UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2016 COMMISSION FILE NUMBER 0-12436

COLONY BANKCORP, INC .
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

GEORGIA	58-1492391
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

115 SOUTH GRANT STREET, FITZGERALD, GEORGIA 31750
ADDRESS OF PRINCIPAL EXECUTIVE OFFICES

229/426-6000
REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED REPORTS REQUIRED TO BE FILED BY SECTIONS 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES X NO

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS SUBMITTED ELECTRONICALLY AND POSTED ON ITS CORPORATE WEB SITE, IF ANY, EVERY INTERACTIVE DATA FILE REQUIRED TO BE SUBMITTED AND POSTED PURSUANT TO RULE 405 OF REGULATION S-T (§232.405 OF THIS CHAPTER) DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO SUBMIT AND POST SUCH FILES).

YES X NO

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, A NON-ACCELERATED FILER OR A SMALLER REPORTING COMPANY. SEE DEFINITIONS OF "ACCELERATED FILER", "LARGE ACCELERATED FILER" AND "SMALLER REPORTING COMPANY" IN RULE 12b-2 OF THE EXCHANGE ACT.

LARGE ACCELERATED FILER	ACCELERATED FILER
NON-ACCELERATED FILER (DO NOT CHECK IF A SMALLER REPORTING COMPANY)	SMALLER REPORTING COMPANY X

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12B-2 OF THE EXCHANGE ACT).

YES NO X

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE ISSUER'S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.

CLASS	OUTSTANDING AT AUGUST 2, 2016
COMMON STOCK, $1 PAR VALUE	8,439,258

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Forward Looking Statement Disclosure

Certain statements contained in this Quarterly Report that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act), not withstanding that such statements are not specifically identified. In addition, certain statements may be contained in the Company's future filings with the SEC, in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements within the meaning of the Act. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans and objectives of Colony Bankcorp, Inc. or its management or Board of Directors, including those relating to products or services; (ii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes," "anticipates," "expects," "intends," "targeted," and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- Local and regional economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact.
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- The effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board.
- Inflation, interest rate, market and monetary fluctuations.
- Political instability.
- Acts of war, terrorism or cyberterrorism.
- The timely development and acceptance of new products and services and perceived overall value of these products and services by users.
- Changes in consumer spending, borrowings and savings habits.
- Technological changes.
- Acquisitions and integration of acquired businesses.
- The ability to increase market share and control expenses.
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiary must comply.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters.
- Changes in the Company's organization, compensation and benefit plans.
- The costs and effects of litigation and of unexpected or adverse outcomes in such litigation.
- Greater than expected costs or difficulties related to the integration of new lines of business.
- The Company's success at managing the risks involved in the foregoing items.

Forward-looking statements speak only as of the date on which such statements are made. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

Readers should carefully review all disclosures we file from time to time with the Securities and Exchange Commission (SEC).

PART 1. FINANCIAL INFORMATION
ITEM 1

FINANCIAL STATEMENTS

THE FOLLOWING FINANCIAL STATEMENTS ARE PROVIDED FOR COLONY BANKCORP, INC. AND ITS WHOLLY-OWNED SUBSIDIARY BANK, COLONY BANK

A. CONSOLIDATED BALANCE SHEETS – JUNE 30, 2016 (UNAUDITED) AND DECEMBER 31, 2015 (AUDITED).

B. CONSOLIDATED STATEMENTS OF INCOME – FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND 2015 AND FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (UNAUDITED).

C. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – FOR THE THREE MONTHS ENDED JUNE 30, 2016 AND 2015 AND FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (UNAUDITED).

D. CONSOLIDATED STATEMENTS OF CASH FLOWS – FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2015 (UNAUDITED).

THE CONSOLIDATED FINANCIAL STATEMENTS FURNISHED HAVE NOT BEEN AUDITED BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS, BUT REFLECT, IN THE OPINION OF MANAGEMENT, ALL ADJUSTMENTS (CONSISTING SOLELY OF NORMAL RECURRING ADJUSTMENTS) NECESSARY FOR A FAIR PRESENTATION OF THE RESULTS OF OPERATIONS FOR THE PERIODS PRESENTED.

THE RESULTS OF OPERATIONS FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2016 ARE NOT NECESSARILY INDICATIVE OF THE RESULTS TO BE EXPECTED FOR THE FULL YEAR .

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2016 AND DECEMBER 31, 2015
(DOLLARS IN THOUSANDS)

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
ASSETS		
Cash and Cash Equivalents		
Cash and Due from Banks	$ 16,188	$ 22,257
Interest-Bearing Deposits	1,464	38,615
Investment Securities		
Available for Sale, at Fair Value	307,926	296,149
Federal Home Loan Bank Stock, at Cost	2,755	2,731
Loans	764,209	758,636
Allowance for Loan Losses	(9,390)	(8,604)
Unearned Interest and Fees	(382)	(357)
	754,437	749,675
Premises and Equipment	27,386	26,454
Other Real Estate (Net of Allowance of $1,462 and $1,582 as of June 30, 2016 and December 31, 2015, Respectively)	10,178	8,839
Other Intangible Assets	98	116
Other Assets	26,595	29,313
Total Assets	$ 1,147,027	$ 1,174,149
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-Bearing	$ 134,662	$ 133,886
Interest-Bearing	841,905	877,668
	976,567	1,011,554
Borrowed Money		
Subordinated Debentures	24,229	24,229
Other Borrowed Money	40,000	40,000
	64,229	64,229
Other Liabilities	2,766	2,909
Stockholders' Equity		
Preferred Stock, Stated Value $1,000 a Share; Authorized 10,000,000 Shares, Issued 18,021 Shares and 18,021 as of June 30, 2016 and December 31, 2015, Respectively	18,021	18,021
Common Stock, Par Value $1 a Share; Authorized 20,000,000 Shares, Issued 8,439,258 Shares as of June 30, 2016 and December 31, 2015	8,439	8,439
Paid-In Capital	29,145	29,145
Retained Earnings	47,702	44,286
Accumulated Other Comprehensive (Loss), Net of Tax Benefits	158	(4,434)
	103,465	95,457
Total Liabilities and Stockholders' Equity	$ 1,147,027	$ 1,174,149

The accompanying notes are an integral part of these statements.

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2016 AND 2015
AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Interest Income				
Loans, Including Fees	**$ 9,693**	$ 9,873	**$ 19,325**	$ 19,582
Federal Funds Sold	**-**	-	**-**	15
Deposits with Other Banks	**23**	24	**61**	41
Investment Securities				
U.S. Government Agencies	**1,359**	978	**2,712**	2,048
State, County and Municipal	**33**	25	**67**	50
Dividends on Other Investments	**33**	30	**65**	60
	11,141	10,930	**22,230**	21,796
Interest Expense				
Deposits	**1,189**	1,219	**2,393**	2,438
Borrowed Money	**427**	464	**856**	909
	1,616	1,683	**3,249**	3,347
Net Interest Income	**9,525**	9,247	**18,981**	18,449
Provision for Loan Losses	**354**	129	**708**	491
Net Interest Income After Provision for Loan Losses	**9,171**	9,118	**18,273**	17,958
Noninterest Income				
Service Charges on Deposits	**1,055**	1,040	**2,057**	2,051
Other Service Charges, Commissions and Fees	**714**	664	**1,418**	1,302
Mortgage Fee Income	**153**	134	**253**	247
Securities Gains (Losses)	**127**	-	**129**	3
Other	**303**	520	**667**	967
	2,352	2,358	**4,524**	4,570
Noninterest Expenses				
Salaries and Employee Benefits	**4,625**	4,407	**9,099**	8,875
Occupancy and Equipment	**978**	1,017	**1,942**	2,010
Other	**2,751**	2,896	**5,548**	5,721
	8,354	8,320	**16,589**	16,606
Income Before Income Taxes	**3,169**	3,156	**6,208**	5,922
Income Taxes	**1,002**	971	**1,980**	1,854
Net Income	**2,167**	2,185	**4,228**	4,068
Preferred Stock Dividends	**406**	630	**811**	1,260
Net Income Available to Common Stockholders	**$ 1,761**	$ 1,555	**$ 3,417**	$ 2,808
Net Income Per Share of Common Stock				
Basic	**$ 0.21**	$ 0.18	**$ 0.40**	$ 0.33
Diluted	**$ 0.21**	$ 0.18	**$ 0.40**	$ 0.33
Cash Dividends Declared Per Share of Common Stock	**$ -**	$ -	**$ -**	$ -
Weighted Average Basic Shares Outstanding	**8,439,258**	8,439,258	**8,439,258**	8,439,258
Weighted Average Diluted Shares Outstanding	**8,497,618**	8,441,628	**8,490,540**	8,440,443

The accompanying notes are an integral part of these statements.

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED JUNE 30, 2016 AND 2015
AND SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Three Months Ended		Six Months Ended	
	June 30, 2016	June 30, 2015	**June 30, 2016**	June 30, 2015
Net Income	**$ 2,167**	$ 2,185	**$ 4,228**	$ 4,068
Other Comprehensive Income:				
Gains (Losses) on Securities Arising During the Year	**1,632**	(1,910)	**6,829**	1,244
Tax Effect	**(555)**	651	**(2,322)**	(423)
Realized Gains (Losses) on Sale of AFS Securities	**127**	-	**129**	3
Tax Effect	**(43)**	-	**(44)**	(1)
Change in Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effects	**1,161**	(1,259)	**4,592**	823
Comprehensive Income	**$ 3,328**	$ 926	**$ 8,820**	$ 4,891

The accompanying notes are an integral part of these statements.

PART I (Continued)
Item 1 (Continued)

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2016 AND 2015
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Six Months Ended	
	June 30, 2016	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	**$ 4,228**	$ 4,068
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	**771**	821
Provision for Loan Losses	**708**	491
Securities (Gains) Losses	**(129)**	(3)
Amortization and Accretion	**750**	931
(Gain) Losses on Sale of Other Real Estate and Repossessions	**(31)**	(71)
Provision for Losses on Other Real Estate	**78**	18
Increase in Cash Surrender Value of Life Insurance	**(313)**	(26)
(Gain) Loss on Sale of Premises & Equipment	**77**	-
Other Prepaids, Deferrals and Accruals, Net	**498**	(747)
	6,637	5,482
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investment Securities Available for Sale	**(46,069)**	(51,849)
Proceeds from Maturities, Calls, and Paydowns of Investment Securities:		
Available for Sale	**24,656**	27,751
Held for Maturity	**-**	5
Proceeds from Sale of Investment Securities		
Available for Sale	**16,010**	25,173
Interest-Bearing Deposits in Other Banks	**37,151**	(3,117)
Net Loans to Customers	**(8,724)**	(20,253)
Purchase of Premises and Equipment	**(1,795)**	(354)
Proceeds from Sale of Other Real Estate and Repossessions	**1,873**	3,907
Federal Home Loan Bank Stock	**(24)**	100
Proceeds from Sale of Premises and Equipment	**14**	29
	23,092	(18,608)
CASH FLOWS FROM FINANCING ACTIVITIES		
Noninterest-Bearing Customer Deposits	**776**	(2,799)
Interest-Bearing Customer Deposits	**(35,763)**	(7,870)
Dividends Paid for Preferred Stock	**(811)**	(1,260)
	(35,798)	(11,929)
Net Decrease in Cash and Cash Equivalents	**(6,069)**	(25,055)
Cash and Cash Equivalents at Beginning of Period	**22,257**	44,605
Cash and Cash Equivalents at End of Period	**$ 16,188**	$ 19,550

The accompanying notes are an integral part of these statements.

COLONY BANKCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Presentation

Colony Bankcorp, Inc. (the Company) is a bank holding company located in Fitzgerald, Georgia. The consolidated financial statements include the accounts of Colony Bankcorp, Inc. and its wholly-owned subsidiary, Colony Bank, Fitzgerald, Georgia. All significant intercompany accounts have been eliminated in consolidation. The accounting and reporting policies of Colony Bankcorp, Inc. conform to generally accepted accounting principles and practices utilized in the commercial banking industry.

All dollars in notes to consolidated financial statements are rounded to the nearest thousand, except for per share amounts.

The consolidated financial statements in this report are unaudited, except for the December 31, 2015 consolidated balance sheet. All adjustments consisting of normal recurring accruals which are, in the opinion of management, necessary for fair presentation of the interim consolidated financial statements have been included and fairly and accurately present the financial position, results of operations and cash flows of the Company. The results of operations for the six months ended June 30, 2016, are not necessarily indicative of the results which may be expected for the entire year.

Nature of Operations

The Bank provides a full range of retail and commercial banking services for consumers and small- to medium-size businesses located primarily in central, south and coastal Georgia. Colony Bank is headquartered in Fitzgerald, Georgia with banking offices in Albany, Ashburn, Broxton, Centerville, Columbus, Cordele, Douglas, Eastman, Fitzgerald, Leesburg, Moultrie, Quitman, Rochelle, Savannah, Soperton, Sylvester, Thomaston, Tifton, Valdosta and Warner Robins. Lending and investing activities are funded primarily by deposits gathered through its retail banking office network.

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the balance sheet date and revenues and expenses for the period. Actual results could differ significantly from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans.

Reclassifications

In certain instances, amounts reported in prior years' consolidated financial statements have been reclassified to conform to statement presentations selected for 2016. Such reclassifications have not affected previously reported stockholders' equity or net income.

Concentrations of Credit Risk

Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk, particularly with the current economic downturn in the real estate market. At June 30, 2016, approximately 85 percent of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. Declining collateral real estate values that secure land development, construction and speculative real estate loans in the Company's larger MSA markets have resulted in high loan loss provisions in recent years. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor these concentrations and has considered these concentrations in its allowance for loan loss analysis.

(1) Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk (Continued)

The success of the Company is dependent, to a certain extent, upon the economic conditions in the geographic markets it serves. Adverse changes in the economic conditions in these geographic markets would likely have a material adverse effect on the Company's results of operations and financial condition. The operating results of Colony depend primarily on its net interest income. Accordingly, operations are subject to risks and uncertainties surrounding the exposure to changes in the interest rate environment.

At times, the Company may have cash and cash equivalents at financial institutions in excess of federal deposit insurance limits. The Company places its cash and cash equivalents with high credit quality financial institutions whose credit ratings are monitored by management to minimize credit risk.

Investment Securities

The Company classifies its investment securities as trading, available for sale or held to maturity. Securities that are held principally for resale in the near term are classified as trading. Trading securities are carried at fair value, with realized and unrealized gains and losses included in noninterest income. Currently, no securities are classified as trading. Securities acquired with both the intent and ability to be held to maturity are classified as held to maturity and reported at amortized cost. All securities not classified as trading or held to maturity are considered available for sale. Securities available for sale are reported at estimated fair value. Unrealized gains and losses on securities available for sale are excluded from earnings and are reported, net of deferred taxes, in accumulated other comprehensive income (loss), a component of stockholders' equity. Gains and losses from sales of securities available for sale are computed using the specific identification method. Securities available for sale includes securities, which may be sold to meet liquidity needs arising from unanticipated deposit and loan fluctuations, changes in regulatory capital requirements, or unforeseen changes in market conditions.

The Company evaluates each held to maturity and available for sale security in a loss position for other-than-temporary impairment (OTTI). In estimating other-than-temporary impairment losses, management considers such factors as the length of time and the extent to which the market value has been below cost, the financial condition of the issuer and the Company's intent to sell and whether it is more likely than not that the Company will be required to sell the security before anticipated recovery of the amortized cost basis. If the Company intends to sell or if it is more likely than not that the Company will be required to sell the security before recovery, the OTTI write-down is recognized in earnings. If the Company does not intend to sell the security or it is not more likely than not that it will be required to sell the security before recovery, the OTTI write-down is separated into an amount representing credit loss, which is recognized in earnings and an amount related to all other factors, which is recognized in other comprehensive income (loss).

Federal Home Loan Bank Stock

Investment in stock of a Federal Home Loan Bank (FHLB) is required for every federally insured institution that utilizes its services. FHLB stock is considered restricted, as defined in the accounting standards. The FHLB stock is reported in the consolidated financial statements at cost. Dividend income is recognized when earned.

Loans

Loans that the Company has the ability and intent to hold for the foreseeable future or until maturity are recorded at their principal amount outstanding, net of unearned interest and fees. Loan origination fees, net of certain direct origination costs, are deferred and amortized over the estimated terms of the loans using the straight-line method. Interest income on loans is recognized using the effective interest method.

A loan is considered to be delinquent when payments have not been made according to contractual terms, typically evidenced by nonpayment of a monthly installment by the due date.

When management believes there is sufficient doubt as to the collectibility of principal or interest on any loan or generally when loans are 90 days or more past due, the accrual of applicable interest is discontinued and the loan is designated as nonaccrual, unless the loan is well secured and in the process of collection. Interest payments received on nonaccrual loans are either applied against principal or reported as income, according to management's judgment as to the collectibility of principal. Loans are returned to an accrual status when factors indicating doubtful collectibility on a timely basis no longer exist.

(1) Summary of Significant Accounting Policies (Continued)

Loans Modified in a Troubled Debt Restructuring (TDR)

Loans are considered to have been modified in a TDR when, due to a borrower's financial difficulty, the Company makes certain concessions to the borrower that it would not otherwise consider for new debt with similar risk characteristics. Modifications may include interest rate reductions, principal or interest forgiveness, forbearance, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral. Generally, a non-accrual loan that has been modified in a TDR remains on non-accrual status for a period of 6 months to demonstrate that the borrower is able to meet the terms of the modified loan. However, performance prior to the modification, or significant events that coincide with the modification, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of loan modification or after a shorter performance period. If the borrower's ability to meet the revised payment schedule is uncertain, the loan remains on non-accrual status. Once a loan is modified in a troubled debt restructuring it is accounted for as an impaired loan, regardless of its accrual status, until the loan is paid in full, sold or charged off. A TDR may cease being classified as impaired if the loan is subsequently modified at market terms and, has performed according to the modified terms for at least six months, and there has not been any prior principal forgiveness on a cumulative basis.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revisions as more information becomes available.

The allowance consists of specific, historical and general components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan are lower than the carrying value of that loan. The historical component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. A general component is maintained to cover uncertainties that could affect management's estimate of probable losses. The general component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and historical losses in the portfolio. General valuation allowances are based on internal and external qualitative risk factors such as (1) changes in lending policies and procedures, including changes in underwriting standards and collections, charge offs, and recovery practices, (2) changes in international, national, regional, and local conditions, (3) changes in the nature and volume of the portfolio and terms of loans, (4) changes in the experience, depth, and ability of lending management, (5) changes in the volume and severity of past due loans and other similar conditions, (6) changes in the quality of the organization's loan review system, (7) changes in the value of underlying collateral for collateral dependent loans, (8) the existence and effect of any concentrations of credit and changes in the levels of such concentrations, and (9) the effect of other external factors (i.e. competition, legal and regulatory requirements) on the level of estimated credit losses.

Loans identified as losses by management, internal loan review and/or regulatory agencies are charged off.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

(1) Summary of Significant Accounting Policies (Continued)

A llowance for Loan Losses (Continued)

A significant portion of the Company's impaired loans are deemed to be collateral dependent. Management therefore measures impairment on these loans based on the fair value of the collateral. Collateral values are determined based on appraisals performed by qualified licensed appraisers hired by the Company or by senior members of the Company's credit administration staff. The decision whether or not to obtain an external third-party appraisal usually depends on the type of property being evaluated. External appraisals are usually obtained on more complex, income producing properties such as hotels, shopping centers and businesses. Less complex properties such as residential lots, farm land and single family houses may be evaluated internally by senior credit administration staff. When the Company does obtain appraisals from external third-parties, the values utilized in the impairment calculation are "as is" or current market values. The appraisals, whether prepared internally or externally, may utilize a single valuation approach or a combination of approaches including the comparable sales, income and cost approach. Appraised amounts used in the impairment calculation are typically discounted 10 percent to account for selling and marketing costs, if the repayment of the loan is to come from the sale of the collateral. Although appraisals are not obtained each year on all impaired loans, the collateral values used in the impairment calculations are evaluated quarterly by management. Based on management's knowledge of the collateral and the current real estate market conditions, appraised values may be further discounted to reflect facts and circumstances known to management since the most recent appraisal was performed.

Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a level 3 classification of the inputs for determining fair value. Because of the high degree of judgment required in estimating the fair value of collateral underlying impaired loans and because of the relationship between fair value and general economic conditions, we consider the fair value of impaired loans to be highly sensitive to changes in market conditions.

Premises and Equipment

Premises and equipment are recorded at acquisition cost net of accumulated depreciation.

Depreciation is charged to operations over the estimated useful lives of the assets. The estimated useful lives and methods of depreciation are as follows:

Description	Life in Years	Method
Banking Premises	15 - 40	Straight-Line and Accelerated
Furniture and Equipment	5 - 10	Straight-Line and Accelerated

Expenditures for major renewals and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. When property and equipment are retired or sold, the cost and accumulated depreciation are removed from the respective accounts and any gain or loss is reflected in other income or expense.

Intangible Assets

Intangible assets consist of core deposit intangibles acquired in connection with a business combination. The core deposit intangible is initially recognized based on a valuation performed as of the consummation date. The core deposit intangible is amortized by the straight-line method over the average remaining life of the acquired customer deposits.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

(1) Summary of Significant Accounting Policies (Continued)

Statement of Cash Flows

For reporting cash flows, cash and cash equivalents include cash on hand, noninterest-bearing amounts due from banks and federal funds sold. Cash flows from demand deposits, interest-bearing checking accounts, savings accounts, loans and certificates of deposit are reported net.

Advertising Costs

The Company expenses the cost of advertising in the periods in which those costs are incurred.

Income Taxes

The provision for income taxes is based upon income for financial statement purposes, adjusted for nontaxable income and nondeductible expenses. Deferred income taxes have been provided when different accounting methods have been used in determining income for income tax purposes and for financial reporting purposes.

Deferred tax assets and liabilities are recognized based on future tax consequences attributable to differences arising from the financial statement carrying values of assets and liabilities and their tax bases. The differences relate primarily to depreciable assets (use of different depreciation methods for financial statement and income tax purposes) and allowance for loan losses (use of the allowance method for financial statement purposes and the direct write-off method for tax purposes). In the event of changes in the tax laws, deferred tax assets and liabilities are adjusted in the period of the enactment of those changes, with effects included in the income tax provision. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company and its subsidiary file a consolidated federal income tax return. The subsidiary pays its proportional share of federal income taxes to the Company based on its taxable income.

Positions taken in the Company's tax returns may be subject to challenge by the taxing authorities upon examination. Uncertain tax positions are initially recognized in the consolidated financial statements when it is more likely than not the position will be sustained upon examination by the tax authorities. Such tax positions are both initially and subsequently measured as the largest amount of tax benefit that is greater than 50 percent likely of being realized upon settlement with the tax authority, assuming full knowledge of the position and all relevant facts. The Company provides for interest and, in some cases, penalties on tax positions that may be challenged by the taxing authorities. Interest expense is recognized beginning in the first period that such interest would begin accruing. Penalties are recognized in the period that the Company claims the position in the tax return. Interest and penalties on income tax uncertainties are classified within income tax expense in the consolidated statement of income.

Other Real Estate

Other real estate generally represents real estate acquired through foreclosure and is initially recorded at estimated fair value at the date of acquisition less the cost of disposal. Losses from the acquisition of property in full or partial satisfaction of debt are recorded as loan losses. Properties are evaluated regularly to ensure the recorded amounts are supported by current fair values, and valuation allowances are recorded as necessary to reduce the carrying amount to fair value less estimated cost of disposal. Routine holding costs and gains or losses upon disposition are included in other noninterest expense.

Bank-Owned Life Insurance

The Company has purchased life insurance on the lives of certain key members of management and directors. The life insurance policies are recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or amounts due that are probable at settlement, if applicable. Increases in the cash surrender value are recorded as other income in the consolidated statements of income. The cash surrender value of the insurance contracts is recorded in other assets on the consolidated balance sheets in the amount of $15,143 and $14,830 as of June 30, 2016 and December 31, 2015, respectively.

(1) S ummary of Significant Accounting Policies (Continued)

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, represent equity changes from economic events of the period other than transactions with owners and are not reported in the consolidated statements of operations but as a separate component of the equity section of the consolidated balance sheets. Such items are considered components of other comprehensive income (loss). Accounting standards codification requires the presentation in the consolidated financial statements of net income and all items of other comprehensive income (loss) as total comprehensive income (loss).

Off-Balance Sheet Credit Related Financial Instruments

In the ordinary course of business, the Company has entered into commitments to extend credit, commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Changes in Accounting Principles and Effects of New Accounting Pronouncements

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services. ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each performance obligation. ASU 2014-09, as deferred one year by ASU 2015-14, is effective for the Company in the first quarter of fiscal year 2018. The Company is currently evaluating the impact of the pending adoption of ASU 2014-09 on the consolidated financial statements.

ASU 2016-1, *"No. 2016-01, Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-1, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (viii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale. ASU 2016-1 will be effective for the Company on January 1, 2018. The Company is currently evaluating the impact of the pending adoption of ASU 2016-1 on the consolidated financial statements.

ASU 2016-02, *"Lease s ."* This ASU requires lessees to put most leases on their balance sheets but recognize expenses in the income statement in a manner similar to current accounting treatment. This ASU changes the guidance on sale-leaseback transactions, initial direct costs and lease execution costs, and, for lessors, modifies the classification criteria and the accounting for sales-type and direct financing leases. For public business entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods therein. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is evaluating the impact of this ASU on its financial statements and disclosures.

ASU 2016-09, *"Improvements to Employee Share-Based Payment Accounting."* This ASU simplifies several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. For public business entities, this ASU is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods therein. The Company is evaluating the impact of this ASU on its financial statements and disclosures.

PART I (Continued)
Item 1 (Continued)

(1) S ummary of Significant Accounting Policies (Continued)

Changes in Accounting Principles and Effects of New Accounting Pronouncements (Continued)

ASU 2016-13, *"Financial Instruments – Credit Losses. "* This ASU sets forth a "current expected credit loss" (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supported forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently assessing the impact of the adoption of this ASU on its consolidated financial statements.

(2) Investment Securities

Investment securities as of June 30, 2016 and December 31, 2015 are summarized as follows:

June 30, 2016	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities Available for Sale:				
U. S. Government Agencies				
Mortgage-Backed	**$ 302,731**	**$ 1,734**	**$ (1,615)**	**$ 302,850**
State, County & Municipal	**4,956**	**120**	**-**	**5,076**
	$ 307,687	**$ 1,854**	**$ (1,615)**	**$ 307,926**

December 31, 2015	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities Available for Sale:				
U. S. Government Agencies				
Mortgage-Backed	$ 297,779	$ 63	$ (6,792)	$ 291,050
State, County & Municipal	5,089	30	(20)	5,099
	$ 302,868	$ 93	$ (6,812)	$ 296,149

PART I (Continued)
Item 1 (Continued)

(2) Investment Securities (Continued)

The amortized cost and fair value of investment securities as of June 30, 2016, by contractual maturity, are shown hereafter. Expected maturities may differ from contractual maturities for certain investments because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. This is often the case with mortgage-backed securities, which are disclosed separately in the table below.

	Securities Available for Sale	
	Amortized Cost	**Fair Value**
Due In One Year or Less	**$ 330**	**$ 330**
Due After One Year Through Five Years	**2,021**	**2,041**
Due After Five Years Through Ten Years	**1,113**	**1,154**
Due After Ten Years	**1,492**	**1,551**
	$ 4,956	**$ 5,076**
Mortgage-Backed Securities	**302,731**	**302,850**
	$ 307,687	**$ 307,926**

Proceeds from the sale of investments available for sale during the first six months of 2016 totaled $16,010 compared to $25,173 for the first six months of 2015. The sale of investments available for sale during the first six months of 2016 resulted in gross realized gains of $135 and losses of $6. The sale of investments available for sale during the first six months of 2015 resulted in gross realized gains of $199 and losses of $196.

Investment securities having a carry value approximating $120,010 and $133,754 as of June 30, 2016 and December 31, 2015, respectively, were pledged to secure public deposits and for other purposes.

Information pertaining to securities with gross unrealized losses at June 30, 2016 and December 31, 2015 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
June 30, 2016						
U. S. Government Agencies						
Mortgage-Backed	**$ 29,085**	**$ (132)**	**$ 116,481**	**$ (1,483)**	**$ 145,566**	**$ (1,615)**
	$ 29,085	**$ (132)**	**$ 116,481**	**$ (1,483)**	**$ 145,566**	**$ (1,615)**
December 31. 2015						
U.S. Government Agencies						
Mortgage-Backed	$ 139,765	$ (1,270)	$ 139,720	$ (5,522)	$ 279,485	$ (6,792)
State, County and Municipal	1,035	(20)	-	-	1,035	(20)
	$ 140,800	$ (1,290)	$ 139,720	$ (5,522)	$ 280,520	$ (6,812)

(2) Investment Securities (Continued)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At June 30, 2016, the debt securities with unrealized losses have depreciated 1.10 percent from the Company's amortized cost basis. These securities are guaranteed by either the U.S. Government, other governments or U.S. corporations. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other than temporary.

(3) Loans

The following table presents the composition of loans segregated by class of loans, as of June 30, 2016 and December 31, 2015.

	June 30, 2016	December 31, 2015
Commercial and Agricultural		
Commercial	**$ 47,934**	$ 47,782
Agricultural	**24,307**	19,193
Real Estate		
Commercial Construction	**32,292**	40,107
Residential Construction	**9,141**	9,413
Commercial	**345,181**	346,262
Residential	**196,140**	197,002
Farmland	**70,137**	61,780
Consumer and Other		
Consumer	**19,936**	20,605
Other	**19,141**	16,492
Total Loans	**$ 764,209**	$ 758,636

Commercial and industrial loans are extended to a diverse group of businesses within the Company's market area. These loans are often underwritten based on the borrower's ability to service the debt from income from the business. Real estate construction loans often require loan funds to be advanced prior to completion of the project. Due to uncertainties inherent in estimating construction costs, changes in interest rates and other economic conditions, these loans often pose a higher risk than other types of loans. Consumer loans are originated at the bank level. These loans are generally smaller loan amounts spread across many individual borrowers to help minimize risk.

Credit Quality Indicators . As part of the ongoing monitoring of the credit quality of the loan portfolio, management tracks certain credit quality indicators including trends related to (i) the risk grade assigned to commercial and consumer loans, (ii) the level of classified commercial loans, (iii) net charge-offs, (iv) nonperforming loans, and (v) the general economic conditions in the Company's geographic markets.

The Company uses a risk grading matrix to assign a risk grade to each of its loans. Loans are graded on a scale of 1 to 8. A description of the general characteristics of the grades is as follows:

PART I (Continued)
Item 1 (Continued)

(3) Loans (Continued)

- Grades 1 and 2 – Borrowers with these assigned grades range in risk from virtual absence of risk to minimal risk. Such loans may be secured by Company-issued and controlled certificates of deposit or properly margined equity securities or bonds. Other loans comprising these grades are made to companies that have been in existence for a long period of time with many years of consecutive profits and strong equity, good liquidity, excellent debt service ability and unblemished past performance, or to exceptionally strong individuals with collateral of unquestioned value that fully secures the loans. Loans in this category fall into the "pass" classification.

- Grades 3 and 4 – Loans assigned these "pass" risk grades are made to borrowers with acceptable credit quality and risk. The risk ranges from loans with no significant weaknesses in repayment capacity and collateral protection to acceptable loans with one or more risk factors considered to be more than average.

- Grade 5 – This grade includes "special mention" loans on management's watch list and is intended to be used on a temporary basis for pass grade loans where risk-modifying action is intended in the short-term.

- Grade 6 – This grade includes "substandard" loans in accordance with regulatory guidelines. This category includes borrowers with well-defined weaknesses that jeopardize the payment of the debt in accordance with the agreed terms. Loans considered to be impaired are assigned this grade, and these loans often have assigned loss allocations as part of the allowance for loan and lease losses. Generally, loans on which interest accrual has been stopped would be included in this grade.

- Grades 7 and 8 – These grades correspond to regulatory classification definitions of "doubtful" and "loss," respectively. In practice, any loan with these grades would be for a very short period of time, and generally the Company has no loans with these assigned grades. Management manages the Company's problem loans in such a way that uncollectible loans or uncollectible portions of loans are charged off immediately with any residual, collectible amounts assigned a risk grade of 6.

The following table presents the loan portfolio by credit quality indicator (risk grade) as of June 30, 2016 and December 31, 2015. Those loans with a risk grade of 1, 2, 3 or 4 have been combined in the pass column for presentation purposes. For the period ending June 30, 2016, the Company did not have any loans classified as "doubtful" or a "loss".

June 30, 2016

	Pass	Special Mention	Substandard	Total Loans
Commercial and Agricultural				
Commercial	$ 45,696	$ 871	$ 1,367	$ 47,934
Agricultural	23,872	62	373	24,307
Real Estate				
Commercial Construction	29,979	1,011	1,302	32,292
Residential Construction	9,141	-	-	9,141
Commercial	321,052	7,434	16,695	345,181
Residential	176,773	8,132	11,235	196,140
Farmland	68,056	1,119	962	70,137
Consumer and Other				
Consumer	19,386	124	426	19,936
Other	19,121	-	20	19,141
Total Loans	$ 713,076	$ 18,753	$ 32,380	$ 764,209

PART I (Continued)
Item 1 (Continued)

(3) Loans (Continued)

December 31, 2015

	Pass	Special Mention	Substandard	Total Loans
Commercial and Agricultural				
Commercial	$ 44,274	$ 1,927	$ 1,581	$ 47,782
Agricultural	18,970	18	205	19,193
Real Estate				
Commercial Construction	36,516	913	2,678	40,107
Residential Construction	9,413	-	-	9,413
Commercial	320,566	13,653	12,043	346,262
Residential	177,054	8,546	11,402	197,002
Farmland	56,798	930	4,052	61,780
Consumer and Other				
Consumer	20,038	156	411	20,605
Other	16,467	-	25	16,492
Total Loans	$ 700,096	$ 26,143	$ 32,397	$ 758,636

A loan's risk grade is assigned at the inception of the loan and is based on the financial strength of the borrower and the type of collateral. Loan risk grades are subject to reassessment at various times throughout the year as part of the Company's ongoing loan review process. Loans with an assigned risk grade of 6 or below and an outstanding balance of $250,000 or more are reassessed on a quarterly basis. During this reassessment process individual reserves may be identified and placed against certain loans which are not considered impaired.

In assessing the overall economic condition of the markets in which it operates, the Company monitors the unemployment rates for its major service areas. The unemployment rates are reviewed on a quarterly basis as part of the allowance for loan loss determination.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Generally, loans are placed on nonaccrual status if principal or interest payments become 90 days past due or when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provision. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due.

(3) Loans (Continued)

The following table represents an age analysis of past due loans and nonaccrual loans, segregated by class of loans, as of June 30, 2016 and December 31, 2015:

June 30, 2016

	Accruing Loans					
	30-89 Days Past Due	90 Days or More Past Due	Total Accruing Loans Past Due	Nonaccrual Loans	Current Loans	Total Loans
Commercial and Agricultural						
Commercial	$ 320	$ -	$ 320	$ 461	$ 47,153	$ 47,934
Agricultural	104	-	104	192	24,011	24,307
Real Estate						
Commercial Construction	148	-	148	190	31,954	32,292
Residential Construction	-	-	-	-	9,141	9,141
Commercial	1,452	-	1,452	7,678	336,051	345,181
Residential	3,123	-	3,123	3,455	189,562	196,140
Farmland	220	-	220	933	68,984	70,137
Consumer and Other						
Consumer	244	-	244	240	19,452	19,936
Other	-	-	-	-	19,141	19,141
Total Loans	$ 5,611	$ -	$ 5,611	$ 13,149	$ 745,449	$ 764,209

December 31, 2015

	Accruing Loans					
	30-89 Days Past Due	90 Days or More Past Due	Total Accruing Loans Past Due	Nonaccrual Loans	Current Loans	Total Loans
Commercial and Agricultural						
Commercial	$ 491	$ -	$ 491	$ 577	$ 46,714	$ 47,782
Agricultural	71	-	71	178	18,944	19,193
Real Estate						
Commercial Construction	90	-	90	1,643	38,374	40,107
Residential Construction	-	-	-	-	9,413	9,413
Commercial	6,031	-	6,031	7,565	332,666	346,262
Residential	3,683	-	3,683	3,164	190,155	197,002
Farmland	123	-	123	1,103	60,554	61,780
Consumer and Other						
Consumer	470	8	478	178	19,949	20,605
Other	-	-	-	-	16,492	16,492
Total Loans	$ 10,959	$ 8	$ 10,967	$ 14,408	$ 733,261	$ 758,636

PART I (Continued)
Item 1 (Continued)

(3) Loans (Continued)

The following table details impaired loan data as of June 30, 2016:

June 30, 2016

	Unpaid Contractual Principal Balance	Impaired Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Collected
With No Related Allowance Recorded						
Commercial	$ 460	$ 460	$ -	$ 472	$ 4	$ 5
Agricultural	213	192	-	188	9	13
Commercial Construction	453	428	-	930	8	7
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	16,383	15,615	-	13,577	271	270
Residential Real Estate	5,227	4,956	-	4,606	(7)	119
Farmland	935	933	-	1,121	(3)	1
Consumer	248	240	-	205	4	6
Other	-	-	-	-	-	-
	23,919	22,824	-	21,099	286	421
With An Allowance Recorded						
Commercial	-	-	-	50	-	-
Agricultural	-	-	-	-	-	-
Commercial Construction	74	74	22	75	-	-
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	8,709	8,695	2,886	8,305	127	124
Residential Real Estate	864	856	440	965	3	3
Farmland	384	384	33	386	10	11
Consumer	-	-	-	-	-	-
Other	-	-	-	-	-	-
	10,031	10,009	3,381	9,781	140	138
Total						
Commercial	460	460	-	522	4	5
Agricultural	213	192	-	188	9	13
Commercial Construction	527	502	22	1,005	8	7
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	25,092	24,310	2,886	21,882	398	394
Residential Real Estate	6,091	5,812	440	5,571	(4)	122
Farmland	1,319	1,317	33	1,507	7	12
Consumer	248	240	-	205	4	6
Other	-	-	-	-	-	-
	$ 33,950	$ 32,833	$ 3,381	$ 30,880	$ 426	$ 559

(3) Loans (Continued)

The following table details impaired loan data as of December 31, 2015:

December 31, 2015

	Unpaid Contractual Principal Balance	Impaired Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Collected
With No Related Allowance Recorded						
Commercial	$ 454	$ 454	$ -	$ 535	$ 17	$ 21
Agricultural	196	178	-	163	(10)	10
Commercial Construction	6,888	1,898	-	2,867	26	27
Commercial Real Estate	15,569	15,122	-	15,430	529	531
Residential Real Estate	5,429	4,576	-	4,715	176	159
Farmland	1,105	1,103	-	1,340	1	2
Consumer	180	178	-	191	14	15
Other	-	-	-	48	-	-
	29,821	23,509	-	25,289	753	765
With An Allowance Recorded						
Commercial	123	123	95	100	2	3
Agricultural	-	-	-	-	-	-
Commercial Construction	77	76	25	92	-	-
Commercial Real Estate	8,969	8,956	1,608	6,673	214	209
Residential Real Estate	1,083	1,075	308	1,089	16	16
Farmland	388	388	37	391	21	21
Consumer	-	-	-	-	-	-
Other	-	-	-	-	-	-
	10,640	10,618	2,073	8,345	253	249
Total						
Commercial	577	577	95	635	19	24
Agricultural	196	178	-	163	(10)	10
Commercial Construction	6,965	1,974	25	2,959	26	27
Commercial Real Estate	24,538	24,078	1,608	22,103	743	740
Residential Real Estate	6,512	5,651	308	5,804	192	175
Farmland	1,493	1,491	37	1,731	22	23
Consumer	180	178	-	191	14	15
Other	-	-	-	48	-	-
	$ 40,461	$ 34,127	$ 2,073	$ 33,634	$ 1,006	$ 1,014

PART I (Continued)
Item 1 (Continued)

(3) Loans (Continued)

The following table details impaired loan data as of June 30, 2015:

June 30, 2015

	Unpaid Contractual Principal Balance	Impaired Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Collected
With No Related Allowance Recorded						
Commercial	$ 710	$ 648	$ -	$ 555	$ (11)	$ 16
Agricultural	179	161	-	159	(10)	10
Commercial Construction	9,613	3,408	-	3,418	13	14
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	15,149	15,149	-	16,093	281	261
Residential Real Estate	5,612	4,691	-	4,943	115	105
Farmland	1,444	1,442	-	1,430	3	4
Consumer	244	204	-	198	(4)	8
Other	-	-	-	97	-	-
	32,951	25,703	-	26,893	387	418
With An Allowance Recorded						
Commercial	92	92	92	93	-	-
Agricultural	-	-	-	-	-	-
Commercial Construction	80	80	18	107	-	-
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	6,639	5,992	278	5,728	56	47
Residential Real Estate	1,093	1,093	320	1,098	9	8
Farmland	392	392	59	393	11	11
Consumer	-	-	-	-	-	-
Other	-	-	-	-	-	-
	8,296	7,649	767	7,419	76	66
Total						
Commercial	802	740	92	648	(11)	16
Agricultural	179	161	-	159	(10)	10
Commercial Construction	9,693	3,488	18	3,525	13	14
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	21,788	21,141	278	21,821	337	308
Residential Real Estate	6,705	5,784	320	6,041	124	113
Farmland	1,836	1,834	59	1,823	14	15
Consumer	244	204	-	198	(4)	8
Other	-	-	-	97	-	-
	$ 41,247	$ 33,352	$ 767	$ 34,312	$ 463	$ 484

(3) Loans (Continued)

Troubled Debt Restructurings (TDRs) are troubled loans on which the original terms of the loan have been modified in favor of the borrower due to deterioration in the borrower's financial condition. Each potential loan modification is reviewed individually and the terms of the loan are modified to meet the borrower's specific circumstances at a point in time. Not all loan modifications are TDRs. Loan modifications are reviewed and approved by the Company's senior lending staff, who then determine whether the loan meets the criteria for a TDR. Generally, the types of concessions granted to borrowers that are evaluated in determining whether a loan is classified as a TDR include:

- Interest rate reductions – Occur when the stated interest rate is reduced to a nonmarket rate or a rate the borrower would not be able to obtain elsewhere under similar circumstances.

- Amortization or maturity date changes – Result when the amortization period of the loan is extended beyond what is considered a normal amortization period for loans of similar type with similar collateral.

- Principal reductions – These are often the result of commercial real estate loan workouts where two new notes are created. The primary note is underwritten based upon our normal underwriting standards and is structured so that the projected cash flows are sufficient to repay the contractual principal and interest of the newly restructured note. The terms of the secondary note vary by situation and often involve that note being charged-off, or the principal and interest payments being deferred until after the primary note has been repaid. In situations where a portion of the note is charged-off during modification there is often no specific reserve allocated to those loans. This is due to the fact that the amount of the charge-off usually represents the excess of the original loan balance over the collateral value and the Company has determined there is no additional exposure on those loans.

As discussed in Note 1, Summary of Significant Accounting Policies, once a loan is identified as a TDR, it is accounted for as an impaired loan. The Company had no unfunded commitments to lend to a customer that has a troubled debt restructured loan as of June 30, 2016. The following tables present the number of loan contracts restructured during the three month and six month period ended June 30, 2016 and 2015. It shows the pre- and post-modification recorded investment as well as the number of contracts and the recorded investment for those TDRs modified during the previous twelve months which subsequently defaulted during the period. Loans modified in a troubled debt restructuring are considered to be in default once the loan becomes 90 days past due. A TDR may cease being classified as impaired if the loan is subsequently modified at market terms and, has performed according to the modified terms for at least six months, and there has not been any prior principal forgiveness on a cumulative basis.

Troubled Debt Restructurings	**Three Months Ended June 30, 2016**			**Six Months Ended June 30, 2016**		
	# of Contracts	Pre-Modification	Post-Modification	# of Contracts	Pre-Modification	Post-Modification
Residential Real Estate	**1**	**$ 91**	**$ 91**	**1**	**$ 91**	**$ 91**
Total Loans	**1**	**$ 91**	**$ 91**	**1**	**$ 91**	**$ 91**

Troubled Debt Restructurings	**Three Months Ended June 30, 2015**			**Six Months Ended June 30, 2015**		
	# of Contracts	Pre-Modification	Post-Modification	# of Contracts	Pre-Modification	Post-Modification
Residential Real Estate	-	$ -	$ -	1	$ 881	$ 897
Total Loans	-	$ -	$ -	1	$ 881	$ 897

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(3) Loans (Continued)

The company did not have any TDRs that subsequently defaulted for the three months and six months ended June 30, 2016.

(4) Allowance for Loan Losses

The following tables detail activity in the allowance for loan losses, segregated by class of loan, for the six month period ended June 30, 2016 and June 30, 2015. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other loan categories and periodically may result in reallocation within the provision categories.

June 30, 2016

	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Commercial and Agricultural					
Commercial	$ 855	$ (225)	$ 25	$ (100)	$ 555
Agricultural	203	(18)	2	64	251
Real Estate					
Commercial Construction	691	(25)	804	(1,032)	438
Residential Construction	20	-	-	(2)	18
Commercial	3,851	(569)	180	2,136	5,598
Residential	1,990	(159)	23	(242)	1,612
Farmland	912	-	125	(241)	796
Consumer and Other					
Consumer	63	(111)	21	123	96
Other	19	-	5	2	26
	$ 8,604	$ (1,107)	$ 1,185	$ 708	$ 9,390

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(4) Allowance for Loan Losses (Continued)

June 30, 2015

	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Commercial and Agricultural					
Commercial	$ 497	$ (185)	$ 23	$ 11	$ 346
Agricultural	304	-	2	3	309
Real Estate					
Commercial Construction	1,223	(96)	272	187	1,586
Residential Construction	138	-	-	-	138
Commercial	3,665	(166)	128	195	3,822
Residential	2,425	(744)	35	57	1,773
Farmland	104	-	-	2	106
Consumer and Other					
Consumer	67	(90)	30	35	42
Other	379	(25)	3	1	358
	$ 8,802	$ (1,306)	$ 493	$ 491	$ 8,480

For the year ended December 31, 2015 the Company's historical loss ratio within the ALLL calculation was based on a rolling 8 quarter historical loss period. During the first quarter of 2016 Company management implemented a change to its allowance for loan loss methodology by expanding the historical loss period from a rolling 8 quarters to a rolling 16 quarters. Management believes the longer historical loss period better reflects the current and expected loss behavior of the loan portfolio within the current credit cycle. The transition to a rolling 16 quarter loss period will be complete in the first quarter of 2017. As of June 30, 2016, this change in the historical loss period resulted in an increase to the allowance for loan losses of $669,000.

Management continually evaluates the allowance for loan losses methodology seeking to refine and enhance this process as appropriate, and it is likely that the methodology will continue to evolve over time.

Since not all loans in the substandard category are considered impaired, this quarterly review process may result in the identification of specific reserves on nonimpaired loans. Management considers those loans graded substandard, but not classified as impaired, to be higher risk loans and, therefore, makes specific allocations to the allowance for those loans if warranted. The total of such loans is $12.64 million and $8.6 million as of June 30, 2016 and 2015, respectively. Specific allowance allocations were made for these loans totaling $791 thousand and $569 thousand as of June 30, 2016 and 2015, respectively. Since these loans are not considered impaired, both the loan balance and related specific allocation are included in the "Collectively Evaluated for Impairment" column of the following tables.

The Company determines its individual reserves during its quarterly review of substandard loans. This process involves reviewing all loans with a risk grade of 6 or greater and an outstanding balance of $250,000 or more, regardless of the loans impairment classification. At June 30, 2016, there were 165 impaired loans totaling $3.8 million below the $250,000 review threshold which were not individually reviewed for impairment. Those loans were subject to the bank's general loan loss reserve methodology and are included in the "Collectively Evaluated for Impairment" column of the following tables. Likewise, at June 30, 2015, there were 156 impaired loans totaling $4.3 million were below the $250,000 review threshold and were subject to the bank's general loan loss reserve methodology and are included in the "Collectively Evaluated for Impairment" column of the following tables.

(4) Allowance for Loan Losses (Continued)

The following tables present breakdowns of the allowance for loan losses, segregated by impairment methodology for June 30, 2016 and 2015:

June 30, 2016

	Ending Allowance Balance			Ending Loan Balance		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial and Agricultural						
Commercial	**$ -**	**$ 555**	**$ 555**	**$ 9**	**$ 47,925**	**$ 47,934**
Agricultural	**-**	**251**	**251**	**-**	**24,307**	**24,307**
Real Estate						
Commercial Construction	**22**	**416**	**438**	**384**	**31,908**	**32,292**
Residential Construction	**-**	**18**	**18**	**-**	**9,141**	**9,141**
Commercial	**2,886**	**2,712**	**5,598**	**17,463**	**327,718**	**345,181**
Residential	**440**	**1,172**	**1,612**	**3,609**	**192,531**	**196,140**
Farmland	**33**	**763**	**796**	**1,048**	**69,089**	**70,137**
Consumer and Other						
Consumer	**-**	**96**	**96**	**-**	**19,936**	**19,936**
Other	**-**	**26**	**26**	**-**	**19,141**	**19,141**
Total End of Period Balance	**$ 3,381**	**$ 6,009**	**$ 9,390**	**$ 22,513**	**$ 741,696**	**$ 764,209**

June 30, 2015

	Ending Allowance Balance			Ending Loan Balance		
	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Total
Commercial and Agricultural						
Commercial	$ 92	$ 254	$ 346	$ 91	$ 52,415	$ 52,506
Agricultural	-	309	309	8	24,011	24,019
Real Estate						
Commercial Construction	18	1,568	1,586	3,313	43,386	46,699
Residential Construction	-	138	138	-	11,327	11,327
Commercial	278	3,544	3,822	20,537	320,630	341,167
Residential	320	1,453	1,773	3,432	199,373	202,805
Farmland	59	47	106	1,697	52,438	54,135
Consumer and Other						
Consumer	-	42	42	-	21,371	21,371
Other	-	358	358	-	6,049	6,049
Total End of Period Balance	$ 767	$ 7,713	$ 8,480	$ 29,078	$ 731,000	$ 760,078

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(5) Other Real Estate Owned

The aggregate carrying amount of Other Real Estate Owned (OREO) at June 30, 2016 and December 31, 2015 was $10,178 and $8,839, respectively. All of the Company's other real estate owned represents properties acquired through foreclosure or deed in lieu of foreclosure. The following table details the change in OREO for the six months ended June 30, 2016 and the year ended December 31, 2015.

	Six Months Ended June 30, 2016	Twelve Months Ended December 31, 2015
Balance, Beginning	**$ 8,839**	$ 10,402
Additions	**3,166**	7,536
Sales of OREO	**(1,785)**	(8,055)
Gains (Losses) on Sale	**36**	(591)
Provision for Losses	**(78)**	(453)
Balance, Ending	**$ 10,178**	$ 8,839

At June 30, 2016, the Company held $1.42 million of residential real estate property as foreclosed property compared to $1.03 million as of December 31, 2015. Also at June 30, 2016, $1.43 million of consumer mortgage loans collateralized by residential real estate property were in the process of foreclosure according to local requirements of the applicable jurisdictions. At December 31, 2015, only $159 thousand of consumer mortgage loans collateralized by residential real estate property were in the process of foreclosure according to local requirements of the applicable jurisdictions.

(6) Deposits

The aggregate amount of overdrawn deposit accounts reclassified as loan balances totaled $448 and $272 as of June 30, 2016 and December 31, 2015.

Components of interest-bearing deposits as of June 30, 2016 and December 31, 2015 are as follows:

	Six Months Ended June 30, 2016	Twelve Months Ended December 31, 2015
Interest-Bearing Demand	**$ 389,095**	$ 412,960
Savings	**68,480**	64,976
Time, $100,000 and Over	**196,248**	202,801
Other Time	**188,082**	196,931
	$ 841,905	$ 877,668

At June 30, 2016 and December 31, 2015, the Company had brokered deposits of $40,776 and $25,577, respectively. All of these brokered deposits represent Certificate of Deposits Account Registry Service (CDARS) reciprocal deposits. The CDARS deposits are ones in which customers placed core deposits into the CDARS program for FDIC insurance coverage and the Company receives reciprocal brokered deposits in a like amount. The aggregate amount of short-term jumbo certificates of deposit, each with a minimum denomination of $100,000 was approximately $135,537 and $141,900 as of June 30, 2016 and December 31, 2015, respectively. The aggregate amount of certificates of deposit, each with a minimum deposit of $250,000 was $30,133 and $31,755 as of June 30, 2016 and December 31, 2015.

(6) Deposits (Continued)

As of June 30, 2016 and December 31, 2015, the scheduled maturities of certificates of deposits are as follows:

Maturity	June 30, 2016	December 31, 2015
One Year and Under	$ 274,143	$ 287,423
One to Three Years	85,330	88,019
Three Years and Over	24,857	24,290
	$ 384,330	$ 399,732

(7) Other Borrowed Money

Other borrowed money at June 30, 2016 and December 31, 2015 is summarized as follows:

	June 30, 2016	December 31, 2015
Federal Home Loan Bank Advances	$ 40,000	$ 40,000

Advances from the Federal Home Loan Bank (FHLB) have maturities ranging from 2018 to 2023 and interest rates ranging from 1.47 percent to 3.51 percent. As collateral on the outstanding FHLB advances, the Company has provided a blanket lien on its portfolio of qualifying residential first mortgage loans and commercial loans. At June 30, 2016 the book value of those loans pledged is $102,883. At June 30, 2016 the Company had remaining credit availability from the FHLB of $134,980. The Company may be required to pledge additional qualifying collateral in order to utilize the full amount of the remaining credit line.

The aggregate stated maturities of other borrowed money at June 30, 2016 are as follows:

Year	Amount
2018	$ 2,500
2019	5,000
2020	2,500
After 2020	$ 30,000
	40,000

The Company also has available federal funds lines of credit with various financial institutions totaling $43,500, none of which were outstanding at June 30, 2016.

The Company has the ability to borrow funds from the Federal Reserve Bank (FRB) of Atlanta utilizing the discount window. The discount window is an instrument of monetary policy that allows eligible institutions to borrow money from the FRB on a short-term basis to meet temporary liquidity shortages caused by internal or external disruptions. At June 30, 2016, the Company had borrowing capacity available under this arrangement, with no outstanding balances. The Company would be required to pledge certain available-for-sale investment securities as collateral under this agreement.

(8) Preferred Stock and Warrants

The Company had 18,021 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the Preferred Stock) issued and outstanding with private investors as of June 30, 2016. The Company redeemed 9,979 shares of Preferred Stock at $1,000 per share during 2015. The Company also had a warrant (the Warrant) to purchase up to 500,000 shares of the Company's common stock outstanding with private investors. Both the Preferred Stock and the Warrant originated in 2009 through transactions with the United States Department of the Treasury and were subsequently sold to the public through an auction process during 2013.

The Preferred Stock qualifies as Tier 1 capital and is nonvoting, other than class voting rights on certain matters that could adversely affect the Preferred Stock. The Preferred Stock may be redeemed by the Company at the liquidation preference of $1,000 per share, plus any accrued and unpaid dividends. The Warrant may be exercised on or before January 9, 2019 at an exercise price of $8.40 per share. No voting rights may be exercised with respect to the shares of the Warrant until the Warrant has been exercised.

(9) Subordinated Debentures (Trust Preferred Securities)

Description	Date	Amount	3 Month Libor Rate	Added Points	Total Rate	Maturity	5 Year Call Option
Colony Bankcorp Statutory Trust III	6/17/2004	$ 4,640	0.65635	2.68	3.33635	6/14/2034	6/17/2009
Colony Bankcorp Capital Trust I	4/13/2006	5,155	0.63110	1.50	2.13110	4/13/2036	4/13/2011
Colony Bankcorp Capital Trust II	3/12/2007	9,279	0.63110	1.65	2.28110	3/12/2037	3/12/2012
Colony Bankcorp Capital Trust III	9/14/2007	5,155	0.63660	1.40	2.03660	9/14/2037	9/14/2012

The Trust Preferred Securities are recorded as subordinated debentures on the consolidated balance sheets, but subject to certain limitations, qualify as Tier 1 Capital for regulatory capital purposes. The proceeds from the offerings were used to fund certain acquisitions, pay off holding company debt and inject capital into the bank subsidiary.

(1 0) Commitments and Contingencies

Credit-Related Financial Instruments . The Company is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

The Company’s exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

At June 30, 2016 and December 31, 2015 the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	June 30, 2016	December 31, 2015
Loan Commitments	**$ 84,507**	$ 67,889
Letters of Credit	**1,464**	1,588

Commitments 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. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management’s credit evaluation of the customer.

Unfunded commitments under commercial lines of credit, revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Standby and performance letters of credit are conditional lending commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters of credit are primarily issued to support public and private borrowing arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Le gal Contingencies . In the ordinary course of business, there are various legal proceedings pending against Colony and its subsidiary. The aggregate liabilities, if any, arising from such proceedings would not, in the opinion of management, have a material adverse effect on Colony’s consolidated financial position.

Other Contractual Obligations. In 2015, the Company committed to the construction of a new branch facility at an estimated cost of $1.2 million. Construction is expected to be completed in early 2017.

(11) Fair Value of Financial Instruments and Fair Value Measurements

Generally accepted accounting standards in the U.S. require disclosure of fair value information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair value of Colony Bankcorp, Inc. and Subsidiary's financial instruments are detailed hereafter. 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, 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 Short-Term Investments – For cash, due from banks, bank-owned deposits and federal funds sold, the carrying amount is a reasonable estimate of fair value and is classified as Level 1.

Investment Securities – Fair values for investment securities are based on quoted market prices where available and classified as Level 1. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments and classified as Level 2. If a comparable is not available, the investment securities are classified as Level 3.

Federal Home Loan Bank Stock – The fair value of Federal Home Loan Bank stock approximates carrying value and is classified as Level 1.

Loans – 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. Most loans are classified as Level 2, but impaired loans with a related allowance are classified as Level 3.

Bank-Owned Life Insurance – The carrying value of bank-owned life insurance policies approximates fair value and is classified as Level 1.

Deposit Liabilities – The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date and is classified as Level 1. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities and is classified as Level 2.

Subordinated Debentures – The fair value of subordinated debentures is estimated by discounting the future cash flows using the current rates at which similar advances would be obtained. Subordinate Debentures are classified as Level 2.

Other Borrowed Money – The fair value of other borrowed money is calculated by discounting contractual cash flows using an estimated interest rate based on current rates available to the Company for debt of similar remaining maturities and collateral terms. Other borrowed money is classified as Level 2 due to their expected maturities.

(11) Fair Value of Financial Instruments and Fair Value Measurements (Continued)

Disclosures of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis, are required in the financial statements.

The carrying amount, estimated fair values, and placement in the fair value hierarchy of the Company's financial instruments as of June 30, 2016 and December 31, 2015 are as follows:

			Fair Value Measurements at June 30, 2016		
	Carrying Value	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash and Short-Term Investments	**$ 17,652**	**$ 17,652**	**$ 17,652**	**$ -**	**$ -**
Investment Securities Available for Sale	**307,926**	**307,926**	**-**	**306,998**	**928**
Federal Home Loan Bank Stock	**2,755**	**2,755**	**2,755**	**-**	**-**
Loans, Net	**754,437**	**754,945**	**-**	**748,317**	**6,628**
Bank-Owned Life Insurance	**15,143**	**15,143**	**15,143**	**-**	**-**
Liabilities					
Deposits	**976,567**	**978,039**	**592,237**	**385,802**	**-**
Subordinated Debentures	**24,229**	**24,229**	**-**	**24,229**	**-**
Other Borrowed Money	**40,000**	**40,657**	**-**	**40,657**	**-**

			Fair Value Measurements at December 31, 2015		
	Carrying Value	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Cash and Short-Term Investments	$ 60,872	$ 60,872	$ 60,872	$ -	$ -
Investment Securities Available for Sale	296,149	296,149	-	295,219	930
Federal Home Loan Bank Stock	2,731	2,731	2,731	-	-
Loans, Net	749,675	750,412	-	741,867	8,545
Bank-Owned Life Insurance	14,830	14,830	14,830	-	-
Liabilities					
Deposits	1,011,554	1,013,111	611,822	401,289	-
Subordinated Debentures	24,229	24,229	-	24,229	-
Other Borrowed Money	40,000	40,421	-	40,421	-

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 deferred income taxes and premises and equipment. 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.

(11) Fair Value of Financial Instruments and Fair Value Measurements (Continued)

Fair Value Measurements

Generally accepted accounting principles related to *Fair Value Measurements,* define fair value, establish a framework for measuring fair value, establish a three-level valuation hierarchy for disclosure of fair value measurements and enhance disclosure requirements for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs to the valuation methodology are unobservable and represent the Company's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring and nonrecurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy:

Assets

Securities – Where quoted prices are available in an active market, securities are classified within level 1 of the valuation hierarchy. Level 1 inputs include securities that have quoted prices in active markets for identical assets. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics, or discounted cash flow. Examples of such instruments, which would generally be classified within level 2 of the valuation hierarchy, include certain collateralized mortgage and debt obligations and certain high-yield debt securities. In certain cases where there is limited activity or less transparency around inputs to the valuation, securities are classified within level 3 of the valuation hierarchy. When measuring fair value, the valuation techniques available under the market approach, income approach and/or cost approach are used. The Company's evaluations are based on market data and the Company employs combinations of these approaches for its valuation methods depending on the asset class.

Impaired Loans – Impaired loans are those loans which the Company has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as Level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

Other Real Estate – Other real estate owned assets are adjusted to fair value less estimated selling costs upon transfer of the loans to other real estate owned. Typically, an external, third-party appraisal is performed on the collateral upon transfer into the other real estate owned account to determine the asset's fair value. Subsequent adjustments to the collateral's value may be based upon either updated third-party appraisals or management's knowledge of the collateral and the current real estate market conditions. Appraised amounts used in determining the asset's fair value, whether internally or externally prepared, are discounted 10 percent to account for selling and marketing costs. Adjustments are routinely made in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are typically significant and result in a level 3 classification of the inputs for determining fair value. Because of the high degree of judgment required in estimating the fair value of other real estate owned assets and because of the relationship between fair value and general economic conditions, we consider the fair value of other real estate owned assets to be highly sensitive to changes in market conditions.

Assets and Liabilities Measured at Fair Value on a Recurring and Nonrecurring Basis – The following table presents the recorded amount of the Company's assets measured at fair value on a recurring and nonrecurring basis as of June 30, 2016 and December 31, 2015, aggregated by the level in the fair value hierarchy within which those measurements fall. The table below includes only impaired loans with a specific reserve and only other real estate properties with a valuation allowance at June 30, 2016. Those impaired loans and other real estate properties are shown net of the related specific reserves and valuation allowances.

(11) Fair Value of Financial Instruments and Fair Value Measurements (Continued)

June 30, 2016	Total Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring				
Securities Available for Sale				
U.S. Government Agencies				
Mortgage-Backed	**$ 302,850**	**$ -**	**$ 302,850**	**$ -**
State, County and Municipal	**5,076**	**-**	**4,148**	**928**
	$ 307,926	**$ -**	**$ 306,998**	**$ 928**
Nonrecurring				
Impaired Loans	**$ 6,628**	**$ -**	**$ -**	**$ 6,628**
Other Real Estate	**$ 2,912**	**$ -**	**$ -**	**$ 2,912**

December 31, 2015	Total Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring				
Securities Available for Sale				
U.S. Government Agencies				
Mortgage-Backed	$ 291,050	$ -	$ 291,050	$ -
State, County and Municipal	5,099	-	4,169	930
	$ 296,149	$ -	$ 295,219	$ 930
Nonrecurring				
Impaired Loans	$ 8,545	$ -	$ -	$ 8,545
Other Real Estate	$ 2,536	$ -	$ -	$ 2,536

Liabilities

The Company did not identify any liabilities that are required to be presented at fair value.

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(11) Fair Value of Financial Instruments and Fair Value Measurements (Continued)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following table presents quantitative information about the significant unobservable inputs used in the fair value measurements for assets in level 3 of the fair value hierarchy measured on a nonrecurring basis at June 30, 2016 and December 31, 2015. This table is comprised primarily of collateral dependent impaired loans and other real estate owned:

	June 30, 2016	Valuation Techniques	Unobservable Inputs	Range Weighted Avg
Real Estate				
Commercial Construction	52	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(5.00)% - 99.00% 47.00%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 10.00% 5.00%
Residential Real Estate	416	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(22.00)% - 0.00% (11.00)%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 40.00% 20.00%
Commercial Real Estate	5,809	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(14.08)% - 24.62% 5.27%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 100.00% 50.00%
		Income Approach	Capitalization Rate	10.67%
Farmland	351	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(27.00)% - 15.00% (6.00)%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	10.00% - 75.00% 42.50%
Other Real Estate Owned	2,912	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(50.80)% - 142.90% 46.05 %
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.62% - 72.75% 29.23%
		Income Approach	Discount Rate	12.50%

(11) Fair Value of Financial Instruments and Fair Value Measurements (Continued)

	December 31, 2015	Valuation Techniques	Unobservable Inputs	Range Weighted Avg
Commercial	$ 28	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(31.77)% - 34.00% 1.12%
			Management Adjustment for Age of Appraisals and/or Current Market Conditions	0.00% - 10.00% 5.00%
		Income Approach	Capitalization Rate	11.00%
Real Estate				
Commercial Construction	51	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(5.00)% - 99.00% 47.00%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 10.00% 5.00%
Residential Real Estate	767	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(22.00)% - 10.80% 5.60%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 25.00% 12.50%
Commercial Real Estate	7,348	Sales Comparison	Adjustment for differences Between the comparable Sales	(31.77)% - 34.00% 1.12%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 10.00% 5.00%
		Income Approach	Capitalization Rate	10.25%
Farmland	351	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(27.00)% - 15.00% (6.00)%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	10.00% - 75.00% 42.50%
Other Real Estate Owned	2,536	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(50.80)% - 142.90% 46.05%
			Management Adjustment for Age of Appraisals and/or Current Market Conditions	15.53% - 72.75% 43.37%
		Income Approach	Discount Rate	12.50%

(11) Fair Value of Financial Instruments and Fair Value Measurements (Continued)

The table below presents a reconciliation and statement of income classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the six months ended June 30, 2016 and the twelve months ended December 31, 2015.

	Available for Sale Securities	
	June 30, 2016	December 31, 2015
Balance, Beginning	**$ 930**	$ 948
Transfers out of Level 3	**-**	-
Loss on OTTI Impairment Included in Noninterest Income	**-**	-
Unrealized Gains included in Other Comprehensive Income (Loss)	**(2)**	(18)
Balance, Ending	**$ 928**	$ 930

The Company's policy is to recognize transfers in and transfers out of levels 1, 2 and 3 as of the end of a reporting period. There were no transfers of securities between levels for the six months ended June 30, 2016 and the twelve months ended December 31, 2015.

The following table presents quantitative information about recurring level 3 fair value measurements as of June 30, 2016.

	Fair Value	Valuation Techniques	Unobservable Inputs	Range Weighted Avg
State, County and Municipal	**$ 928**	Discounted Cash Flow	Discount Rate	N/A*

* The Company relies on a third-party pricing service to value its municipal securities. The details of the unobservable inputs and other adjustments used by the third-party pricing service were not readily available to the Company.

(12) Regulatory Capital Matters

The amount of dividends payable to the parent company from the subsidiary bank is limited by various banking regulatory agencies. Upon approval by regulatory authorities, the Bank may pay cash dividends to the parent company in excess of regulatory limitations. Additionally, the Company suspended the payment of dividends to its common stockholders in the third quarter of 2009.

The Company is subject to various regulatory capital requirements administered by 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 Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's 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 to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. As of June 30, 2016, the interim final Basel III rules (Basel III) require the Company to also maintain minimum amounts and ratios of common equity Tier 1 capital to risk-weighted assets. These amounts and ratios as defined in regulations are presented hereafter. Management believes, as of June 30, 2016, the Company meets all capital adequacy requirements to which it is subject under the regulatory framework for prompt corrective action. In the opinion of management, there are no events or conditions since prior notification of capital adequacy from the regulators that have changed the institution's category.

PART I (Continued)
Item 1 (Continued)

(12) Regulatory Capital Matters (Continued)

The Basel III rules also require the implementation of a new capital conservation buffer comprised of common equity Tier 1 capital. The capital conservation buffer will be phased in beginning January 1, 2016 at 0.625% of risk-weighted assets and increase each subsequent year by 0.625% until reaching its final level of 2.5% on January 1, 2019.

The following table summarizes regulatory capital information as of June 30, 2016 and December 31, 2015 on a consolidated basis and for the subsidiary, as defined. Regulatory capital ratios for June 30, 2016 and December 31, 2015 were calculated in accordance with the Basel III rules.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of June 30 , 2016						
Total Capital to Risk-Weighted Assets						
Consolidated	**$ 136,138**	**17.32%**	**$ 62,871**	**8.00%**	**N/A**	**N/A**
Colony Bank	**132,361**	**16.87**	**62,777**	**8.00**	**$ 78,472**	**10.00%**
Tier I Capital to Risk-Weighted Assets						
Consolidated	**126,748**	**16.13**	**47,153**	**6.00**	**N/A**	**N/A**
Colony Bank	**122,971**	**15.67**	**47,083**	**6.00**	**62,777**	**8.00**
Common Equity Tier I Capital to Risk-Weighted Assets						
Consolidated	**85,227**	**10.84**	**35,365**	**4.50**	**N/A**	**N/A**
Colony Bank	**122,971**	**15.67**	**35,312**	**4.50**	**51,007**	**6.50**
Tier I Capital to Average Assets						
Consolidated	**126,748**	**10.94**	**46,339**	**4.00**	**N/A**	**N/A**
Colony Bank	**122,971**	**10.63**	**46,260**	**4.00**	**57,824**	**5.00**

(12) Regulatory Capital Matters (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2015						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 131,948	16.60%	$ 63,602	8.00%	N/A	N/A
Colony Bank	126,939	15.99	63,500	8.00	$ 79,375	10.00%
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	123,344	15.51	47,702	6.00	N/A	N/A
Colony Bank	118,335	14.91	47,625	6.00	63,500	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	81,823	10.29	35,776	4.50	N/A	N/A
Colony Bank	118,335	14.91	35,719	4.50	51,594	6.50
Tier 1 Capital to Average Assets						
Consolidated	123,344	10.69	46,149	4.00	N/A	N/A
Colony Bank	118,335	10.27	46,074	4.00	57,592	5.00

PART I (Continued)
Item 1 (Continued)

(13) Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflects the potential dilution of restricted stock and common stock warrants. Net income available to common stockholders represents net income after preferred stock dividends. The following table presents earnings per share for the three month and six month period ended June 30, 2016 and 2015:

	Three Months Ended June 30		Six Months Ended June 30	
	2016	2015	**2016**	2015
Numerator				
Net Income Available to Common Stockholders	**$ 1,761**	$ 1,555	**$ 3,417**	$ 2,808
Denominator				
Weighted Average Number of Common Shares Outstanding for Basic Earnings Per Common Share	**8,439**	8,439	**8,439**	8,439
Dilutive Effect of Potential Common Stock				
Restricted Stock	**-**	-	**-**	-
Stock Warrants	**59**	2	**52**	1
Weighted-Average Number of Shares Outstanding for Diluted Earnings Per Common Share	**8,498**	8,441	**8,491**	8,440
Earnings Per Share - Basic	**$ 0.21**	$ 0.18	**$ 0.40**	$ 0.33
Earnings Per Share - Diluted	**$ 0.21**	$ 0.18	**$ 0.40**	$ 0.33

(14) Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for unrealized gains and losses securities available for sale for the period ended June 30, 2016 and the year ended December 31, 2015 are as follows:

	June 30, 2016	December 31, 2015
Beginning Balance	**$ (4,434)**	$ (4,845)
Other Comprehensive Income (Loss) Before Reclassification	**4,507**	403
Amounts Reclassified from Accumulated Other Comprehensive Income	**85**	8
Net Current Period Other Comprehensive Income	**4,592**	411
Ending Balance	**$ 158**	$ (4,434)

PART I (Continued)
Item 2

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

Future Outlook

In 2016, the Company is committed to improving earnings, reducing problem assets and redeeming TARP Preferred Stock. Given the improved condition of the Company we are also considering product and market expansion. During the year we have completed construction of a new banking facility in Tifton while beginning construction of new facility in Savannah. The Company also began the renovation of a new loan production office in Statesboro. The new Tifton location resulted in closure of two leased offices in that market while two branch offices in Pitts and Chester were closed to improve operating efficiencies.

Major Trends/Significant Considerations

In an effort to enhance shareholder value, the Company has two initiatives underway to improve efficiencies. One is a branch reconciliation project that will involve closing four branches in 2016, while completing or beginning construction on three branches in 2016. The capital expenditure associated with this project should have minimal overall impact on the final performance of the Company over the course of the next twelve months and is expected to have no impact with respect to the Company's liquidity and the cost of funds. Following the next twelve months, the reconciliation project is expected to have an accretive effect. The second initiative is to redeem TARP preferred stock of approximately $8.7 million during 2016. This will reduce dividend payments by $783 thousand on an annual basis.

The following discussion sets forth management's discussion and analysis of our consolidated financial condition as of June 30, 2016, and the consolidated results of operations for the six months ended June 30, 2016. This discussion should be read in conjunction with the Company's annual report on Form 10-K filed with the Securities and Exchange Commission on March 10, 2016. Readers should also carefully review all other disclosures we file from time to time with the SEC.

The Co mpany

Colony Bankcorp, Inc. (Colony) is a bank holding company headquartered in Fitzgerald, Georgia that provides, through Colony Bank, its wholly owned subsidiary (collectively referred to as the Company), a broad array of products and services throughout 18 Georgia markets. The Company offers commercial, consumer and mortgage banking services.

Application of Critical Accounting Policies and Accounting Estimates

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The Company's financial position and results of operations are affected by management's application of accounting policies, including judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses and related disclosures. Different assumptions in the application of these policies could result in material changes in the Company's financial position and/or results of operations. Critical accounting policies are those policies that management believes are the most important to the portrayal of the Company's financial condition and results of operations, and they require management to make estimates that are difficult and subjective.

Overview

The following discussion and analysis presents the more significant factors affecting the Company's financial condition as of June 30, 2016 and December 31, 2015, and results of operations for each of the six months in the periods ended June 30, 2016 and 2015. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements, notes thereto and other financial information appearing elsewhere in this report.

Taxable-equivalent adjustments are the result of increasing income from tax-free loans and investments by an amount equal to the taxes that would be paid if the income were fully taxable based on a 34 percent federal tax rate, thus making tax-exempt yields comparable to taxable asset yields.

Dollar amounts in tables are stated in thousands, except for per share amounts.

Results of Operations

The Company's results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since market forces and economic conditions beyond the control of the Company determine interest rates, the ability to generate net interest income is dependent upon the Company's ability to obtain an adequate spread between the rate earned on interest-earning assets and the rate paid on interest-bearing liabilities. Thus, the key performance for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average interest-earning assets. Net income available to common shareholders totaled $1.76 million, or $0.21 diluted per common share, in three months ended June 30, 2016 compared to net income available to common shareholders of $1.56 million, or $0.18 diluted per common share, in three months ended June 30, 2015. Net income available to common shareholders totaled $3.42 million, or $0.40 diluted per common share, in six months ended June 30, 2016 compared to net income available to common shareholders of $2.81 million, or $0.33 diluted per common share, in six months ended June 30, 2015. The Company did not have any material changes in the second quarter of 2016.

PART I (Continued)
Item 2 (Continued)

Results of Operations (Continued)

Selected income statement data, returns on average assets and average common equity and dividends per share for the comparable periods were as follows:

	Three Months Ended June 30				Six Months Ended June 30			
	2016	2015	**$ Variance**	**% Variance**	**2016**	2015	**$ Variance**	**% Variance**
Taxable-equivalent net interest income	**$ 9,583**	$ 9,271	**$ 312**	**3.37%**	**$ 19,067**	$ 18,499	**$ 568**	**3.07%**
Taxable-equivalent adjustment	**58**	24	**34**	**141.67**	**86**	50	**36**	**72.00**
Net interest income	**9,525**	9,247	**278**	**3.01**	**18,981**	18,449	**532**	**2.88**
Provision for loan losses	**354**	129	**225**	**174.42**	**708**	491	**217**	**44.20**
Noninterest income	**2,352**	2,358	**(6)**	**(0.25)**	**4,524**	4,570	**(46)**	**(1.01)**
Noninterest expense	**8,354**	8,320	**34**	**0.41**	**16,589**	16,606	**(17)**	**(0.10)**
Income before income taxes	**$ 3,169**	$ 3,156	**$ 13**	**0.41**	**$ 6,208**	$ 5,922	**$ 286**	**4.83**
Income Taxes	**1,002**	971	**31**	**3.19**	**1,980**	1,854	**126**	**6.80**
Net income	**$ 2,167**	$ 2,185	**$ (18)**	**(0.82)**	**$ 4,228**	$ 4,068	**$ 160**	**3.93**
Preferred stock dividends	**406**	630	**(224)**	**(35.56)**	**811**	1,260	**(449)**	**(35.63)**
Net income available to common shareholders	**$ 1,761**	$ 1,555	**$ 206**	**13.25%**	**$ 3,417**	$ 2,808	**$ 609**	**21.69%**
Net income available to common shareholders:								
Basic	**$ 0.21**	$ 0.18	**$ 0.03**	**16.67%**	**$ 0.40**	$ 0.33	**$ 0.07**	**21.21%**
Diluted	**$ 0.21**	$ 0.18	**$ 0.03**	**16.67%**	**$ 0.40**	$ 0.33	**$ 0.07**	**21.21%**
Return on average assets	**0.61%**	0.54%	**0.07%**	**12.96%**	**0.59%**	0.49%	**0.10%**	**20.41%**
Return on average total equity	**6.99%**	6.05%	**0.94%**	**15.54%**	**6.87%**	5.52%	**1.35%**	**24.46%**

Details of the changes in the various components of net income are further discussed below.

Net Interest Income

Net interest income is the difference between interest income on earning assets, such as loans and securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest income is the Company's largest source of revenue, representing 80.75 percent of total revenue for six months ended June 30, 2016 and 80.15 percent for the same period a year ago.

Net interest margin is the taxable-equivalent net interest income as a percentage of average interest-earning assets for the period. The level of interest rates and the volume and mix of interest-earning assets and interest-bearing liabilities impact net interest income and net interest margin.

Net Interest Income (Continued)

The Federal Reserve Board influences the general market rates of interest, including the deposit and loan rates offered by many financial institutions. The Company's loan portfolio is significantly affected by changes in the prime interest rate. The prime interest rate, which is the rate offered on loans to borrowers with strong credit is currently 3.50 percent. The rate increased 25 basis points in fourth quarter of 2015 for the first time in several years. The federal funds rate moved similarly to the prime rate with interest rates currently at 0.50 percent. As expected, the federal funds rate and the prime rate remained flat the first half of 2016.

The following table presents the changes in taxable-equivalent net interest income and identifies the changes due to differences in the average volume of interest-earning assets and interest-bearing liabilities and the changes due to changes in the average interest rate on those assets and liabilities. The changes in net interest income due to changes in both average volume and average interest rate have been allocated to the average volume change or the average interest rate change in proportion to the absolute amounts of the change in each. The Company's consolidated average balance sheets along with an analysis of taxable-equivalent net interest earnings are presented in the Quantitative and Qualitative Disclosures About Market Risk included elsewhere in this report.

Rate/Volume Analysis

The rate/volume analysis presented hereafter illustrates the change from June 30, 2015 to June 30, 2016 for each component of the taxable equivalent net interest income separated into the amount generated through volume changes and the amount generated by changes in the yields/rates.

	Changes from June 30, 2015 to June 30, 2016		
($ in thousands)	**Volume**	**Rate**	**Total**
Interest Income			
Loans, Net-taxable	**$ 106**	**$ (330)**	**$ (224)**
Investment Securities			
Taxable	**237**	**439**	**676**
Tax-exempt	**24**	**(16)**	**8**
Total Investment Securities	**261**	**423**	**684**
Interest-Bearing Deposits in other Banks	**(12)**	**32**	**20**
Federal Funds Sold	**(15)**	**-**	**(15)**
Other Interest - Earning Assets	**(1)**	**6**	**5**
Total Interest Income	**339**	**131**	**470**
Interest Expense			
Interest-Bearing Demand and Savings Deposits	**68**	**26**	**94**
Time Deposits	**(134)**	**(5)**	**(139)**
Subordinated Debentures	**-**	**43**	**43**
Other Borrowed Money	**-**	**(96)**	**(96)**
Total Interest Expense	**(66)**	**(32)**	**(98)**
Net Interest Income	**$ 405**	**$ 163**	**$ 568**

(1) Changes in net interest income for the periods, based on either changes in average balances or changes in average rates for interest-earning assets and interest-bearing liabilities, are shown on this table. During each year, there are numerous and simultaneous balance and rate changes; therefore, it is not possible to precisely allocate the changes between balances and rates. For the purpose of this table, changes that are not exclusively due to balance changes or rate changes have been attributed to rates.

Rate/Volume Analysis (Continued)

The Company maintains about 19 percent of its loan portfolio in adjustable rate loans that reprice with prime rate changes, while the bulk of its other loans mature within 3 years. The liabilities to fund assets are primarily in short term certificate of deposits that mature within one year. The net interest margin increased to 3.50 percent for six months ended June 30, 2016 compared to 3.44 percent for the same period a year ago. We anticipate the net interest margin remaining relatively flat for 2016.

Taxable-equivalent net interest income for six months ended June 30, 2016 increased by $568 thousand, or 3.07 percent compared to the same period a year ago. The average volume of earning assets during six months ended June 30, 2016 increased $14.03 million compared to the same period a year ago. Growth in average earning assets during 2016 was primarily in loans and investments.

The average volume of loans increased $4.04 million for the six months ended June 30, 2016 compared to the same period a year ago. The average yield on loans decreased 9 basis points for the six months ended June 30, 2016 compared to the same period a year ago. The average volume of investment securities increased $32.49 million for the six months ended June 30, 2016 compared to the same year ago period, while the average yield on investment securities increased 28 basis points for the same period comparison. The average volume of deposits increased $14.54 million for the six months ended June 30, 2016 compared to the same period a year ago, with interest-bearing deposits increasing $6.37 million for the six months ended June 30, 2016.

Accordingly, the ratio of average interest-bearing deposits to total average deposits was 86.34 percent for the six months ended June 30, 2016 compared to 86.97 percent in the same period a year ago. This deposit mix, combined with a general decrease in market rates, had the effect of decreasing the average cost of total deposits by 2 basis points in six months ended June 30, 2016 compared to the same period a year ago.

The Company’s net interest spread, which represents the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities, was 3.39 percent in six months ended June 30, 2016 compared to 3.33 percent in the same period a year ago. The net interest spread, as well as the net interest margin, will be impacted by future changes in short-term and long-term interest rate levels, as well as the impact from the competitive environment.

Rate/Volume Analysis (Continued)

AVERAGE BALANCE SHEETS

($ in thousands)	Six Months Ended June 30, 2016 Average Balances	Six Months Ended June 30, 2016 Income/ Expense	Six Months Ended June 30, 2016 Yields/ Rates	Six Months Ended June 30, 2015 Average Balances	Six Months Ended June 30, 2015 Income/ Expense	Six Months Ended June 30, 2015 Yields/ Rates
Assets						
Interest-Earning Assets						
Loans, Net of Unearned Interest and fees						
Taxable (1)	$ 754,392	$ 19,393	5.14%	$ 750,350	$ 19,617	5.23%
Investment Securities						
Taxable	307,751	2,745	1.78%	276,197	2,069	1.50%
Tax-Exempt (2)	2,618	52	3.97%	1,683	44	5.23%
Total Investment Securities	310,369	2,797	1.80%	277,880	2,113	1.52%
Interest-Bearing Deposits	23,221	61	0.53%	33,478	41	0.24%
Federal Funds Sold	-	-	-%	12,211	15	0.25%
Interest-Bearing Other Assets	2,744	65	4.74%	2,778	60	4.32%
Total Interest-Earning Assets	$ 1,090,726	$ 22,316	4.09%	$ 1,076,697	$ 21,846	4.06%
Non-interest-Earning Assets						
Cash and Cash Equivalents	15,074			19,312		
Allowance for Loan Losses	(9,384)			(8,670)		
Other Assets	64,635			63,386		
Total Noninterest-Earning Assets	70,325			74,028		
Total Assets	$ 1,161,051			$ 1,150,725		
Liabilities and Stockholders' Equity						
Interest-Bearing Liabilities						
Interest-Bearing Deposits						
Interest-Bearing Demand and Savings	$ 466,730	$ 829	0.36%	$ 426,821	$ 735	0.34%
Other Time	391,476	1,564	0.80%	425,012	1,703	0.80%
Total Interest-Bearing Deposits	858,206	2,393	0.56%	851,833	2,438	0.57%
Other Interest-Bearing Liabilities						
Other Borrowed Money	40,000	566	2.83%	40,000	662	3.31%
Subordinated Debentures	24,229	290	2.39%	24,229	247	2.04%
Total Other Interest-Bearing Liabilities	64,229	856	2.67%	64,229	909	2.83%
Total Interest-Bearing Liabilities	$ 922,435	$ 3,249	0.70%	$ 916,062	$ 3,347	0.73%
Noninterest-Bearing Liabilities and Stockholders' Equity						
Demand Deposits	135,812			127,644		
Other Liabilities	3,344			5,319		
Stockholders' Equity	99,460			101,700		
Total Noninterest-Bearing Liabilities and Stockholders' Equity	238,616			234,663		
Total Liabilities and Stockholders' Equity	$ 1,161,051			$ 1,150,725		
Interest Rate Spread			3.39%			3.33%
Net Interest Income		$ 19,067			$ 18,499	
Net Interest Margin			3.50%			3.44%

(1) The average balance of loans includes the average balance of nonaccrual loans. Income on such loans is recognized and recorded on the cash basis. Taxable equivalent adjustments totaling $68 and $35 for six month periods ended June 30, 2016 and 2015, respectively, are included in tax-exempt interest on loans.

(2) Taxable-equivalent adjustments totaling $18 and $15 for six month periods ended June 30, 2016 and 2015, respectively, are included in tax-exempt interest on investment securities. The adjustments are based on a federal tax rate of 34 percent with appropriate reductions for the effect of disallowed interest expense incurred in carrying tax-exempt obligations.

Provision for Loan Losses

The provision for loan losses is determined by management as the amount to be added to the allowance for loan losses after net charge-offs have been deducted to bring the allowance to a level which, in management's best estimate, is necessary to absorb probable losses within the existing loan portfolio. The provision for loan losses totaled $708 thousand in the six months ended June 30, 2016 compared to $491 thousand in the same period a year ago. See the section captioned "Allowance for Loan Losses" elsewhere in this discussion for further analysis of the provision for loan losses.

Noninterest Income

The components of noninterest income were as follows:

	Three Months Ended June 30				Six Months Ended June 30			
	2016	2015	**$ Variance**	**% Variance**	**2016**	2015	**$ Variance**	**% Variance**
Service Charges on Deposit Accounts	**$ 1,055**	$ 1,040	$ 15	1.44%	**$ 2,057**	$ 2,051	$ 6	0.29%
Other Charges, Commissions and Fees	**714**	664	50	7.53	**1,418**	1,302	116	8.91
Mortgage Fee Income	**153**	134	19	14.18	**253**	247	6	2.43
Securities Gains (Losses)	**127**	-	127	-	**129**	3	126	4200.00
Other	**303**	520	(217)	(41.73)	**667**	967	(300)	(31.02)
Total	**$ 2,352**	$ 2,358	$ (6)	(0.25)%	**$ 4,524**	$ 4,570	$ (46)	(1.01)%

Other Charges, Commissions and Fees. Debit card interchange fees and foreign fees increased $114 thousand in 2016 compared to the same period in 2015.

Mortgage Fee Income . The volume of mortgage loans has shown a slight increase in 2016 compared to the same period in 2015 which contributed to a slight increase in mortgage fee income.

Other. The decrease in other noninterest income is attributed to having a tax credit of $66 thousand and life insurance benefits of $77 thousand in 2015 that did not occur in 2016. In addition, the bank also had $125 in losses on fixed assets, oreo and repo in 2016 that did not occur in 2015.

Noni nterest Expense

The components of noninterest expense were as follows:

	Three Months Ended June 30				Six Months Ended June 30			
	2016	2015	**$ Variance**	**% Variance**	**2016**	2015	**$ Variance**	**% Variance**
Salaries and Employee Benefits	**$ 4,625**	$ 4,407	$ 218	4.95%	**$ 9,099**	$ 8,875	$ 224	2.52%
Occupancy and Equipment	**978**	1,017	(39)	(3.83)	**1,942**	2,010	(68)	(3.38)
Other	**2,751**	2,896	(145)	(5.01)	**5,548**	5,721	(173)	(3.02)
Total	**$ 8,354**	$ 8,320	$ 34	0.41%	**$ 16,589**	$ 16,606	$ (17)	(0.10)%

Salaries and Employee Benefits. The increase in 2016 is primarily attributable to merit pay increases.

Occupancy and Equipment. The decrease in the second quarter of 2016 as compared to comparable periods is primarily attributable to a decrease in depreciation expense in 2016.

PART I (Continued)
Item 2 (Continued)

Noni nterest Expense (Continued)

Other . The decrease in the second quarter of 2016 as compared to comparable periods is primarily attributable to foreclosed property costs which decreased by $73 thousand from $349 thousand in 2015 compared to $276 thousand in 2016. FDIC assessments decreased by $50 thousand in 2016.

Loans

The following table presents the composition of the Company's loan portfolio as of June 30, 2016 and December 31, 2015:

	June 31, 2016	December 31, 2015	$ Variance	% Variance
Commercial and Agricultural				
Commercial	**$ 47,934**	$ 47,782	$ 152	0.32%
Agricultural	**24,307**	19,193	5,114	26.65
Real Estate				
Commercial Construction	**32,292**	40,107	(7,815)	(19.49)
Residential Construction	**9,141**	9,413	(272)	(2.89)
Commercial	**345,181**	346,262	(1,081)	(0.31)
Residential	**196,140**	197,002	(862)	(0.44)
Farmland	**70,137**	61,780	8,357	13.53
Consumer and Other				
Consumer	**19,936**	20,605	(669)	(3.25)
Other	**19,141**	16,492	2,649	16.06
Gross Loans	**764,209**	758,636	5,573	0.73
Unearned Interest and Fees	**(382)**	(357)	(25)	(7.00)
Allowance for Loan Losses	**(9,390)**	(8,604)	(786)	(9.14)
Net Loans	**$ 754,437**	$ 749,675	$ 4,762	0.64%

Loan Origination/Risk Management. In accordance with the Company's decentralized banking model, loan decisions are made at the local bank level. The Company utilizes both an Executive Loan Committee and a Director Loan Committee to assist lenders with the decision making and underwriting process of larger loan requests. Due to the diverse economic markets served by the Company, evaluation and underwriting criteria may vary slightly by market. Overall, loans are extended after a review of the borrower's repayment ability, collateral adequacy, and overall credit worthiness.

Commercial purpose, commercial real estate, and agricultural loans are underwritten similarly to how other loans are underwritten throughout the Company. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location. In addition, the Company restricts total loans to $10 million per borrower, subject to exception and approval by the Director Loan Committee. This diversity helps reduce the company's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans monthly based on collateral, geography, and risk grade criteria. The Company also utilizes information provided by third-party agencies to provide additional insight and guidance about economic conditions and trends affecting the markets it serves.

The Company extends loans to builders and developers that are secured by non-owner occupied properties. In such cases, the Company reviews the overall economic conditions and trends for each market to determine the desirability of loans to be extended for residential construction and development. Sources of repayment for these types of loans may be pre-committed permanent loans from approved long-term lenders, sales of developed property or an interim mini-perm loan commitment from the Company until permanent financing is obtained. In some cases, loans are extended for residential loan construction for speculative purposes and are based on the perceived present and future demand for housing in a particular market served by the Company. These loans are monitored by on-site inspections and are considered to have higher risks than other real estate loans due to their ultimate repayment being sensitive to interest rate changes, general economic conditions and trends, the demand for the properties, and the availability of long-term financing.

The Company originates consumer loans at the bank level. Due to the diverse economic markets served by the Company, underwriting criteria may vary slightly by market. The Company is committed to serving the borrowing needs of all markets served and, in some cases, adjusts certain evaluation methods to meet the overall credit demographics of each market. Consumer loans represent relatively small loan amounts that are spread across many individual borrowers to help minimize risk. Additionally, consumer trends and outlook reports are reviewed by management on a regular basis.

Loans (Continued)

The Company utilizes an independent third party company for loan review and validation of the credit risk program on an ongoing quarterly basis. Results of these reviews are presented to management and the audit committee. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

Commercial and Agricultural. Commercial and agricultural loans at June 30, 2016 increased 7.86 percent to $72.2 million from December 31, 2015 at $67.0 million. The Company's commercial and agricultural loans are a diverse group of loans to small, medium and large businesses. The purpose of these loans varies from supporting seasonal working capital needs to term financing of equipment. While some short-term loans may be made on an unsecured basis, most are secured by the assets being financed with collateral margins that are consistent with the Company's loan policy guidelines.

Real Estate. Commercial and residential construction loans decreased by $8.09 million, or 16.33 percent, at June 30, 2016 to $41.43 million from $49.52 million at December 31, 2015. Farmland increased $8.4 million, or 13.53 percent, at June 30, 2016 to $70.14 million from $61.78 million at December 31, 2015.

Other. Other loans at June 30, 2016 increased 16.06 percent to $19.14 million from $16.49 million at December 31, 2015.

Collateral Concentrations . Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk, particularly with the current economic downturn in the real estate market. At June 30, 2016, approximately 85 percent of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor these concentrations and has considered these concentrations in its allowance for loan loss analysis. Though the real estate market remains somewhat sluggish, we have seen real estate values stabilize. The stabilization of rates has resulted in a decrease in the number of loans being classified as impaired over the past several years.

PART I (Continued)
Item 2 (Continued)

Non p erforming Assets and Potential Problem Loans

Nonperforming assets and accruing past due loans as of June 30, 2016, December 31, 2015 and June 30, 2015 were as follows:

	June 3 0 , 201 6	December 31, 2015	June 30, 2015
Loans Accounted for on Nonaccrual	**$ 13,149**	$ 14,408	$ 14,120
Loans Accruing Past Due 90 Days or More	**--**	8	8
Other Real Estate Foreclosed	**10,178**	8,839	12,031
Total Nonperforming Assets	**$ 23,327**	$ 23,255	$ 26,159
Nonperforming Assets by Segment			
Construction and Land Development	**$ 4,414**	$ 7,106	$ 9,402
1-4 Family Residential	**4,875**	4,197	5,228
Multifamily Residential	**--**	--	173
Nonfarm Residential	**12,213**	9,908	8,801
Farmland	**933**	1,103	1,442
Commercial and Consumer	**892**	941	1,113
Total Nonperforming Assets	**$ 23,327**	$ 23,255	$ 26,159
Nonperforming Assets as a Percentage of:			
Total Loans and Foreclosed Assets	**3.01%**	3.03%	3.39%
Total Assets	**2.03%**	1.98%	2.30%
Nonperforming Loans as a Percentage of:			
Total Loans	**1.72%**	1.90%	1.86%
Supplemental Data:			
Trouble Debt Restructured Loans In Compliance with Modified Terms	**$ 19,346**	$ 19,375	$ 19,233
Trouble Debt Restructured Loans Past Due 30-89 Days	**338**	344	--
Accruing Past Due Loans:			
30-89 Days Past Due	**$ 5,611**	$ 10,959	$ 7,222
90 or More Days Past Due	**--**	8	8
Total Accruing Past Due Loans	**$ 5,611**	$ 10,967	$ 7,230
Allowance for Loan Losses	**$ 9,390**	$ 8,604	$ 8,480
ALLL as a Percentage of:			
Total Loans	**1.23%**	1.13%	1.12%
Nonperforming Loans	**71.41%**	59.68%	60.02%

Nonperforming assets include nonaccrual loans, loans past due 90 days or more and foreclosed real estate. Nonperforming assets at June 30, 2016 increased 0.31 percent from December 31, 2015.

Generally, loans are placed on non-accrual status if principal or interest payments become 90 days past due and/or management deems the collectability of the principal and/or interest to be in question, as well as when required by regulatory requirements. Loans to a customer whose financial condition has deteriorated are considered for non-accrual status whether or not the loan is 90 days or more past due. For consumer loans, collectability and loss are generally determined before the loan reaches 90 days past due. Accordingly, losses on consumer loans are recorded at the time they are determined. Consumer loans that are 90 days or more past due are generally either in liquidation/payment status or bankruptcy awaiting confirmation of a plan. Once interest accruals are discontinued, accrued but uncollected interest is charged to current year operations. Subsequent receipts on nonaccrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Classification of a loan as nonaccrual does not preclude the ultimate collection of loan principal or interest.

Troubled debt restructured loans are loans on which, due to deterioration in the borrower’s financial condition, the original terms have been modified in favor of the borrower or either principal or interest has been forgiven.

Non p erforming Assets and Potential Problem Loans (Continued)

Foreclosed assets represent property acquired as the result of borrower defaults on loans. Foreclosed assets are recorded at estimated fair value less estimated selling costs, at the time of foreclosure. Write-downs occurring at foreclosure are charged against the allowance for loan losses. On an ongoing basis, properties are appraised as required by market indications and applicable regulations. Write-downs are provided for subsequent declines in value and are included in other non-interest expense along with other expenses related to maintaining the properties.

Allowance for Loan Losses

The allowance for loan losses is a reserve established through a provision for loan losses charged to expense, which represents management's best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The allowance for loan losses includes allowance allocations calculated in accordance with current U.S. accounting standards. The level of the allowance reflects management's continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management's judgment, should be charged off. While management utilizes its best judgment and information available, the ultimate adequacy of the allowance is dependent upon a variety of factors beyond the Company's control, including the performance of the Company's loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

For the year ended December 31, 2015 the Company's historical loss ratio within the ALLL calculation was based on a rolling 8 quarter historical loss period. During the first quarter of 2016 Company management implemented a change to its allowance for loan loss methodology by expanding the historical loss period from a rolling 8 quarters to a rolling 16 quarters. Management believes the longer historical loss period better reflects the current and expected loss behavior of the loan portfolio within the current credit cycle. The transition to a rolling 16 quarter loss period will be complete in the first quarter of 2017. As of June 30, 2016, this change in the historical loss period resulted in an increase to the allowance for loan losses of $669,000.

The allowances established for probable losses on specific loans are the result of management's quarterly review of substandard loans with an outstanding balance of $250,000 or more. This review process usually involves regional credit officers along with local lending officers reviewing the loans for impairment. Specific valuation allowances are determined after considering the borrower's financial condition, collateral deficiencies, and economic conditions affecting the borrower's industry, among other things. In the case of collateral dependent loans, collateral shortfall is most often based upon local market real estate value estimates. This review process is performed at the subsidiary bank level and is reviewed at the parent Company level.

Once the loan becomes impaired, it is removed from the pool of loans covered by the general reserve and reviewed individually for exposure as described above. In cases where the individual review reveals no exposure, no reserve is recorded for that loan, either through an individual reserve or through a general reserve. If, however, the individual review of the loan does indicate some exposure, management often charges off this exposure, rather than recording a specific reserve. In these instances, a loan which becomes nonperforming could actually reduce the allowance for loan losses. Those loans deemed uncollectible are transferred to our problem loan department for workout, foreclosure and/or liquidation. The problem loan department obtains a current appraisal on the property in order to record the fair market value (less selling expenses) when the property is foreclosed on and moved into other real estate.

The allowances established for the remainder of the loan portfolio are based on historical loss factors, adjusted for certain qualitative factors, which are applied to groups of loans with similar risk characteristics. Loans are segregated into fifteen separate groups based on call codes. Most of the Company's charge-offs during the past two years have been real estate dependent loans. The historical loss ratios applied to these groups of loans are updated quarterly based on actual charge-off experience. The historical loss ratios are further adjusted by qualitative factors.

Allowance for Loan Losses (Continued)

Management evaluates the adequacy of the allowance for each of these components on a quarterly basis. Peer comparisons, industry comparisons, and regulatory guidelines are also used in the determination of the general valuation allowance. Loans identified as losses by management, internal loan review, and/or bank examiners are charged off. Additional information about the Company's allowance for loan losses is provided in the Notes to the Consolidated Financial Statements for Allowance for Loan Losses.

Deposits

The following table presents the average amount outstanding and the average rate paid on deposits by the Company for the six month periods ended June 30, 2016 and June 30, 2015.

	June 30, 2016		June 30, 2015	
	Average Amount	**Average Rate (1)**	Average Amount	Average Rate (1)
Noninterest-Bearing Demand Deposits	**$ 135,812**		$ 127,644	
Interest-Bearing Demand and Savings Deposits	**466,730**	**0.36%**	426,821	0.34%
Time Deposits	**391,476**	**0.80%**	425,012	0.80%
Total Deposits	**$ 994,018**	**0.48%**	$ 979,477	0.50%

(1) Average rate is an annualized rate.

Average deposits increased $14.54 million to $994.02 million at June 30, 2016 from $979.48 million at June 30, 2015. The increase included an increase of $8.17 million, or 6.40 percent in noninterest-bearing demand deposits while, at the same time, interest-bearing demand and savings deposits increased $39.91 million, or 9.35 percent and time deposits decreased $33.54 million, or 7.89 percent. Accordingly the ratio of average noninterest-bearing deposits to total average deposits was 13.66 percent for six months ended June 30, 2016 compared to 13.03 percent for six months ended June 30, 2015. The general decrease in market rates, had the effect of decreasing the average cost of total deposits by 2 basis points in six months ended June 30, 2016 compared to the same period a year ago.

Off-Balance-Sheet Arrangements, Commitments, Guarantees

In the ordinary course of business, the Company enters into off-balance sheet financial instruments which are not reflected in the consolidated financial statements. These instruments include commitments to extend credit, standby letters of credit, performance letters of credit, guarantees and liability for assets held in trust. Such financial instruments are recorded in the financial statements when funds are disbursed or the instruments become payable. The Company uses the same credit policies for these off-balance sheet financial instruments as they do for instruments that are recorded in the consolidated financial statements.

Loan Commitments . The Company enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of the Company's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. The Company minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for loan losses. Loan commitments outstanding at June 30, 2016 are included in the table in Footnote 10 of the Consolidated Financial Statements.

Capital and Liquidity

At June 30, 2016, stockholders' equity totaled $103.47 million compared to $95.46 million at December 31, 2015. In addition to net income of $4.23 million, other significant changes in stockholders' equity during six months ended June 30, 2016 included $811 thousand of preferred stock dividends declared. The accumulated other comprehensive income (loss) component of stockholders' equity totaled $158 thousand at June 30, 2016 compared to $(4.43) million at December 31, 2015. This fluctuation was mostly related to the after-tax effect of changes in the fair value of securities available for sale. Regulatory agencies for banks and bank holding companies utilize capital guidelines designed to measure Tier 1 and total capital and take into consideration the risk inherent in both on-balance sheet and off-balance sheet items.

PART I (Continued)
Item 2 (Continued)

Capital and Liquidity (Continued)

Tier 1 capital consists of common stock and qualifying preferred stockholders' equity and trust preferred securities less good will. Tier 2 capital consists of certain convertible, subordinated and other qualifying debt and the allowance for loan losses up to 1.25 percent of risk-weighted assets. The Company has no Tier 2 capital other than the allowance for loan losses.

Using the capital requirements presently in effect, the Tier 1 ratio as of June 30, 2016 was 16.13 percent and total Tier 1 and 2 risk-based capital was 17.32 percent. Both of these measures compare favorably with the regulatory minimum to be adequately capitalized of 6 percent for Tier 1 and 8 percent for total risk-based capital. The Company's common equity Tier 1 ratio as of June 30, 2016 was 10.84, which exceeds the regulatory minimum of 4.50 percent. The Company's Tier 1 leverage ratio as of June 30, 2016 was 10.94 percent, which exceeds the required ratio standard of 4 percent.

For June 2016, average capital was $99.46 million, representing 8.57 percent of average assets for the year. This compares to 8.75 percent for June 2015.

For June 2016, the Company had $1.2 million material commitments for capital expenditures to construct a new branch. With an additional entry in the Savannah market and the recent new entry into the Statesboro office, we anticipate new loan and deposit opportunities. These new offices are expected to have a minimal impact in the first twelve months following their opening and are expected to be accretive thereafter.

The Company did not pay any common stock dividends in the second quarter of 2016 or 2015. The Company suspended common stock dividend payments beginning in the third quarter of 2009 for capital retention purposes.

The Company declared dividends of $811 and $1.26 million on preferred stock on June 30, 2016 and 2015, respectively. Additional information is provided in the Notes to the Consolidated Financial Statements for Preferred Stock.

The Company, primarily through the actions of its subsidiary bank, engages in liquidity management to ensure adequate cash flow for deposit withdrawals, credit commitments and repayments of borrowed funds. Needs are met through loan repayments, net interest and fee income and the sale or maturity of existing assets. In addition, liquidity is continuously provided through the acquisition of new deposits, the renewal of maturing deposits and external borrowings.

Management monitors deposit flow and evaluates alternate pricing structures to retain and grow deposits. To the extent needed to fund loan demand, traditional local deposit funding sources are supplemented by the use of FHLB borrowings, brokered deposits and other wholesale deposit sources outside the immediate market area. Internal policies have been updated to monitor the use of various core and non-core funding sources, and to balance ready access with risk and cost. Through various asset/liability management strategies, a balance is maintained among goals of liquidity, safety and earnings potential. Internal policies that are consistent with regulatory liquidity guidelines are monitored and enforced by the Bank.

The investment portfolio provides a ready means to raise cash if liquidity needs arise. As of June 30, 2016, the available for sale bond portfolio totaled $307.93 million. At December 31, 2015, the available for sale bond portfolio totaled $296.15 million. Only marketable investment grade bonds are purchased. Although a good portion of the banks' bond portfolios are encumbered as pledges to secure various public funds deposits, repurchase agreements, and for other purposes, management can restructure and free up investment securities for a sale if required to meet liquidity needs.

Management continually monitors the relationship of loans to deposits as it primarily determines the Company's liquidity posture. Colony had ratios of loans to deposits of 78.3 percent as of June 30, 2016 and 75.0 percent at December 31, 2015. Management employs alternative funding sources when deposit balances will not meet loan demands. The ratios of loans to all funding sources (excluding Subordinated Debentures) at June 30, 2016 and December 31, 2015 were 75.2 percent and 72.1 percent, respectively.

Management continues to emphasize programs to generate local core deposits as our Company's primary funding sources. The stability of the banks' core deposit base is an important factor in Colony's liquidity position. A heavy percentage of the deposit base is comprised of accounts of individuals and small businesses with comprehensive banking relationships and limited volatility. At June 30, 2016 and December 31, 2015, Colony had $196 million and $203 million in certificates of deposit of $100,000 or more. These larger deposits represented 20.1 percent and 20.1 percent of respective total deposits. Management seeks to monitor and control the use of these larger certificates, which tend to be more volatile in nature, to ensure an adequate supply of funds as needed. Relative interest costs to attract local core relationships are compared to market rates of interest on various external deposit sources to help minimize the Company's overall cost of funds.

Capital and Liquidity (Continued)

The Company supplemented deposit sources with brokered deposits. As of June 30, 2016, the Company had $40.8 million, or 4.18 percent of total deposits, in CDARS. Additional information is provided in the Notes to the Consolidated Financial Statements regarding these brokered deposits. Additionally, the Company uses external deposit listing services to obtain out-of-market certificates of deposit at competitive interest rates when funding is needed. These deposits obtained from listing services are often referred to as wholesale or internet CDs. As of June 30, 2016, the Company had $26.9 million, or 2.75 percent of total deposits, in internet certificates of deposit obtained through deposit listing services.

To plan for contingent sources of funding not satisfied by both local and out-of-market deposit balances, Colony and its subsidiary have established multiple borrowing sources to augment their funds management. The Company has borrowing capacity through membership of the Federal Home Loan Bank program. The Bank has also established overnight borrowing for Federal Funds purchased through various correspondent banks. Management believes the various funding sources discussed above are adequate to meet the Company's liquidity needs in the future without any material adverse impact on operating results.

Liquidity measures the ability to meet current and future cash flow needs as they become due. The liquidity of a financial institution reflects its ability to meet loan requests, to accommodate possible outflows in deposits and to take advantage of interest rate market opportunities. The ability of a financial institution to meet its current financial obligations is a function of balance sheet structure, the ability to liquidate assets, and the availability of alternative sources of funds. The Company seeks to ensure its funding needs are met by maintaining a level of liquid funds through asset/liability management.

Asset liquidity is provided by liquid assets which are readily marketable or pledgeable or which will mature in the near future. Liquid assets include cash, interest-bearing deposits in banks, securities available for sale, federal funds sold and securities purchased under resale agreements.

Liability liquidity is provided by access to funding sources which include core deposits. Should the need arise, the Company also maintains relationships with the Federal Home Loan Bank, Federal Reserve Bank and three correspondent banks.

Since Colony is a bank holding company and does not conduct operations, its primary sources of liquidity are dividends up streamed from the subsidiary bank and borrowings from outside sources.

The liquidity position of the Company is continuously monitored and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Management is not aware of any events that are reasonably likely to have a material adverse effect on the Company's liquidity, capital resources or operations. In addition, management is not aware of any regulatory recommendations regarding liquidity, which if implemented, would have a material adverse effect on the Company.

R eturn on Assets and Stockholder s ' Equity

The following table presents selected financial ratios for each of the periods indicated.

	Three Months Ended June 3 0		Six Months Ended June 3 0	
	201 6	2015	**2016**	2015
Return on Average Assets (1)	**0.61%**	0.54%	**0.59%**	0.49%
Return on Average Total Equity (1)	**6.99%**	6.05%	**6.87%**	5.52%
Average Total Equity to Average Assets	**8.71%**	8.93%	**8.57%**	8.84%

(1) Computed using annualized net income available to common shareholders.

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a smaller reporting company, Colony Bank is not required to report this information.

ITEM 4 – CONT ROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's "disclosure controls and procedures," as such term is defined in Rule 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective for the purpose of ensuring that the information required to be disclosed in the reports that the Company files or submits under the Exchange Act with the Securities and Exchange Commission (the "SEC") (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. In addition, no change in the Company's internal control over financial reporting occurred during the quarter ended June 30, 2016 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART I I
Item 6

ITEM 6 – EXHIBITS

3.1 Articles of Incorporation , As Amended

-filed as Exhibit 99.1 to the Registrant's 10-Q for the period ended June 30, 2014 (File No. 0-12436), filed with the Commission on August 4, 2014 and incorporated herein by reference.

3.2 Bylaws, as Amended

-filed as Exhibit 3(b) to the Registrant's Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.

3.3 Article of Amendment to the Company's Articles of Incorporation Authorizing Additional Capital Stock in the Form of Ten Million Shares of Preferred Stock

-filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436) filed with the Commission on January 13, 2009 and incorporated herein by reference.

3.4 Articles of Amendment to the Company's Articles of Incorporation Establishing the Terms of the Series A Preferred Stock

-filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436) filed with the Commission on January 13, 2009 and incorporated herein by reference.

3.5 Amendment to the Company's Bylaws

-filed as Exhibit 99.1 to the Registrant's 8-K (File No.000-12436) , filed with the Commission on May 29, 2015 and incorporated herein by reference.

4.1 Warrant to Purchase up to 500,000 shares of Common Stock

-filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

4.2 Form of Series A Preferred Stock Certificate

-filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

10.1 Deferred Compensation Plan and Sample Director Agreement

-filed as Exhibit 10(a) to the Registrant's Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.

10.2 Profit-Sharing Plan Dated January 1, 1979

-filed as Exhibit 10(b) to the Registrant's Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.

10.3 1999 Restricted Stock Grant Plan and Restricted Stock Grant Agreement

-filed as Exhibit 10(c) the Registrant's Annual Report on Form 10-K (File No. 000-12436), filed with the Commission on March 30, 2001 and incorporated herein by reference.

10.4 2004 Restricted Stock Grant Plan and Restricted Stock Grant Agreement

- filed as Exhibit C to the Registrant's Definitive Proxy Statement for Annual Meeting of Shareholders held on April 27, 2004, filed with the Securities and Exchange Commission on March 3, 2004 (File No. 000-12436) and incorporated herein by reference.

10.5 Lease Agreement – Mobile Home Tracts, LLC c/o Stafford Properties, Inc. and Colony Bank Worth

- filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10Q (File No. 000-12436), filed with Securities and Exchange Commission on November 5, 2004 and incorporated herein by reference.

10.6 Letter Agreement, Dated January 9, 2009, Including Securities Purchase Agreement – Standard Terms Incorporated by Reference Therein, Between the Company and the United States Department of the Treasury

- filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

10.7 Form of Waiver, Executed by Al D. Ross

- filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

10. 8 Form of Waiver, Executed by Terry L. Hester

- filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

10. 9 Form of Waiver, Executed by Henry F. Brown, Jr.

- filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

10. 10 Form of Waiver, Executed by Walter F. Patten

- filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

10. 11 Form of Waiver, Executed by Larry E. Stevenson

- filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 13, 2009 and incorporated herein by reference.

10. 12 Employment Agreement, Dated April 27, 2012 Between Edward P. Loomis, Jr. and Colony Bankcorp, Inc.

-filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on May 2, 2012 and incorporated herein by reference.

99.1 Retention Agreement

-filed as Exhibit 99.1 to the Registrant's 10-Q for the period ended March 31, 2015 (File No. 000-12436), filed with the Commission on May 4, 2015 and incorporated herein by reference.

99.2 Retention Agreement

-filed as Exhibit 99.2 to the Registrant's 10-Q for the period ended June 30, 2016 (File No. 000-12436), filed with the Commission on May 31, 2016.

31.1 Certificate of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002

31.2 Certificate of Chief Financial Officer Pursuant to Section 302 of Sarbanes – Oxley Act of 2002

32.1 Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101.INS XBRL Instance Document

101.SCH XBRL Schema Document

101.CAL XBRL Calculation Linkbase Document

101.DEF XBRL Definition Linkbase Document

101.LAB XBRL Label Linkbase Document

101.PRE XBRL Presentation Linkbase Document

SIGNATURE S

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Colony Bankcorp, Inc.

Date: August 2, 2016	/s/ Edward P. Loomis, Jr. Edward P. Loomis, Jr. President/Director/Chief Executive Officer
Date: August 2, 2016	/s/ Terry L. Hester Terry L. Hester Executive Vice-President/Director/Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Edward P. Loomis, Jr. certify that:

1. I have reviewed this Form 10-Q of Colony Bankcorp, Inc:

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 2, 2016

/s/ Edward P. Loomis, Jr.
Edward P. Loomis, Jr.
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Terry L. Hester certify that:

1. I have reviewed this Form 10-Q of Colony Bankcorp, Inc:

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

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

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

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

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

August 2, 2016

/s/ Terry L. Hester
Terry L. Hester
Executive Vice-President and Chief Financial Officer

EXHIBIT 32.1

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. § 1350
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Form 10-Q of Colony Bankcorp, Inc. (the Company) for the period ended June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the Report), Edward P. Loomis, Jr., President and Chief Executive Officer of the Company, and Terry L. Hester, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

August 2, 2016

/s/ Edward P. Loomis, Jr.
Edward P. Loomis, Jr.
President and Chief Executive Officer

August 2, 2016

/s/ Terry L. Hester
Terry L. Hester
Executive Vice-President and Chief Financial Officer

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

Exhibit 99.2

RETENTION AGREEMENT

THIS RETENTION AGREEMENT (this "Agreement") is made and entered into this 27 th day of March 27, 2015 by and between Colony Bank, a Georgia bank (the " Bank") and J. Stan Cook ("Employee"), to be effective as of March 27, 2015.

BACKGROUND

WHEREAS, the Bank presently employs Employee as its Senior Vice President, Retail Sales and Support Group;

WHEREAS, the Bank desires to promote the retention of Employee by offering protection in the event of a Change in Control (as defined herein); and

WHEREAS, in order to accomplish the foregoing objective, the Bank and Employee desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements contained herein, and intending to be legally bound hereby, the parties hereto agree as follows:

1. R et e n t ion Payments

(a) Subject to the terms and conditions of this Agreement, in the event of a Change in Control (as defined in Section 2 hereof) prior to March 27, 2018, the Bank shall pay to Employee a cash bonus equal to 0.75 times his then-current Base Salary (as defined in Section 2 hereof), less withholding for taxes and other similar items (the " C han g e in C ontrol Bon u s "), in a single lump sum within thirty (30) days following the Change in Control Effective Date (as defined in Section 2 hereof), provided that, except as otherwise provided in Section I(c) hereof, Employee is employed by the Bank on the Change in Control Effective Date.

(b) Subject to the terms and conditions of this Agreement, the Bank shall pay to Employee a cash retention bonus equal to 0.75 times his then-current Base Salary, less withholding for taxes and other similar items (the " P os t - C l o si n g Retention Bonus "), in a single lump sum within thirty (30) days following the Post-Closing Retention Payment Date (as defined in Section 2 hereof), provided that, except as otherwise provided in Section l(d) hereof, Employee is employed by the Bank on the Post-Closing Retention Payment Date.

(c) Notwithstanding anything in this Agreement to the contrary, if Employee incurs a Pre-Change in Control Qualifying Termination (as defined in Section 2 hereof), then Employee shall be entitled to receive, and the Bank shall pay to Employee, the Change in Control Bonus and the Post- Closing Retention Bonus in a single lump sum within thirty (30) days following the Change in Control Effective Date. If Employee 's employment with the Bank is terminated for any reason other than by reason of a Pre-Change in Control Qualifying Termination prior to the Change in Control Effective Date, then Employee shall not be entitled to the Change in Control Bonus or the Post-Closing Retention Bonus.

(d) Notwithstanding anything in this Agreement to the contrary, if Employee incurs a Post-Change in Control Qualifying Termination (as defined in Section 2 hereof), then the Bank shall pay to Employee an amount equal to the Post-Closing Retention Bonus in a single lump sum within thirty (30) days following Employee's date of termination. If Employee's employment with the Bank is terminated for any reason other than by reason of a Post-Change in Control Qualifying Termination following the Change in Control Effective Date, then Employee shall not be entitled to the Post-Closing Retention Bonus.

(e) For purposes of clarity, Employee shall not be eligible for the Change in Control Bonus or the Post-Closing Retention Bonus unless and until a Change in Control occurs while this Agreement is in effect.

(f) Notwithstanding anything in this Agreement to the contrary, the Bank shall be obligated to pay Employee the Change in Control Bonus and the Post-Closing Retention Bonus only if (X) Employee shall have executed a separation agreement containing a full general release of claims and covenant not to sue in the form provided by the Bank (the " Release Ag r eement ") within the time period specified in the Release Agreement and such Release Agreement shall not have been revoked within any revocation period specified in the Release Agreement, and (Y) Employee fully complies with the obligations set forth in Section 5 hereof.

2. Definitions . For purposes of this Agreement, the following terms shall have the following meanings:

(a) " Base Salary " means the amount Employee is entitled to receive as wages or salary on an annualized basis, without reduction for any pre-tax contributions to benefit plans. Base Salary does not include bonuses, commissions, overtime pay or income from stock options, stock grants or other incentive compensation.

(b) " Cause " shall mean (i) any intentional misconduct by Employee in connection with the Bank's business or relating to Employee's duties, or any willful violation of any laws, rules or regulations applicable to banks or the banking industry generally (including but not limited to the regulations of the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation (the " FDIC"), the State of Georgia Department of Banking and Finance, or any other applicable regulatory authority); (ii) Employee's material failure to comply with the Bank's policies or guidelines of employment or corporate governance policies or guidelines, including, without limitation, any business code of ethics adopted by the Bank; (iii) any act of fraud, misappropriation or embezzlement by Employee, whether or not such act was committed in connection with the business of the Bank; (iv) a breach or threatened breach of this Agreement, including, without limitation, a breach of any of the obligations set forth in Section5 hereof, that, if such breach is capable of being cured, is not cured by Employee within ten (10) days of written notice by the Bank of the breach; or (v) the commission by Employee of, or Employee's pleading guilty or nolo contendere to, a felony or a crime involving moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of the Bank.

(c) " Change in Control " means and includes the occurrence of any one of the following events but shall specifically exclude a public offering of any class or series of the Holding Company's equity securities pursuant to a registration statement filed by the Holding Company under the Securities Act of 1933:

(i) during any consecutive 12-month period, individuals who, at the beginning of such period, constitute the Holding Company Board (the " Incumbent Directors ") cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the beginning of such 12-month period and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Holding Company Board shall be an Incumbent Director; provide d , h o w e ve r , that no individual initially elected or nominated as a director of the Holding Company as a result of an actual or threatened election contest with respect to the election or removal of directors (" Election Contest ") or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Holding Company Board (" Pro x y C o ntest"), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

(ii) any person becomes a Beneficial Owner (as defined in Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934), directly or indirectly, of either (A) 50% or more of the then-outstanding shares of common stock of the Holding Company ("Holding Company Common Stock") or (B) securities of the Holding Company representing 50% or more of the combined voting power of the Holding Company's then outstanding securities eligible to vote for the election of directors (the "Holding Company Voting Securities"); provided, however, that for purposes of this subsection (ii), the following acquisitions of Holding Company Common Stock or Holding Company Voting Securities shall not constitute a Change in Control: (w) an acquisition directly from the Holding Company, (x) an acquisition by the Holding Company or a Subsidiary, (y) an acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Holding Company or any Subsidiary, or (z) an acquisition pursuant to a Non-Qualifying Transaction (as defined in subsection (iii) below); or

(iii) the consummation of a reorganization, merger, consolidation, statutory share exchange or similar form of corporate transaction involving the Holding Company or a Subsidiary (a "Reorganization"), or the sale or other disposition of all or substantially all of the Holding Company's assets (a "Sale") or the acquisition of assets or stock of another corporation or other entity (an "Acquisition"), unless immediately following such Reorganization, Sale or Acquisition: (A) all or substantially all of the individuals and entities who were the Beneficial Owners, respectively, of the outstanding Holding Company Common Stock and outstanding Holding Company Voting Securities immediately prior to such Reorganization, Sale or Acquisition beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Reorganization, Sale or Acquisition (including, without limitation, an entity which as a result of such transaction owns the Holding Company or all or substantially all of the Holding Company's assets or stock either directly or through one or more subsidiaries, (the "Surviving Entity") in substantially the same proportions as their ownership, immediately prior to such Reorganization, Sale or Acquisition, of the outstanding Holding Company Common Stock and the outstanding Holding Company Voting Securities, as the case may be, and (B) no person (other than (x) the Holding Company or any Subsidiary, (y) the Surviving Entity or its ultimate parent entity, or (z) any employee benefit plan (or related trust) sponsored or maintained by any of the foregoing is the Beneficial Owner, directly or indirectly, of 50% or more of the total common stock or 50% or more of the total voting power of the outstanding voting securities eligible to elect directors of the Surviving Entity, and (C) at least a majority of the members of the board of directors of the Surviving Entity were Incumbent Directors at the time of the Board's approval of the execution of the initial agreement providing for such Reorganization, Sale or Acquisition (any Reorganization, Sale or Acquisition which satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a "Non-Qualifying Transaction").

(d) "Change in Control Effective Date" means the effective date of a Change in Control.

(e) "Code" means the Internal Revenue Code of 1986, as amended from time to time. For purposes of this Agreement, references to sections of the Code shall be deemed to include references to any applicable regulations thereunder and any successor or similar provision.

(f) "Competitive Services" means the community banking or commercial banking business, including, without limitation, originating, underwriting, closing and selling loans, receiving deposits and otherwise engaging in the business of banking, as well as the business of providing any other activities, products, or services of the type conducted, authorized, offered, or provided by CBS as of Employee's Termination Date, or during the two (2) years immediately prior to Employee's Termination Date.

(g) " Confidential Information " means any and all data and information relating to CBS, its activities, business, or clients that (i) is disclosed to Employee or of which Employee becomes aware as a consequence of his employment with the Bank; (ii) has value to CBS; and (iii) is not generally known outside of the Bank. "Confidential Information" shall include, but is not limited to the following types of information regarding, related to, or concerning CBS: trade secrets (as defined by O.C.G.A. § 10-1-761); financial plans and data; management planning information; business plans; operational methods; market studies; marketing plans or strategies; pricing information; product development techniques or plans; customer lists; customer files, data and financial information; details of customer contracts; current and anticipated customer requirements; identifying and other information pertaining to business referral sources; past, current and planned research and development; computer aided systems, software, strategies and programs; business acquisition plans; management organization and related information (including, without limitation, data and other information concerning the compensation and benefits paid to officers, directors, employees and management); personnel and compensation policies; new personnel acquisition plans; and other similar information. "Confidential Information" also includes combinations of information or materials which individually may be generally known outside of CBS, but for which the nature, method, or procedure for combining such information or materials is not generally known outside of CBS. In addition to data and information relating to CBS, "Confidential Information" also includes any and all data and information relating to or concerning a third party that otherwise meets the definition set forth above, that was provided or made available to CBS by such third party, and that CBS has a duty or obligation to keep confidential. This definition shall not limit any definition of "confidential information" or any equivalent term under state or federal law. "Confidential Information" shall not include information that has become generally available to the public by the act of one who has the right to disclose such information without violating any right or privilege of CBS.

(h) " Disability " means the inability of Employee, as reasonably determined by the Bank, to perform the essential functions of his regular duties and responsibilities, with or without reasonable accommodation, due to a medically determinable physical or mental illness which has lasted (or can reasonably be expected to last) for a period of six (6) consecutive months. At the request of Employee or his personal representative, the Bank's determination that the Disability of Employee has occurred shall be certified by a physician mutually agreed upon by Employee, or his personal representative, and the Bank.

(i) " CBS " means, collectively, the Holding Company and the Bank.

(j) " Holding Company " means Colony Bankcorp, Inc.

(k) " Material Contact " means contact between Employee and a customer or potential customer of CBS (i) with whom or which Employee has or had dealings on behalf of CBS; (ii) whose dealings with CBS are or were coordinated or supervised by Employee; (iii) about whom Employee obtains Confidential Information in the ordinary course of business as a result of his employment with the Bank; or (iv) who receives products or services of CBS, the sale or provision of which results or resulted in compensation, commissions, or earnings for Employee within the two (2) years preceding the conduct in question (if the conduct occurs while Employee is still employed by the Bank) or the Termination Date (if the conduct occurs after Employee's Termination), as applicable.

(l) ” Person " means any individual or any corporation, partnership, joint venture, limited liability company, association or other entity or enterprise.

(m) " Post-Change in Control Qualifying Termination ” means Employee's termination of employment with the Bank by the Bank without Cause on or following the Change in Control Effective Date and prior to the Post-Closing Retention Payment Date. For the avoidance of doubt, in no event shall Employee be deemed to have experienced a Post-Change in Control Qualifying Termination as a result of (i) Employee's termination of employment by the Bank without Cause other than during the period between the Change in Control Effective Date and the Post-Closing Retention Payment Date, (ii) Employee's death or Disability, (iii) Employee's resignation from employment with the Bank for any reason or no reason, or (iv) Employee's termination of employment by the Bank for Cause.

(n) " Post-Closing Retention Payment Date " means the date on which the Bank determines, in good faith, that it has successfully completed the conversion of its data, customers, accounts and transactions to the core processing system of any acquiring institution (whether such third party acquiring institution uses the same core processor as the Bank, or a core processor that is different from the Bank's core process) pursuant to a Change in Control.

(o) " Pre-Change in Control Qualifying Termination " means Employee's termination of employment with the Bank by the Bank without Cause within the ninety (90) day period immediately preceding the Change in Control Effective Date. For the avoidance of doubt, in no event shall Employee be deemed to have experienced a Pre-Change in Control Qualifying Termination as a result of (i) Employee's termination of employment by the Bank without Cause other than during the ninety (90) day period immediately preceding the Change in Control Effective Date, (ii) Employee's death or Disability, (iii) Employee's resignation from employment with the Bank for any reason or no reason, or (iv) Employee's termination of employment by the Bank for Cause.

(p) " Principal or Representative " means a principal, owner, partner, shareholder, joint venturer, investor, member, trustee, director, officer, manager, employee, agent, representative or consultant.

(q) " Protected Customer " means any Person to whom CBS has sold its products or services or actively solicited to sell its products or services, and with whom Employee has had Material Contact on behalf of CBS during his employment with the Bank.

(r) " P r o t e c t e d Work " means any and all ideas, inventions, formulas, Confidential Information, source codes, object codes, techniques, processes, concepts, systems, programs, software, software integration techniques, hardware systems, schematics, flow charts, computer data bases, client lists, trademarks, service marks, brand names, trade names, compilations, documents, data, notes, designs, drawings, technical data and/or training materials, including improvements thereto or derivatives therefrom, whether or not patentable, and whether or not subject to copyright or trademark or trade secret protection, conceived, developed or produced by Employee, or by others working with Employee or under his direction, during the period of his employment, or conceived, produced or used or intended for use by or on behalf of CBS or its customers.

(s) " Restricted Period " means any time during Employee's employment with the Bank as well as twelve (12) months following Employee's Termination Date following a Change in Control; provided, however , that the post-termination Restricted Period shall be reduced by the number of full months that Employee provides services to the Bank following the Change in Control prior to the Termination Date. For example, if the Employee's employment with the Bank terminates for any reason following his provision of six (6) months of services to the Bank following the Change in Control, then the post-termination Restricted Period shall be six (6) months.

(t) " Restrictive Covenants " means the restrictive covenants contained in Section 5(b), (c), (d), (e) and (f) hereof.

(u) " Termination " means the termination of Employee's employment with the Bank, for any reason, whether with or without cause, upon the initiative of either party.

(v) " Termination Date " means the date of Employee's Termination.

(w) " Subsidiary " means any corporation, limited liability company, partnership or other entity of which a majority of the outstanding voting stock or voting power is beneficially owned directly or indirectly by the Holding Company.

3. Employment At-Will . Employee shall continue to be employed at-will and for no definite term. This means that either party may terminate the employment relationship at any time for any or no reason.

4. Term of Agreement This Agreement shall terminate on the earliest of (i) the date that the Bank fulfills its obligations set forth in Section 1 hereof; (ii) the date of Employee's termination of employment with the Bank other than by reason of a Pre-Change in Control QualifYing Termination prior to the Change in Control Effective Date; or (iii) March 27, 2018. Notwithstanding the foregoing, the Restrictive Covenants contained in Section 5 hereof, as well as any other provisions of this Agreement necessary to interpret or enforce the Restrictive Covenants, shall survive the termination of this Agreement and continue to be in full force and effect in accordance with their terms.

5. Protective C ovenants . Subject to the limitations of reasonableness imposed by law, Employee shall be subject to the restrictions set forth in this Section 5. Employee agrees that the restrictions in this Section 5 are reasonable and necessary and shall survive the termination of this Agreement.

(a) Acknowledgments.

(i) Condition of Employment and Other Consideration. Employee acknowledges and agrees that he has received good and valuable consideration for entering into this Agreement and further acknowledges that the Bank would not continue to employ him in the absence of his execution of and compliance with this Agreement.

(ii) Access to Confidential Information, Relationships. and Goodwill. Employee acknowledges and agrees that he is being provided and entrusted with Confidential Information (as that term is defined below), including highly confidential customer information that is subject to extensive measures to maintain its secrecy within CBS, is not known in the trade or disclosed to the public, and would materially harm CBS's legitimate business interests if it was disclosed or used in violation of this Agreement. Employee also acknowledges and agrees that he is being provided and entrusted with access to CBS's customer and employee relationships and goodwill. Employee further acknowledges and agrees that CBS would not provide access to the Confidential Information, customer and employee relationships, and goodwill in the absence of Employee's execution of and compliance with this Agreement. Employee further acknowledges and agrees that CBS's Confidential Information, customer and employee relationships, and goodwill are valuable assets of CBS and are legitimate business interests that are properly subject to protection through the covenants contained in this Agreement.

(iii) Potential Unfair Competition. Employee acknowledges and agrees that as a result of his employment with the Bank, his knowledge of and access to Confidential Information, and his relationships with CBS's customers and employees, Employee would have an unfair competitive advantage if Employee were to engage in activities in violation of this Agreement.

(b) Restriction on Disclosure and Use of Confidential Information. Employee agrees that Employee shall not, directly or indirectly, use any Confidential Information on Employee's own behalf or on behalf of any Person other than CBS, or reveal, divulge, or disclose any Confidential Information to any Person not expressly authorized by CBS to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Employee further agrees that he shall fully cooperate with CBS in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either CBS's rights or Employee's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Employee shall not be restricted from disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; provided, however, that in the event such disclosure is required by law, Employee shall provide CBS with prompt notice of such requirement so that CBS may seek an appropriate protective order prior to any such required disclosure by Employee.

(c) Non-Solicitation of Protected Customers. Employee agrees that, during the Restricted Period, he shall not, without the prior written consent of CBS, directly or indirectly, on his own behalf or as a Principal or Representative of any Person, solicit, divert, take away, or attempt to solicit, divert, or take away a Protected Customer for the purpose of engaging in, providing, or selling Competitive Services.

(d) Non-Recruitment of Employees. Employee agrees that during the Restricted Period, he shall not, without the prior written consent of CBS, directly or indirectly, whether on his own behalf or as a Principal or Representative of any Person, solicit or induce or attempt to solicit or induce any employee of CBS to terminate his employment relationship with the Bank or to enter into employment with Employee or any other Person.

(e) Proprietary Rights .

(i) Ownership and Assignment of Protected Works . Employee agrees that any and all Confidential Information and Protected Works are the sole property of CBS, and that no compensation in addition to Employee's base salary is due to Employee for development or transfer of such Protected Works. Employee agrees that he shall promptly disclose in writing to CBS the existence of any Protected Works. Employee hereby assigns and agrees to assign all of his rights, title and interest in any and all Protected Works, including all patents or patent applications, and all copyrights therein, to CBS. Employee shall not be entitled to use Protected Works for his own benefit or the benefit of anyone except CBS without written permission from CBS and then only subject to the terms of such permission. Employee further agrees that he will communicate to CBS any facts known to him and testify in any legal proceedings, sign all lawful papers, make all rightful oaths, execute all divisionals, continuations, continuations-in-part, foreign counterparts, or reissue applications, all assignments, all registration applications, and all other instruments or papers to carry into full force and effect the assignment, transfer, and conveyance hereby made or to be made and generally do everything possible for title to the Protected Works and all patents or copyrights or trademarks or service marks therein to be clearly and exclusively held by CBS. Employee agrees that he will not oppose or object in any way to applications for registration of Protected Works by CBS or others designated by CBS. Employee agrees to exercise reasonable care to avoid making Protected Works available to any third party and shall be liable to CBS for all damages and expenses, including reasonable attorneys' fees, if Protected Works are made available to third parties by him without the express written consent of CBS.

Anything herein to the contrary notwithstanding, Employee will not be obligated to assign to CBS any Protected Work for which no equipment, supplies, facilities, or Confidential Information of CBS was used and which was developed entirely on Employee's own time, unless (a) the invention relates (1) directly to the business of CBS, or (2) to CBS's actual or demonstrably anticipated research or development; or (b) the invention results from any work performed by Employee for CBS. Employee likewise will not be obligated to assign to CBS any Protected Work that is conceived by Employee after Employee leaves the employ of the Bank, except that Employee is so obligated if the same relates to or is based on Confidential Information to which Employee had access by virtue of his employment with the Bank. Similarly, Employee will not be obligated to assign any Protected Work to CBS that was conceived and reduced to practice prior to his employment, regardless of whether such Protected Work relates to or would be useful in the business of CBS. Employee acknowledges and agrees that there are no Protected Works conceived and reduced to practice by him prior to his employment with the Bank.

(ii) No Other Duties . Employee acknowledges and agrees that there is no other contract or duty on his part now in existence to assign Protected Works to anyone other than CBS.

(iii) Works Made for Hire . The Bank and Employee acknowledge that in the course of his employment with the Bank, Employee may from time to time create for CBS copyrightable works. Such works may consist of manuals, pamphlets, instructional materials, computer programs, software, software integration techniques, software codes, and data, technical data, photographs, drawings, logos, designs, artwork or other copyrightable material, or portions thereof, and may be created within or without CBS's facilities and before, during or after normal business hours. All such works related to or useful in the business of CBS are specifically intended to be works made for hire by Employee, and Employee shall cooperate with CBS in the protection of CBS's copyrights in such works and, to the extent deemed desirable by CBS, the registration of such copyrights.

(f) Return of Materials. Employee agrees that he will not retain or destroy (except as set forth below), and will immediately return to CBS on or prior to the Termination Date, or at any other time CBS requests such return, any and all property of CBS that is in his possession or subject to his control, including, but not limited to, keys, credit and identification cards, personal items or equipment, customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, computers, mobile devices, other electronic media, all other files and documents relating to CBS and its business (regardless of form, but specifically including all electronic files and data of CBS), together with all Protected Works and Confidential Information belonging to CBS or that Employee received from or through his employment with the Bank. Employee will not make, distribute, or retain copies of any such information or property. To the extent that Employee has electronic files or information in his possession or control that belong to CBS, contain Confidential Information, or constitute Protected Works (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Termination Date, or at any other time CBS requests, Employee shall (a) provide CBS with an electronic copy of all of such files or information (in an electronic format that readily accessible by CBS); (b) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-CBS-owned computers, mobile devices, electronic media, cloud storage, or other media, devices, or equipment, such that such files and information are permanently deleted and irretrievable; and (c) provide a written certification to CBS that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted. Employee agrees that he will reimburse CBS for all of its costs, including reasonable attorneys' fees, of recovering the above materials and otherwise enforcing compliance with this provision if he does not return the materials to CBS or take the required steps with respect to electronic information or files on or prior to the Termination Date or at any other time the materials and/or electronic file actions are requested by CBS or if Employee otherwise fails to comply with this provision.

(g) Enforcement of Restrictive Covenants.

(i) Rights and Remedies Upon Breach. The parties specifically acknowledge and agree that the remedy at law for any breach of the Restrictive Covenants will be inadequate, and that in the event Employee breaches, or threatens to breach, any of the Restrictive Covenants, CBS shall have the right and remedy, without the necessity of proving actual damage or posting any bond, to enjoin, preliminarily and permanently, Employee from violating or threatening to violate the Restrictive Covenants and to have the Restrictive Covenants specifically enforced by any court of competent jurisdiction, it being agreed that any breach or threatened breach of the Restrictive Covenants would cause irreparable injury to CBS and that money damages would not provide an adequate remedy to CBS. Employee understands and agrees that if he violates any of the obligations set forth in the Restrictive Covenants, the period of restriction applicable to each obligation violated shall cease to run during the pendency of any litigation over such violation, provided that such litigation was initiated during the period of restriction. Such rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to CBS at law or in equity. Employee understands and agrees that, if the parties become involved in legal action regarding the enforcement of the Restrictive Covenants and if CBS prevails in such legal action, CBS will be entitled, in addition to any other remedy, to recover from Employee its reasonable costs and attorneys' fees incurred in enforcing such covenants. CBS's ability to enforce its rights under the Restrictive Covenants or applicable law against Employee shall not be impaired in any way by the existence of a claim or cause of action on the part of Employee based on, or arising out of, this Agreement or any other event or transaction.

(ii) Severability and Modification of Restric6ve Coenant. Employee acknowledges and agrees that each of the Restrictive Covenants is reasonable and valid in time and scope and in all other respects. The parties agree that it is their intention that the Restrictive Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Restrictive Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Restrictive Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render invalid, void, or unenforceable any other part or provision of this Agreement or such Restrictive Covenant. If any of the provisions of the Restrictive Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of CBS's legitimate business interests and may be enforced by CBS to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

(h) Disclosure of Agreement. Employee acknowledges and agrees that, during the Restricted Period, he will disclose the existence and terms of this Agreement to any prospective employer, business partner, investor or lender prior to entering into an employment, partnership or other business relationship with such prospective employer, business partner, investor or lender. Employee further agrees that CBS shall have the right to make any such prospective employer, business partner, investor or lender of Employee aware of the existence and terms of this Agreement.

6. Full Settlement; No Mitigation. The Bank's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set- off, counterclaim, recoupment, defense or other claim, right or action which the Bank may have against Employee or others. In no event shall Employee be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Employee under any of the provisions of this Agreement and such amounts shall not be reduced whether or not Employee obtains other employment.

7. Limitation of Benefits.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any benefit, payment or distribution by the Bank to or for the benefit of Employee (whether payable or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax (the " Exci e Tax") imposed by Section 4999 of the Code, then the aggregate present value of the Payments shall be reduced (but not below zero) to an amount expressed in present value that maximizes the aggregate present value of the Payments without causing the Payments or any part thereof to be subject to the Excise Tax and therefore nondeductible by the Bank because of Section 280G of the Code (the " Reduced Amount"). The reduction of the Payments due hereunder, if applicable, shall be made by first reducing cash Payments and then, to the extent necessary, reducing those Payments having the next highest ratio of Parachute Value to actual present value of such Payments as of the date of the change of control, as determined by the Determination Firm (as defined in Section 7(b) below). For purposes of this Section 7, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this Section 7, the " Parachute Value " of a Payment means the present value as of the date of the change of control of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Determination Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(b) All determinations required to be made under this Section 7, including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an independent, nationally recognized accounting firm or compensation consulting firm mutually acceptable to the Bank and Employee (the " Determination Firm") which shall provide detailed supporting calculations both to the Bank and Employee within 15 business days of the receipt of notice from Employee that a Payment is due to be made, or such earlier time as is requested by the Bank. All fees and expenses of the Determination Firm shall be borne solely by the Bank. Any determination by the Determination Firm shall be binding upon the Bank and Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments hereunder will have been unnecessarily limited by this Section 7 (" Underpayment"), consistent with the calculations required to be made hereunder. The Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Bank to or for the benefit of Employee together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code, but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

c) In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 7 shall be of no further force or effect.

8. Successor s .

(a) This Agreement is one for personal services and may not be assigned by Employee. This Agreement shall inure to the benefit of and be enforceable by Employee's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Bank and its successors and assigns.

(c) This Agreement shall bind any successor of or to the Bank, its assets or its businesses (whether direct or indirect, by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Bank would be obligated under this Agreement if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Agreement, the Bank shall require such successor expressly and unconditionally to assume and agree to perform the Bank's obligations under this Agreement, in the same manner and to the same extent that the Bank would be required to perform if no such succession had taken place. The term "Bank," as used in this Agreement, shall mean the Bank as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by this Agreement.

9. Code Section 409A.

(a) This Agreement shall be interpreted and administered in a manner so that any amount or benefit payable hereunder shall be paid or provided in a manner that is either exempt from or compliant with the requirements of Section 409A of the Code and applicable Internal Revenue Service guidance and Treasury Regulations issued thereunder (and any applicable transition relief under Section 409A of the Code). Nevertheless, the tax treatment of the benefits provided under the Agreement is not warranted or guaranteed. Neither the Bank nor its directors, officers, employees or advisers shall be held liable for any taxes, interest, penalties or other monetary amounts owed by Employee as a result of the application of Section 409A of the Code.

(b) Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt "deferred compensation" for purposes of Section 409A of the Code (" Non-Exempt Deferred Compensation ") would otherwise be payable or distributable hereunder, or a different form of payment of such Non-Exempt Deferred Compensation would be effected, by reason of a Change in Control or Employee's termination of employment, such Non-Exempt Deferred Compensation will not be payable or distributable to Employee by reason of such circumstance unless the circumstances giving rise to such Change in Control or termination of employment, as the case may be, meet any description or definition of "change in control event" or "separation from service", as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). This provision does not prohibit the *vesting* of any Non-Exempt Deferred Compensation upon a Change in Control or termination of employment, however defined. If this provision prevents the payment or distribution of any Non-Exempt Deferred Compensation, such payment or distribution shall be made on the date, if any, on which an event occurs that constitutes a Section 409A-compliant "change in control event" or "separation from service", as the case may be, or such later date as may be required by Section 9(c) hereof.

(c) Notwithstanding anything in this Agreement to the contrary, if any Non-Exempt Deferred Compensation would otherwise be payable or distributable under this Agreement by reason of Employee's separation from service during a period in which he is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by the Bank under Treas. Reg. Section 1.409A-3U)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes): (i) if the payment or distribution is payable in a lump sum, Employee's right to receive payment or distribution of such non-exempt deferred compensation will be delayed until the earlier of Employee's death or the first day of the seventh month following Employee's separation from service; and (ii) if the payment or distribution is payable over time, the amount of such non-exempt deferred compensation that would otherwise be payable during the six-month period immediately following Employee's separation from service will be accumulated and Employee's right to receive payment or distribution of such accumulated amount will be delayed until the earlier of Employee's death or the first day of the seventh month following Employee's separation from service, whereupon the accumulated amount will be paid or distributed to Employee and the normal payment or distribution schedule for any remaining payments or distributions will resume. For purposes of this Agreement, the term " Specified Employee " has the meaning given such term in Code Section 409A.

(d) Whenever in this Agreement a payment or benefit is conditioned on Employee's execution of a release of claims, such release must be executed and all revocation periods shall have expired within 60 days after the date of termination; failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then such payment or benefit (including any installment payments) that would have otherwise been payable during such 60- day period shall be accumulated and paid on the 60th day after the date of termination provided such release shall have been executed and such revocation periods shall have expired. If such payment or benefit is exempt from Section 409A of the Code, the Bank may elect to make or commence payment at any time during such period.

(e) The Bank shall have the sole authority to make any accelerated distribution permissible under Treas. Reg. Section 1.409A-3(j)(4) to Employee of deferred amounts, provided that such distribution meets the requirements of Treas. Reg. Section 1.409A-3(j)(4).

(f) Each payment under this Agreement shall be considered a separate payment, as described in Treas. Reg. Section 1.409A-2(b)(2), for purposes of Section 409A of the Code.

10. Miscellaneous .

(a) The Bank and Employee agree that this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Georgia without giving effect to its conflicts of law principles. Employee agrees that the exclusive forum for any action to enforce this Agreement, as well as any action relating to or arising out of this Agreement, shall be Superior Court of Ben Hill County, Georgia or the U.S. District Court for the Middle District of Georgia, Albany Division. With respect to any such court action, Employee hereby (i) irrevocably submits to the personal jurisdiction of such courts; (ii) consents to service of process; (iii) consents to venue; and (iv) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction, service of process, or venue. The parties hereto further agree that such courts are convenient forums for any dispute that may arise herefrom and that neither party shall raise as a defense that such courts are not convenient forums.

(b) The captions of this Agreement are not part of the provisions hereof and shall have no force or effect.

(c) This Agreement may not be amended or modified otherwise than-by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(d) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

I f to E mployee:	If to the Bank :
On file with the Bank	Colony Bank
	115 South Grant Street
	Fitzgerald, GA 31750
	Attention : Edward P. Loomis

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(e) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(f) The Bank may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(g) Failure of either party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the party making the waiver.

(h) This Agreement contains the entire agreement between the Bank and Employee with respect to the subject matter hereof and, from and after the date hereof, this Agreement shall supersede any other agreement, written or oral, between the parties relating to the subject matter of this Agreement.

(i) The parties understand and agree that because they both have been given the opportunity to have counsel review and revise this Agreement, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement. Instead, the language of all parts of this Agreement shall be construed as a whole, and according to its fair meaning, and not strictly for or against either of the parties.

(j) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

(k) The parties acknowledge and agree that the Holding Company is an intended third-party beneficiary of this Agreement and may enforce the Bank's rights hereunder.

11. Regulatory Action.

(a) If Employee is removed and/or permanently prohibited from participating in the conduct of the Bank's affairs by an order issued under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act ("FDIA") (12 U.S.C. 1818(e)(4) and (g)(l)), all obligations of the Bank under this agreement shall terminate, as of the effective date of such order.

(b) If Employee is suspended and/or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or 8(g)(l) of the FDIA (12 U.S.C. 1818(e)(3) and (g)(l)), all obligations of the Bank under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Bank shall reinstate (in whole or in part) any of its obligations which were suspended.

(c) If the Bank is in default (as defined in Section 3(x)(l) of the FDIA), all obligations under this Agreement shall terminate as of the date of default.

(d) All obligations under this Agreement shall be terminated, except to the extent a determination is made that continuation of the Agreement is necessary for the continued operation of the Bank (1) by the director of the FDIC or his or her designee (the " Di r e ctor"), at the time the FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in 13(c) of the FDIA; or (2) by the Director, at the time the Director approves a supervisory merger to resolve problems related to operation of the Bank when the Bank is determined by the Director to be in an unsafe and unsound condition.

(Signatures on following page)

IN WITNESS WHEREOF, Employee has hereunto set Employee's hand and the Bank has caused these presents to be executed in its name on its behalf, all as of the day and your first above written.

oyee
lay and your first above written.

J. STAN COOK

COLONY BANK

By:
Name: Edward P. Loomis
Title: President and Chief Executive Officer