)
Other assets	(2,569)	(43)	(88)
Accrued interest payable	1,293	635	(241)
Other liabilities	(1,730)	473	(143)
Net cash provided by operating activities	5,395	5,303	3,363
Cash flows from investing activities (net of effect of sale of branches):			
Proceeds from sales of securities available for sale	51,953	3,843	4,918
Proceeds from sales of other investments	-	219	760
Proceeds from maturities of securities available for sale	25,780	9,220	240
Proceeds from maturities of securities held to maturity	5,805	1,785	2,664
Purchases of other investments	(59)	-	(112)
Purchases of securities available for sale	(101,208)	(27,277)	(38,903)
Net change in loans	17,226	(22,437)	(79)
Proceeds from sales of real estate and repossessions	2,299	139	80
Improvements to other real estate and repossessions	(167)	-	-
Proceeds from sales of premises and equipment	958	35	302
Purchases of premises and equipment	(1,047)	(1,778)	(3,362)
Organization costs	-	(30)	-
Net cash provided by (used in) investing activities	1,540	(36,281)	(33,492)
Cash flows from financing activities (net of effect of sale of branches):			
Net change in deposits	(711)	7,775	18,469
Proceeds from note payable and other borrowings	45,000	-	10,000
Payments of note payable and other borrowings	(2,550)	(10,800)	(9,300)
Cash dividends paid	(787)	(666)	-
Purchase of ESOP shares	-	(3,862)	-
Net proceeds from issuance of common stock	-	46,818	-
Payments of subordinated debentures	-	(1,100)	-
Purchases of treasury stock	(45,435)	-	-
Net cash provided by (used in) financing activities	(4,483)	38,165	19,169
Net change in cash and cash equivalents	2,452	7,187	(10,960)
Cash and cash equivalents at beginning of year	30,284	23,097	34,057
Cash and cash equivalents at end of year	$ 32,736	30,284	23,097

</TABLE>

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COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Consolidated Statements of Cash Flows, continued

For the Years Ended December 31, 1998, 1997 and 1996

	1998	1997	1996
		(in thousands)	
<S>	<C>	<C>	<C>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 15,353	14,686	15,022
Income taxes	$ 1,250	935	935
Noncash investing and financing activities:			
Real estate acquired through foreclosure	$ 1,254	7,602	402
Loans to facilitate sales of real estate	$ 531	1,000	420
Issuance of preferred stock and simultaneous grant of MRP shares	$ 2,064	-	-
Retirement of treasury stock	$ 36,414	-	-
Payable for sale of branches	$ 27,461	-	-
Change in accumulated other comprehensive income (loss), net of tax	$ (1,510)	745	(20)
Change in dividend payable	$ 313	-	-

</TABLE>

See accompanying notes to consolidated financial statements.

COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(1) Summary of Significant Accounting Policies

Organization

Community First Banking Company (the "Company") was organized in March 1997 to become the holding company for Carrollton Federal Bank pursuant to a Plan of Conversion and Reorganization (the "Conversion"). As part of the Conversion, CF Mutual Holdings ("Mutual") was converted from a federally chartered mutual holding company to an interim federal savings bank and simultaneously merged with and into Carrollton Federal Bank, pursuant to which Mutual ceased to exist and Carrollton Federal Bank became a wholly owned subsidiary of the Company. The Conversion was accounted for at historical cost in a manner similar to a pooling of interests.

On June 27, 1997, the Conversion to a stock holding company organized under the laws of the State of Georgia, the issuance of common stock, and the dissolution of Mutual were completed. In connection therewith, the Company sold 4,827,124 shares of common stock, par value $.01 per share, at an initial price of $10 per share (after giving effect to 100% stock dividend described in note 17) in a subscription offering. Costs associated with the Conversion were approximately $1,453,000, including underwriting fees.

On December 28, 1997, Carrollton Federal Bank, a federally chartered stock savings bank, converted its charter to the Georgia Department of Banking and Finance and concurrently changed its name to Community First Bank (the "Bank"). The Bank will subsequently be regulated by the Georgia Department of Banking and Finance and is insured and subject to the regulation of the Federal Deposit Insurance Corporation. As part of the charter conversion, the Company became a member of the Federal Reserve System and, accordingly, is subject to the regulation by the Federal Reserve under the Bank Holding Company Act.

The Bank continues to provide a full range of customary banking services throughout Carroll, Douglas, Heard, Haralson and Paulding counties in Georgia.

Basis of Presentation and Reclassification

The consolidated financial statements include the accounts of the Company, the Bank, CFB Insurance Agency, Inc., CFB Financial, Inc. and CFB Securities, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year presentation.

The accounting principles followed by the Company and its subsidiaries, and the methods of applying these principles, conform with generally accepted accounting principles ("GAAP") and with general practices within the banking industry. In preparing financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts in the financial statements. Actual results could differ significantly from those estimates. Material estimates common to the banking industry that are particularly susceptible to significant change in the near term include, but are not limited to, the determination of the allowance for loan losses, the valuation of real estate acquired in connection with or in lieu of foreclosure on loans, the valuation allowance for mortgage servicing rights and valuation allowances associated with the realization of deferred tax assets which are based on future taxable income.

Cash and Cash Equivalents

Cash equivalents include amounts due from banks, interest-bearing deposits in financial institutions and federal funds sold. Generally, federal funds are sold for one-day periods.

Investment Securities

The Company classifies its securities in one of three categories: trading, available for sale, or held to maturity. There were no trading securities at December 31, 1998 and 1997. Securities held to maturity are those securities for which the Bank has the ability and intent to hold to maturity. All other securities are classified as available for sale.

(1) Summary of Significant Accounting Policies, continued

Investment Securities, continued

Securities available for sale are recorded at fair value. Securities held to maturity are recorded at cost, adjusted for the amortization or accretion of premiums or discounts. Unrealized holding gains and losses, net of the related tax effect, on securities available for sale are excluded from earnings and are reported as a separate component of stockholders' equity until realized. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from held to maturity to available for sale are recorded as a separate component of stockholders' equity.

A decline in the market value of any available for sale or held to maturity investment below cost that is deemed other than temporary is charged to earnings and establishes a new cost basis for the security.

Premiums and discounts are amortized or accreted over the life of the related security as an adjustment to the yield. Realized gains and losses are included in earnings and the cost of securities sold are derived using the specific identification method.

Other Investments

Other investments include Federal Home Loan Bank ("FHLB") stock and other equity securities with no readily determinable fair value. These investment securities are carried at cost and include stock dividends.

Interest Rate Cap Agreement

Interest rate cap agreements ("Caps"), which are used by the Company in the management of interest rate exposure on certain interest-bearing liabilities, are accounted for on an accrual basis. Premiums paid for Caps are being amortized to interest expense over the terms of the Caps. Unamortized premiums are included in other assets in the consolidated balance sheet. Amounts to be received under the Caps are accounted for on an accrual basis, and are recognized as a reduction of interest expense.

Mortgage Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or market value. The amount by which cost exceeds market value is accounted for as a valuation allowance. Changes, if any, in the valuation allowance are included in the determination of net earnings in the period in which the change occurs. Gains and losses from the sale of loans are determined using the specific identification method.

Loans, Loan Fees and Interest Income

Loans that management has the intent and ability to hold for the foreseeable future or until maturity are reported at their outstanding unpaid principal balances, net of the allowance for loan losses, deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized in interest income using the level-yield method over the contractual lives of the loans, adjusted for estimated prepayments based on the Bank's historical prepayment experience. Commitment fees and costs relating to commitments whose likelihood of exercise is remote are recognized over the commitment period on a straight-line basis. If the commitment is subsequently exercised during the commitment period, the remaining unamortized commitment fee at the time of exercise is recognized over the life of the loan as an adjustment to the yield. Premiums and discounts on purchased loans are amortized over the remaining lives of the loans using the level-yield method. Fees arising from servicing loans for others are recognized as earned.

A loan is considered impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. Impaired loans are measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate or at the loan's observable market price, or the fair value of the collateral of the loan if the loan is collateral dependent. Interest income from impaired loans is recognized using the cash basis method of accounting.

(1) Summary of Significant Accounting Policies, continued

Allowance for Loan Losses

The allowance for loan losses is established through provisions for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes that the collection of the principal is unlikely. The allowance is an amount which, in management's judgment, will be adequate to absorb losses on existing loans that may become uncollectible. The allowance is established through consideration of such factors as changes in the nature and volume of the portfolio, adequacy of collateral, delinquency trends, loan concentrations, specific problem and individually significant loans, and economic conditions that may affect the borrower's ability to pay.

Management believes the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's allowance for loan losses. Such agencies may require the Bank to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Major additions and improvements are charged to the asset accounts while maintenance and repairs that do not improve or extend the useful lives of the assets are expensed currently. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected in earnings for the period.

Depreciation expense is computed using the straight-line method over the following estimated useful lives:

Land improvements	15-40 years
Buildings and improvements	15-40 years
Furniture and equipment	3-10 years

Other Real Estate and Repossessions

Other real estate and repossessions are carried at the lower of cost (defined as fair value at foreclosure) or fair value less estimated costs to dispose. Generally accepted accounting principles define fair value as the amount that is expected to be received in a current sale between a willing buyer and seller other than in a forced or liquidation sale. Fair values at foreclosure are based on appraisals. Losses arising from the acquisition of other real estate and repossessions are charged against the allowance for loan losses. Subsequent writedowns are provided by a charge to earnings through a valuation allowance in the period in which the need arises.

Mortgage Servicing Rights

The Bank accounts for mortgage servicing rights in accordance with Statement of Financial Accounting Standard ("SFAS") No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities." The Bank recognizes the rights to service mortgage loans as an asset regardless of whether the servicing rights are acquired through either purchase or origination. Additionally, the Bank performs an impairment analysis of mortgage servicing rights, regardless of whether purchased or originated.

The Bank's mortgage servicing rights represent the unamortized cost of purchased and originated contractual rights to service mortgages for others in exchange for a servicing fee and ancillary loan administration income. Mortgage servicing rights are amortized over the period of estimated net servicing income and are periodically adjusted for actual and anticipated prepayments of the underlying mortgage loans. An impairment analysis is performed after stratifying the rights by interest rate. Impairment, defined as the excess of the asset's carrying value over its current fair value, is recognized through a valuation allowance. At December 31, 1998 and 1997, no valuation allowances were required for the mortgage servicing rights.

(1) Summary of Significant Accounting Policies, continued

Core Deposit Intangible

The core deposit intangible is amortized using the straight-line method over the estimated life of the deposit base acquired (fifteen years) and is included as a component of other assets. Amortization expense approximated $74,000 for each of the three years in the period ended December 31, 1998. On an ongoing basis, management reviews the valuation and amortization periods to determine if events and circumstances require the current carrying amount or remaining life to be reduced.

Income Taxes

Deferred tax assets and liabilities are recorded for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities 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 the assets and liabilities 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 tax expense in the period that includes the enactment date.

In the event the future tax consequences of differences between the financial reporting bases and the tax bases of the Company's assets and liabilities results in deferred tax assets, the Company performs an evaluation of the probability of being able to realize the future benefits indicated by such assets. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax asset will not be realized. In assessing the realizability of the deferred tax assets, management considers the scheduled reversals of deferred tax liabilities, projected future taxable income and tax planning strategies.

A deferred tax liability is not recognized for portions of the allowance for loan losses for income tax purposes in excess of the financial statement balance, as described in note 8. Such a deferred tax liability will only be recognized when it becomes apparent that those temporary differences will reverse in the foreseeable future.

Treasury Stock

Treasury stock is accounted for by the cost method. Subsequent reissuances are on a first-in, first-out basis.

Net Earnings Per Common Share

Basic earnings per common share is based on the weighted average number of common shares outstanding during the period while the effects of potential common shares outstanding during the period are included in diluted earnings per share. Net earnings per common share is based on the weighted average number of shares outstanding (assuming the Company was a public company since January 1, 1997) including consideration of allocated shares of the Company's Employee Stock Ownership Plan ("ESOP"). Unearned ESOP shares are not considered outstanding for purposes of calculating earnings per share. Earnings per share is not presented in periods prior to the Conversion due to the mutual form of ownership. The reconciliation of the amounts used in the computation of basic earnings per share and diluted earnings per share for the years ended December 31, 1998 and 1997 is as follows:

For the Year Ended December 31, 1998

	Net Earnings	Common Shares	Per Share Amount
Basic earnings per share	$ 3,002,988	3,448,006	$ 0.87
Effect of dilutive securities:			
Stock options	-	38,371	
MRP shares	-	193,084	
Diluted earnings per share	$ 3,002,988	3,679,461	$ 0.82

COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(1) Summary of Significant Accounting Policies, continued

Net Earnings Per Common Share, continued

For the Year Ended December 31, 1997

	Net Earnings	Common Shares	Per Share Amount
Basic earnings per share	$ 112,608	4,445,821	$ 0.03
Effect of dilutive securities:			
Stock options	-	-	
Diluted earnings per share	$ 112,608	4,445,821	$ 0.03

The effect of stock options on net earnings per common share was antidilutive in 1997.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income" became effective for the Company as of January 1, 1998. This new standard establishes the reporting and display of comprehensive income and its components in the financial statements.

Recent Accounting Pronouncements

In 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for hedging derivatives and for derivative instruments including derivative instruments embedded in other contracts. It requires the fair value recognition of derivatives as assets or liabilities in the financial statements. The accounting for the changes in the fair value of a derivative depends on the intended use of the derivative instrument at inception. Changes in fair value for instruments used as fair value hedges are recorded in earnings of the period simultaneous with accounting for the fair value change of the item being hedged. Changes in fair value for cash flow hedges are recorded in comprehensive income rather than earnings. Changes in fair value for derivative instruments that are not intended as a hedge are recorded in earnings of the period of the change. SFAS No. 133 is effective for all fiscal quarters beginning after June 15, 1999, but initial application of the statement must be made as of the beginning of the quarter. At the date of initial application, an entity may transfer any held to maturity security into the available for sale or trading categories without calling into question the entity's intent to hold other securities to maturity in the future. The Company believes the adoption of SFAS No. 133 will not have a material impact on its financial position, results of operations or liquidity.

COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(2) Investment Securities

Investment securities at December 31, 1998 and 1997 are summarized as follows (in thousands):

<TABLE>
<CAPTION>

	December 31, 1998			
Securities Available for Sale:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
U.S. Treasury securities	$ 2,996	53	-	3,049
U.S. Government agencies	1,000	5	-	1,005
State, county and municipals	2,081	103	-	2,184
Equity securities	14,943	80	1,205	13,818
Mortgage-backed securities	51,948	111	413	51,646
	$ 72,968	352	1,618	71,702

Securities Held to Maturity:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
State, county and municipals	$ 115	3	-	118
Mortgage-backed securities	117	1	-	118
	$ 232	4	-	236

	December 31, 1997			
Securities Available for Sale:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Treasury securities	$ 2,995	18	-	3,013
U.S. Government agencies	23,121	127	-	23,248
State, county and municipals	2,084	75	-	2,159
Equity securities	8,733	787	-	9,520
Mortgage-backed securities	11,390	173	11	11,552
	$ 48,323	1,180	11	49,492

Securities Held to Maturity:	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government agencies	$ 5,669	18	25	5,662
State, county and municipals	115	2	-	117
Mortgage-backed securities	222	2	1	223
	$ 6,006	22	26	6,002

</TABLE>

(2) Investment Securities, continued

The amortized cost and estimated fair value of securities available for sale and securities held to maturity at December 31, 1998, by contractual maturity, are shown below. 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.

<TABLE>
<CAPTION>

	Securities Available For Sale		Securities Held to Maturity	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value

	----	----------	----	----------
	(in thousands)			
Within one year	$ 1,050	1,061	-	-
One to five years	2,100	2,145	115	118
Five to ten years	1,190	1,202	-	-
More than ten years	1,737	1,830	-	-
Equity securities	14,943	13,818	-	-
Mortgage-backed securities	51,948	51,646	117	118
	$ 72,968	71,702	232	236

</TABLE>

There were no sales of securities held to maturity during 1998, 1997 and 1996. Proceeds from sales of securities available for sale during 1998, 1997 and 1996 totalled approximately $51,953,000, $3,843,000 and $4,918,000, respectively. Gross gains of $1,126,000, $8,000 and $178,000 were realized on those sales. Gross losses of $266,000 and $28,000 were realized on 1998 and 1997 sales, respectively.

Securities and interest-bearing deposits with a carrying value of approximately $2,039,000 and $2,974,000 at December 31, 1998 and 1997, respectively, were pledged to secure U.S. government and other public deposits.

(3) Loans

Major classifications of loans at December 31, 1998 and 1997 are summarized as follows:

<TABLE>
<CAPTION>

	1998	1997
	(in thousands)	
Real estate mortgage loans	$ 197,182	209,836
Real estate construction loans	18,853	18,016
Commercial loans	20,905	16,507
Consumer and other installment loans	30,795	42,032
Total loans	267,735	286,391
Less allowance for loan losses	2,880	2,789
Loans, net	$ 264,855	283,602

</TABLE>

The Bank concentrates its lending activities in the origination of permanent residential mortgage loans, commercial mortgage loans, commercial business loans and consumer installment loans. The majority of the Bank's real estate loans are collateralized by real property located in Carroll County, Georgia and surrounding counties.

Activity in the allowance for loan losses is summarized as follows for the years ended December 31, 1998, 1997 and 1996:

<TABLE>
<CAPTION>

	1998	1997	1996
		(in thousands)	
Balance at beginning of year	$ 2,789	2,601	2,291
Provision	782	2,067	1,143
Loans charged off	(1,194)	(2,214)	(925)
Recoveries of loans previously charged off	503	335	92
Balance at end of year	$ 2,880	2,789	2,601

</TABLE>

Mortgage loans serviced for others are not included in the accompanying consolidated financial statements. Unpaid principal balances of these loans at December 31, 1998, 1997 and 1996 approximate $45,448,000, $54,560,000 and $53,061,000, respectively.

(4) Premises and Equipment

Premises and equipment at December 31, 1998 and 1997 are summarized as follows:

<TABLE>
<CAPTION>

<S>	1998	1997
	(in thousands)	
Land and land improvements	$ 1,595	1,595
Buildings and improvements	6,450	5,967
Furniture and equipment	5,512	8,650
Construction in progress	214	49
	13,771	16,261
Less: Accumulated depreciation	5,611	6,661
Reserve for abandoned property and equipment	-	505
	$ 8,160	9,095

</TABLE>

Depreciation expense approximated $1,191,000, $1,381,000 and $1,203,000 at December 31, 1998, 1997 and 1996, respectively.

(4) Premises and Equipment, continued

In December 1997, the Company announced a plan to close two branch locations and replace certain obsolete computer equipment. In connection with this plan, the Company determined that the carrying value of such assets exceeded their fair values. Accordingly, an unrealized loss of $504,500 was charged to expense as a separate component of noninterest expense.

(5) Time Deposits

At December 31, 1998, contractual maturities of time deposits are summarized as follows (in thousands):

Year ending December 31,	
1999	$ 119,467
2000	50,988
2001	5,464
2002	6,620
2003 and thereafter	5,513
	$ 188,052

(6) Note Payable and Other Borrowings

In June 1998, the Company obtained a $5,000,000 line of credit with another financial institution. The debt is collateralized by 100% of the stock of the Bank and calls for interest to be paid at the prime rate less 100 basis points. Principal and interest are due at maturity on December 2, 1999. The loan agreement contains covenants relating to regulatory capital adequacy and limits on other debt. The Company was in compliance with all loan covenants at December 31, 1998.

The interest rates for FHLB advances at December 31, 1998 ranged from 4.50% to 5.63%. FHLB advances are collateralized by FHLB stock and first mortgage loans. Advances from FHLB outstanding at December 31, 1998 mature as follows (in thousands):

Year Ending December 31,	
1999	$ 600
2000	600
2001	386
2002	386
2003	973
Thereafter	40,000
	$ 42,945

(7) Subordinated Debentures

The Company originally issued Series A fixed rate subordinated debentures to various executive officers and members of the Board of Directors in an aggregate principal amount of $2,000,000. The subordinated debentures bear interest at a simple interest rate per annum of 7.25%, which is payable quarterly, and mature on September 30, 1999. The payment of the principal is subordinate and junior in right of payment to the claims of creditors of the Company. The entire proceeds of the offering were used to increase the capitalization of the Bank. During 1997, $1,100,000 of the debentures were paid off.

(8) Income Taxes

The following is an analysis of the components of income tax expense (benefit) for the years ended December 31, 1998, 1997 and 1996:

	1998	1997	1996
		(in thousands)	
Current	$ 575	1,378	933
Current benefit credited to equity	(440)	-	-
Deferred	1,213	(1,406)	(947)
Income tax expense (benefit)	$ 1,348	(28)	(14)

The differences between income tax expense (benefit) and the amount computed by applying the statutory federal income tax rate to earnings before taxes for the years ended December 31, 1998, 1997 and 1996 are as follows:

	1998	1997	1996
		(in thousands)	
Pretax income at statutory rate	$ 1,479	29	80
Add (deduct):			
Tax-exempt interest income	(94)	(67)	(91)
Other, net	(37)	10	(3)
Income tax expense (benefit)	$ 1,348	(28)	(14)

The following summarizes the net deferred tax asset which is included as a component of other assets at December 31, 1998 and 1997, respectively.

	1998	1997
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 729	671
Allowance for real estate held for development and sale	70	162
Deferred compensation	241	795
State tax credits	297	256
Unrealized loss on securities available for sale	481	-
Other	144	102
Total gross deferred tax assets	1,962	1,986
Deferred tax liabilities:		
FHLB stock	357	144
Premises and equipment	138	358
ESOP and MRP awards	720	-
Unrealized gain on securities available for sale	-	412
Other	-	5
Total gross deferred tax liabilities	1,215	919
Net deferred tax asset	$ 747	1,067

(8) Income Taxes, continued

Effective January 1, 1996, the Bank computes its tax bad debt reserves under the rules which apply to commercial banks. In years prior to 1996, the Bank obtained tax bad debt deductions approximating $5.8 million in excess of its financial statement allowance for loan losses for which no provision for federal income tax was made. These amounts were then subject to federal income tax in future years if used for purposes other than to absorb bad debt losses. Effective January 1, 1996, approximately $1.0 million of the excess reserve is no longer subject to recapture under any circumstances and approximately $4.8 million of the excess reserve is subject to recapture only if the Bank ceases to qualify as a bank as defined in the Internal Revenue Code.

(9) Stockholders' Equity

On December 29, 1997, the Board of the Directors of the Company authorized the issuance of 96,542 shares of $.01 par value convertible preferred stock to be used as part of the Company's Management Recognition Plan ("MRP") to provide a means of rewarding its key personnel. Those shares were granted on January 8, 1998 at a value of $10.69 based upon an independent valuation. The preferred shares vest at the rate of 5% as of the last day of each calendar quarter of service commencing with the first calendar quarter after the grant date. The estimated grant-date fair value of the shares granted was $9.92 per share. The preferred stock is automatically convertible into two shares of common stock on the five-year anniversary date on which such shares are issued. The preferred shares are not entitled to receive dividends, have no liquidation preference, no voting rights, no right to transfer and no right of redemption.

The Company purchased on the open market 997,154 shares of its common stock at an aggregate purchase price of $45,434,662 during the year ended December 31, 1998. Of the 997,154 total shares repurchased, 772,535 shares have been retired and 224,619 shares are held in treasury for issuance under the Company's employee benefit plans.

(10) Employee and Director Benefit Plans

All qualifying employees of the Bank are included in a qualified multiemployer noncontributory defined benefit pension plan sponsored by the Financial Institutions Retirement Fund. The Bank's policy is to fund pension costs accrued. No pension expense was incurred during 1998, 1997 or 1996. At June 30, 1998, the date of the latest actuarial valuation, the market value of the plan's net assets exceeded the actuarially computed value of accumulated plan benefits.

Effective January 1, 1993, the Bank established a retirement plan qualified pursuant to Internal Revenue Code section 401(k) (the "Plan"). The Plan allows eligible employees to defer a portion of their income by making contributions into the Plan on a pretax basis. The Bank's matching contribution vests based on length of service. The Bank matches 50% of employee contributions up to 6% of the employees' compensation. On August 1, 1997, the Plan was amended to discontinue matching of employee contributions. During the years ended December 31, 1997 and 1996, the Bank recognized $53,000 and $94,000 in expense related to its obligations under the Plan. No expense was incurred during 1998.

The Bank has a defined contribution postretirement benefit plan to provide retirement benefits to its Board of Directors and to provide death benefits for their designated beneficiaries. Under the plan, the Bank purchased split-dollar whole life insurance contracts on the lives of each Director. The increase in cash surrender value of the contracts, less the Bank's cost of funds, constitutes the Bank's contribution to the plan each year. In the event the insurance contracts fail to produce positive returns, the Bank has no obligation to contribute to the Plan. At December 31, 1998 and 1997, the cash surrender value of the insurance contracts was approximately $1,179,000 and $1,071,000, respectively, and is included as a component of other assets. Expenses incurred for benefits were approximately $70,000, $77,000 and $14,000 during 1998, 1997 and 1996, respectively.

(10) Employee and Director Benefit Plans, continued

As part of the Conversion, the Company adopted an ESOP and purchased 386,170 shares via a loan from the Company. The plan covers substantially all employees subject to certain minimum age and service requirements. The Company makes contributions to the ESOP as determined annually by the Board of Directors. Contributions to the ESOP will, at a minimum, be applied to meet the ESOP's debt service requirements. As the ESOP debt is repaid, shares are released and allocated to active employees, based on the proportion of debt service paid during the year. Accordingly, the debt incurred by the ESOP is recorded as a note payable and the shares purchased with the debt proceeds are reported as unearned ESOP shares in the consolidated balance sheet. As the debt is repaid, the Company records compensation expense equal to the current market price of the shares released, and the shares become outstanding for purposes of earnings per share computations. Compensation expense related to the ESOP of $2,010,000 and $727,000 was recognized during 1998 and 1997, respectively. ESOP shares are summarized as follows at December 31, 1998 and 1997:

<TABLE>
<CAPTION>

	1998	1997

	----	----
Allocated shares	131,427	38,616
Unearned shares	254,743	347,554
Total ESOP shares	386,170	386,170
Fair value of unreleased shares	$ 5,079,000	6,886,000

On December 29, 1997, the Board of Directors of the Company approved the 1997 Stock Option Plan whereby 482,712 shares of common stock have been reserved for employees and directors. These options will allow employees and directors to purchase shares of common stock at a price not less than fair market value at the date of grant and are exercisable no later than ten years from the date of grant. All options vest at the rate of 5% of the number of shares subject to the option as of the last day of each calendar quarter of service commencing with the first calendar quarter ending after the grant date.

In December 1997, the Company granted options to purchase 473,160 shares at an exercise price of $19.8125 per share. Options to purchase 118,290 and 23,658 shares were exercisable at December 31, 1998 and 1997, respectively, and no options have been exercised. The estimated grant-date fair value of the options granted in 1997 was $6.90 per share. No options were granted in 1998. The weighted-average remaining contractual life of the options is approximately nine years at December 31, 1998.

The MRP and Stock Option Plan are accounted for under Accounting Principles Board Opinion No. 25 and related Interpretations. Compensation expense totaling $492,000 and $1,853,000 for 1998 and 1997, respectively, was recognized related to the MRP. No compensation cost has been recognized under the Stock Option Plan. Had compensation cost been determined based upon the fair value of the MRP shares and options at the grant dates and in accordance with the vesting schedule consistent with the method of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net earnings and net earnings per share as of December 31, 1998 and 1997 would have been reduced to the proforma amounts indicated below (in thousands, except per share data).

		1998	1997
Net earnings	As reported	$ 3,003	113
	Proforma	$ 2,361	12
Basic earnings per share	As reported	$ 0.87	0.03
	Proforma	$ 0.68	-
Diluted earnings per share	As reported	$ 0.82	0.03
	Proforma	$ 0.64	-

(10) Employee and Director Benefit Plans, continued

The fair value of each option and MRP share is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for grants in 1998 and 1997: volatility of 0.18, 1.5% dividend yield, a risk free interest rate of 5.90%, and an expected life of five and ten years, respectively.

(11) Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by the regulators about components, risk- weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, and of

Tier 1 capital to average assets (all as defined). Management believes, as of December 31, 1998 and 1997, the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 1998, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Company's and the Bank's actual capital amounts and ratios are presented below.

<TABLE>
<CAPTION>

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 1998:			(dollars in thousands)			
Total Capital (to Risk-Weighted Assets)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Consolidated	$ 27,674	9.9%	22,415	8.0%	N/A	N/A
Bank	$ 32,918	11.8%	22,340	8.0%	27,924	10.0%
Tier 1 Capital (to Risk-Weighted Assets)						
Consolidated	$ 24,795	8.9%	11,207	4.0%	N/A	N/A
Bank	$ 30,039	10.7%	11,170	4.0%	16,755	6.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 24,795	6.1%	16,203	4.0%	N/A	N/A
Bank	$ 30,039	7.6%	15,782	4.0%	19,728	5.0%
As of December 31, 1997:						
Total Capital (to Risk-Weighted Assets)						
Consolidated	$ 73,616	25.0%	23,592	8.0%	N/A	N/A
Bank	$ 50,021	17.5%	22,850	8.0%	28,563	10.0%
Tier 1 Capital (to Risk-Weighted Assets)						
Consolidated	$ 70,825	24.0%	11,796	4.0%	N/A	N/A
Bank	$ 47,231	16.6%	11,425	4.0%	17,138	6.0%
Tier 1 Capital (to Average Assets)						
Consolidated	$ 70,825	17.7%	16,051	4.0%	N/A	N/A
Bank	$ 47,231	12.3%	15,332	4.0%	19,165	5.0%

</TABLE>

(11) Regulatory Matters, continued

Banking regulations limit the amount of dividends that may be paid without prior approval of the regulatory authorities. These restrictions are based on the level of regulatory classified assets, the prior year's net earnings, and the ratio of equity capital to total assets. At December 31, 1998, the Bank could declare dividends up to approximately $1,965,000 without prior regulatory consent.

(12) Commitments

The Bank leases certain banking facilities under operating lease arrangements expiring through 2012. Future minimum payments required for all operating leases with remaining terms in excess of one year are presented below (in thousands):

Year Ending December 31,	
1999	$ 160
2000	157
2001	121
2002	114
2003	83
Thereafter	587
	$ 1,222

Total rent expense was approximately $327,000, $341,000 and $229,000 for the years ended December 31, 1998, 1997 and 1996.

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers and to manage its cost of funds. These financial instruments include commitments to originate first mortgage loans and to extend credit, standby letters of credit and an interest rate cap agreement.

These instruments involve, to varying degrees, elements of credit risk in excess of the amounts recognized in the consolidated balance sheet. The contract or notional amounts of these instruments reflect the extent of involvement the Bank has in particular classes of financial instruments.

Commitments to originate first mortgage loans and to extend credit are agreements to lend to a customer as 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. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counterparty. Collateral typically includes residential and other real properties, automobiles, savings deposits, accounts receivable, inventory and equipment.

Standby letters of credit are written conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. Most letters of credit extend for less than one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. A majority of the standby letters of credit are collateralized by real estate, deposits or other personal assets at December 31, 1998 and 1997.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

(12) Commitments, continued

On February 27, 1998, the Company entered into a Cap to reduce the potential impact of increases in interest rates on its interest-bearing liabilities. The agreement entitles the Company to receive from a counterparty, on a quarterly basis, the amounts, if any, by which the 3-month LIBOR rate exceeds the Cap rate of 6.5% on a notional amount of $40,000,000 beginning on March 6, 2000. Notional amounts are used to express the volume of these transactions, and they do not represent cash flows. The primary risk of the Cap is nonperformance by the counterparty; however, management believes this risk is minimal. No amounts have been received by the Company through December 31, 1998. The Cap agreement expires on March 4, 2003.

<TABLE>
<CAPTION>

	1998	1997
	(in thousands)	
Financial instruments whose contract amounts represent credit risk:		
<S>	<C>	<C>
Commitments to originate first mortgage loans	$ -	181
Commitments to extend credit	$ 41,585	33,937
Standby letters of credit	$ 319	404

</TABLE>

(13) Other Operating Expenses

Components of other operating expenses in excess of 1% of interest and other income for the years ended December 31, 1998, 1997 and 1996 are as follows:

<TABLE>
<CAPTION>

	1998	1997	1996
		(in thousands)	
<S>	<C>	<C>	<C>
Advertising	$ 261	313	470
Data processing expense	$ 1,153	1,024	918
Office supplies	$ 194	225	329

</TABLE>

(14) Branch Sales

On December 31, 1998, the Bank sold substantially all the assets and liabilities of three of its four Walmart branch locations (Stockbridge, Fayetteville and Newnan) to The First Citizens Bank of Newnan ("FCBN"). The disposition resulted in a cash payment to FCBN of approximately

$27,461,000 consisting of deposit liabilities of approximately $28,884,000, net of certain other assets. The sale was effective December 31, 1998. The gain on the sale of the branches of $100,000 is included in miscellaneous noninterest income.

COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(15) Community First Banking Company (Parent Company Only) Financial Information Parent company only information for 1998 and 1997 is presented for the Company since its inception in March 1997. Information for the year ended December 31, 1996 is presented for Mutual prior to the conversion.

<TABLE>
<CAPTION>

Balance Sheets

December 31, 1998 and 1997
(in thousands)

Assets

<S>	1998 <C>	1997 <C>
Cash and cash equivalents	$ 263	1,149
Securities available for sale	4,008	9,019
Investment in subsidiaries	30,854	48,432
Due from subsidiaries	-	11,901
Other assets	64	38
	$ 35,189	70,539
Liabilities and Stockholders' Equity		
Due to subsidiaries	$ 4,011	-
Accounts payable and accrued expenses	54	1,501
Note payable	5,000	-
Stockholders' equity	26,124	69,038
	$ 35,189	70,539

</TABLE>

<TABLE>
<CAPTION>

Statements of Earnings

For the Years Ended December 31, 1998, 1997 and 1996
(in thousands)

<S>	1998 <C>	1997 <C>	1996 <C>
Income:			
Dividend income from the Bank	$ 21,190	-	814
Interest income	368	544	30
Gain on sale of securities available for sale	141	-	-
Other	-	-	2
Total income	21,699	544	846
Operating expenses:			
Interest expense	351	-	145
ESOP and MRP expense	1,556	2,156	-
Other	53	90	55
Total operating expenses	1,960	2,246	200
Earnings (loss) before income tax benefit and equity in undistributed earnings of subsidiaries	19,739	(1,702)	646
Income tax benefit	492	576	59
Earnings (loss) before equity in undistributed earnings of subsidiaries or dividends received in excess of earnings of subsidiaries	20,231	(1,126)	705
Dividends received in excess of earnings of subsidiaries	(17,228)	-	(457)
Equity in undistributed earnings of subsidiaries	-	1,239	-
Net earnings	$ 3,003	113	248

======= ====== =====

</TABLE>

COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(15) Community First Banking Company (Parent Company Only) Financial Information, continued

<TABLE>
<CAPTION>

Statements of Cash Flows

For the Years Ended December 31, 1998, 1997 and 1996
(in thousands)

	1998	1997	1996
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net earnings	$ 3,003	113	248
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Amortization	6	3	42
ESOP and MRP expense	1,556	2,156	--
Gain on sale of securities available for sale	(141)	--	--
Deferred income tax expense	1,239	--	--
Dividends received in excess of earnings of subsidiaries	17,228	--	457
Equity in undistributed earnings of subsidiaries	--	(1,239)	--
Change in other assets and liabilities	(1,756)	(233)	(172)
Net cash provided by operating activities	21,135	800	575
Cash flows from investing activities:			
Proceeds from sales of securities available for sale	11,937	--	--
Purchase of securities available for sale	(8,648)	(6,603)	--
Due to (from) subsidiaries	15,912	(11,901)	--
Contributions of capital to the Bank	--	(23,634)	--
Organization costs	--	(30)	--
Net cash provided by (used in) investing activities	19,201	(42,168)	--
Cash flows from financing activities:			
Proceeds from note payable	5,000	--	--
Payments of subordinated debentures	--	(1,100)	--
Net proceeds from issuance of common stock	--	46,818	--
Cash dividends paid	(787)	(666)	--
Purchase of ESOP shares	--	(3,862)	--
Purchase of treasury stock	(45,435)	--	--
Net cash provided by (used in) financing activities	(41,222)	41,190	--
Net change in cash	(886)	(178)	575
Cash at beginning of year	1,149	1,327	752
Cash at end of year	$ 263	1,149	1,327

</TABLE>

COMMUNITY FIRST BANKING COMPANY AND SUBSIDIARIES

Notes to Consolidated Financial Statements, continued

(16) Fair Value of Financial Instruments

The assumptions used in the estimation of the fair value of the Company's financial instruments are detailed below. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered a surrogate of the liquidation value of the Company or its subsidiaries, but rather a good-faith estimate of the increase or decrease in value of financial instruments held by the Company since purchase, origination or issuance.

Cash and Cash Equivalents

For cash, due from banks, federal funds sold and interest-bearing deposits with other banks, the carrying amount is a reasonable estimate of fair value.

Investment Securities

Fair values for securities held to maturity and securities available for sale are based on quoted market prices.

Other Investments

The carrying value of other investments approximates fair value.

Loans and Mortgage Loans Held for Sale

The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For variable rate loans, the carrying amount is a reasonable estimate of fair value.

Deposits

The fair value of demand deposits, savings accounts, NOW accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Note Payable and Other Borrowings

The fair value of fixed rate borrowings are estimated using discounted cash flows, based on the current incremental borrowing rates for similar types of borrowing arrangements. For variable rate borrowings, the carrying amount is a reasonable estimate of fair value.

Subordinated Debentures

Rates currently available to the Company for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Commitments to Originate First Mortgage Loans, Commitments to Extend

Credit and Standby Letters of Credit Because commitments to originate first mortgage loans, commitments to extend credit and standby letters of credit are made using variable rates and/or are issued for short commitment periods, the contract value is a reasonable estimate of fair value.

Interest Rate Cap

The fair value of the interest rate cap is determined by the counterparty using the mid-market valuation method.

(16) Fair Value of Financial Instruments, continued

Limitations

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from offering for sale at one time the Company's entire holdings of a particular financial instrument. Because no market exists for a significant portion of the Company's financial instruments, fair value estimates are based on many judgments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. Significant assets and liabilities that are not considered financial instruments include the deferred tax asset, premises and equipment, real estate owned and the purchased core deposit intangible. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

The carrying amount and estimated fair values of the Company's financial instruments at December 31, 1998 and 1997 are as follows:

<TABLE>
<CAPTION>

<S>	1998 Carrying Amount <C>	1998 Estimated Fair Value <C>	1997 Carrying Amount <C>	1997 Estimated Fair Value <C>
		(in thousands)		
Assets:				
Cash and cash equivalents	$ 32,736	32,736	30,284	30,284
Securities available for sale	$ 71,702	71,702	49,492	49,492
Securities held to maturity	$ 232	236	6,006	6,002
Other investments	$ 2,328	2,328	2,269	2,269
Loans, net	$ 264,855	269,580	283,602	285,461
Mortgage loans held for sale	$ 199	199	789	789
Interest rate cap	$ 407	290	-	-
Liabilities:				
Deposits	$ 285,937	284,046	315,531	316,364
Note payable and other borrowings	$ 47,945	47,432	5,495	5,246
Subordinated debentures	$ 900	900	900	885
Unrecognized financial instruments:				
Commitments to originate first mortgage loans	-	-	181	181
Commitments to extend credit	$ 41,585	41,585	33,937	33,937
Standby letters of credit	$ 319	319	404	404

</TABLE>

(17) Subsequent Event

On January 21, 1999, the Company's Board of Directors declared a two-for-one common stock split to be effected in the form of a 100% stock dividend to be distributed on or about February 16, 1999 to holders of record on February 1, 1999. Accordingly, all references to common shares outstanding and per share data throughout the consolidated financial statements (except data related to treasury shares) have been restated to reflect the stock split. The par value of the additional shares of common stock to be issued in connection with the stock split was credited to common stock and a like amount charged to retained earnings in the 1998 consolidated financial statements.

MARKET FOR COMMON STOCK AND RELATED SHAREHOLDER MATTERS

The common stock of Community First Banking Company is traded on The Nasdaq Stock Market ("Nasdaq") under the symbol CFBC. At December 31, 1998, CFBC had 900 shareholders of record. The following table sets forth on a per share basis the high and low sales prices of the Company's common stock and the cash dividends paid by the Company on a quarterly basis. Since July 1,1997, the date on which the common stock was first traded on Nasdaq.

Quarter Ended	High	Low	Dividend
June 30, 1997	N/A	N/A	N/A
September 30, 1997	$18.875	$15.00	$.075
December 31,1997	$22.25	$17.75	$.075
March 31, 1998	$23.50	$20.72	$.075
June 30, 1998	$25.313	$22.25	$.075
September 30, 1998	$23.375	$19.375	$.09
December 31, 1998	$21.00	$18.625	$.11

DIRECTORS

The following individuals serve as directors of Community First Banking Company and Community First Bank:

Name	Principal Occupation
T. Aubrey Silvey, Chairman of the Board	Chairman and CEO of Aubrey Silvey Enterprises
Gary D. Dorminey	President and Chief Executive Officer of the Company and Bank
Anna L. Berry	Treasurer of Southwire Company, a major manufacturer of wire products
Gary M. Bullock, Vice Chairman of the Board	President and CEO of Carroll Electric Membership Corporation

Jerry L. Clayton	Owner of Clayton Pharmacy
Thomas E. Reeve, Jr	Retired Physician
Michael P. Steed	President and Owner of Steed Company, a manufacturer of fabric labels
Dean B. Talley	Physician
Thomas S. Upchurch	President of the Georgia Partnership for Excellence in Education

CORPORATE HEADQUARTERS
Community First Banking Company
110 Dixie Street
Carrollton, Georgia 30117
(770) 834-1071

NOTICE OF ANNUAL MEETING
The Annual Meeting of Shareholders will be held on Thursday, April 29, 1999, at 2:00 p.m. at Community First Bank, 110 Dixie Street, Carrollton, Georgia 30117.

SHAREHOLDER SERVICE
Shareholders desiring to change the name, address, or ownership of stock, to report lost certificates, or to consolidate accounts, should contact the Transfer Agent:
Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016-3572
1-800-368-5948

STOCK TRADING
Community First Banking Company common stock is traded on The Nasdaq Stock Market under the symbol CFBC.

PRIMARY MARKET MAKERS
Trident Securities, Inc.
Sandler O'Neill & Partners
Friedman Billings Ramsey & Co.
Robinson Salomon Smith Barney
Interstate/Johnson Lane Corporation

SHAREHOLDERS OF RECORD
Community First Banking Company had 900 shareholders of record as of December 31, 1998.

ANNUAL REPORT ON FORM 10-K The Company will furnish without charge a copy of its Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended December 31,1998, including financial statements and schedules, to any record or beneficial owner of its common stock as of March 11, 1999, who requests a copy of such report. Requests should be in writing addressed to:
C. Lynn Gable
Chief Financial Officer
Community First Banking Company
110 Dixie Street
Carrollton, GA 30117

FINANCIAL INFORMATION

Analysts, investors, news media and others seeking financial information should contact:

C. Lynn Gable
Chief Financial Officer
Community First Banking Company
110 Dixie Street
Carrollton, Georgia 30117
(770) 838-7271)

INDEPENDENT PUBLIC ACCOUNTANTS
Porter Keadle Moore LLP
Atlanta, Georgia

Community First Banking Company and its subsidiaries are equal opportunity employers. Community First Banking is a member of the Federal Deposit Insurance Corporation.

CONSENT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

We have issued our report dated January 22, 1999, accompanying the consolidated financial statements incorporated by reference in the Annual Report of Community First Banking Company on Form 10-K for the year ended December 31, 1998. We hereby consent to the incorporation by reference of said report in the Registration Statement of Community First Banking Company on Form S-8 (File No. 333-46987, effective February 27, 1998).

/s/PORTER KEADLE MOORE, LLP

Atlanta, Gorgia
March 26, 1999

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