UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: **000-12436**

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 No.)

115 South Grant Street, Fitzgerald, Georgia 31750
(Address of principal executive offices) (Zip Code)

(229) 426-6000
(Registrant's Telephone Number, Including Area Code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, Par Value $1.00 per share	CBAN	The NASDAQ Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerate Filer ☐ Accelerated Filer ☐ Non-accelerated Filer ☒
Smaller Reporting Company ☒ Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with the new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of August 11, 2022, the registrant had 17,652,982 shares of common stock, $1.00 par value per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COLONY BANKCORP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(dollars in thousands, except per share data)	**June 30, 2022** *(Unaudited)*	**December 31, 2021** *(Audited)*
ASSETS		
Cash and due from banks	$ 23,133	$ 18,975
Federal funds sold and interest-bearing deposits in banks	53,349	178,257
Cash and cash equivalents	76,482	197,232
Investment securities available for sale, at fair value	657,546	938,164
Investment securities held to maturity, at amortized cost	304,014	—
Other investments, at cost	12,968	14,012
Loans held for sale	38,526	38,150
Loans	1,452,805	1,337,977
Allowance for loan losses	(13,963)	(12,910)
Loans, net	1,438,842	1,325,067
Premises and equipment	41,322	43,033
Other real estate owned	246	281
Goodwill	54,078	52,906
Other intangible assets	6,478	7,389
Bank-owned life insurance	54,845	55,159
Deferred income taxes, net	21,166	3,644
Other assets	22,189	16,678
Total assets	$ 2,728,702	$ 2,691,715
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	$ 572,978	$ 552,576
Interest-bearing	1,758,533	1,822,032
Total deposits	2,331,511	2,374,608
Federal funds purchased	23,766	—
Federal Home Loan Bank advances	65,000	51,656
Other borrowings	63,342	36,792
Other liabilities	10,488	10,952
Total liabilities	$ 2,494,107	$ 2,474,008
Stockholders' equity:		
Preferred stock, no par value; 10,000,000 shares authorized, none issued or outstanding as of June 30, 2022 and December 31, 2021, respectively	—	—
Common stock, par value $1.00 per share; 50,000,000 and 20,000,000 shares authorized, 17,581,212 and 13,673,898 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	17,581	13,674
Paid in capital	167,376	111,021
Retained earnings	104,561	99,189
Accumulated other comprehensive loss, net of tax	(54,923)	(6,177)
Total stockholders' equity	234,595	217,707
Total liabilities and stockholders' equity	$ 2,728,702	$ 2,691,715

See accompanying notes to consolidated financial statements (unaudited).

COLONY BANKCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Income (unaudited)

(dollars in thousands, except per share data)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Interest income				
Loans, including fees	$ 16,266	$ 14,099	$ 32,281	$ 27,672
Investment securities	4,803	1,893	8,974	3,591
Federal funds sold, interest bearing deposits in banks and short term investments	103	44	159	98
Total interest income	21,172	16,036	41,414	31,361
Interest expense				
Deposits	626	569	1,225	1,223
Federal funds purchased	27	—	27	—
Federal Home Loan Bank Advances	943	115	1,192	230
Paycheck Protection Program Liquidity Facility	—	25	—	93
Other borrowings	409	258	611	515
Total interest expense	2,005	967	3,055	2,061
Net interest income	19,167	15,069	38,359	29,300
Provision for loan losses	1,100	—	1,150	500
Net interest income after provision for loan losses	18,067	15,069	37,209	28,800
Noninterest income				
Service charges on deposits	1,895	1,264	3,720	2,486
Mortgage fee income	2,736	3,005	5,648	7,000
Gain on sales of SBA loans	1,863	1,263	3,589	2,735
Gain on sales of securities	—	141	24	137
Interchange fees	2,159	1,667	4,159	3,197
BOLI Income	353	222	665	430
Other	1,052	189	1,400	367
Total noninterest income	10,058	7,751	19,205	16,352
Noninterest expense				
Salaries and employee benefits	15,072	10,126	28,344	20,081
Occupancy and equipment	1,608	1,245	3,227	2,571
Acquisition related expenses	1	699	125	699
Information technology expenses	2,549	1,856	4,903	3,448
Professional fees	1,073	690	1,946	1,177
Advertising and public relations	695	566	1,464	1,146
Communications	417	308	854	527
Other	3,061	1,975	5,419	3,570
Total noninterest expense	24,476	17,465	46,282	33,219
Income before income taxes	3,649	5,355	10,132	11,933
Income taxes	234	1,358	1,395	3,016
Net income	$ 3,415	$ 3,997	$ 8,737	$ 8,917
Earnings per common share:				
Basic	$ 0.19	$ 0.42	$ 0.52	$ 0.94
Diluted	0.19	$ 0.42	0.52	$ 0.94
Dividends declared per share	0.1075	0.1025	0.2150	0.2050
Weighted average common shares outstanding:				
Basic	17,586,276	9,498,783	16,731,986	9,498,783
Diluted	17,586,276	9,498,783	16,731,986	9,498,783

See accompanying notes to consolidated financial statements (unaudited).

COLONY BANKCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive (Loss) Income (unaudited)

(dollars in thousands)	Three Months Ended June 30, 2022	Three Months Ended June 30, 2021	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Net income	$ 3,415	$ 3,997	$ 8,737	$ 8,917
Other comprehensive (loss) income:				
Unrealized (losses) gains on securities arising during the period	(20,603)	629	(56,657)	(5,851)
Tax effect	2,884	(146)	7,932	1,375
Realized gains on sales of available for sale securities	—	(141)	(24)	(137)
Tax effect	—	33	3	32
Change in unrealized (losses) gains on securities available for sale, net of reclassification adjustment and tax effects	(17,719)	375	(48,746)	(4,581)
Comprehensive (loss) income	$ (14,304)	$ 4,372	$ (40,009)	$ 4,336

See accompanying notes to consolidated financial statements (unaudited).

COLONY BANKCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity (unaudited)

(dollars in thousands, except per share data)

Three Months Ended	Common Stock Shares	Common Stock Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, March 31, 2022	17,586	$ 17,586	$ 166,859	$ 103,036	$ (37,204)	$ 250,277
Change in net unrealized losses on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	(17,719)	(17,719)
Dividends on common shares (0.1075 per share)	—	—	—	(1,890)	—	(1,890)
Forfeiture of restricted stock	(5)	(5)	(14)	—	—	(19)
Stock-based compensation expense	—	—	531	—	—	531
Net income	—	—	—	3,415	—	3,415
Balance, June 30, 2022	17,581	$ 17,581	$ 167,376	$ 104,561	$ (54,923)	$ 234,595
Balance, March 31, 2021	9,499	$ 9,499	$ 43,224	$ 88,939	$ 1,825	$ 143,487
Change in net unrealized gains on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	375	375
Dividends on common shares (0.1025 per share)	—	—	—	(973)	—	(973)
Stock-based compensation expense	—	—	8	—	—	8
Net income	—	—	—	3,997	—	3,997
Balance, June 30, 2021	9,499	$ 9,499	$ 43,232	$ 91,963	$ 2,200	$ 146,894

See accompanying notes to consolidated financial statements (unaudited).

COLONY BANKCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (unaudited)

(dollars in thousands, except per share data)	Common Stock					
Six Months Ended	**Shares**	**Amount**	**Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
Balance, December 31, 2021	13,674	$ 13,674	$ 111,021	$ 99,189	$ (6,177)	$ 217,707
Change in net unrealized losses on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	(48,746)	(48,746)
Dividends on common shares ($0.2150 per share)	—	—	—	(3,365)	—	(3,365)
Issuance of common stock	3,848	3,848	55,620	—	—	59,468
Forfeiture of restricted stock	(5)	(5)	(14)	—	—	(19)
Issuance of restricted stock	64	64	(64)	—	—	—
Stock-based compensation expense	—	—	813	—	—	813
Net income	—	—	—	8,737	—	8,737
Balance, June 30, 2022	17,581	$ 17,581	$ 167,376	$ 104,561	$ (54,923)	$ 234,595
Balance, December 31, 2020	9,499	$ 9,499	$ 43,215	$ 84,993	$ 6,781	$ 144,488
Change in net unrealized losses on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	(4,581)	(4,581)
Dividends on common shares ($0.2050 per share)	—	—	—	(1,947)	—	(1,947)
Stock-based compensation expense	—	—	17	—	—	17
Net income	—	—	—	8,917	—	8,917
Balance, June 30, 2021	9,499	$ 9,499	$ 43,232	$ 91,963	$ 2,200	$ 146,894

See accompanying notes to consolidated financial statements (unaudited).

COLONY BANKCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (unaudited)

	Six Months Ended	
(dollars in thousands)	**June 30, 2022**	**June 30, 2021**
Operating Activities		
Net income	$ 8,737	$ 8,917
Adjustments reconciling net income to net cash provided by (used in) operating activities:		
Provision for loan losses	1,150	500
Depreciation, amortization, and accretion	6,766	3,231
Equity method investment income	264	—
Share-based compensation expense	813	17
Net change in servicing asset	(347)	(485)
Gain on sales of securities, available-for-sale	(24)	(137)
Gain on sales of SBA loans	(3,589)	(2,735)
Gain on sales of other real estate owned	—	(36)
Donation of other real estate owned	35	—
Writedown on other real estate owned	—	80
Gain on sales of premises & equipment	(62)	—
Originations of loans held for sale	(202,031)	(207,531)
Proceeds from sales of loans held for sale	205,244	231,742
Change in bank-owned life insurance	(694)	(258)
Deferred tax benefit	(971)	(518)
Change in other assets	(4,583)	2,261
Change in other liabilities	(464)	(760)
Net cash provided by operating activities	10,244	34,288
Investing Activities		
Purchases of investment securities, available-for-sale	(137,038)	(166,995)
Proceeds from maturities, calls, and paydowns of investment securities, available-for-sale	36,330	53,620
Proceeds from sales of investment securities, available-for-sale	3,061	17,559
Proceeds from maturities, calls and paydowns of securities, held-to-maturity	5,233	—
Change in loans, net	(115,354)	36,671
Purchase of premises and equipment	(872)	(1,764)
Proceeds from sales of premises and equipment	71	—
Proceeds from sales of other real estate owned	—	837
Proceeds from bank-owned life insurance	1,008	—
Redemption of other investments	1,356	—
Redemption (purchase) of Federal Home Loan Bank Stock	(576)	593
Net cash used in investing activities	(206,781)	(59,479)
Financing Activities		
Change in noninterest-bearing customer deposits	20,402	66,678
Change in interest-bearing customer deposits	(63,499)	30,509
Issuance of common stock, net of stock issuance cost	59,468	—
Dividends paid for common stock	(3,365)	(1,947)
Increase in federal funds purchased	23,766	—
Issuance of Subordinated Debt	39,097	—
Repayment on Paycheck Protection Program Liquidity Fund	—	(106,789)
Repayments on Federal Home Loan Bank Advances	(27,500)	—
Proceeds from Federal Home Loan Bank Advances	40,000	—
Repayments on Other borrowings	(12,563)	(500)
Forfeiture of restricted stock	(19)	—
Net cash provided by (used in) financing activities	75,787	(12,049)
Net decrease in cash and cash equivalents	(120,750)	(37,240)
Cash and cash equivalents at beginning of period	197,232	183,506
Cash and cash equivalents at end of period	$ 76,482	$ 146,266

COLONY BANKCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Six Months Ended	
	June 30, 2022	June 30, 2021
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 3,142	$ 2,377
Cash paid during the period for income taxes	3,223	3,600
Noncash Investing and Financing Activities		
Goodwill adjustment	1,176	—
Acquisition of real estate through foreclosure	—	145
Carrying amount of Securities AFS transferred to HTM, net of $10.4 million unrealized loss	320,116	—

See accompanying notes to consolidated financial statements (unaudited).

(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 the Company and its wholly-owned subsidiary, Colony Bank, Fitzgerald, Georgia (the “Bank”). The “Company” or “our,” as used herein, includes Colony Bank, except where the context requires otherwise.

In July 2019, a new subsidiary of the Company was incorporated under the name Colony Risk Management, Inc. Colony Risk Management, Inc. is a subsidiary of the Company and is located in Las Vegas, Nevada. It is a captive insurance subsidiary which insures various liability and property damage policies for the Company and its related subsidiaries. Colony Risk Management is regulated by the State of Nevada Division of Insurance.

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. All significant intercompany accounts have been eliminated in consolidation.

The accounting and reporting policies of the Company conform to generally accepted accounting principles and practices utilized in the commercial banking industry for interim financial information and Regulation S-X. Accordingly, the accompanying unaudited interim consolidated financial statements do not include all of the information or notes required for complete financial statements.

The results of operations for the six months ended June 30, 2022 are not necessarily indicative of the results which may be expected for the year ending December 31, 2022. These statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2021 (“2021 Form 10-K”).

Nature of Operations

The Bank provides a full range of retail, commercial and mortgage banking services for consumers and small- to medium-size businesses located primarily in central, south and coastal Georgia. The Bank is headquartered in Fitzgerald, Georgia with banking and mortgage offices in Albany, Ashburn, Athens, Broxton, Centerville, Columbus, Cordele, Douglas, Eastman, Fitzgerald, LaGrange, Leesburg, Macon, Moultrie, Quitman, Rochelle, Savannah, Soperton, Statesboro, Sylvester, 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 consolidated 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, the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans and fair value of assets acquired and liabilities assumed in a business combination, including goodwill impairment.

Reclassifications

In certain instances, amounts reported in prior years’ consolidated financial statements have been reclassified to conform to statement presentations selected for 2022. Such reclassifications have not materially affected previously reported stockholders’ equity or net income.

Adjustments

The Company updated its purchase accounting adjustment during the second quarter of 2022 with a $1.2 million adjustment to goodwill primarily related to premises and equipment and deferred taxes.

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. At June 30, 2022, approximately 86% 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. Management continues to monitor these concentrations and has considered these concentrations in its allowance for loan loss analysis.

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 the Company 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.

Changes in Accounting Principles and Effects of New Accounting Pronouncements

ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326).* 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. On October 16, 2019, the Financial Accounting Standards Board ("FASB") voted to extend the delay of the effective date of this ASU for smaller reporting companies, such as the Company, until fiscal years beginning after December 15, 2022. The Company is in the process of working with a third party vendor using their software solution to assist with adoption. The Company is also currently gathering necessary data to implement this change and is continuing to assess the impact of the adoption of this ASU on its consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). ASU 2020-04 provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments are effective for the Company as of March 12, 2020 through December 31, 2022. The provisions of ASU 2020-04 did not have a material impact on the consolidated financial statements.

(2) Investment Securities

The amortized cost and estimated fair value of securities available-for-sale and held-to-maturity along with gross unrealized gains and losses are summarized as follows: *(dollars in thousands)*

June 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
U.S. treasury securities	$ 95,897	$ —	$ (6,063)	$ 89,834
U.S. agency	6,672	—	(381)	6,291
Asset backed securities	27,983	—	(845)	27,138
State, county & municipal securities	199,336	223	(26,864)	172,695
Corporate debt securities	50,073	45	(2,471)	47,647
Mortgage-backed securities	341,805	4	(27,868)	313,941
Total	$ 721,766	$ 272	$ (64,492)	$ 657,546

June 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held to Maturity:				
U.S. treasury securities	$ 21,577	$ —	$ (1,395)	$ 20,182
U.S. agency	15,476	—	(1,188)	14,288
State, county & municipal securities	88,712	—	(13,084)	75,628
Mortgage-backed securities	178,249	—	(18,396)	159,853
Total	$ 304,014	$ —	$ (34,063)	$ 269,951
December 31, 2021				
Securities Available for Sale:				
U.S. treasury securities	$ 88,638	$ —	$ (1,087)	$ 87,551
U.S. agency	17,916	5	(140)	17,781
State, county & municipal securities	252,632	877	(3,356)	250,153
Corporate debt securities	48,153	520	(265)	48,408
Mortgage-backed securities	539,172	2,160	(7,061)	534,271
Total	$ 946,511	$ 3,562	$ (11,909)	$ 938,164

The Company transferred certain agency-issued securities from the available-for-sale to held-to-maturity portfolio on January 1, 2022 having a book value of approximately $320.1 million and a market value of approximately $309.7 million. As of the date of transfer, the related pre-tax net unrecognized losses of approximately $10.4 million within the accumulated other comprehensive loss balance are being amortized over the remaining term of the securities using the effective interest method. This transfer was completed after careful consideration of the Company's intent and ability to hold these securities to maturity. Factors used in assessing the ability to hold these securities to maturity were future liquidity needs and sources of funding.

The amortized cost and fair value of investment securities as of June 30, 2022, 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.

	Available for Sale		Held to Maturity	
(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ —	$ —	$ —	$ —
Due after one year through five years	80,050	76,251	6,701	6,432
Due after five years through ten years	119,910	108,410	45,685	41,464
Due after ten years	180,001	158,944	73,379	62,202
	$ 379,961	$ 343,605	$ 125,765	$ 110,098
Mortgage-backed securities	341,805	313,941	178,249	159,853
	$ 721,766	$ 657,546	$ 304,014	$ 269,951

Proceeds from the sale of investment securities totaled $0 and $3.1 million, and $15.9 million and $17.6 million for the three and six months ended June 30, 2022 and 2021, respectively. The sale of investment securities for the three months ended June 30, 2022 and 2021 resulted in gross realized gains of $0 and $208,000 and losses of $0 and $67,000, respectively. The sale of investment securities for the six months ended June 30, 2022 and 2021 resulted in gross realized gains of $24,000 and $209,000 and losses of $0 and $72,000, respectively.

Investment securities having a carrying value of approximately $312.3 million and $126.5 million were pledged to secure public deposits and for other purposes as of June 30, 2022 and December 31, 2021, respectively.

Information pertaining to available-for-sale securities with gross unrealized losses at June 30, 2022 and December 31, 2021 aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

	Less Than 12 Months		12 Months or Greater		Total	
(dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
June 30, 2022						
U.S. treasury securities	$ 89,838	$ (6,063)	$ —	$ —	$ 89,838	$ (6,063)
U.S. agency	6,132	(381)	—	—	6,132	(381)
Asset backed securities	23,162	(594)	3,976	(251)	27,138	(845)
State, county & municipal securities	143,652	(23,724)	14,227	(3,140)	157,879	(26,864)
Corporate debt securities	43,294	(2,471)	—	—	43,294	(2,471)
Mortgage-backed securities	261,103	(21,109)	40,971	(6,759)	302,074	(27,868)
	$ 567,181	$ (54,342)	$ 59,174	$ (10,150)	$ 626,355	$ (64,492)
December 31, 2021						
U.S. treasury securities	$ 87,302	$ (1,087)	$ —	$ —	$ 87,302	$ (1,087)
U.S. agency	10,969	(140)	—	—	10,969	(140)
State, county & municipal securities	180,551	(3,131)	5,970	(225)	186,521	(3,356)
Corporate debt securities	31,977	(265)	—	—	31,977	(265)
Mortgage-backed securities	377,413	(6,421)	21,129	(640)	398,542	(7,061)
	$ 688,212	$ (11,044)	$ 27,099	$ (865)	$ 715,311	$ (11,909)

Information pertaining to held-to-maturity securities with gross unrealized losses at June 30, 2022 aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

	Less Than 12 Months				12 Months or Greater				Total			
(dollars in thousands)		Fair Value		Gross Unrealized Losses		Fair Value		Gross Unrealized Losses		Fair Value		Gross Unrealized Losses
June 30, 2022												
U.S. Treasury	$	20,182	$	(1,395)	$	—	$	—	$	20,182	$	(1,395)
U.S. agency		14,287		(1,188)		—		—		14,287		(1,188)
State, county & municipal securities		74,929		(12,783)		699		(301)		75,628		(13,084)
Mortgage-backed securities		136,075		(15,534)		23,779		(2,862)		159,854		(18,396)
	$	245,473	$	(30,900)	$	24,478	$	(3,163)	$	269,951	$	(34,063)

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, 2022, there were 369 available-for-sale securities and 77 held-to-maturity securities that had unrealized losses. 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 legacy and purchased loans and by class of loans, as of June 30, 2022 and December 31, 2021. Purchased loans are defined as loans that were acquired in bank acquisitions.

	June 30, 2022		
(dollars in thousands)	Legacy Loans	Purchased Loans	Total
Construction, land and land development	$ 169,791	$ 17,254	$ 187,045
Other commercial real estate	699,184	147,197	846,381
Total commercial real estate	868,975	164,451	1,033,426
Residential real estate	170,590	45,599	216,189
Commercial, financial, & agricultural (*)	167,710	17,088	184,798
Consumer and other	16,870	1,522	18,392
Total Loans	$ 1,224,145	$ 228,660	$ 1,452,805

	December 31, 2021		
(dollars in thousands)	Legacy Loans	Purchased Loans	Total
Construction, land and land development	$ 119,953	$ 45,493	$ 165,446
Other commercial real estate	595,739	191,653	787,392
Total commercial real estate	715,692	237,146	952,838
Residential real estate	159,469	53,058	212,527
Commercial, financial, & agricultural (*)	113,040	41,008	154,048
Consumer and other	16,003	2,561	18,564
Total Loans	$ 1,004,204	$ 333,773	$ 1,337,977

(*) Includes $128,000 and $9.0 million in PPP loans at June 30, 2022 and December 31, 2021, respectively.

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.

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 (1) the risk grade assigned to commercial and consumer loans, (2) the level of classified commercial loans, (3) net charge-offs, (4) nonperforming loans, and (5) 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 10. A description of the general characteristics of the grades is as follows:

- Grades 1, 2 and 3 - Borrowers with these assigned risk grades range 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 4 and 5 - 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. These loans are also included in into the "pass" classification.

- Grade 6 - 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.

- Grades 7 and 8 - These grades 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 grade 8, 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 9 and 10 - 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 7 or 8.

The following table presents the loan portfolio, excluding purchased loans, by credit quality indicator (risk grade) as of June 30, 2022 and December 31, 2021. Those loans with a risk grade of 1, 2, 3, 4 and 5 have been combined in the pass column for presentation purposes.

(dollars in thousands)	Pass	Special Mention	Substandard	Total Loans
June 30, 2022				
Construction, land and land development	$ 168,324	$ 1,257	$ 210	$ 169,791
Other commercial real estate	669,200	20,930	9,054	699,184
Total commercial real estate	837,524	22,187	9,264	868,975
Residential real estate	160,982	5,890	3,718	170,590
Commercial, financial, & agricultural	165,149	869	1,692	167,710
Consumer and other	16,815	55	—	16,870
Total Loans	$ 1,180,470	$ 29,001	$ 14,674	$ 1,224,145

(dollars in thousands)	Pass	Special Mention	Substandard	Total Loans
December 31, 2021				
Construction, land and land development	$ 117,044	$ 2,634	$ 275	$ 119,953
Other commercial real estate	562,228	25,718	7,793	595,739
Total commercial real estate	679,272	28,352	8,068	715,692
Residential real estate	148,507	5,733	5,229	159,469
Commercial, financial, & agricultural	110,267	1,488	1,285	113,040
Consumer and other	15,787	78	$ 138	16,003
Total Loans	$ 953,833	$ 35,651	$ 14,720	$ 1,004,204

The following table presents the purchased loan portfolio by credit quality indicator (risk grade) as of June 30, 2022 and December 31, 2021. Those loans with a risk grade of 1, 2, 3, 4 or 5 have been combined in the pass column for presentation purposes. For the period ending June 30, 2022, the Company did not have any loans classified as "doubtful" or a "loss".

(dollars in thousands)	Pass	Special Mention	Substandard	Total Loans
June 30, 2022				
Construction, land and land development	$ 17,254	$ —	$ —	$ 17,254
Other commercial real estate	145,932	289	976	147,197
Total commercial real estate	163,186	289	976	164,451
Residential real estate	42,977	674	1,948	45,599
Commercial, financial, & agricultural	16,523	—	565	17,088
Consumer and other	1,375	—	147	1,522
Total Loans	$ 224,061	$ 963	$ 3,636	$ 228,660
December 31, 2021				
Construction, land and land development	$ 45,432	$ —	$ 61	$ 45,493
Other commercial real estate	186,905	3,518	1,230	191,653
Total commercial real estate	232,337	3,518	1,291	237,146
Residential real estate	49,875	563	2,620	53,058
Commercial, financial, & agricultural	40,711	—	297	41,008
Consumer and other	2,558	3	—	2,561
Total Loans	$ 325,481	$ 4,084	$ 4,208	$ 333,773

A loan's risk grade is assigned at loan origination and is based on the financial strength of the borrower and the type of collateral. Loan risk grades are subject to review at various times throughout the year as part of the Company's ongoing loan review process. Loans with an assigned risk grade of six 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 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 guidelines. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due.

The following table presents the aging of the amortized cost basis in legacy loans by aging category and accrual status as of June 30, 2022 and December 31, 2021:

(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Accruing Loans Past Due	Nonaccrual Loans	Current Loans	Total Loans
June 30, 2022						
Construction, land and land development	$ 39	$ —	$ 39	$ 68	$ 169,684	$ 169,791
Other commercial real estate	341	—	341	684	698,159	699,184
Total commercial real estate	380	—	380	752	867,843	868,975
Residential real estate	390	—	390	1,518	168,682	170,590
Commercial, financial, & agricultural	141	—	141	972	166,597	167,710
Consumer and other	11	—	11	16	16,843	16,870
Total Loans	$ 922	$ —	$ 922	$ 3,258	$ 1,219,965	$ 1,224,145
December 31, 2021						
Construction, land and land development	$ 6	$ —	$ 6	$ —	$ 119,947	$ 119,953
Other commercial real estate	349	—	349	577	594,813	595,739
Total commercial real estate	355	—	355	577	714,760	715,692
Residential real estate	421	—	421	2,641	156,407	159,469
Commercial, financial, & agricultural	69	—	69	708	112,263	113,040
Consumer and other	93	—	93	26	15,884	16,003
Total Loans	$ 938	$ —	$ 938	$ 3,952	$ 999,314	$ 1,004,204

The following table presents the aging of the amortized cost basis in purchased loans by aging category and accrual status as of June 30, 2022 and December 31, 2021:

(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Accruing Loans Past Due	Nonaccrual Loans	Current Loans	Total Loans
June 30, 2022						
Construction, land and land development	$ —	$ —	$ —	$ —	$ 17,254	$ 17,254
Other commercial real estate	—	—	—	121	147,076	147,197
Total commercial real estate	—	—	—	121	164,330	164,451
Residential real estate	65	—	65	849	44,685	45,599
Commercial, financial, & agricultural	—	—	—	565	16,523	17,088
Consumer and other	—	—	—	153	1,369	1,522
Total Loans	$ 65	$ —	$ 65	$ 1,688	$ 226,907	$ 228,660
December 31, 2021						
Construction, land and land development	$ 2,680	$ —	$ 2,680	$ 31	$ 42,782	$ 45,493
Other commercial real estate	—	—	—	260	191,393	191,653
Total commercial real estate	2,680	—	2,680	291	234,175	237,146
Residential real estate	560	—	560	1,198	51,300	53,058
Commercial, financial, & agricultural	389	—	389	—	40,619	41,008
Consumer and other	—	—	—	8	2,553	2,561
Total Loans	$ 3,629	$ —	$ 3,629	$ 1,497	$ 328,647	$ 333,773

The following table details impaired loan data, including purchased credit impaired loans, as of June 30, 2022.

	June 30, 2022			
(dollars in thousands)	**Unpaid Contractual Principal Balance**	**Recorded Investment**	**Related Allowance**	**Average Recorded Investment**
With No Related Allowance Recorded				
Construction, land and land development	$ —	$ —	$ —	$ 31
Commercial real estate	7,253	7,253	—	6,340
Residential real estate	521	521	—	942
Commercial, financial & agriculture	418	418	—	168
Consumer & other	1	1	—	1
	8,193	8,193	—	7,482
With An Allowance Recorded				
Construction, land and land development	—	—	—	—
Commercial real estate	417	417	129	1,722
Residential real estate	595	595	57	255
Commercial, financial & agriculture	822	818	350	888
Consumer & other	—	—	—	—
	1,834	1,830	536	2,865
Purchased Credit Impaired Loans				
Construction, land and land development	—	—	—	—
Commercial real estate	1,429	1,429	—	1,070
Residential real estate	49	49	—	16
Commercial, financial & agriculture	—	—	—	12
Consumer & other	69	69	—	137
	1,547	1,547	—	1,235
Total				
Construction, land and land development	—	—	—	31
Commercial real estate	9,099	9,099	129	9,132
Residential real estate	1,165	1,165	57	1,213
Commercial, financial & agriculture	1,240	1,236	350	1,068
Consumer & other	70	70	—	138
	$ 11,574	$ 11,570	$ 536	$ 11,582

The following table details impaired loan data as of December 31, 2021.

	December 31, 2021			
(dollars in thousands)	Unpaid Contractual Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment
With No Related Allowance Recorded				
Construction, land and land development	$ 62	$ 62	$ —	$ 4,311
Commercial real estate	7,203	6,369	—	8,113
Residential real estate	958	997	—	1,083
Commercial, financial & agriculture	75	75	—	56
Consumer & other	—	—	—	—
	8,298	7,503	—	13,563
With An Allowance Recorded				
Construction, land and land development	—	—	—	—
Commercial real estate	430	483	148	4,429
Residential real estate	685	773	108	1,029
Commercial, financial & agriculture	—	—	—	79
Consumer & other	—	—	—	1
	1,115	1,256	256	5,538
Purchased Credit Impaired Loans				
Construction, land and land development	—	—	—	51
Commercial real estate	2,003	1,916	18	802
Residential real estate	4	—	6	7
Commercial, financial & agriculture	—	—	—	35
Consumer & other	192	73	96	72
	2,199	1,989	120	967
Total				
Construction, land and land development	62	62	—	4,362
Commercial real estate	9,636	8,768	166	13,344
Residential real estate	1,647	1,770	114	2,119
Commercial, financial & agriculture	75	75	—	170
Consumer & other	192	73	96	73
	$ 11,612	$ 10,748	$ 376	$ 20,068

Interest income recorded on impaired loans during the three months ended June 30, 2022 and 2021 was $165,000 and $325,000, respectively. Interest income recorded on impaired loans during the six months ended June 30, 2022 and 2021 was $380,000 and $563,000, respectively.

Troubled Debt Restructurings

The restructuring of a loan is considered a troubled debt restructuring ("TDR") if both the borrower is experiencing financial difficulties and the Company has granted a concession to the terms of the loan. Concessions may include interest rate reductions to below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses.

As discussed in Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2021, which are included in the Company's 2021 Form 10-K, 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, 2022. The Company had one commercial real estate loan restructured during the three and six month period ended June 30, 2022 with outstanding principal balance of $181,000. The loan was restructured related to payment terms. Loans modified in a TDR 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.

The Company had no loans that subsequently defaulted during the three and six months ended June 30, 2022 and 2021.

(4) Allowance for Loan Losses

The following tables detail activity in the allowance for loan losses, segregated by class of loan, for the three and six month periods ended June 30, 2022 and June 30, 2021. 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.

(dollars in thousands)	Construction, land and land development	Other commercial real estate	Residential real estate	Commercial, financial & agricultural	Consumer and other	Total
Three Months Ended June 30, 2022						
Beginning Balance	$ 1,339	$ 7,355	$ 1,811	$ 2,087	$ 327	$ 12,919
Charge-offs	—	—	(30)	(132)	(5)	(167)
Recoveries	5	67	18	12	9	111
Provision	(292)	606	(311)	(289)	1,386	$ 1,100
Ending balance	$ 1,052	$ 8,028	$ 1,488	$ 1,678	$ 1,717	$ 13,963
Six Months Ended June 30, 2022						
Beginning Balance	$ 1,127	$ 7,691	$ 1,805	$ 1,083	$ 1,204	$ 12,910
Charge-offs	—	(58)	(48)	(148)	(21)	(275)
Recoveries	11	74	22	56	15	178
Provision	(86)	321	(291)	687	519	1,150
Ending balance	$ 1,052	$ 8,028	$ 1,488	$ 1,678	$ 1,717	$ 13,963
Period end amount allocated to						
Individually evaluated for impairment	$ —	$ 129	$ 57	$ 350	$ —	$ 536
Collectively evaluated for impairment	1,052	7,899	1,431	1,328	1,717	13,427
Purchase credit impaired	—	—	—	—	—	—
Ending Balance	$ 1,052	$ 8,028	$ 1,488	$ 1,678	$ 1,717	$ 13,963
Loans						
Individually evaluated for impairment	$ —	$ 7,670	$ 1,115	$ 1,240	$ 2	$ 10,027
Collectively evaluated for impairment	187,045	837,282	215,025	183,558	18,321	1,441,231
Purchase credit impaired	—	1,429	49	—	69	1,547
Ending balance	$ 187,045	$ 846,381	$ 216,189	$ 184,798	$ 18,392	$ 1,452,805

(dollars in thousands)	Construction, land and land development	Other commercial real estate	Residential real estate	Commercial, financial & agricultural	Consumer and other	Total
Three Months Ended June 30, 2021						
Beginning Balance	$ 1,053	$ 7,128	$ 2,411	$ 1,666	$ 435	$ 12,693
Charge-offs	—	(36)	—	—	(32)	(68)
Recoveries	70	95	44	15	22	246
Provision	2	90	(182)	92	(2)	—
Ending balance	$ 1,125	$ 7,277	$ 2,273	$ 1,773	$ 423	$ 12,871
Six Months Ended June 30, 2021						
Beginning Balance	$ 1,013	$ 6,880	$ 2,278	$ 1,713	$ 243	$ 12,127
Charge-offs	—	(36)	—	(15)	(43)	(94)
Recoveries	85	95	110	18	30	338
Provision	27	338	(115)	57	193	500
Ending balance	$ 1,125	$ 7,277	$ 2,273	$ 1,773	$ 423	$ 12,871
Year ended December 31, 2021						
Period end amount allocated to						
Individually evaluated for impairment	$ —	$ 148	$ 108	$ —	$ —	$ 256
Collectively evaluated for impairment	1,127	7,525	1,691	1,083	1,108	12,534
Purchase credit impaired	—	18	6	—	96	120
Ending Balance	$ 1,127	$ 7,691	$ 1,805	$ 1,083	$ 1,204	$ 12,910
Loans						
Individually evaluated for impairment	$ 62	$ 6,852	$ 1,770	$ 75	$ —	$ 8,759
Collectively evaluated for impairment	165,384	778,624	210,757	153,973	18,491	1,327,229
Purchase credit impaired	—	1,916	—	—	73	1,989
Ending Balance	$ 165,446	$ 787,392	$ 212,527	$ 154,048	$ 18,564	$ 1,337,977

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.

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.

(5) Borrowings

The following table presents information regarding the Company's outstanding borrowings at June 30, 2022 and December 31, 2021:

(dollars in thousands)	June 30, 2022	December 31, 2021
Federal funds purchased	$ 23,766	$ —
Federal Home Loan Bank advances	65,000	51,656
Other borrowings	63,342	36,792
	$ 152,108	$ 88,448

Advances from the Federal Home Loan Bank ("FHLB") have maturities ranging from 2022 to 2029 and interest rates ranging from 1.01% to 2.67%. As collateral on the outstanding FHLB advances, the Company has provided a blanket lien on its portfolio of qualifying residential first mortgage loans, commercial loans, multifamily loans and HELOC loans. At June 30, 2022, the lendable collateral of those loans pledged is $88.1 million. At June 30, 2022, the Company had remaining credit availability from the FHLB of $605.6 million. The Company may be required to pledge additional qualifying collateral in order to utilize the full amount of the remaining credit line.

On May 1, 2019, the Company entered into two borrowing arrangements with a correspondent bank for $10.0 million each. The term note is secured by the Bank's stock, expiring on May 1, 2024, and bears a fixed interest rate of 4.70%. The line of credit is also secured by the Bank's stock, expiring on July 30, 2022, and bears a variable interest rate of Wall Street Journal Prime minus 0.40%.The proceeds were used for the acquisition of LBC Bancshares, Inc. and its subsidiary, Calumet Bank. As of June 30, 2022, the term note and the line of credit were closed and had zero balances, as both were paid off with the proceeds from the Company's public offering of its common stock completed on February 10, 2022.

The Company's debentures issued in connection with trust preferred securities are recorded as other borrowings on the consolidated balance sheets, but, subject to certain limitations, qualify as Tier 1 capital for regulatory capital purposes. At June 30, 2022 and December 31, 2021, $24.2 million of debentures underlying trust preferred securities were outstanding. The proceeds from the offerings were used to fund certain acquisitions, pay off holding company debt and inject capital into the bank subsidiary. The debentures underlying the trust preferred securities require quarterly interest payments.

On May 20, 2022, the Company entered into a Subordinated Note Purchase Agreement with certain qualified institutional buyers in which the Company issued and sold $40.0 million in aggregate principal amount of its 5.25% Fixed-to-Floating Rate Subordinated Notes (the "Notes"). The Notes mature on May 20, 2032 and bear interest at a fixed rate of 5.25% per year, from May 20, 2022 to, but excluding, May 20, 2027, payable semi-annually in arrears on June 30 and December 30 of each year. From and including May 20, 2027 to, but excluding, the maturity date or early redemption date, the interest rate will reset quarterly at a variable rate equal to the then current three-month Secured Overnight Financing Rate, as published by the Federal Reserve Bank of New York, plus 265 basis points, payable quarterly in arrears. Prior to May 20, 2027, the Company may redeem the Notes, in whole but not in part, only under certain limited circumstances set forth in the Notes. On or after May 20, 2027, the Company may redeem the Notes, in whole or in part, at its option, on any interest payment date. The Notes are included on the consolidated balance sheets as other borrowings at the carrying value, net of issuance costs. The debt issuance costs are being amortized through maturity and recognized as a component of interest expense. At June 30, 2022, $39.1 million of Subordinated Notes were outstanding. The proceeds from the sale of the Notes was used for general corporate purposes.

The aggregate stated maturities of other borrowed money at June 30, 2022 are as follows:

(dollars in thousands)

Year	Amount
2022	$ 63,766
2027 and After	88,342
	$ 152,108

The Company also has available federal funds lines of credit with various financial institutions totaling $64.5 million, of which $23.8 million were outstanding at June 30, 2022.

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, 2022, 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.

(6) 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.

The following table presents earnings per share for the three and six months ended June 30, 2022 and 2021.

(dollars in thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator				
Net income available to common stockholders	$ 3,415	$ 3,997	$ 8,737	$ 8,917
Denominator				
Weighted average number of common shares				
Outstanding for basic earnings per common share	17,586	9,499	16,732	9,499
Weighted-average number of shares outstanding for diluted earnings per common share	17,586	9,499	16,732	9,499
Earnings per share - basic	$ 0.19	$ 0.42	$ 0.52	$ 0.94
Earnings per share - diluted	$ 0.19	$ 0.42	$ 0.52	$ 0.94

(7) 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. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include cash or cash equivalents, negotiable instruments, real estate, accounts receivable, inventory, oil, gas and mineral interests, property, plant, and equipment.

At June 30, 2022 and December 31, 2021 the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
(dollars in thousands)	**June 30, 2022**	**December 31, 2021**
Loan commitments	$ 389,523	$ 318,853
Letters of credit	3,649	4,869

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.

Legal Contingencies. In the ordinary course of business, there are various legal proceedings pending against the Company and the Bank. As of June 30, 2022, the aggregate liabilities, if any, arising from such proceedings would not, in the opinion of management, have a material adverse effect on the Company's consolidated financial position.

(8) 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 the Company and the Bank'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.

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 measurement 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.

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.

Other investments, at cost– The fair value of other bank stock approximates carrying value and is classified as Level 2. Fair values for investment funds 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.

Loans held for sale – The fair value of loans held for sale is determined on outstanding commitments from third party investors in the secondary markets and is classified within Level 2 of the valuation hierarchy.

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 3.

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 2. The fair value of deposits 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.

Federal funds purchased – The carrying amounts of Federal funds purchased approximate fair value and are classified as Level 2.

Federal Home Loan Bank advances– The fair value of Federal Home Loan Bank advances is estimated by discounting the future cash flows using the current rates at which similar advances would be obtained. Federal Home Loan Bank advances are classified as Level 2.

Other borrowings – The fair value of other borrowings 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 borrowings is classified as Level 2 due to their expected maturities.

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, 2022 and December 31, 2021 are as follows:

			Fair Value Measurements		
(dollars in thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
June 30, 2022					
Assets					
Cash and short-term investments	$ 76,482	$ 76,482	$ 76,482	$ —	$ —
Investment securities available for sale	657,546	657,546	—	657,546	—
Investment securities held to maturity	304,014	269,951	—	269,951	—
Other investments, at cost	12,968	12,968	—	10,199	2,769
Loans held for sale	38,526	38,526	—	38,526	—
Loans, net	1,438,842	1,361,078	—	—	1,361,078
Liabilities					
Deposits	2,331,511	2,331,682	—	2,331,682	—
Federal funds purchased	23,766	23,766	—	23,766	—
Federal Home Loan Bank advances	65,000	64,951	—	64,951	—
Other borrowings	63,342	57,685	—	57,685	—

			Fair Value Measurements		
(dollars in thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
December 31, 2021					
Assets					
Cash and short-term investments	$ 197,232	$ 197,232	$ 197,232	$ —	$ —
Investment securities available for sale	938,164	938,164	87,551	850,613	—
Other investments, at cost	14,012	14,012	5,574	4,183	4,255
Loans held for sale	38,150	38,150	—	38,150	—
Loans, net	1,325,067	1,328,853	—	—	1,328,853
Liabilities					
Deposits	2,374,608	2,375,385	—	2,375,385	—
Federal Home Loan Bank advances	51,656	51,162	—	51,162	—
Other borrowings	36,792	36,796	—	36,796	—

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.

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:

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 Owned – 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% 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 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, 2022 and December 31, 2021, 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, 2022 and December 31, 2021. Those impaired loans and other real estate properties are shown net of the related specific reserves and valuation allowances.

		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	**Total Fair Value**	**(Level 1)**	**(Level 2)**	**(Level 3)**
June 30, 2022				
Nonrecurring				
Collateral dependent impaired loans	$ 1,298	$ —	$ —	$ 1,298
Other real estate owned	246	—	—	246
Total nonrecurring assets	$ 1,544	$ —	$ —	$ 1,544

		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	**Total Fair Value**	**(Level 1)**	**(Level 2)**	**(Level 3)**
December 31, 2021				
Nonrecurring				
Collateral dependent impaired loans	$ 1,837	$ —	$ —	$ 1,837
Other real estate owned	281	—	—	281
Total nonrecurring assets	$ 2,118	$ —	$ —	$ 2,118

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, 2022 and December 31, 2021. This table is comprised primarily of collateral dependent impaired loans and other real estate owned:

(dollars in thousands)	June 30, 2022	Valuation Techniques	Unobservable Inputs	Range Weighted Avg	
Collateral dependent impaired loans	$ 1,298	Appraised Value	Discounts to reflect current market conditions, ultimate collectability, and estimated costs to sell	25 %	100 %
Other real estate owned	246	Appraised Value/Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	— %	20 %

(dollars in thousands)	December 31, 2021	Valuation Techniques	Unobservable Inputs	Range Weighted Avg	
Collateral dependent impaired loans	$ 1,837	Appraised Value	Discounts to reflect current market conditions, ultimate collectability, and estimated costs to sell	25 %	100 %
Other real estate owned	281	Appraised Value/Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	— %	20 %

The following table presents quantitative information about recurring level 3 fair value measurements as of June 30, 2022 and December 31, 2021.

	As of June 30, 2022			
(dollars in thousands)	**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Avg)**
Other investments	$ 2,769	Discounted Cash Flow	Discount Rate or Yield	N/A*

	As of December 31, 2021			
(dollars in thousands)	**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Avg)**
Other investments	$ 4,255	Discounted Cash Flow	Discount Rate or Yield	N/A*

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

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 three and six months ended June 30, 2022.

	Available for Sale Securities	
	Three Months Ended June 30, 2022	**Six Months Ended June 30, 2022**
(dollars in thousands)		
Balance, Beginning	$ 4,083	$ 4,255
Redemption of security	(1,356)	(1,356)
Unrealized/realized losses included in earnings	42	(130)
Balance, Ending	$ 2,769	$ 2,769

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 three and six months ended June 30, 2022 and June 30, 2021.

(9) Segment Information

The Company’s operating segments include banking, mortgage banking and small business specialty lending division. The reportable segments are determined by the products and services offered, and internal reporting. The Bank segment derives its revenues from the delivery of full-service financial services, including retail and commercial banking services and deposit accounts. The Mortgage Banking segment derives its revenues from the origination and sales of residential mortgage loans held for sale. The Small Business Specialty Lending Division segment derives its revenue from the origination, sales and servicing of Small Business Administration loans and other government guaranteed loans. Segment performance is evaluated using net interest income and noninterest income. Income taxes are allocated based on income before income taxes, and indirect expenses (includes management fees) are allocated based on various internal factors for each segment. Transactions among segments are made at fair value. Information reported internally for performance assessment follows. The following tables present information reported internally for performance assessment for the three and six months ended June 30, 2022 and 2021:

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Six Months Ended June 30, 2022				
Net Interest Income	$ 37,647	$ 128	$ 584	$ 38,359
Provision for Loan Losses	1,150	—	—	1,150
Noninterest Income	9,482	5,648	4,075	19,205
Noninterest Expenses	37,206	5,510	3,566	46,282
Income Taxes	1,127	94	174	1,395
Segment Profit	$ 7,646	$ 172	$ 919	$ 8,737
Segments Assets at June 30, 2022	$ 2,664,966	$ 20,183	$ 43,553	$ 2,728,702
Full time employees at June 30, 2022	396	59	28	483

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Six Months Ended June 30, 2021				
Net Interest Income	$ 28,797	$ 291	$ 212	$ 29,300
Provision for Loan Losses	500	—	—	500
Noninterest Income	6,384	6,983	2,985	16,352
Noninterest Expenses	25,298	5,680	2,241	33,219
Income Taxes	2,401	414	201	3,016
Segment Profit	$ 6,982	$ 1,180	$ 755	$ 8,917
Segments Assets at December 31, 2021	$ 2,620,501	$ 25,149	$ 46,065	$ 2,691,715
Full time employees at June 30, 2021	294	53	24	371

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Three months ended June 30, 2022				
Net Interest Income	$ 18,819	$ 57	$ 291	$ 19,167
Provision for Loan Losses	1,100	—	—	1,100
Noninterest Income	5,187	2,736	2,135	10,058
Noninterest Expenses	19,504	2,799	2,173	24,476
Income Taxes	227	(7)	14	234
Segment Profit	$ 3,175	$ 1	$ 239	$ 3,415

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Three months ended June 30, 2021				
Net Interest Income	$ 14,864	$ 123	$ 82	$ 15,069
Provision for Loan Losses	—	—	—	—
Noninterest Income	3,354	2,997	1,400	7,751
Noninterest Expenses	13,366	2,887	1,212	17,465
Income Taxes	1,241	60	57	1,358
Segment Profit	$ 3,611	$ 173	$ 213	$ 3,997

(10) 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.

As of June 30, 2022, the Company and the Bank were categorized as well-capitalized under the regulatory framework for prompt corrective action in effect at such time. To be categorized as well-capitalized, the Company and the Bank must have exceeded the well-capitalized guideline ratios in effect at the time, as set forth in the table below, and have met certain other requirements. Management believes that the Company and the Bank exceeded all well-capitalized requirements at June 30, 2022, and there have been no conditions or events since quarter-end that would change the status of well-capitalized.

The Board of Governors of the Federal Reserve raised the threshold for determining applicable of the Small Bank Holding Company and Savings and Loan Company Policy Statement in August 2018 from $1 billion to $3 billion in consolidated total assets to provide regulatory burden relief, therefore, the Company is no longer subject to the minimum capital requirements on a consolidated basis.

The following table summarizes regulatory capital information as of June 30, 2022 and December 31, 2021 on a consolidated basis and for the subsidiary, as defined. Regulatory capital ratios for June 30, 2022 and December 31, 2021 were calculated in accordance with the Basel III rules.

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of June 30, 2022						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 305,454	16.48 %	$ 148,279	8.00 %	N/A	N/A
Colony Bank	229,775	12.41	148,071	8.00	$ 185,089	10.00 %
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	252,378	13.62	111,180	6.00	N/A	N/A
Colony Bank	215,812	11.66	111,053	6.00	148,071	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	228,149	12.31	83,401	4.50	N/A	N/A
Colony Bank	215,812	11.66	83,290	4.50	120,308	6.50
Tier 1 Capital to Average Assets						
Consolidated	252,378	9.22	109,492	4.00	N/A	N/A
Colony Bank	215,812	8.10	106,554	4.00	133,193	5.00

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2021						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 207,366	12.05 %	$ 137,670	8.00 %	N/A	N/A
Colony Bank	203,265	12.18	133,507	8.00	$ 166,884	10.00 %
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	194,456	11.28	103,434	6.00	N/A	N/A
Colony Bank	190,355	11.41	100,099	6.00	133,465	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	170,956	9.87	77,943	4.50	N/A	N/A
Colony Bank	190,355	11.41	75,074	4.50	108,441	6.50
Tier 1 Capital to Average Assets						
Consolidated	194,456	7.25	107,286	4.00	N/A	N/A
Colony Bank	190,355	7.53	101,118	4.00	126,398	5.00

(11) Subsequent Events

Dividend

On July 21, 2022, the Board of Directors declared a quarterly cash dividend of $0.1075 per share, to be paid on its common stock on August 20, 2022, to shareholders of record as of the close of business on August 6, 2022.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The purpose of this discussion and analysis is to focus on significant changes in the financial condition of Colony Bankcorp, Inc. and our wholly owned subsidiary, Colony Bank, from December 31, 2021 through June 30, 2022 and on our results of operations for the three and six months ended June 30, 2022 and 2021. This discussion and analysis should be read in conjunction with our audited consolidated financial statements and notes thereto in the Company's 2021 Form 10-K, and information presented elsewhere in this Quarterly Report on Form 10-Q, particularly the unaudited consolidated financial statements and related notes appearing in Item 1.

Forward-looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements reflect our current views with respect to, among other things, future events and our financial performance. These statements are often, but not always, made through the use of words or phrases such as “may,” “might,” “should,” “could,” “predict,” “potential,” “believe,” “expect,” “continue,” “will,” “anticipate,” “seek,” “estimate,” “intend,” “plan,” “strive,” “projection,” “goal,” “target,” “outlook,” “aim,” “would,” “annualized” and “outlook,” or the negative version of those words or other comparable words or phrases of a future or forward-looking nature. These forward-looking statements are not historical facts, and are based on current expectations, estimates and projections about our industry, management’s beliefs and certain assumptions made by management, many of which, by their nature, are inherently uncertain and beyond our control, particularly with regard to developments related to the COVID-19 (and the variants thereof) pandemic. Accordingly, we caution you that any such forward-looking statements are not guarantees of future performance and are subject to risks, assumptions, estimates and uncertainties that are difficult to predict. Although we believe that the expectations reflected in these forward-looking statements are reasonable as of the date made, actual results may prove to be materially different from the results expressed or implied by the forward-looking statements.

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those factors discussed elsewhere in this Annual Report and the following:

- business and economic conditions, particularly those affecting the financial services industry and our primary market areas;
- the risk that a future economic downturn and contraction, including a recession, could have a material adverse effect on our capital, financial condition, credit quality, results of operations and future growth, including the risk that the strength of the current economic environment could be weakened by the impact of rising interest rates, supply chain challenges and inflation;
- factors that can impact the performance of our loan portfolio, including real estate values and liquidity in our primary market areas, the financial health of our borrowers and the success of various projects that we finance;
- concentration of our loan portfolio in real estate loans and changes in the prices, values and sales volumes of commercial and residential real estate;
- credit and lending risks associated with our construction and development, commercial real estate, commercial and industrial and residential real estate loan portfolios;
- our ability to attract sufficient loans that meet prudent credit standards, including in our construction and development, commercial and industrial and owner-occupied commercial real estate loan categories;
- our ability to attract and maintain business banking relationships with well-qualified businesses, real estate developers and investors with proven track records in our market areas;
- changes in interest rate environment, including changes to the federal funds rate, and competition in our markets may result in increased funding costs or reduced earning assets yields, thus reducing our margins and net interest income;
- our ability to successfully manage our credit risk and the sufficiency of our allowance for loan losses;
- the adequacy of our reserves (including allowance for loan losses) and the appropriateness of our methodology for calculating such reserves;

- our ability to successfully execute our business strategy to achieve profitable growth;
- the concentration of our business within our geographic areas of operation in Georgia and neighboring markets;
- our focus on small and mid-sized businesses;
- our ability to manage our growth;
- our ability to increase our operating efficiency;
- liquidity issues, including fluctuations in the fair value and liquidity of the securities we hold for sale and our ability to raise additional capital, if necessary;
- failure to maintain adequate liquidity and regulatory capital and comply with evolving federal and state banking regulations;
- risks that our cost of funding could increase, in the event we are unable to continue to attract stable, low-cost deposits and reduce our cost of deposits;
- inability of our risk management framework to effectively mitigate credit risk, interest rate risk, liquidity risk, price risk, compliance risk, operational risk, strategic risk and reputational risk;
- inflation, interest rate, securities market and monetary fluctuations and the respective impact on our financial condition and results of operation;
- the makeup of our asset mix and investments;
- external economic, political and/or market factors, such as changes in monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve, inflation or deflation, changes in the demand for loans, and fluctuations in consumer spending, borrowing and savings habits, which may have an adverse impact on our financial condition;
- the risks relating to the completed acquisition including, without limitation: unexpected transaction costs, including the costs of integrating operations; the risks that the businesses will not be integrated successfully or that such integration may be more difficult, time-consuming or costly than expected; the potential failure to fully or timely realize expected revenues and revenue synergies, including as the result of revenues being lower than expected;
- uncertainty related to the transition away from the London Inter-bank Offered Rate ("LIBOR");
- adverse results from current or future litigation, regulatory examinations or other legal and/or regulatory actions related to the COVID-19 pandemic, including as a result of our participation in and execution of government programs related to the COVID-19 pandemic, including, but not limited to, the Paycheck Protection Program ("PPP");
- the impact of the continuing COVID-19 pandemic on our business;
- continued or increasing competition from other financial institutions (including fintech companies), credit unions, and non-bank financial services companies, many of which are subject to different regulations than we are;
- challenges arising from unsuccessful attempts to expand into new geographic markets, products, or services;
- restraints on the ability of the Bank to pay dividends to us, which could limit our liquidity;
- increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms or at all;
- a failure in the internal controls we have implemented to address the risks inherent to the business of banking;
- inaccuracies in our assumptions about future events, which could result in material differences between our financial projections and actual financial performance;

- changes in our management personnel or our inability to retain motivate and hire qualified management personnel;
- the dependence of our operating model on our ability to attract and retain experienced and talented bankers in each of our markets, which may be impacted as a result of labor shortages;
- our ability to identify and address cyber-security risks, fraud and systems errors;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems;
- disruptions, security breaches, or other adverse events affecting the third-party vendors who perform several of our critical processing functions;
- an inability to keep pace with the rate of technological advances due to a lack of resources to invest in new technologies;
- fraudulent and negligent acts by our clients, employees or vendors and our ability to identify and address such acts;
- risks related to potential acquisitions;
- the impact of any claims or legal actions to which we may be subject, including any effect on our reputation;
- compliance with governmental and regulatory requirements, including the Dodd-Frank Act and others relating to banking, consumer protection, securities and tax matters, and our ability to maintain licenses required in connection with commercial mortgage origination, sale and servicing operations;
- changes in the scope and cost of FDIC insurance and other coverage;
- changes in our accounting standards;
- changes in tariffs and trade barriers;
- changes in federal tax law or policy;
- the effects of war or other conflicts (including the military conflict between Russia and Ukraine), acts of terrorism, natural disasters, health emergencies, epidemics or pandemics, or other catastrophic events that may affect general economic conditions; and
- other risks and factors identified in our 2021 Form 10-K, this Quarterly Report on Form 10-Q for the period ended June 30, 2022, and in any of the Company's other reports filed with the U.S. Securities and Exchange Commission and available on its website at www.sec.gov.

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Quarterly Report on Form 10-Q. Because of these risks and other uncertainties, our actual future results, performance or achievement, or industry results, may be materially different from the results indicated by the forward looking statements in this Quarterly Report on Form 10-Q. In addition, our past results of operations are not necessarily indicative of our future results. You should not rely on any forward looking statements, which represent our beliefs, assumptions and estimates only as of the dates on which they were made, as predictions of future events. Any forward-looking statement speaks only as of the date on which it is made, and we do not undertake any obligation to update or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

Overview

The following discussion and analysis presents the more significant factors affecting the Company’s financial condition as of June 30, 2022 and December 31, 2021, and results of operations for each of the three and six month periods ended June 30, 2022 and 2021. 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.

At June 30, 2022, the Company had total consolidated assets of $2.7 billion, total loans, net of $1.4 billion, total deposits of $2.3 billion, and stockholders' equity of $234.6 million. The Company reported net income of $3.4 million, or $0.19 per diluted share, for the three months ended June 30, 2022, and $8.7 million, or $0.52 per diluted share, for the first six months of 2022, compared to net income of $4.0 million, or $0.42 per diluted share, for the three months ended June 30, 2021, and $8.9 million, or $0.94 per diluted share, for the first six months of 2021. The small decrease in net income for the three and six months ended June 30, 2022 compared to the same periods ended June 30, 2021 was primarily driven by the increase in provision for loan loss and salaries and recognized mark on two FHLB advances that were acquired in the SouthCrest acquisition that were called early, offset by the increase in volume of taxable and tax-exempt investment securities and loans, acquisition of SouthCrest Financial Group, Inc. ("SouthCrest"), and an increase in interchange fees and gain on sale of SBA loans.

Net interest income on a tax equivalent basis increased to $19.3 million for the second quarter of 2022, compared to $15.2 million for the same period in 2021, primarily due to an increase in investment securities and loan volume. The net interest margin decreased to 3.15% for the quarter ended June 30, 2022 from 3.68% for the same period in 2021. Net interest income on a tax equivalent basis increased to $38.5 million for the first six months of 2022, compared to $29.6 million for the first six months of 2021, primarily due to an increase in investment securities and loan volume. The net interest margin decreased to 3.15% for the six months ended June 30, 2022 from 3.57% for the same period in 2021. The reason for the decrease in net interest margin for the three and six months ended June 30, 2022 compared to the same periods in 2021 is primarily due to a decrease in yield on loans offset by slight decrease in deposit and borrowing rates.

Provision for loan losses for the three and six months ended June 30, 2022 was $1.1 million and $1.2 million compared to zero and $500,000 for the same period in 2021, respectively. Net charge-offs for the second quarter of 2022 were $56,000 compared to net recoveries of $178,000 for the same period in 2021. Net charge-offs for the first six months of 2022 were $97,000 compared to net recoveries of $244,000 for the same period in 2021. As of June 30, 2022, Colony's allowance for loan losses was $14.0 million, or 0.96% of total loans, compared to $12.9 million, or 0.96% of total loans, at December 31, 2021. At June 30, 2022 and December 31, 2021, nonperforming assets were $5.2 million and $5.8 million, or 0.19% and 0.21% of total assets, respectively.

Noninterest income of $10.1 million for the second quarter of 2022 was up $2.3 million, or 29.76%, from the second quarter of 2021. The increase was primarily due to increases in service charges, interchange fees and gain on sale of SBA loans, offset by a decrease in mortgage fee income. Noninterest income of $19.2 million for the six months ended of 2022 was up $2.9 million, or 17.45%, from the second quarter of 2021. The increase was primarily due to increases in service charges, interchange fees and gain on sale of SBA loans other noninterest income, offset by a decrease in mortgage fee income. See "Table 3 - Noninterest income" for more detail and discussion on the primary drivers to the increase in noninterest income.

For the three months ended June 30, 2022, noninterest expense was $24.5 million, an increase of $7.0 million, or 40.14%, from the same period in 2021. For the six months ended June 30, 2022, noninterest expense was $46.3 million, an increase of $13.1 million, or 39.3%, from the same period in 2021. Increases in noninterest expense are in part due to changes to the Company's organizational structure, along with acquisition expenses related to the SouthCrest merger. Those expenses that were the primary contributors to the increase year over year include salaries and employee benefits. See "Table 4 - Noninterest expense" for more detail and discussion on the primary drivers to the increase in noninterest expense.

On February 10, 2022, the Company completed a public offering of approximately 3.85 million shares of its common stock with aggregate proceeds totaling approximately $63.5 million. The offering generated net proceeds of approximately $59.3 million, which were used to fund the repayment of the Company's existing term note and the line of credit and for other general corporate purposes.

On May 20, 2022, the Company entered into a Subordinated Note Purchase Agreement with certain qualified institutional buyers in which the Company issued and sold $40.0 million in aggregate principal amount of its 5.25% Fixed-to-Floating Rate Subordinated Notes due 2032.

Economic Conditions

The economic conditions and growth prospects for our markets, even against the headwinds of inflation and recessionary concerns, continue to reflect a solid and positive overall outlook with economic activity close to pre-pandemic levels. Increasing interest rates and rising building costs have caused some slowing of the highly robust single family housing market, however, there continues to be a shortage of housing in several Georgia markets. Worker shortages especially in the restaurant, hospitality and retail industries combined with supply chain disruptions impacting numerous industries and inflationary conditions has had some impact on the level of economic growth. Ongoing higher inflation levels and higher interest rates could have a negative impact on both our consumer and commercial borrowers. Overall, Georgia continues to experience economic growth due to company relocations and expansions combined with overall population growth.

Critical Accounting Policies

Our accounting and reporting policies are in accordance with GAAP and conform to general practices within the banking industry. We have identified certain of its accounting policies as "critical accounting policies," consisting of those related to business combinations, allowance for loan losses and income taxes. In determining which accounting policies are critical in nature, we have identified the policies that require significant judgment or involve complex estimates. It is management's practice to discuss critical accounting policies with the Board of Directors' Audit Committee on a periodic basis, including the development, selection, implementation and disclosure of the critical accounting policies. The application of these policies has a significant impact on the Company's unaudited interim consolidated financial statements. Our financial results could differ significantly if different judgments or estimates are used in the application of these policies. All accounting policies described in Note 1 of our consolidated financial statements as of December 31, 2021, which are included in the Company's 2021 Form 10-K should be reviewed for a greater understanding of how we record and report our financial performance. There have been no significant changes to the Significant Accounting Policies as described in Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2021, which are included in the Company's 2021 Form 10-K.

Results of Operations

We reported net income and diluted earnings per share of $3.4 million and $8.7 million and $0.19 and $0.52, respectively, for the first three and six months of 2022. This compared to net income and diluted earnings per share of $4.0 million and $8.9 million and $0.42 and $0.94, respectively, for the same periods in 2021.

Net Interest Income

Net interest income, which is the difference between interest earned on assets and the interest paid on deposits and borrowed funds, is the single largest component of total revenue. Management strives to optimize this income while balancing interest rate, credit and liquidity risks.

The banking industry uses two key ratios to measure relative profitability of net interest income. The net interest spread measures the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities. The interest rate spread eliminates the effect of noninterest-bearing deposits and gives a direct perspective on the effect of market interest rate movements. The net interest margin is an indication of the profitability of a company's balance sheet and is defined as net interest income as a percent of average total interest-earning assets, which includes the positive effect of funding a portion of interest-earning assets with noninterest-bearing deposits and stockholders' equity.

Fully taxable equivalent net interest income for the second quarter of 2022 and 2021 was $19.3 million and $15.2 million, respectively. This increase is primarily due to an increase in volume of securities and loans. The net interest margin for the second quarter of 2022 and 2021 was 3.15% and 3.68% respectively. This decrease in net interest margin for the second quarter of 2022 compared to same period in 2021 is a result of the decrease in loan yields and higher borrowing yields, offset by lower yields paid on deposits.

Fully taxable equivalent net interest income for the six months ended June 30, 2022 and 2021 was $38.5 million and $29.6 million, respectively. This increase is primarily due to an increase in volume of securities and loans. The net interest margin for the six months ended June 30, 2022 and 2021 was 3.15% and 3.57% respectively. This decrease in net interest margin for the six months ended June 30, 2022 compared to the same period in 2021 is a result of the decrease in loan yields and higher borrowing yields, offset by lower yields paid on deposits.

The following tables indicate the relationship between interest income and interest expense and the average amounts of assets and liabilities for the periods indicated. As shown in the tables, both average assets and average liabilities for the three and six months ended June 30, 2022 increased compared to the same period in 2021. The increase in average assets was primarily driven by the increase from the acquisition of SouthCrest in third quarter 2021 and purchasing of investment securities of $506.6 million and $528.0 million as well as an increase in loans of $350.8 million and $317.3 million for the three and six months ended June 30, 2022 compared to the same periods in 2021. The loan increase is primarily due to the SouthCrest acquisition and loan growth. The increase in average liabilities for the three and six months ended June 30, 2022 was funded primarily through an increase in deposits from the SouthCrest merger during the last half of 2021.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.

The yield on total interest-bearing liabilities increased from 0.32% in the second quarter of 2021 to 0.43% in the second quarter of 2022. The yield on total interest-bearing liabilities remained the same at 0.33% for the six months ended June 30, 2022 and 2021, due to Federal Home Loan Bank advances interest expense including $751,000 for the recognized mark on two advances that were acquired in the SouthCrest acquisition that were called early. In March of 2020, the Federal Reserve's Federal Open Market Committee ("FOMC") lowered interest rates twice for a total reduction of 150 basis points in response to the COVID-19 pandemic, which was the most aggressive action taken by the FOMC since the financial crisis in 2008. In March 2022, the FOMC raised the rate 25 basis points. In second quarter 2022, the FOMC raised the rate twice, the first increase being 50 basis points and the second increase being 75 basis points.

Table 1 - Average Balance Sheet and Net Interest Analysis

	Three Months Ended June 30,					
	2022			2021		
(dollars in thousands)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets						
Interest-earning assets:						
Loans, net of unearned income[1]	$ 1,427,563	$ 16,317	4.58 %	$ 1,076,784	$ 14,165	5.34 %
Investment securities, taxable	842,481	4,332	2.06	417,343	1,794	1.74
Investment securities, tax-exempt[2]	114,658	542	1.90	33,156	160	1.96
Deposits in banks and short term investments	73,190	103	0.56	146,591	45	0.12
Total interest-earning assets	2,457,892	21,294	3.47	1,673,874	16,164	3.92
Noninterest-earning assets	218,720			103,685		
Total assets	$ 2,676,612			$ 1,777,559		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	$ 1,429,331	$ 307	0.09 %	$ 901,978	$ 146	0.07 %
Other time	328,355	319	0.39	253,944	423	0.68
Total interest-bearing deposits	1,757,686	626	0.14	1,155,922	569	0.20
Federal funds purchased	7,916	27	1.37 %	—	—	—
Federal Home Loan Bank advances [3]	46,550	943	8.13	22,500	115	2.09
Paycheck Protection Program Liquidity Facility	—	—	—	19,031	25	0.53
Other borrowings	44,729	409	3.67	37,536	258	2.78
Total other interest-bearing liabilities	99,195	1,379	5.58	79,067	398	2.04
Total interest-bearing liabilities	1,856,881	2,005	0.43	1,234,989	967	0.32
Noninterest-bearing liabilities:						
Demand deposits	568,070			391,217		
Other liabilities	10,380			6,592		
Stockholders' equity	241,281			144,761		
Total noninterest-bearing liabilities and stockholders' equity	819,731			542,570		
Total liabilities and stockholders' equity	$ 2,676,612			$ 1,777,559		
Interest rate spread			3.04 %			3.60 %
Net interest income		$ 19,289			$ 15,197	
Net interest margin			3.15 %			3.68 %

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 $31,000 and $67,000 for the quarters ended June 30, 2022 and 2021, respectively, are included in income and fees on loans. Accretion income of $269,000 and $104,000 for the quarters ended June 30, 2022 and 2021 are also included in income and fees on loans.

2. Taxable-equivalent adjustments totaling $70,000 and $43,000 for the quarters ended June 30, 2022 and 2021, respectively, are included in tax-exempt interest on investment securities.

3. Federal Home Loan Bank advances interest expense includes $751,000 for the quarter ended June 30, 2022 and is the recognized mark on two advances that were acquired in the SouthCrest acquisition that were called early.

Table 1 - Average Balance Sheet and Net Interest Analysis

(dollars in thousands)	Six Months Ended June 30, 2022 2022 Average Balances	Income/ Expense	Yields/ Rates	2021 Average Balances	Income/ Expense	Yields/ Rates
Assets						
Interest-earning assets:						
Loans, net of unearned income[1]	$ 1,395,179	$ 32,339	4.67 %	$ 1,077,859	$ 27,805	5.20 %
Investment securities, taxable	842,491	8,084	1.93	394,431	3,401	1.74
Investment securities, tax-exempt[2]	112,843	1,022	1.83	32,887	314	1.93
Deposits in banks and short term investments	117,177	159	0.27	164,882	97	0.12
Total interest-earning assets	2,467,690	41,604	3.40	1,670,059	31,617	3.82
Noninterest-earning assets	210,625			105,746		
Total assets	$ 2,678,315			$ 1,775,805		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	$ 1,437,325	$ 568	0.08 %	$ 880,838	$ 311	0.07 %
Other time	335,744	657	0.39	257,173	912	0.72
Total interest-bearing deposits	1,773,069	1,225	0.14	1,138,011	1,223	0.22
Federal funds purchased	3,978	27	1.37	—	—	—
Federal Home Loan Bank advances [3]	49,100	1,192	4.90	22,500	230	2.05
Paycheck Protection Program Liquidity Facility	—	—		51,516	93	0.36
Other borrowings	38,492	611	3.20	37,715	514	2.75
Total other interest-bearing liabilities	91,570	1,830	4.03	111,731	837	1.51
Total interest-bearing liabilities	1,864,639	3,055	0.33	1,249,742	2,060	0.33
Noninterest-bearing liabilities:						
Demand deposits	560,444			373,728		
Other liabilities	11,036			6,791		
Stockholders' equity	242,196			145,544		
Total noninterest-bearing liabilities and stockholders' equity	813,676			526,063		
Total liabilities and stockholders' equity	$ 2,678,315			$ 1,775,805		
Interest rate spread			3.08 %			3.49 %
Net interest income		$ 38,549			$ 29,557	
Net interest margin			3.15 %			3.57 %

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 $62,000 and $124,000 for the six months ended June 30, 2022 and 2021, respectively, are included in income and fees on loans. Accretion income of $429,000 and $313,000 for the six months ended June 30, 2022 and 2021 are also included in income and fees on loans.

2. Taxable-equivalent adjustments totaling $133,000 and $84,000 for the six months ended June 30, 2022 and 2021, respectively, are included in tax-exempt interest on investment securities.

3. Federal Home Loan Bank advances interest expense includes $751,000 for the six months ended June 30, 2022 and is the recognized mark on two advances that were acquired in the SouthCrest acquisition that were called early.

The following table presents the effect of net interest income for changes in the average outstanding volume amounts of interest-earning assets and interest-bearing liabilities and the rates earned and paid on these assets and liabilities from June 30, 2021 to June 30, 2022.

Table 2 - Change in Interest Revenue and Expense on a Taxable Equivalent Basis

	Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021 Increase (Decrease) Due to Changes in		
(dollars in thousands)	**Volume**	**Rate**	**Total**
Interest-earning assets:			
Loans, net of unearned fees	$ 16,501	$ (11,967)	$ 4,534
Investment securities, taxable	7,796	(3,113)	4,683
Investment securities, tax-exempt	1,543	(835)	708
Deposits in banks and short term investments	(57)	119	62
Total interest-earning assets (FTE)	25,783	(15,796)	9,987
Interest-bearing liabilities:			
Interest-Bearing Demand and Savings Deposits	390	(133)	257
Time Deposits	566	(821)	(255)
Federal funds purchased	—	27	27
Federal Home Loan Bank Advances	545	417	962
Paycheck Protection Program Liquidity Facility	(185)	92	(93)
Other Borrowed Money	21	76	97
Total interest-bearing liabilities	1,337	(342)	995
Increase in net interest income (FTE)	$ 24,446	$ (15,454)	$ 8,992

Provision for Loan Losses

The provision for loan losses is based on management's evaluation of probable, inherent losses in the loan portfolio and unfunded commitments and the corresponding analysis of the allowance for loan losses at quarter-end. Provision for loan losses for the three and six months ended June 30, 2022 was $1.1 million and $1.2 million compared to zero and $500,000 for the same period in 2021, respectively. The amount of provision expense recorded in each period was the amount required such that the total allowance for loan losses reflected the appropriate balance, in the estimation of management, sufficient to cover probable, inherent loan losses in the loan portfolio. The increase in provision for loan losses in the three and six months ended June 30, 2022 compared to the same periods in 2021 is largely due to the loan growth the Bank has experienced in the second quarter of 2022. See the section captioned “Loans and Allowance for Loan Losses” elsewhere in this discussion for further analysis of the provision for loan losses.

Noninterest Income

The following table represents the major components of noninterest income for the periods indicated.

Table 3 - Noninterest Income

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(dollars in thousands)	**2022**	**2021**	**Amount**	**Percent**	**2022**	**2021**	**Amount**	**Percent**
Service charges on deposits	$ 1,895	$ 1,264	$ 631	49.9 %	$ 3,720	$ 2,486	$ 1,234	49.6 %
Mortgage fee income	2,736	3,005	(269)	(9.0)	5,648	7,000	(1,352)	(19.3)
Gain on sales of SBA loans	1,863	1,263	600	47.5	3,589	2,735	854	31.2
(Loss)/gain on sales of securities	—	141	(141)	100.0	24	137	(113)	(82.5)
Interchange fee	2,159	1,667	492	29.5	4,159	3,197	962	30.1
BOLI income	353	222	131	59.0	665	430	235	54.7
Other noninterest income	1,052	189	863	456.6	1,400	367	1,033	281.5
Total noninterest income	$ 10,058	$ 7,751	$ 2,307	29.76 %	$ 19,205	$ 16,352	$ 2,853	17.45 %

For the three and six months ended June 30, 2022, noninterest income increased $2.3 million and $2.9 million, respectively, compared to the same periods in 2021. The primary reason for this increase was due to increases in almost all noninterest income accounts offset by the decrease in mortgage fee income.

Service charges on deposit accounts. For the three and six months ended June 30, 2022, services charges on deposits was $1.9 million and $3.7 million, an increase of $631,000, or 49.9%, and $1.2 million, or 49.6%, compared to the same periods in 2021, respectively. This increase in service charges on deposits was primarily attributable to the additional deposits acquired from the SouthCrest acquisition and the bank's strategic efforts to grow deposits.

Mortgage Fee Income. For the three and six months ended June 30, 2022, mortgage fee income was $2.7 million and $5.6 million, a decrease of $269,000, or 9.0%, and $1.4 million, or 19.3%, compared to the same periods in 2021, respectively. During the three and six months ended June 30, 2021, there was a continued increase in the demand for mortgage rate locks and mortgage closings due to a historically low interest rate environment. As the rates started to increase in 2022, the demand slowed down which primarily caused the decrease.

*Gain on Sale of SBA loan*s. For the three and six months ended June 30, 2022, net realized gains on the sale of the guaranteed portion of SBA loans totaled $1.9 million and $3.6 million, an increase of $600,000, or 47.5%, and $854,000, or 31.2%, compared to the same periods in 2021, respectively. The increase in 2022 was a result of continued growth in the Small Business Specialty Lending division compared to the same periods in 2021.

Interchange Fees. For the three and six months ended June 30, 2022, interchange fee income was $2.2 million and $4.2 million, an increase of $492,000, or 29.5%, and $962,000, or 30.1%, compared to the same periods in 2021. The increase in interchange fees was primarily attributable growth of customers from the SouthCrest acquisition and the continued success with the Discover® Card program.

Other noninterest income. For the three and six months ended June 30, 2022, other noninterest income was $1.1 million and $1.4 million, an increase of $863,000, or 456.6%, and $1.0 million, or 281.5%, compared to the same periods in 2021. The increase in other income was primarily attributable to insurance commissions from the insurance acquisitions that occurred in third and fourth quarter of 2021 and equity method investment loss taken in first quarter of 2022. .

Noninterest Expense

The following table represents the major components of noninterest expense for the periods indicated.

Table 4 - Noninterest Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(dollars in thousands)	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Salaries and employee benefits	$ 15,072	$ 10,126	$ 4,946	48.8 %	$ 28,344	$ 20,081	$ 8,263	41.1 %
Occupancy and equipment	1,608	1,245	363	29.2	3,227	2,571	656	25.5
Acquisition-related expenses	1	699	(698)	(99.9)	125	699	(574)	(82.1)
Information technology expenses	2,549	1,856	693	37.3	4,903	3,448	1,455	42.2
Professional fees	1,073	690	383	55.5	1,946	1,177	769	65.3
Advertising and public relations	695	566	129	22.8	1,464	1,146	318	27.7
Communications	417	308	109	35.4	854	527	327	62.0
Other noninterest expense	3,061	1,975	1,086	55.0	5,419	3,570	1,849	51.8
Total noninterest expense	$ 24,476	$ 17,465	$ 7,011	40.1 %	$ 46,282	$ 33,219	$ 13,063	39.3 %

Noninterest expense increased for the three and six months ended June 30, 2022 by $7.0 million and $13.1 million, respectively, compared to the same periods in 2021. Increases in salaries and employee benefits and information technology expenses and other expenses accounted for the majority of the increases, which were partially offset by a decrease in acquisition expenses.

Salaries and Employee Benefits. Salaries and employee benefits for the three and six months ended June 30, 2022 was $15.1 million and $28.3 million, an increase of $4.9 million, or 48.8%, and $8.3 million, or 41.1%, compared to the same periods in 2021, respectively. The increase in both periods of 2022 is primarily attributable to the salary and employee benefits from the additional employees from the SouthCrest acquisition compared to the same periods in 2021.

Information technology Expenses. Information technology expense for the three and six months ended June 30, 2022 was $2.5 million and $4.9 million, an increase of $693,000, or 37.3% and $1.5 million, or 42.2%, compared to the same periods in 2021. These increases relate to increases in employees and data processing costs from the SouthCrest merger and software costs due to the implementation of new software platforms used in various areas of the bank.

Acquisition-related Expenses. Acquisition-related expenses for the three and six months ended June 30, 2022 decreased $698,000, or 99.9% and $574,000, or 82.1%, compared to the same periods in 2021, respectively. These decreases are related to the completion of the SouthCrest and insurance acquisitions that occurred in 2021.

Other noninterest expenses. Other noninterest expense for the three and six months ended June 30, 2022 was $3.1 million and $5.4 million, an increase of $1.1 million, or 55.0% and $1.8 million, or 51.8%, compared to the same periods in 2021. These increases relate primarily to increased amortization expense of intangibles and servicing rights valuations.

Income Tax Expense

Income tax expense for the three and six months ended June 30, 2022 was $234,000 and $1.4 million compared to $1.4 million and $3.0 million for the three and six months ended June 30, 2021, respectively. The Company’s effective tax rates for the three and six months ended June 30, 2022 were 6.4% and 13.8% compared to 25.4% and 25.3%, respectively for the same periods of 2021. The largest driver of the difference is tax exempt income primarily from BOLI and tax exempt interest along with the benefit of Georgia state tax credits.

Balance Sheet Review

Total assets remained stable at $2.7 billion at June 30, 2022 and December 31, 2021.

Loans and Allowance for Loan Losses

At June 30, 2022, gross loans outstanding (excluding loans held for sale) were $1.5 billion, an increase of $114.8 million, or 8.6%, compared to $1.3 billion at December 31, 2021. During the six months ended June 30, 2022, PPP loans totaling approximately $8.4 million were forgiven through the SBA.

At June 30, 2022, approximately 71.1% of our loans are secured by commercial real estate. The following table presents a summary of the loan portfolio as of June 30, 2022 and December 31, 2021.

Table 5 - Loans Outstanding

(dollars in thousands)	June 30, 2022	December 31, 2021
Construction, land and land development	$ 187,045	$ 165,446
Other commercial real estate	846,381	787,392
Total commercial real estate	1,033,426	952,838
Residential real estate	216,189	212,527
Commercial, financial, & agricultural (*)	184,798	154,048
Consumer and other	18,392	18,564
Total loans	$ 1,452,805	$ 1,337,977
As a percentage of total loans:		
Construction, land and land development	12.9 %	12.4 %
Other commercial real estate	58.2 %	58.8 %
Total commercial real estate	71.1 %	71.2 %
Residential real estate	14.9 %	15.9 %
Commercial, financial & agricultural	12.7 %	11.5 %
Consumer and other	1.3 %	1.4 %
Total loans	100 %	100 %

(*) Includes $128,000 and $9.0 million in PPP loans at June 30, 2022 and December 31, 2021, respectively.

The Company's risk mitigation processes include an independent loan review designed to evaluate the credit risk in the loan portfolio and to ensure credit grade accuracy. The analysis serves as a tool to assist management in assessing the overall credit quality of the loan portfolio and the adequacy of the allowance for loan losses. Loans classified as "substandard" are loans which are inadequately protected by the current credit worthiness and paying capacity of the borrower and/or the collateral pledged. These assets exhibit well-defined weaknesses or are showing signs there is a distinct possibility the Company will sustain some loss if the deficiencies are not corrected. These weaknesses may be characterized by past due performance, operating losses and/or questionable collateral values. Loans classified as "doubtful" are those loans that have characteristics similar to substandard loans but have an increased risk of loss. Loans classified as "loss" are those loans which are considered uncollectible and are in the process of being charged off.

The Company regularly monitors the composition of the loan portfolio as part of its evaluation over the adequacy of the allowance for loan losses. The Company focuses on the following loan categories: (1) construction, land and land development; (2) commercial, financial and agricultural; (3) commercial and farmland real estate; (4) residential real estate; and (5) consumer.

The allowance for loan losses is a reserve established through charges to earnings in the form of a provision for loan losses. The provision for loan losses is based on management's evaluation of the size and composition of the loan portfolio, the level of non-performing and past-due loans, historical trends of charged off loans and recoveries, prevailing economic conditions and other factors management deems appropriate. The Company's management has established an allowance for loan losses which it believes is adequate for the probable incurred losses in the loan portfolio. Based on a credit evaluation of the loan portfolio, management presents a quarterly review of the allowance for loan losses to the Company's Board of Directors, which primarily focuses on risk by evaluating individual loans in certain risk categories. These categories have also been established by management and take the form of loan grades. By grading the loan portfolio in this manner the Company's management is able to effectively evaluate the portfolio by risk, which management believes is the most effective way to analyze the loan portfolio and thus analyze the adequacy of the allowance for loan losses.

The allowance for loan losses is established by examining (1) the large classified loans, nonaccrual loans and loans considered impaired and evaluating them individually to determine the specific reserve allocation and (2) the remainder of the loan portfolio to allocate a portion of the allowance based on past loss experience and the economic conditions for the particular loan category. The Company also considers other factors such as changes in lending policies and procedures; changes in national, regional and/or local economic and business conditions; changes in the nature and volume of the loan portfolio; changes in the experience, ability and depth of either the market president or lending staff; changes in the volume and severity of past-due and classified loans; changes in the quality of the loan review system; and other factors management deems appropriate.

The allowance for loan losses was $14.0 million at June 30, 2022 compared to $12.9 million at June 30, 2021, an increase of $1.1 million, or 8.5%. The allowance for loan losses as a percentage of loans was 0.96% and 1.26% at June 30, 2022 and 2021, respectively. The provision was $1.2 million compared to $500,000 for the six months ended June 30, 2022 and June 30, 2021, respectively. The provision was $1.1 million compared to $0 for the three months ended June 30, 2022 and June 30, 2021, respectively. The amount of provision expense recorded in each period was the amount required such that the total allowance for loan losses reflected the appropriate balance, in the estimation of management, sufficient to cover probable, inherent losses in the loan portfolio. The primary reason for the increase in allowance to loans as a percentage for loans and provision is primarily due to the bank's loan growth.

Additional information about the Company’s allowance for loan losses is provided in Note 4 to our consolidated financial statements as of June 30, 2022, included elsewhere in this Form 10-Q.

The following table presents an analysis of the allowance for loan losses as of and for the six months ended June 30, 2022 and 2021:

Table 6 - Analysis of Allowance for Loan Loss

	June 30, 2022		June 30, 2021	
(dollars in thousands)	**Reserve**	**%***	**Reserve**	**%***
Construction, land and land development	$ 1,052	12.9 %	$ 1,125	12.4 %
Other commercial real estate	8,028	58.2 %	7,277	58.8 %
Residential real estate	1,488	14.9 %	2,273	15.9 %
Commercial, financial, & agricultural	1,678	12.7 %	1,773	11.5 %
Consumer and other	1,717	1.3 %	423	1.4 %
	$ 13,963	100 %	$ 12,871	100 %

* Percentage represents the loan balance in each category expressed as a percentage of total end of period loans.

The following table presents a summary of allowance for loan loss for the three and six months ended June 30, 2022 and 2021.

Table 7 - Summary of Allowance for Loan Loss

	Three Months Ended		Six Months Ended	
(dollars in thousands)	**June 30, 2022**	**June 30, 2021**	**June 30, 2022**	**June 30, 2021**
Allowance for loan loss - beginning balance	$ 12,919	$ 12,693	$ 12,910	$ 12,127
Charge-offs:				
Construction, land and land development	—	—	—	—
Other commercial real estate	—	36	58	36
Residential real estate	30	—	48	—
Commercial, financial, & agricultural	132	—	148	15
Consumer and other	5	32	21	43
Total loans charged-off	167	68	275	94
Recoveries:				
Construction, land and land development	5	70	11	85
Other commercial real estate	67	95	74	95
Residential real estate	18	44	22	110
Commercial, financial, & agricultural	12	15	56	18
Consumer and other	9	22	15	30
Total recoveries	111	246	178	338
Net (recoveries)/charge-offs	56	(178)	97	(244)
Provision for loan loss	1,100	—	1,150	500
Allowance for loan loss - ending balance	$ 13,963	$ 12,871	$ 13,963	$ 12,871
Net (recoveries)/charge-offs to average loans (annualized)	0.02 %	(0.07)%	0.01 %	(0.05)%
Allowance for loan losses to total loans	0.96	1.26	0.96	1.26
Allowance to nonperforming loans	282.31	139.83	282.31	139.83

Management believes the allowance for loan losses is adequate to provide for losses inherent in the loan portfolio as of June 30, 2022.

Nonperforming Assets

Asset quality experienced some improvement during the first six months of 2022. Nonperforming assets include nonaccrual loans, accruing loans contractually past due 90 days or more, repossessed personal property and other real estate owned ("OREO"). Nonaccrual loans totaled $4.9 million at June 30, 2022, a decrease of $503,000, or 9.2%, from $5.4 million at December 31, 2021. There were no loans contractually past due 90 days or more and still accruing for either period presented. At June 30, 2022, OREO totaled $246,000, a decrease of $35,000, or 12.5%, compared with $281,000 at December 31, 2021. The decrease in OREO was due to a donation of assets during the first six months of 2022. As of June 30, 2022 , total nonperforming assets as a percent of total assets decreased to 0.19% compared with 0.21% at December 31, 2021.

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. Once interest accruals are discontinued, accrued but uncollected interest is charged to current year operations. Subsequent loan payments made 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.

Foreclosed property is initially recorded at fair value, less estimated costs to sell. If the fair value, less estimated costs to sell, at the time of foreclosure is less than the loan balance, the deficiency is charged against the allowance for loan losses. If the lesser of the fair value, less estimated costs to sell, or the listed selling price, less the costs to sell, of the foreclosed property decreases during the holding period, a valuation allowance is established with a charge to foreclosed property expense. When the foreclosed property is sold, a gain or loss is recognized on the sale for the difference between the sales proceeds and the carrying amount of the property.

Nonperforming assets at June 30, 2022 and December 31, 2021 were as follows:

Table 8 - Nonperforming Assets

(dollars in thousands)	June 30, 2022	December 31, 2021
Nonaccrual loans	$ 4,946	$ 5,449
Loans past due 90 days and accruing	—	—
Other real estate owned	246	281
Repossessed assets	48	49
Total nonperforming assets	$ 5,240	$ 5,779
Nonaccrual loans by loan segment		
Construction, land and land development	$ 68	$ 31
Commercial real estate	805	837
Residential real estate	2,367	3,839
Commercial, financial & agriculture	1,537	708
Consumer & other	169	34
Total nonaccrual loans	$ 4,946	$ 5,449
NPAs as a percentage of total loans and OREO	0.36 %	0.43 %
NPAs as a percentages of total assets	0.19 %	0.21 %
Nonaccrual loans as a percentage of total loans	0.34 %	0.41 %

The restructuring of a loan is considered a troubled debt restructuring (" TDR") if both (i) the borrower is experiencing financial difficulties and (ii) the Company has granted the borrower a concession that we would not consider otherwise. At June 30, 2022, TDR increased to $7.6 million from $7.3 million reported at December 31, 2021. At June 30, 2022, $514,000 in TDRs were considered nonperforming and at December 31, 2021, all TDRs were performing according to their modified terms and were therefore not considered to be nonperforming assets.

Deposits

Deposits at June 30, 2022 and December 31, 2021 were as follows:

Table 9 - Deposits

(dollars in thousands)	June 30, 2022	December 31, 2021
Noninterest-bearing deposits	$ 572,978	$ 552,576
Interest-bearing deposits	872,668	930,811
Savings	556,738	541,993
Time, $250,000 and over	59,900	73,407
Other time	269,227	275,821
Total deposits	$ 2,331,511	$ 2,374,608

Total deposits decreased $43.1 million to $2.33 billion at June 30, 2022 from $2.37 billion at December 31, 2021. As of June 30, 2022, 24.6% of total deposits were comprised of noninterest-bearing accounts and 75.4% comprised of interest-bearing deposit accounts, compared to 23.3% and 76.7% as of December 31, 2021, respectively. The decline in our deposits is due to a combination of changes in post COVID-19 customer saving and spending habits as well as the seasonality of our public funds.

We had $10.3 million and $883,000 in brokered deposits at June 30, 2022 and December 31, 2021, respectively. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to support our asset growth and augment the deposits generated from our branch network, which are our principal source of funding. Our level of brokered deposits varies from time to time depending on competitive interest rate conditions and other factors, and tends to increase as a percentage of total deposits when the brokered deposits are less costly than issuing internet certificates of deposit or borrowing from the FHLB.

Off-Balance Sheet Arrangements

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. The Company evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit, is based on management’s credit evaluation of the borrower. The type of collateral held varies, but may include cash or cash equivalents, unimproved or improved real estate, personal property or other acceptable collateral.

See Note 7 to our consolidated financial statements as of June 30, 2022, included elsewhere in this Form 10-Q, for a table setting forth the financial instruments that were outstanding whose contract amounts represent credit risk and more information regarding our off-balance sheet arrangements as of June 30, 2022 and December 31, 2021.

Liquidity

An important part of the Bank's liquidity resides in the asset portion of the balance sheet, which provides liquidity primarily through loan interest and principal repayments and the maturities and sales of securities, as well as the ability to use these assets as collateral for borrowings on a secured basis.

The Bank's main source of liquidity is customer interest-bearing and noninterest-bearing deposit accounts. Liquidity is also available from wholesale funding sources consisting primarily of Federal funds purchased, FHLB advances and brokered deposits. These sources of liquidity are generally short-term in nature and are used as necessary to fund asset growth and meet other short-term liquidity needs.

To plan for contingent sources of funding not satisfied by both local and out-of-market deposit balances, the Company and the Bank 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. The outstanding balance of Federal Funds purchased at June 30, 2022 and December 31, 2021 was $23.8 million and $0, respectively.

Cash and cash equivalents at June 30, 2022 and December 31, 2021 were $76.5 million and $197.2 million, respectively. This decrease is primarily attributable to the deployment of funds used for funding current loan growth. Management believes the various funding sources discussed above are adequate to meet the Company's liquidity needs without any material adverse impact on our operating results.

On February 10, 2022, the Company completed a public offering of approximately $63.5 million of its common stock. The offering generated net proceeds of approximately $59.3 million, which were used to fund the repayment of the Company's existing term note and the line of credit and for other general corporate purposes.

On May 20, 2022, the Company entered into a Subordinated Note Purchase Agreement with certain qualified institutional buyers in which the Company issued and sold $40.0 million in aggregate principal amount of its 5.25% Fixed-to-Floating Rate Subordinated Notes due 2032.

Liquidity management involves the matching of cash flow requirements of customers and the ability of the Company to manage those requirements. These requirements of customers include, but are not limited to, deposits being withdrawn or providing assurance to borrowers that sufficient funds are available to meet their credit needs. We strive to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-bearing liabilities so that the balance we have in short-term assets at any given time will adequately cover any reasonably anticipated need for funds. Additionally, we maintain relationships with correspondent banks, which could provide funds on short notice, if needed. We have also invested in FHLB stock for the purpose of establishing credit lines with the FHLB. At June 30, 2022 and December 31, 2021, we had $65.0 million of outstanding advances from the FHLB. Based on the values of loans pledged as collateral, we had $605.6 million and $574.7 million of additional borrowing availability with the FHLB at June 30, 2022 and December 31, 2021, respectively.

The Company is a separate entity from the Bank, and as such it must provide for its own liquidity. The Company is responsible for the payment of dividends declared for its common shareholders and payment of interest and principal on any outstanding debt or trust preferred securities. These obligations are met through internal capital resources such as service fees and dividends from the Bank, which are limited by applicable laws and regulations.

Capital Resources

The Bank is required under federal law to maintain certain minimum capital levels based on ratios of capital to total assets and capital to risk-weighted assets. The required capital ratios are minimums, and the federal banking agencies may determine that a banking organization, based on its size, complexity or risk profile, must maintain a higher level of capital in order to operate in a safe and sound manner. Risks such as concentration of credit risks and the risk arising from non-traditional activities, as well as the institution's exposure to a decline in the economic value of its capital due to changes in interest rates, and an institution's ability to manage those risks are important factors that are to be taken into account by the federal banking agencies in assessing an institution's overall capital adequacy.

The table below summarizes the capital requirements applicable to the Bank in order to be considered "well-capitalized" from a regulatory perspective, as well as the Bank's capital ratios as of June 30, 2022 and December 31, 2021. The Bank exceeded all regulatory capital requirements and was considered to be "well-capitalized" as of June 30, 2022 and December 31, 2021. There have been no conditions or events since December 31, 2021 that management believes would change this classification.

Table 10 - Capital Ratio Requirements

	Minimum Requirement	Well-capitalized[1]
Risk-based ratios:		
Common equity tier 1 capital (CET1)	4.5 %	6.5 %
Tier 1 capital	6.0	8.0
Total capital	8.0	10.0
Leverage ratio	4.0	5.0

(1) The prompt corrective action provisions are only applicable at the bank level.

Table 11 - Capital Ratios

Company	June 30, 2022	December 31, 2021
CET1 risk-based capital ratio	12.31 %	9.87 %
Tier 1 risk-based capital ratio	13.62	11.28
Total risk-based capital ratio	16.48	12.05
Leverage ratio	9.22	7.25
Colony Bank		
CET1 risk-based capital ratio	11.66 %	11.41 %
Tier 1 risk-based capital ratio	11.66	11.41
Total risk-based capital ratio	12.41	12.18
Leverage ratio	8.10	7.53

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's primary market risk exposures are credit risk, interest rate risk, and to a lesser degree, liquidity risk. The Bank operates under an Asset Liability Management Policy which is approved by the ALCO, which is a Board committee that meets regularly. The policy outlines limits on interest rate risk in terms of changes in net interest income and changes in the net market values of assets and liabilities over certain changes in interest rate environments. These measurements are made through a simulation model which projects the impact of changes in interest rates on the Bank's assets and liabilities. The policy also outlines responsibility for monitoring interest rate risk and the process for the approval, implementation and monitoring of interest rate risk strategies to achieve the Bank's interest rate risk objectives.

The following table presents our interest sensitivity position at the dates indicated.

Table 12 - Interest Sensitivity

	Increase (Decrease) in Net Interest Income from Base Scenario at	
	June 30, 2022	December 31, 2021
Changes in rates		
200 basis point increase	6.06%	13.80%
100 basis point increase	3.29	6.83
100 basis point decrease	(4.80)	(3.18)

See Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of the Company’s Annual Report on Form 10-K as of and for the year ended December 31, 2021 for additional disclosures related to market and interest rate risk.

There are no material changes during the period covered by this Report to Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” previously disclosed in the Company's 2021 Form 10-K.

ITEM 4 – CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, including the Company’s Chief Executive Officer and Chief Financial Officer, the Company has evaluated its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)), as of the end of the period covered by this report, as required by paragraph (b) of Rules 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, the Company's Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report, the Company’s disclosure controls and procedures were effective for ensuring that information the Company is required to disclose in reports that it files or submits under the Exchange Act, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to the Company's senior management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended June 30, 2022, there were no changes in the Company’s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

In the ordinary course of business, there are various legal proceedings pending against the Company and the Bank. The aggregate liabilities, if any, arising from such proceedings would not, in the opinion of management, have a material adverse effect on the Company's consolidated financial position.

ITEM 1A – RISK FACTORS

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in "Part I - Item IA - Risk Factors" of the Company's 2021 Form 10-K, which could materially affect its business, financial position, results of operations, cash flows, or future results. Please be aware that these risks may change over time and other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition or results of operations, or the trading price of our securities.

There are no material changes during the period covered by this Report to the risk factors previously disclosed in the Company's 2021 Form 10-K.

ITEM 2 – UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) There were no unregistered shares of the Company's common stock sold during the three-month period ended June 30, 2022.

(b) Not applicable.

(c) There were no purchases of the Company's equity securities by the Company or its affiliates during the three-month period ended June 30, 2022.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

None.

ITEM 6 – EXHIBITS

3.1	Articles of Incorporation, As Amended -filed as Exhibit 99.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 0-12436), filed with the Commission on August 4, 2014 and incorporated herein by reference.
3.2	Articles of Amendment to Articles of Incorporation, As Amended, of Colony Bankcorp, Inc.
3.3	Amended and Restated Bylaws -filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on September 18, 2020 and incorporated herein by reference.
4.1	Form of 5.25% Fixed to Floating Rate Subordinated Note due 2032 - filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on May 23, 2022 and incorporated herein by reference.
10.1	Form of Note Purchase Agreement, dated as of May 20, 2022, by and among Colony Bankcorp, Inc. and the Purchasers - 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 23, 2022 and incorporated herein by reference.
10.2	Separation Agreement between Colony Bank and Tracie Youngblood, dated as of April 14, 2022†
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	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2022 and December 31, 2021; (ii) Condensed Consolidated Statements of Income for the Three and Six Months Ended June 30, 2022 and 2021; (iii) Condensed Consolidated Statements of Comprehensive Income for the Three and Six Months Ended June 30, 2022 and 2021; (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Six Months Ended June 30, 2022 and 2021; (v) Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2022 and 2021; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements*
104	The cover page from Colony Bankcorp's Quarterly Report on Form 10-Q for the three and six months ended June 30, 2022 (formatted in Inline XBRL and included in Exhibit 101)
†	Represents a management contract or a compensatory plan or arrangement.

SIGNATURES

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.
	/s/ T. Heath Fountain
Date: August 12, 2022	T. Heath Fountain President and Chief Executive Officer (Principal Executive Officer)
	/s/ Andrew Borrmann
Date: August 12, 2022	Andrew Borrmann Executive Vice President and Chief Financial Officer (Principal Financial Officer)

ARTICLES OF AMENDMENT
TO
ARTICLES OF INCORPORATION
OF
COLONY BANKCORP, INC.

Pursuant to the provisions of O.C.G.A. §14-2-1006, pertaining to amending the Articles of Incorporation of a corporation, Colony Bankcorp, Inc. (the "Corporation"), files herewith Articles of Amendment to its Articles of Incorporation hereby constituting an application to the Secretary of State for the State of Georgia for amendment of its original articles and previous amendments to such articles.

1. The name of the Corporation is Colony Bankcorp, Inc.

1. The Articles of Incorporation are hereby amended by deleting Section (a) of Article 5 in its entirety and replacing it with the following language:

"(a) The total number of shares of capital stock which the Corporation is authorized to issue is sixty million (60,000,000) shares, divided into fifty million (50,000,000) shares of common stock, $1.00 par value (the "Common Stock"), and ten million (10,000,000) shares of preferred stock, no par value (the "Preferred Stock")."

1. The amendment was duly adopted by the Board of Directors of the Corporation on March 21, 2022.
2. The amendment was duly approved by the shareholders of the Corporation on May 19, 2022 in accordance with the provisions of O.C.G.A. §14-2-1003.
3. This Amendment to the Articles of Incorporation of Colony Bankcorp, Inc. shall be effective immediately upon its filing with the office of the Secretary of State for the State of Georgia.

[signature page follows]

IN WITNESS WHEREOF, Colony Bankcorp, Inc., has caused these Articles of Amendment to be executed by its duly authorized officer this 27th day of May, 2022, and has caused these Articles of Amendment to be filed with the Secretary of State of Georgia, as provided in O.C.G.A. § 14-2-1006.

COLONY BANKCORP, INC.

By: /s/ Edward L. Bagwell, III
Name: Edward L. Bagwell, III
Title: Executive Vice President, Chief Risk Officer, General Counsel and Corporate Secretary

SEPARATION AGREEMENT

THIS AGREEMENT (the "Agreement") is entered into as of the Effective Date, as defined in Paragraph 6 hereof, by and between Colony Bank ("Bank"), a Georgia Bank and wholly-owned subsidiary of Colony Bankcorp, Inc. (the "Holding Company" and, together with the Bank, the "Company")) and Tracie Youngblood ("Employee"). Together, the Company and Employee may be referred to hereinafter as the "Parties".

In consideration of the payments, covenants and releases described below, and in consideration of other good and valuable consideration, the receipt and sufficiency of all of which is hereby acknowledged, the Company and Employee agree as follows:

1. Separation of Employment.

    a. Employee's employment with the Company terminated effective June 8, 2022 (the "Separation Date"). Employee acknowledges and agrees that she has been paid all wages and accrued benefits to which she is entitled through the date of execution of this Agreement. Other than the payments set forth in this Agreement, the parties agree that the Company owes no additional amounts to Employee for wages, back pay, severance pay, bonuses, damages, accrued vacation, benefits, insurance, sick leave, other leave, or any other reason. This Agreement is intended to and does settle and resolve all claims of any nature that Employee might have against the Company arising out of their employment relationship or the termination of employment or relating to any other matter.

    b. Except as provided in Paragraph 7 hereof, Employee's Employment Agreement by and between Employee, the Bank and the Holding Company, dated as of June 24, 2021 (the "Employment Agreement"), terminated effective as of the Separation Date.

2. Consideration for this Agreement. In consideration of Employee's promises and the General Release of Claims and Covenant Not To Sue contained in Paragraph 3 of this Agreement, the Company agrees to provide the following to Employee the following amounts (collectively, the "Consideration"):

    a. Severance Payments. The Company will pay Employee a total gross amount of Two hundred thirty-five thousand dollars ($235,000.00), less withholding for taxes and other similar items (the "Severance"). The Severance shall be payable in a single lump sum installment on first regular payroll date following the 60th day after the Separation Date.

    b. Outstanding Equity Awards. The vesting of Employee's shares of Holding Company restricted stock that are subject to vesting based on Employee's continuous service with the Company, of which there are 7,000shares outstanding as of the Separation Date (the "Restricted Shares"), shall be accelerated in full to the Separation Date, and such Restricted Shares shall otherwise remain subject to the terms and conditions of the equity plan under which they were granted and the respective award agreements evidencing the grant thereof (the "Restricted Stock Agreements").

c. Deferred Incentive Awards. The vesting of Employee's deferred incentive awards granted under the Colony Bank Deferred Incentive Plan (the "Deferred Incentive Plan"), the aggregate value of which is Forty thousand three hundred thirty-three dollars and fifty-six cents ($40,333.56) outstanding as of the Separation Date (the "Deferred Incentive Awards"), shall be accelerated in full to the Separation Date. The Deferred Incentive Awards shall otherwise remain subject to the terms and conditions of the Deferred Incentive Plan and the respective award agreements evidencing the grant thereof. Such Deferred Incentive Awards shall be payable in a single lump sum on the first regular payroll date following the 60th day after the Separation Date.

d. Additional Lump Sum Payment. The Company shall pay Employee a total gross amount of Two Thousand Dollars and Zero Cents ($2,000.00), less withholding for taxes and other similar items (the "Additional Payment"). The Additional Payment shall be payable in a single lump sum on the first regular payroll processed following the Separation Date.

e. Paid Time Off (PTO). The Company shall pay Employee for any accrued and unused PTO as of the Separation Date, including PTO hours above the Company's standard 120 hour maximum, which payment shall be made in a single lump sum on the first regular payroll processed following the Separation Date.

The Company's agreement to provide the Consideration is specifically contingent upon Employee (a) executing this Agreement and not revoking this Agreement, as set forth in Paragraph 6 below; and (b) complying with her obligations under this Agreement and any other continuing contractual obligations she owes to the Company, including but not limited to the covenants included in Section 6 of the Employment Agreement.

3. General Release of Claims and Covenant Not To Sue.

a. General Release of Claims. In consideration of the payments made to Employee by the Company and the promises contained in this Agreement, Employee on behalf of herself and her agents and successors in interest, hereby UNCONDITIONALLY RELEASES AND DISCHARGES the Company, its successors, subsidiaries, parent companies, assigns, joint ventures, and affiliated companies and their respective agents, legal representatives, shareholders, attorneys, employees, members, managers, officers and directors (collectively, the "Releasees") from ALL CLAIMS, LIABILITIES, DEMANDS AND CAUSES OF ACTION which she may by law release, as well as all contractual obligations not expressly set forth in this Agreement, whether known or unknown, fixed or contingent, that she may have or claim to have against any Releasee for any reason as of the date of execution of this Agreement. This General Release and Covenant Not To Sue includes, but is not limited to, claims arising under federal, state or local laws prohibiting employment discrimination; claims arising under severance plans and contracts; and claims growing out of any legal restrictions on the Company's rights to terminate its employees or to take any other employment action, whether statutory, contractual or arising under common law or case law. Employee specifically acknowledges and agrees that she is releasing any and all rights under federal, state and local employment laws including without limitation the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Civil Rights

Act of 1964, 42 U.S.C. § 1981, the Americans With Disabilities Act, the Family and Medical Leave Act, the Genetic Information Nondiscrimination Act, the anti-retaliation provisions of the Fair Labor Standards Act, the Employee Retirement Income Security Act, the Equal Pay Act, the Occupational Safety and Health Act, the Worker Adjustment and Retraining Notification Act, the Employee Polygraph Protection Act, the Fair Credit Reporting Act, and any and all other local, state, and federal law claims arising under statute or common law. It is agreed that this is a general release and it is to be broadly construed as a release of all claims, except as set forth in Paragraph 3(e) below.

b. Covenant Not to Sue. Except as expressly set forth in Paragraph 4 below, Employee further hereby AGREES NOT TO FILE A LAWSUIT or other legal claim or charge to assert against any of the Releasees any claim released by this Agreement.

c. Acknowledgement Regarding Payments and Benefits. Employee acknowledges and agrees that she has been paid all wages and accrued benefits to which she is entitled through the date of execution of this Agreement. Other than the payments set forth in this Agreement, the Parties agree that the Company owes no additional amounts to Employee for wages, back pay, severance pay, bonuses, damages, accrued vacation, benefits, insurance, sick leave, other leave, or any other reason.

d. Other Representations and Acknowledgements. This Agreement is intended to and does settle and resolve all claims of any nature that Employee might have against the Company arising out of their employment relationship or the termination of employment or relating to any other matter, except as set forth in Paragraph 3(e) below. By signing this Agreement, Employee acknowledges that she is doing so knowingly and voluntarily, that she understands that she may be releasing claims she may not know about, and that she is waiving all rights she may have had under any law that is intended to protect her from waiving unknown claims. This Agreement shall not in any way be construed as an admission by the Company or any of the Releasees of wrongdoing or liability or that Employee has any rights against the Company or any of the Releasees. Employee represents and agrees that she has not transferred or assigned, to any person or entity, any claim that she is releasing in this Paragraph 3.

e. Exceptions to General Release. Nothing in this Agreement is intended as, or shall be deemed or operate as, a release by Employee of (i) any rights of Employee under this Agreement; (ii) any vested benefits under any Company-sponsored benefit plans; (iii) any rights under COBRA or similar state law; (iv) any recovery to which Employee may be entitled pursuant to workers' compensation and unemployment insurance laws; (v) Employee's right to challenge the validity of her release of claims under the ADEA; (vi) any rights or claims under federal, state, or local law that cannot, as a matter of law, be waived by private agreement; and (vii) any claims arising after the date on which Employee executes this Agreement.

4. Protected Rights. Employee understands that nothing contained in this Agreement limits Employee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Employee further understands that this Agreement does not

limit Employee's ability to communicate or share information with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agencies. However, based on Employee's release of claims set forth in Paragraph 3 of this Agreement, Employee understands that Employee is releasing all claims and causes of action that Employee might personally pursue or that might be pursued in Employee's name and, to the extent permitted by applicable law, Employee's right to recover monetary damages or obtain injunctive relief that is personal to Employee in connection with such claims and causes of action.

5. **Acknowledgment. Employee shall have until the forty-fifth (45th) day after she receives this Agreement to execute this Agreement. If she does not execute the Agreement by that date, the offer contained in this Agreement shall be revoked by the Company. The Company hereby advises Employee to consult with an attorney prior to executing this Agreement and Employee acknowledges and agrees that the Company has advised, and hereby does advise, her of her opportunity to consult an attorney or other advisor and has not in any way discouraged her from doing so. Employee expressly acknowledges and agrees that she has been offered at least forty-five (45) days to consider this Agreement before signing it, that she has read this Agreement and Release carefully, that she has had sufficient time and opportunity to consult with an attorney or other advisor of her choosing concerning the execution of this Agreement. Employee acknowledges and agrees that she fully understands that the Agreement is final and binding, that it contains a full release of all claims and potential claims, and that the only promises or representations she has relied upon in signing this Agreement are those specifically contained in the Agreement itself. Employee acknowledges and agrees that she is signing this Agreement voluntarily, with the full intent of releasing the Company and the Releases from all claims covered by Paragraph 3.**

6. Revocation and Effective Date. The Parties agree Employee may revoke the Agreement at will within seven (7) days after she executes the Agreement by giving written notice of revocation to Company. Such notice must be delivered to T. Heath Fountain and must actually be received by such person at or before the above-referenced seven-day deadline. The Agreement may not be revoked after the expiration of the seven-day deadline. In the event that Employee revokes the Agreement within the revocation period described in this Paragraph, this Agreement shall not be effective or enforceable, and all rights and obligations hereunder shall be void and of no effect. Assuming that Employee does not revoke this Agreement within the revocation period described above, the effective date of this Agreement (the "Effective Date") shall be the eighth (8th) day after the day on which Employee executes this Agreement.

7. Survival of Covenants. Section 6, Section 8 and Section 9 of the Employment Agreement and Section 7 of the Restricted Stock Agreements dated July 1, 2021 (collectively, the "Surviving Provisions") shall remain in full force and effect in accordance with its terms and nothing in this Agreement shall alter the terms of the Surviving Provisions.

8. Confidentiality of this Agreement. Employee agrees to keep the terms and conditions of this Agreement confidential and not to disclose them to anyone except her spouse,

financial advisors, attorneys, or as otherwise required by law, provided that before Employee shares this Agreement with her spouse, financial advisor, or attorney, Employee agrees to notify him or her of this confidentiality requirement.

9. Return of Property. Employee represents and warrants she has returned to the Company all documents, materials, equipment, keys, recordings, client contact information, other client-related information, sales information, workforce information, production information, computer data, and other material and information relating to Company or any of the other Releasees, or the business of the Company or any of the other Releasees ("Company Property"), and that she has not retained or provided to anyone else any copies, excerpts, transcripts, descriptions, portions, abstracts, or other representations of Company Property. To the extent that Employee has any Company Property in electronic form (including, but not limited to, Company-related e-mail), Employee represents and warrants that, after returning such electronic Company Property as described in this Paragraph, she has permanently deleted such Company Property from all non-Company-owned computers, mobile devices, electronic media, cloud storage, or other media devices, or equipment. Employee further represents and warrants that she has not provided and will not provide any Company Property to any third party, including any documents, equipment, or other tangible property, but with the exception of non-confidential materials generally distributed by Company to clients or the general public.

10. Non-Disparagement. Employee agrees that, except as may be required by law or court order, she will not, directly or indirectly, make any statement, oral or written, or perform any act or omission which disparages or casts in a negative light the Company, its products, its employees, or any of the Releasees. This Paragraph 10 is not intended to in any way limit any of the Protected Rights contained in Paragraph 4 of this Agreement or any of the rights expressly reserved in Paragraph 8(c) of this Agreement, or to prevent Employee from providing truthful testimony in response to a valid subpoena, court order, or request from a Government Agency.

11. Final Agreement. Subject to Paragraph 7, this Agreement contains the entire agreement between the Company and Employee with respect to the subject matter hereof. The Parties agree that this Agreement may not be modified except by a written document signed by both Parties. The Parties agree that this Agreement may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Agreement and all of which, when taken together, will be deemed to constitute one and the same agreement.

12. Required Disclosure. Employee acknowledges that her employment with the Company is ending in connection with a reduction-in-force, and that Employee has been provided with a notice (Exhibit A to this Agreement), as required by the Older Workers Benefit Protection Act, 29 U.S.C. § 626(f), that contains (a) a description of the organizational unit of which Employee was considered a part for purposes of the reduction-in-force and any time limits applicable to the severance pay program being offered in connection with the reduction-in-force; (b) the job titles and ages of all individuals in such organizational unit selected for inclusion in the reduction-in-force; and (c) the ages of all individuals in such organizational unit who were not selected for inclusion in the reduction-in-force.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the state of Georgia without giving effect to its conflict of law principles.

14. Severability. With the exception of the release contained in Paragraph 3, the provisions of this Agreement are severable and if any part of it is found to be unenforceable the other paragraphs shall remain fully and validly enforceable. If the general release and covenant not to sue set forth in Paragraph 3 of this Agreement is found to be unenforceable, this Agreement shall be null and void and Employee will be required to return to the Company all Consideration already paid to Employee. The language of all valid parts of this Agreement shall in all cases be construed as a whole, according to fair meaning, and not strictly for or against any of the parties.

15. Waiver. The failure of either party to enforce any of the provisions of this Agreement shall in no way be construed to be a waiver of any such provision. Any waiver of any provision of this Agreement must be in a writing signed by the party making such waiver. No waiver of any breach of this Agreement shall be held to be a waiver of any other or subsequent breach.

16. No Reemployment. Employee agrees that by signing this Agreement, she relinquishes any right to employment or reemployment with the Company or any of the Releasees. Employee agrees that she will not seek, apply for, accept, or otherwise pursue employment with the Company or any of the Releasees, and acknowledges that if she reapplies for or seeks employment with the Company or any of the Releasees, the Company's or any of the Releasees' refusal to hire Employee based on this Paragraph 16 shall provide a complete defense to any claims arising from Employee's attempt to obtain employment. Seperation

[SIGNATURES ON NEXT PAGE]

The Parties hereby signify their agreement to these terms by their signatures below.

EMPLOYEE

/s/ Tracie Youngblood

Tracie Youngblood

Date: April 14, 2022

COLONY BANKCORP, INC.

/s/ T. Heath Fountain

T. Heath Fountain

President and Chief Executive Officer

Date: April 14, 2022

COLONY BANK

/s/ T. Heath Fountain

T. Heath Fountain

President and Chief Executive Officer

Date: April 14, 2022

EXHIBIT A

This notice applies to the reduction-in-force conducted at Colony Bank ("Bank"), a Georgia Bank and wholly-owned subsidiary of Colony Bankcorp, Inc. (the "Holding Company" and, together with the Bank, the "Company")) and the severance payments being offered in connection therewith (the "Reduction-In-Force and Severance Program"). For purposes of the Reduction-In-Force and Severance Program, Employee was considered to be a part of the organizational unit consisting of the Executive Vice Presidents of the Bank (the "Organizational Unit"). To be eligible for the Consideration described in the attached Agreement, Employee must execute the Agreement within forty-five (45) days after Employee receives it, and not revoke the Agreement during the seven (7) day revocation period following execution of the Agreement. The Consideration offered in the Agreement in connection with the Reduction-In-Force and Severance Program is, therefore, contingent upon the Company receiving a signed and unrevoked Agreement, which includes a general release of claims from Employee.

The following is a list of the ages and job titles of persons in the Organizational Unit who were selected for inclusion in the Reduction-In-Force and Severance Program in exchange for signing an agreement which includes a general release:

Job Title	**Age**
Chief Financial Officer	50

The following is a list of the ages of the persons in the Organizational Unit who were not selected for inclusion in the Reduction-In-Force and Severance Program: 54, 49, 51, 39, 64, 60.

EXHIBIT 31.1

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, T. Heath Fountain 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 12, 2022

/s/ T. Heath Fountain
T. Heath Fountain
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

I, Andrew Borrmann 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 12, 2022

/s/ Andrew Borrmann
Andrew Borrmann
Executive Vice-President and Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Colony Bankcorp, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), T. Heath Fountain, President and Chief Executive Officer of the Company, and Andrew Borrmann, Executive Vice President and Chief Financial Officer of the Company, each hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his or her 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 12, 2022

/s/ T. Heath Fountain
T. Heath Fountain
President and Chief Executive Officer

August 12, 2022

/s/ Andrew Borrmann
Andrew Borrmann
Executive Vice-President and Chief Financial Officer

This certification accompanies this Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002,will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates it by reference 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, or otherwise subject to the liability of that section.