

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 September 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 November 9, 2022, the registrant had 17,641,123 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

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<i>(dollars in thousands, except per share data)</i>		
ASSETS		
Cash and due from banks	\$ 18,533	\$ 18,975
Federal funds sold and interest-bearing deposits in banks	66,507	178,257
Cash and cash equivalents	85,040	197,232
Investment securities available for sale, at fair value	439,716	938,164
Investment securities held to maturity, at amortized cost	468,306	—
Other investments, at cost	12,850	14,012
Loans held for sale	23,945	38,150
Loans	1,586,613	1,337,977
Allowance for loan losses	(15,182)	(12,910)
Loans, net	1,571,431	1,325,067
Premises and equipment	41,249	43,033
Other real estate owned	246	281
Goodwill	48,923	52,906
Other intangible assets	6,065	7,389
Bank-owned life insurance	55,157	55,159
Deferred income taxes, net	30,614	3,644
Other assets	22,370	16,678
Total assets	\$ 2,805,912	\$ 2,691,715
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	\$ 558,347	\$ 552,576
Interest-bearing	1,851,315	1,822,032
Total deposits	2,409,662	2,374,608
Federal funds purchased	—	—
Federal Home Loan Bank advances	95,000	51,656
Other borrowings	63,364	36,792
Other liabilities	11,819	10,952
Total liabilities	\$ 2,579,845	\$ 2,474,008
Stockholders' equity:		
Preferred stock, no par value; 10,000,000 shares authorized, none issued or outstanding as of September 30, 2022 and December 31, 2021, respectively	—	—
Common stock, par value \$1.00 per share; 50,000,000 and 20,000,000 shares authorized, 17,641,123 and 13,673,898 shares issued and outstanding as of September 30, 2022 and December 31, 2021, respectively	17,641	13,674
Paid in capital	167,608	111,021
Retained earnings	107,918	99,189
Accumulated other comprehensive loss, net of tax	(67,100)	(6,177)
Total stockholders' equity	226,067	217,707
Total liabilities and stockholders' equity	\$ 2,805,912	\$ 2,691,715

See accompanying notes to consolidated financial statements (unaudited).

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

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
<i>(dollars in thousands, except per share data)</i>				
Interest income				
Loans, including fees	\$ 18,150	\$ 16,013	\$ 50,431	\$ 43,684
Investment securities	5,266	2,954	14,240	6,546
Federal funds sold, interest bearing deposits in banks and short term investments	278	58	437	154
Total interest income	23,694	19,025	65,108	50,384
Interest expense				
Deposits	1,449	698	2,674	1,921
Federal funds purchased	3	—	22	—
Federal Home Loan Bank Advances	555	170	1,746	401
Paycheck Protection Program Liquidity Facility	—	—	—	93
Other borrowings	822	289	1,441	802
Total interest expense	2,829	1,157	5,883	3,217
Net interest income	20,865	17,868	59,225	47,167
Provision for loan losses	1,320	150	2,470	650
Net interest income after provision for loan losses	19,545	17,718	56,755	46,517
Noninterest income				
Service charges on deposits	2,104	1,792	5,823	4,278
Mortgage fee income	1,708	3,107	7,356	10,107
Gain on sales of SBA loans	1,215	1,813	4,805	4,548
Gain (loss) on sales of securities	(96)	—	(72)	137
Interchange fees	2,179	1,745	6,338	4,941
BOLI Income	312	280	977	710
Other	757	701	2,157	754
Total noninterest income	8,179	9,438	27,384	25,475
Noninterest expense				
Salaries and employee benefits	12,154	11,826	40,498	31,907
Occupancy and equipment	1,645	1,599	4,872	4,169
Acquisition related expenses	2	1,994	142	3,031
Information technology expenses	2,491	2,045	7,394	5,493
Professional fees	881	804	2,773	1,975
Advertising and public relations	876	674	2,406	1,817
Communications	471	310	1,325	837
Other	2,847	1,959	8,238	4,884
Total noninterest expense	21,367	21,211	67,648	54,113
Income before income taxes	6,357	5,945	16,491	17,879
Income taxes	1,105	362	2,500	3,379
Net income	\$ 5,252	\$ 5,583	\$ 13,991	\$ 14,500
Earnings per common share:				
Basic	\$ 0.30	\$ 0.45	\$ 0.82	\$ 1.39
Diluted	0.30	\$ 0.45	0.82	\$ 1.39
Dividends declared per share	0.1075	0.1025	0.3225	0.3075
Weighted average common shares outstanding:				
Basic	17,645,119	12,344,926	17,042,838	10,447,496
Diluted	17,645,119	12,344,926	17,042,838	10,447,496

See accompanying notes to consolidated financial statements (unaudited).

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

	Three Months Ended		Nine Months Ended	
<i>(dollars in thousands)</i>	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Net income	\$ 5,252	\$ 5,583	\$ 13,991	\$ 14,500
Other comprehensive (loss) income:				
Unrealized losses on securities arising during the period	(14,256)	(7,335)	(70,913)	(13,186)
Tax effect	1,996	1,724	9,928	3,099
Realized (gains) losses on sales of available for sale securities	96	—	72	(137)
Tax effect	(13)	—	(10)	32
Change in unrealized (losses) gains on securities available for sale, net of reclassification adjustment and tax effects	(12,177)	(5,611)	(60,923)	(10,192)
Comprehensive (loss) income	<u>\$ (6,925)</u>	<u>\$ (28)</u>	<u>\$ (46,932)</u>	<u>\$ 4,308</u>

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					
Three Months Ended	Shares	Amount	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, June 30, 2022	17,581	\$ 17,581	\$ 167,376	\$ 104,561	\$ (54,923)	\$ 234,595
Change in net unrealized losses on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	(12,177)	(12,177)
Dividends on common shares (\$0.1075 per share)	—	—	—	(1,895)	—	(1,895)
Tax withholding related to vesting of restricted stock	(12)	(12)	(137)	—	—	(149)
Issuance of restricted stock	72	72	(72)	—	—	—
Stock-based compensation expense	—	—	441	—	—	441
Net income	—	—	—	5,252	—	5,252
Balance, September 30, 2022	<u>17,641</u>	<u>\$ 17,641</u>	<u>\$ 167,608</u>	<u>\$ 107,918</u>	<u>\$ (67,100)</u>	<u>\$ 226,067</u>
Balance, June 30, 2021	9,499	\$ 9,499	\$ 43,232	\$ 91,963	\$ 2,200	\$ 146,894
Change in net unrealized losses on securities available for sale, net of reclassification adjustment and tax effects	—	—	—	—	(5,611)	(5,611)
Dividends on common shares (\$0.1025 per share)	—	—	—	(1,401)	—	(1,401)
Issuance of common stock	3,988	3,988	67,395	—	—	71,383
Issuance of restricted stock	187	187	(187)	—	—	—
Stock-based compensation expense	—	—	282	—	—	282
Net income	—	—	—	5,583	—	5,583
Balance, September 30, 2021	<u>13,674</u>	<u>\$ 13,674</u>	<u>\$ 110,722</u>	<u>\$ 96,145</u>	<u>\$ (3,411)</u>	<u>\$ 217,130</u>

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)

Nine Months Ended	Common Stock		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount				
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	—	—	—	—	(60,923)	(60,923)
Dividends on common shares (\$0.3225 per share)	—	—	—	(5,262)	—	(5,262)
Issuance of common stock	3,848	3,848	55,620	—	—	59,468
Tax withholding related to vesting of restricted stock	(15)	(15)	(216)	—	—	(231)
Issuance of restricted stock, net of forfeitures	134	134	(134)	—	—	—
Stock-based compensation expense	—	—	1,317	—	—	1,317
Net income	—	—	—	13,991	—	13,991
Balance, September 30, 2022	<u>17,641</u>	<u>\$ 17,641</u>	<u>\$ 167,608</u>	<u>\$ 107,918</u>	<u>\$ (67,100)</u>	<u>\$ 226,067</u>
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	—	—	—	—	(10,192)	(10,192)
Dividends on common shares (\$0.3075 per share)	—	—	—	(3,348)	—	(3,348)
Issuance of common stock	3,988	3,988	67,395	—	—	71,383
Issuance of restricted stock, net of forfeitures	187	187	(187)	—	—	—
Stock-based compensation expense	—	—	299	—	—	299
Net income	—	—	—	14,500	—	14,500
Balance, September 30, 2021	<u>13,674</u>	<u>\$ 13,674</u>	<u>\$ 110,722</u>	<u>\$ 96,145</u>	<u>\$ (3,411)</u>	<u>\$ 217,130</u>

See accompanying notes to consolidated financial statements (unaudited).

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

<i>(dollars in thousands)</i>	Nine Months Ended	
	September 30, 2022	September 30, 2021
Operating Activities		
Net income	\$ 13,991	\$ 14,500
Adjustments reconciling net income to net cash provided by operating activities:		
Provision for loan losses	2,470	650
Depreciation, amortization, and accretion	9,322	5,592
Equity method investment income	357	—
Share-based compensation expense	1,317	299
Net change in servicing asset	(582)	(656)
(Gain)/Loss on sales of securities, available-for-sale	72	(137)
Gain on sales of SBA loans	(4,805)	(4,548)
Loss on sales of other real estate owned	—	54
Donation of other real estate owned	35	—
Writedown on other real estate owned	—	21
Gain on sales of premises & equipment	(65)	—
Originations of loans held for sale	(269,586)	(294,759)
Proceeds from sales of loans held for sale	288,596	324,996
Change in bank-owned life insurance	(1,006)	(538)
Deferred tax benefit	(990)	(2,794)
Change in other assets	(4,529)	1,924
Change in other liabilities	867	(3,426)
Net cash provided by operating activities	35,464	41,178
Investing Activities		
Purchases of investment securities, available-for-sale	(157,391)	(230,868)
Proceeds from maturities, calls, and paydowns of investment securities, available-for-sale	45,014	75,830
Proceeds from sales of investment securities, available-for-sale	47,175	17,559
Proceeds from maturities, calls and paydowns of securities, held-to-maturity	8,432	—
Change in loans, net	(249,384)	56,679
Purchase of premises and equipment	(1,449)	(2,924)
Proceeds from sales of premises and equipment	71	—
Proceeds from sales of other real estate owned	—	807
Proceeds from bank-owned life insurance	1,008	585
Redemption (purchase of) other investments	2,506	(9,582)
Redemption (purchase) of Federal Home Loan Bank Stock	(1,701)	2,307
Net cash and cash equivalents received from acquisition	—	34,087
Net cash used in investing activities	(305,719)	(55,520)
Financing Activities		
Change in noninterest-bearing customer deposits	5,771	72,982
Change in interest-bearing customer deposits	29,283	45,738
Issuance of common stock, net of stock issuance cost	59,468	—
Dividends paid for common stock	(5,262)	(3,348)
Issuance of Subordinated Debt	39,097	—
Repayment on Paycheck Protection Program Liquidity Fund	—	(106,789)
Repayments on Federal Home Loan Bank Advances	(137,500)	—
Proceeds from Federal Home Loan Bank Advances	180,000	—
Repayments on Other borrowings	(12,563)	(750)
Tax withholding related to vesting of restricted stock	(231)	—
Net cash provided by financing activities	158,063	7,833
Net decrease in cash and cash equivalents	(112,192)	(6,509)
Cash and cash equivalents at beginning of period	197,232	183,506
Cash and cash equivalents at end of period	\$ 85,040	\$ 176,997

COLONY BANKCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30, 2022 AND 2021
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	\$ 5,053	\$ 3,189
Cash paid during the period for income taxes	3,625	4,923
Noncash Investing and Financing Activities		
Goodwill adjustment	(3,983)	—
Acquisition of real estate through foreclosure	—	145
Carrying amount of Securities AFS transferred to HTM, net of \$34.0 million unrealized loss	510,956	—

See accompanying notes to consolidated financial statements (unaudited).

COLONY BANKCORP, INC. AND SUBSIDIARIES

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 nine months ended September 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 finalized its purchase accounting adjustment during the second and third quarters of 2022 with a \$4.0 million net adjustment to goodwill primarily related to premises and equipment and deferred taxes.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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 September 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 expecting a 15-25% increase in allowance for credit losses related to CECL implementation inclusive of expected credit losses for loans and unfunded commitments. The estimates provided above are subject to substantial change and will ultimately depend upon the composition of the loan portfolio, as well as economic conditions and forecasts at the time of CECL adoption.

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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(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)

September 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
U.S. treasury securities	\$ 1,642	\$ —	\$ (12)	\$ 1,630
U.S. agency	5,405	—	(487)	4,918
Asset backed securities	26,919	—	(747)	26,172
State, county & municipal securities	126,472	—	(23,182)	103,290
Corporate debt securities	54,782	—	(4,117)	50,665
Mortgage-backed securities	282,269	15	(29,243)	253,041
Total	\$ 497,489	\$ 15	\$ (57,788)	\$ 439,716

September 30, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held to Maturity:				
U.S. treasury securities	\$ 91,189	\$ —	\$ (4,460)	\$ 86,729
U.S. agency	16,440	—	(1,853)	14,587
State, county & municipal securities	135,994	—	(21,030)	114,964
Mortgage-backed securities	224,683	—	(29,945)	194,738
Total	\$ 468,306	\$ —	\$ (57,288)	\$ 411,018

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 and September 1, 2022, having a combined book value of approximately \$511.0 million and a combined market value of approximately \$477.0 million. As of the date of each transfer, the related pre-tax net unrecognized losses of approximately \$34.0 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 September 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

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

securities, which are disclosed separately in the table below.

<i>(dollars in thousands)</i>	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	\$ 1,020	\$ 1,011	\$ —	\$ —
Due after one year through five years	13,612	12,701	62,300	59,996
Due after five years through ten years	88,747	77,200	87,245	77,143
Due after ten years	111,841	95,763	94,078	79,141
	<u>\$ 215,220</u>	<u>\$ 186,675</u>	<u>\$ 243,623</u>	<u>\$ 216,280</u>
 Mortgage-backed securities	 282,269	 253,041	 224,683	 194,738
	<u>\$ 497,489</u>	<u>\$ 439,716</u>	<u>\$ 468,306</u>	<u>\$ 411,018</u>

Proceeds from the sale of investment securities totaled \$44.1 million and \$47.2 million, and \$0 and \$17.6 million for the three and nine months ended September 30, 2022 and 2021, respectively. The sale of investment securities for the three months ended September 30, 2022 and 2021 resulted in no gross realized gains for each period and losses of \$96,000 and \$0, respectively. The sale of investment securities for the nine months ended September 30, 2022 and 2021 resulted in gross realized gains of \$24,000 and \$209,000 and losses of \$96,000 and \$72,000, respectively.

Investment securities having a carrying value of approximately \$350.1 million and \$247.4 million were pledged to secure public deposits and for other purposes as of September 30, 2022 and December 31, 2021, respectively.

Information pertaining to available-for-sale securities with gross unrealized losses at September 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:

<i>(dollars in thousands)</i>	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2022						
U.S. treasury securities	\$ 841	\$ (7)	\$ 789	\$ (5)	\$ 1,630	\$ (12)
U.S. agency	4,918	(487)	—	—	4,918	(487)
Asset backed securities	14,785	(262)	11,387	(485)	26,172	(747)
State, county & municipal securities	50,600	(9,562)	52,690	(13,620)	103,290	(23,182)
Corporate debt securities	26,326	(2,538)	15,086	(1,579)	41,412	(4,117)
Mortgage-backed securities	155,170	(13,980)	82,264	(15,263)	237,434	(29,243)
	<u>\$ 252,640</u>	<u>\$ (26,836)</u>	<u>\$ 162,216</u>	<u>\$ (30,952)</u>	<u>\$ 414,856</u>	<u>\$ (57,788)</u>
 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)
	<u>\$ 688,212</u>	<u>\$ (11,044)</u>	<u>\$ 27,099</u>	<u>\$ (865)</u>	<u>\$ 715,311</u>	<u>\$ (11,909)</u>

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Information pertaining to held-to-maturity securities with gross unrealized losses at September 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	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(dollars in thousands)</i>						
September 30, 2022						
U.S. Treasury	\$ 77,682	\$ (4,058)	\$ 9,047	\$ (402,000)	\$ 86,729	\$ (4,460)
U.S. agency	6,235	(489)	8,352	(1,364)	14,587	(1,853)
State, county & municipal securities	47,941	(7,526)	67,023	(13,504)	114,964	(21,030)
Mortgage-backed securities	31,436	(3,299)	163,302	(26,646)	194,738	(29,945)
	<u>\$ 163,294</u>	<u>\$ (15,372)</u>	<u>\$ 247,724</u>	<u>\$ (41,916)</u>	<u>\$ 411,018</u>	<u>\$ (57,288)</u>

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 September 30, 2022, there were 272 available-for-sale securities and 161 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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

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(3) Loans

The following table presents the composition of loans segregated by legacy and purchased loans and by class of loans, as of September 30, 2022 and December 31, 2021. Purchased loans are defined as loans that were acquired in bank acquisitions.

<i>(dollars in thousands)</i>	September 30, 2022		
	Legacy Loans	Purchased Loans	Total
Construction, land and land development	\$ 215,731	\$ 19,923	\$ 235,654
Other commercial real estate	750,531	135,276	885,807
Total commercial real estate	966,262	155,199	1,121,461
Residential real estate	198,377	42,874	241,251
Commercial, financial, & agricultural (*)	191,362	15,223	206,585
Consumer and other	16,256	1,060	17,316
Total Loans	\$ 1,372,257	\$ 214,356	\$ 1,586,613

<i>(dollars in thousands)</i>	December 31, 2021		
	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 \$98,000 and \$9.0 million in PPP loans at September 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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

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- 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 September 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)

September 30, 2022

	Pass	Special Mention	Substandard	Total Loans
Construction, land and land development	\$ 215,087	\$ 240	\$ 404	\$ 215,731
Other commercial real estate	726,455	14,872	9,204	750,531
Total commercial real estate	941,542	15,112	9,608	966,262
Residential real estate	188,721	5,819	3,837	198,377
Commercial, financial, & agricultural	189,093	802	1,467	191,362
Consumer and other	16,149	58	49	16,256
Total Loans	<u>\$ 1,335,505</u>	<u>\$ 21,791</u>	<u>\$ 14,961</u>	<u>\$ 1,372,257</u>

(dollars in thousands)

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	<u>\$ 953,833</u>	<u>\$ 35,651</u>	<u>\$ 14,720</u>	<u>\$ 1,004,204</u>

COLONY BANKCORP, INC. AND SUBSIDIARIES

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The following table presents the purchased loan portfolio by credit quality indicator (risk grade) as of September 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 September 30, 2022, the Company did not have any loans classified as “doubtful” or a “loss”.

(dollars in thousands)

September 30, 2022

	Pass	Special Mention	Substandard	Total Loans
Construction, land and land development	\$ 19,923	\$ —	\$ —	\$ 19,923
Other commercial real estate	131,111	3,117	1,048	135,276
Total commercial real estate	151,034	3,117	1,048	155,199
Residential real estate	40,444	632	1,798	42,874
Commercial, financial, & agricultural	14,638	82	503	15,223
Consumer and other	1,060	—	—	1,060
Total Loans	<u>\$ 207,176</u>	<u>\$ 3,831</u>	<u>\$ 3,349</u>	<u>\$ 214,356</u>

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	<u>\$ 325,481</u>	<u>\$ 4,084</u>	<u>\$ 4,208</u>	<u>\$ 333,773</u>

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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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

<i>(dollars in thousands)</i>	30-89 Days Past Due	90 Days or More Past Due	Total Accruing Loans Past Due	Nonaccrual Loans	Current Loans	Total Loans
September 30, 2022						
Construction, land and land development	\$ 315	\$ —	\$ 315	\$ 143	\$ 215,273	\$ 215,731
Other commercial real estate	650	—	650	1,283	748,598	750,531
Total commercial real estate	965	—	965	1,426	963,871	966,262
Residential real estate	411	—	411	1,457	196,509	198,377
Commercial, financial, & agricultural	159	—	159	900	190,303	191,362
Consumer and other	29	—	29	26	16,201	16,256
Total Loans	<u>\$ 1,564</u>	<u>\$ —</u>	<u>\$ 1,564</u>	<u>\$ 3,809</u>	<u>\$ 1,366,884</u>	<u>\$ 1,372,257</u>
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	<u>\$ 938</u>	<u>\$ —</u>	<u>\$ 938</u>	<u>\$ 3,952</u>	<u>\$ 999,314</u>	<u>\$ 1,004,204</u>

COLONY BANKCORP, INC. AND SUBSIDIARIES

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

<i>(dollars in thousands)</i>	30-89 Days Past Due	90 Days or More Past Due	Total Accruing Loans Past Due	Nonaccrual Loans	Current Loans	Total Loans
September 30, 2022						
Construction, land and land development	\$ —	\$ —	\$ —	\$ —	\$ 19,923	\$ 19,923
Other commercial real estate	—	—	—	126	135,150	135,276
Total commercial real estate	—	—	—	126	155,073	155,199
Residential real estate	125	—	125	864	41,885	42,874
Commercial, financial, & agricultural	—	—	—	503	14,720	15,223
Consumer and other	—	—	—	—	1,060	1,060
Total Loans	<u>\$ 125</u>	<u>\$ —</u>	<u>\$ 125</u>	<u>\$ 1,493</u>	<u>\$ 212,738</u>	<u>\$ 214,356</u>
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	<u>\$ 3,629</u>	<u>\$ —</u>	<u>\$ 3,629</u>	<u>\$ 1,497</u>	<u>\$ 328,647</u>	<u>\$ 333,773</u>

COLONY BANKCORP, INC. AND SUBSIDIARIES

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

	September 30, 2022			
	Unpaid Contractual Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment
<i>(dollars in thousands)</i>				
With No Related Allowance Recorded				
Construction, land and land development	\$ —	\$ —	\$ —	\$ 21
Commercial real estate	4,954	4,954	—	5,964
Residential real estate	640	640	—	804
Commercial, financial & agriculture	708	708	—	325
Consumer & other	—	—	—	1
	<u>6,302</u>	<u>6,302</u>	<u>—</u>	<u>7,115</u>
With An Allowance Recorded				
Construction, land and land development	235	235	70	59
Commercial real estate	412	412	126	624
Residential real estate	299	350	57	781
Commercial, financial & agriculture	452	456	251	369
Consumer & other	—	—	—	—
	<u>1,398</u>	<u>1,453</u>	<u>504</u>	<u>1,833</u>
Purchased Credit Impaired Loans				
Construction, land and land development	—	—	—	—
Commercial real estate	812	812	17	1,061
Residential real estate	—	—	—	14
Commercial, financial & agriculture	—	—	—	—
Consumer & other	—	—	—	113
	<u>812</u>	<u>812</u>	<u>17</u>	<u>1,188</u>
Total				
Construction, land and land development	235	235	70	80
Commercial real estate	6,178	6,178	143	7,649
Residential real estate	939	990	57	1,599
Commercial, financial & agriculture	1,160	1,164	251	694
Consumer & other	—	—	—	114
	<u>\$ 8,512</u>	<u>\$ 8,567</u>	<u>\$ 521</u>	<u>\$ 10,136</u>

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The following table details impaired loan data, including purchased credit impaired loans. as of December 31, 2021.

	December 31, 2021			
	Unpaid Contractual Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment
<i>(dollars in thousands)</i>				
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 September 30, 2022 and 2021 was \$152,000 and \$261,000, respectively. Interest income recorded on impaired loans during the nine months ended September 30, 2022 and 2021 was \$532,000 and \$825,000, respectively.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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 September 30, 2022. The Company had one commercial real estate loan restructured during the three and nine month period ended September 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 nine months ended September 30, 2022 and 2021.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(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 nine month periods ended September 30, 2022 and September 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.

<i>(dollars in thousands)</i>	Construction, land and land development	Other commercial real estate	Residential real estate	Commercial, financial & agricultural	Consumer and other	Total
Three Months Ended September 30, 2022						
Beginning Balance	\$ 1,052	\$ 8,028	\$ 1,488	\$ 1,678	\$ 1,717	\$ 13,963
Charge-offs	—	—	—	(118)	(33)	(151)
Recoveries	5	5	23	7	10	50
Provision	873	345	424	1,163	(1,485)	1,320
Ending balance	\$ 1,930	\$ 8,378	\$ 1,935	\$ 2,730	\$ 209	\$ 15,182

Nine Months Ended September 30, 2022						
Beginning Balance	\$ 1,127	\$ 7,691	\$ 1,805	\$ 1,083	\$ 1,204	\$ 12,910
Charge-offs	—	(58)	(48)	(266)	(54)	(426)
Recoveries	16	79	45	63	25	228
Provision	787	666	133	1,850	(966)	2,470
Ending balance	\$ 1,930	\$ 8,378	\$ 1,935	\$ 2,730	\$ 209	\$ 15,182

Period end amount allocated to

Individually evaluated for impairment	\$ 70	\$ 126	\$ 57	\$ 251	\$ —	\$ 504
Collectively evaluated for impairment	1,860	8,235	1,878	2,479	209	14,661
Purchase credit impaired	—	17	—	—	—	17
Ending Balance	\$ 1,930	\$ 8,378	\$ 1,935	\$ 2,730	\$ 209	\$ 15,182

Loans

Individually evaluated for impairment	\$ 235	\$ 5,366	\$ 939	\$ 1,160	\$ —	\$ 7,700
Collectively evaluated for impairment	235,419	879,629	240,312	205,425	17,316	1,578,101
Purchase credit impaired	—	812	—	—	—	812
Ending balance	\$ 235,654	\$ 885,807	\$ 241,251	\$ 206,585	\$ 17,316	\$ 1,586,613

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

<i>(dollars in thousands)</i>	Construction, land and land development	Other commercial real estate	Residential real estate	Commercial, financial & agricultural	Consumer and other	Total
Three Months Ended September 30, 2021						
Beginning Balance	\$ 1,125	\$ 7,277	\$ 2,273	\$ 1,773	\$ 423	\$ 12,871
Charge-offs	—	(531)	—	(209)	(3)	(743)
Recoveries	363	14	143	66	13	599
Provision	(439)	540	(126)	203	(28)	150
Ending balance	<u>\$ 1,049</u>	<u>\$ 7,300</u>	<u>\$ 2,290</u>	<u>\$ 1,833</u>	<u>\$ 405</u>	<u>\$ 12,877</u>
Nine Months Ended September 30, 2021						
Beginning Balance	\$ 1,013	\$ 6,880	\$ 2,278	\$ 1,713	\$ 243	\$ 12,127
Charge-offs	—	(568)	—	(225)	(44)	(837)
Recoveries	448	108	254	83	44	937
Provision	(412)	880	(242)	262	162	650
Ending balance	<u>\$ 1,049</u>	<u>\$ 7,300</u>	<u>\$ 2,290</u>	<u>\$ 1,833</u>	<u>\$ 405</u>	<u>\$ 12,877</u>
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	<u>\$ 1,127</u>	<u>\$ 7,691</u>	<u>\$ 1,805</u>	<u>\$ 1,083</u>	<u>\$ 1,204</u>	<u>\$ 12,910</u>
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	<u>\$ 165,446</u>	<u>\$ 787,392</u>	<u>\$ 212,527</u>	<u>\$ 154,048</u>	<u>\$ 18,564</u>	<u>\$ 1,337,977</u>

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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(5) Borrowings

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

<i>(dollars in thousands)</i>	September 30, 2022	December 31, 2021
Federal Home Loan Bank advances	95,000	51,656
Other borrowings	63,364	36,792
	<u>\$ 158,364</u>	<u>\$ 88,448</u>

Advances from the Federal Home Loan Bank ("FHLB") have maturities ranging from 2022 to 2028 and interest rates ranging from 2.07% to 2.95%. 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, as well as U.S. Treasury and Agency securities. At September 30, 2022, the lendable collateral of those loans pledged is \$126.6 million. At September 30, 2022, the Company had remaining credit availability from the FHLB of \$585.6 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 September 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 September 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 September 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 September 30, 2022 are as follows:

<i>(dollars in thousands)</i>	Amount
Year	
2022	\$ 90,000
2027 and After	68,364
	<u>\$ 158,364</u>

The Company also has available federal funds lines of credit with various financial institutions totaling \$64.5 million, with no outstanding balance at September 30, 2022.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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 September 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 nine months ended September 30, 2022 and 2021.

(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator				
Net income available to common stockholders	\$ 5,252	\$ 5,583	\$ 13,991	\$ 14,500
Denominator				
Weighted average number of common shares				
Outstanding for basic earnings per common share	17,645	12,345	17,043	10,447
Weighted-average number of shares outstanding for diluted earnings per common share	17,645	12,345	17,043	10,447
Earnings per share - basic	\$ 0.30	\$ 0.45	\$ 0.82	\$ 1.39
Earnings per share - diluted	\$ 0.30	\$ 0.45	\$ 0.82	\$ 1.39

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

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

<i>(dollars in thousands)</i>	Contract Amount	
	September 30, 2022	December 31, 2021
Loan commitments	\$ 365,739	\$ 318,853
Letters of credit	3,584	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 September 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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The carrying amount, estimated fair values, and placement in the fair value hierarchy of the Company's financial instruments as of September 30, 2022 and December 31, 2021 are as follows:

	Fair Value Measurements				
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
<i>(dollars in thousands)</i>					
September 30, 2022					
Assets					
Cash and short-term investments	\$ 85,040	\$ 85,040	\$ 85,040	\$ —	\$ —
Investment securities available for sale	439,716	439,716	—	439,716	—
Investment securities held to maturity	468,306	411,018	—	411,018	—
Other investments, at cost	12,850	12,850	—	11,235	1,615
Loans held for sale	23,945	23,945	—	23,945	—
Loans, net	1,571,431	1,420,257	—	—	1,420,257
Liabilities					
Deposits	2,409,662	2,409,080	—	2,409,080	—
Federal Home Loan Bank advances	95,000	95,011	—	95,011	—
Other borrowings	63,364	57,807	—	57,807	—

	Fair Value Measurements				
	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
<i>(dollars in thousands)</i>					
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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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 September 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 September 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.

(dollars in thousands)	Total Fair Value	Fair Value Measurements at Reporting Date Using		
		(Level 1)	(Level 2)	(Level 3)
September 30, 2022				
Nonrecurring				
Collateral dependent impaired loans	\$ 949	\$ —	\$ —	\$ 949
Other real estate owned	246	—	—	246
Total nonrecurring assets	\$ 1,195	\$ —	\$ —	\$ 1,195

		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

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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 September 30, 2022 and December 31, 2021. This table is comprised primarily of collateral dependent impaired loans and other real estate owned:

<i>(dollars in thousands)</i>	September 30, 2022	Valuation Techniques	Unobservable Inputs	Range Weighted Avg	
Collateral dependent impaired loans	\$ 949	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 %
<i>(dollars in thousands)</i>	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 %

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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

<i>(dollars in thousands)</i>	Fair Value	As of September 30, 2022		
		Valuation Techniques	Unobservable Inputs	Range (Weighted Avg)
Other investments	\$ 1,615	Discounted Cash Flow	Discount Rate or Yield	N/A*

<i>(dollars in thousands)</i>	Fair Value	As of December 31, 2021		
		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 nine months ended September 30, 2022.

<i>(dollars in thousands)</i>	Available for Sale Securities	
	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2022
Balance, Beginning	\$ 2,769	\$ 4,255
Redemption of security	(1,151)	(2,507)
Unrealized/realized losses included in earnings	(3)	(133)
Balance, Ending	<u>\$ 1,615</u>	<u>\$ 1,615</u>

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 nine months ended September 30, 2022 and September 30, 2021.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(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 nine months ended September 30, 2022 and 2021:

<i>(dollars in thousands)</i>	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Nine Months Ended September 30, 2022				
Net Interest Income	\$ 58,156	\$ 145	\$ 924	\$ 59,225
Provision for Loan Losses	2,470	—	—	2,470
Noninterest Income	13,770	7,993	5,621	27,384
Noninterest Expenses	54,742	7,799	5,107	67,648
Income Taxes	2,174	104	222	2,500
Segment Profit	\$ 12,540	\$ 235	\$ 1,216	\$ 13,991
Segments Assets at September 30, 2022	\$ 2,738,082	\$ 16,905	\$ 50,925	\$ 2,805,912
Full time employees at September 30, 2022	396	61	29	486

<i>(dollars in thousands)</i>	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Nine Months Ended September 30, 2021				
Net Interest Income	\$ 45,977	\$ 429	\$ 761	\$ 47,167
Provision for Loan Losses	650	—	—	650
Noninterest Income	10,409	10,087	4,979	25,475
Noninterest Expenses	41,922	8,445	3,746	54,113
Income Taxes	2,836	124	419	3,379
Segment Profit	\$ 10,978	\$ 1,947	\$ 1,575	\$ 14,500
Segments Assets at December 31, 2021	\$ 2,620,501	\$ 25,149	\$ 46,065	\$ 2,691,715
Full time employees at September 30, 2021	417	53	24	494

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

<i>(dollars in thousands)</i>	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Three months ended September 30, 2022				
Net Interest Income	\$ 20,508	\$ 17	\$ 340	\$ 20,865
Provision for Loan Losses	1,320	—	—	1,320
Noninterest Income	4,288	2,345	1,546	8,179
Noninterest Expenses	17,537	2,289	1,541	21,367
Income Taxes	1,047	10	48	1,105
Segment Profit	<u>\$ 4,892</u>	<u>\$ 63</u>	<u>\$ 297</u>	<u>\$ 5,252</u>

<i>(dollars in thousands)</i>	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Three months ended September 30, 2021				
Net Interest Income	\$ 17,181	\$ 138	\$ 549	\$ 17,868
Provision for Loan Losses	150	—	—	150
Noninterest Income	4,340	3,104	1,994	9,438
Noninterest Expenses	16,941	2,765	1,505	21,211
Income Taxes	434	(290)	218	362
Segment Profit	<u>\$ 3,996</u>	<u>\$ 767</u>	<u>\$ 820</u>	<u>\$ 5,583</u>

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(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 September 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 September 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 applicability 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 September 30, 2022 and December 31, 2021 on a consolidated basis and for the subsidiary, as defined. Regulatory capital ratios for September 30, 2022 and December 31,

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

2021 were calculated in accordance with the Basel III rules.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2022						
Total Capital to Risk-Weighted Assets						
Consolidated	\$ 311,849	15.78 %	\$ 158,098	8.00 %	N/A	N/A
Colony Bank	263,104	13.34	157,784	8.00	\$ 197,229	10.00 %
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	257,531	13.04	118,496	6.00	N/A	N/A
Colony Bank	247,922	12.57	118,340	6.00	157,786	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	233,302	11.81	88,896	4.50	N/A	N/A
Colony Bank	247,922	12.57	88,755	4.50	128,202	6.50
Tier 1 Capital to Average Assets						
Consolidated	257,531	9.28	111,005	4.00	N/A	N/A
Colony Bank	247,922	8.96	110,679	4.00	138,349	5.00

	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

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(11) Subsequent Events

Dividend

On October 20, 2022, the Board of Directors declared a quarterly cash dividend of \$0.1075 per share, to be paid on its common stock on November 18, 2022, to shareholders of record as of the close of business on November 4, 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 September 30, 2022 and on our results of operations for the three and nine months ended September 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 Quarterly Report on Form 10-Q 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;
- developments in our mortgage banking business, including loan modifications, general demand, and the effects of judicial or regulatory requirements or guidance;
- 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;

- significant turbulence or a disruption in the capital or financial markets and the effect of a fall in stock market prices on our investment securities;
- 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 past 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 Federal Deposit Insurance Corporation ("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 September 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 September 30, 2022 and December 31, 2021, and results of operations for each of the three and nine month periods ended September 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 September 30, 2022, the Company had total consolidated assets of \$2.8 billion, total loans, net of \$1.6 billion, total deposits of \$2.4 billion, and stockholders' equity of \$226.1 million. The Company reported net income of \$5.3 million, or \$0.30 per diluted share, for the three months ended September 30, 2022, and \$14.0 million, or \$0.82 per diluted share, for the first nine months of 2022, compared to net income of \$5.6 million, or \$0.45 per diluted share, for the three months ended September 30, 2021, and \$14.5 million, or \$1.39 per diluted share, for the first nine months of 2021. The slight decrease in net income for the three and nine months ended September 30, 2022 compared to the same periods ended September 30, 2021 was primarily driven by the increase in provision for loan losses, 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 \$21.0 million for the third quarter of 2022, compared to \$18.0 million for the same period in 2021, primarily due to an increase in investment securities and loan volume. The net interest margin decreased to 3.25% for the quarter ended September 30, 2022 from 3.48% for the same period in 2021. Net interest income on a tax equivalent basis increased to \$59.5 million for the first nine months of 2022, compared to \$47.4 million for the first nine months of 2021, primarily due to an increase in investment securities and loan volume. The net interest margin decreased to 3.19% for the nine months ended September 30, 2022 from 3.49% for the same period in 2021. The reason for the decrease in net interest margin for the three months ended September 30, 2022 compared to the same period in 2021 is primarily due to a decrease in yield on loans as well as an increase in deposit and borrowing rates. For the nine months ended September 30, 2022 compared to the same period in 2021, the decrease in net interest margin was due to a decrease in yield on loans and an increase in borrowing rates partially offset by a decrease in deposit rates.

Provision for loan losses for the three and nine months ended September 30, 2022 was \$1.3 million and \$2.5 million compared to \$150,000 and \$650,000 for the same periods in 2021, respectively. Net charge-offs for the third quarter of 2022 were \$101,000 compared to \$144,000 for the same period in 2021. Net charge-offs for the first nine months of 2022 were \$198,000 compared to net recoveries of \$100,000 for the same period in 2021. As of September 30, 2022, Colony's allowance for loan losses was \$15.2 million, or 0.96% of total loans, compared to \$12.9 million, or 0.96% of total loans, at December 31, 2021. At September 30, 2022 and December 31, 2021, nonperforming assets were \$5.5 million and \$5.8 million, or 0.20% and 0.21% of total assets, respectively.

Noninterest income of \$8.2 million for the third quarter of 2022 was down \$1.3 million, or 13.34%, from the third quarter of 2021. The decrease was primarily due to decreases in both mortgage fee income and gains on sales of SBA loans, offset by increases in service charges on deposits and interchange fees. Noninterest income of \$27.4 million for the nine months ended of 2022 was up \$1.9 million, or 7.49%, from the third quarter of 2021. The increase was primarily due to increases in service charges, interchange fees and gain on sales of SBA loans and 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 September 30, 2022, noninterest expense was \$21.4 million, an increase of \$156,000, or 0.74%, from the same period in 2021. For the nine months ended September 30, 2022, noninterest expense was \$67.6 million, an increase of \$13.5 million, or 25.0%, 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 \$59.5 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.

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 \$5.3 million and \$14.0 million and \$0.30 and \$0.82, respectively, for the first three and nine months of 2022. This compared to net income and diluted earnings per share of \$5.6 million and \$14.5 million and \$0.45 and \$1.39, 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 third quarter of 2022 and 2021 was \$21.0 million and \$18.0 million, respectively. This increase is primarily due to an increase in volume of securities and loans. The net interest margin for the third quarter of 2022 and 2021 was 3.25% and 3.48% respectively. This decrease in net interest margin for the third quarter of 2022 compared to the same period in 2021 is primarily a result of the increase in higher borrowing yields as well as higher yields paid on deposits.

Fully taxable equivalent net interest income for the nine months ended September 30, 2022 and 2021 was \$59.5 million and \$47.4 million, respectively. This increase is primarily due to an increase in volume of securities and loans. The net interest margin for the nine months ended September 30, 2022 and 2021 was 3.19% and 3.49%, respectively. This decrease in net

interest margin for the nine months ended September 30, 2022 compared to the same period in 2021 is a result of the decrease in loan yields as well as higher deposit and borrowing yields.

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 nine months ended September 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 \$242.1 million and \$431.7 million as well as an increase in loans of \$310.8 million and \$315.1 million for the three and nine months ended September 30, 2022 compared to the same periods in 2021. The loan increase is partially due to the SouthCrest acquisition and primarily due to loan growth. The increase in average liabilities for the three and nine months ended September 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 0.30% in the third quarter of 2021 to 0.57% in the third quarter of 2022. The yield on total interest-bearing liabilities increased to 0.41% from 0.33% for the nine months ended September 30, 2022 and 2021, respectively, 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. The FOMC again raised the rate twice during the third quarter of 2022, each time by 75 basis points.

Table 1 - Average Balance Sheet and Net Interest Analysis

	Three Months Ended September 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⁾	\$ 1,553,882	\$ 18,183	4.64 %	\$ 1,243,066	\$ 16,085	5.25 %
Investment securities, taxable	809,692	4,711	2.31	614,404	2,668	1.76
Investment securities, tax-exempt ⁽²⁾	124,038	638	2.04	77,255	362	1.90
Deposits in banks and short term investments	70,455	278	1.56	166,064	57	0.14
Total interest-earning assets	\$ 2,558,067	\$ 23,810	3.69 %	\$ 2,100,789	\$ 19,172	3.70 %
Noninterest-earning assets	219,323			172,115		
Total assets	\$ 2,777,390			\$ 2,272,904		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	\$ 1,424,171	\$ 772	0.21 %	\$ 1,169,693	\$ 319	0.11 %
Other time	370,282	677	0.72	320,484	380	0.48
Total interest-bearing deposits	1,794,453	1,449	0.32	1,490,177	699	0.19
Federal funds purchased	541	3	2.20	—	—	—
Federal Home Loan Bank advances	96,848	555	2.27	42,391	171	1.64
Other borrowings	65,741	822	4.96	37,289	289	3.14
Total other interest-bearing liabilities	163,130	1,380	3.36	79,680	460	2.34
Total interest-bearing liabilities	\$ 1,957,583	\$ 2,829	0.57 %	\$ 1,569,857	\$ 1,159	0.30 %
Noninterest-bearing liabilities:						
Demand deposits	572,257			485,241		
Other liabilities	11,993			20,697		
Stockholders' equity	235,557			197,109		
Total noninterest-bearing liabilities and stockholders' equity	819,807			703,047		
Total liabilities and stockholders' equity	\$ 2,777,390			\$ 2,272,904		
Interest rate spread			3.12 %			3.40 %
Net interest income		\$ 20,981			\$ 18,013	
Net interest margin			3.25 %			3.48 %

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 \$33,000 and \$73,000 for the quarters ended September 30, 2022 and 2021, respectively, are included in income and fees on loans. Accretion income of \$122,000 and \$104,000 for the quarters ended September 30, 2022 and 2021 are also included in income and fees on loans.
2. Taxable-equivalent adjustments totaling \$83,000 and \$72,000 for the quarters ended September 30, 2022 and 2021, respectively, are included in tax-exempt interest on investment securities.

Table 1 - Average Balance Sheet and Net Interest Analysis

	Nine Months Ended September 30, 2022					
	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⁾	\$ 1,448,661	\$ 50,526	4.66 %	\$ 1,133,533	\$ 43,890	5.18 %
Investment securities, taxable	831,438	12,795	2.06	468,561	6,011	1.72
Investment securities, tax-exempt ⁽²⁾	116,615	1,661	1.90	47,839	677	1.89
Deposits in banks and short term investments	101,432	437	0.58	165,280	155	0.13
Total interest-earning assets	2,498,146	65,419	3.50	1,815,213	50,733	3.74
Noninterest-earning assets	213,556			121,417		
Total assets	\$ 2,711,702			\$ 1,936,630		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	\$ 1,432,892	\$ 1,340	0.13 %	\$ 978,181	\$ 630	0.09 %
Other time	347,383	1,334	0.51	278,508	1,291	0.62
Total interest-bearing deposits	1,780,275	2,674	0.14	1,256,689	1,921	0.20
Federal funds purchased	2,820	22	1.04	—	—	—
Federal Home Loan Bank advances ⁽³⁾	65,191	1,746	3.58	29,197	401	1.84
Paycheck Protection Program Liquidity Facility	—	—	—	34,155	93	0.36
Other borrowings	47,675	1,441	4.04	37,536	896	3.19
Total other interest-bearing liabilities	115,686	3,209	3.71	100,888	1,390	1.84
Total interest-bearing liabilities	1,895,961	5,883	0.41	1,357,577	3,311	0.33
Noninterest-bearing liabilities:						
Demand deposits	564,425			411,307		
Other liabilities	11,357			5,096		
Stockholders' equity	239,959			162,650		
Total noninterest-bearing liabilities and stockholders' equity	815,741			579,053		
Total liabilities and stockholders' equity	\$ 2,711,702			\$ 1,936,630		
Interest rate spread			3.09 %			3.41 %
Net interest income		\$ 59,536			\$ 47,422	
Net interest margin			3.19 %			3.49 %

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 \$95,000 and \$206,000 for the nine months ended September 30, 2022 and 2021, respectively, are included in income and fees on loans. Accretion income of \$550,000 and \$375,000 for the nine months ended September 30, 2022 and 2021 are also included in income and fees on loans.

2. Taxable-equivalent adjustments totaling \$216,000 and \$135,000 for the nine months ended September 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 nine months ended September 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 for the nine month period ended September 30, 2022 compared to the nine month period ended September 30, 2021.

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

<i>(dollars in thousands)</i>	Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021 Increase (Decrease) Due to Changes in		
	Volume	Rate	Total
Interest-earning assets:			
Loans, net of unearned fees	\$ 16,324	\$ (9,688)	\$ 6,636
Investment securities, taxable	6,241	543	6,784
Investment securities, tax-exempt	1,300	(316)	984
Deposits in banks and short term investments	(83)	365	282
Total interest-earning assets (FTE)	23,782	(9,096)	14,686
Interest-bearing liabilities:			
Interest-Bearing Demand and Savings Deposits	409	301	710
Time Deposits	427	(384)	43
Federal funds purchased	—	22	22
Federal Home Loan Bank Advances	662	683	1,345
Paycheck Protection Program Liquidity Facility	(123)	30	(93)
Other Borrowed Money	323	222	545
Total interest-bearing liabilities	1,698	874	2,572
Increase in net interest income (FTE)	\$ 22,084	\$ (9,970)	\$ 12,114

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 nine months ended September 30, 2022 was \$1.3 million and \$2.5 million compared to \$150,000 and \$650,000 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 nine months ended September 30, 2022 compared to the same periods in 2021 is largely due to the loan growth the Bank has experienced during 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

(dollars in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	Change		2022	2021	Change	
			Amount	Percent			Amount	Percent
Service charges on deposits	\$ 2,104	\$ 1,792	\$ 312	17.4 %	\$ 5,823	\$ 4,278	\$ 1,545	36.1 %
Mortgage fee income	1,708	3,107	(1,399)	(45.0)	7,356	10,107	(2,751)	(27.2)
Gain on sales of SBA loans	1,215	1,813	(598)	(33.0)	4,805	4,548	257	5.7
(Loss)/gain on sales of securities	(96)	—	(96)	100.0	(72)	137	(209)	(152.6)
Interchange fee	2,179	1,745	434	24.9	6,338	4,941	1,397	28.3
BOLI income	312	280	32	11.4	977	710	267	37.6
Other noninterest income	757	701	56	8.0	2,157	754	1,403	186.1
Total noninterest income	<u>\$ 8,179</u>	<u>\$ 9,438</u>	<u>\$ (1,259)</u>	<u>(13.34)%</u>	<u>\$ 27,384</u>	<u>\$ 25,475</u>	<u>\$ 1,909</u>	<u>7.49 %</u>

For the three and nine months ended September 30, 2022, noninterest income decreased \$1.3 million and increased \$1.9 million, respectively, compared to the same periods in 2021. The primary reason for the three month decrease was due to decreases in both mortgage fee income and gains on sales of SBA loans. The nine month increase is primarily due to an increase in almost all noninterest income accounts offset by the decrease in mortgage fee income.

Service charges on deposit accounts. For the three and nine months ended September 30, 2022, services charges on deposits was \$2.1 million and \$5.8 million, an increase of \$312,000, or 17.4%, and \$1.5 million, or 36.1%, 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 nine months ended September 30, 2022, mortgage fee income was \$1.7 million and \$7.4 million, a decrease of \$1,399,000, or 45.0%, and \$2.8 million, or 27.2%, compared to the same periods in 2021, respectively. During the three and nine months ended September 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 corresponding decrease.

Gain on Sales of SBA loans. For the three and nine months ended September 30, 2022, net realized gains on the sale of the guaranteed portion of SBA loans totaled \$1.2 million and \$4.8 million, a decrease of \$598,000, or 33.0%, and an increase of \$257,000, or 5.7%, compared to the same periods in 2021, respectively. The fluctuations in 2022, as compared to the same periods in 2021, were the result of production variations and secondary market changes driven by the current interest rate environment.

Interchange Fees. For the three and nine months ended September 30, 2022, interchange fee income was \$2.2 million and \$6.3 million, an increase of \$434,000, or 24.9%, and \$1.4 million, or 28.3%, compared to the same periods in 2021. The increase in interchange fees was primarily attributable to growth of customers from the SouthCrest acquisition and the continued success with the Discover® Card program.

Other noninterest income. For the three and nine months ended September 30, 2022, other noninterest income was \$757,000 and \$2.2 million, an increase of \$56,000, or 8.0%, and \$1.4 million, or 186.1%, 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 quarters of 2021 partially offset by an 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

(dollars in thousands)	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2022	2021	Amount	Percent	2022	2021	Amount	Percent
Salaries and employee benefits	\$ 12,154	\$ 11,826	\$ 328	2.8 %	\$ 40,498	\$ 31,907	\$ 8,591	26.9 %
Occupancy and equipment	1,645	1,599	46	2.9	4,872	4,169	703	16.9
Acquisition-related expenses	2	1,994	(1,992)	(99.9)	142	3,031	(2,889)	(95.3)
Information technology expenses	2,491	2,045	446	21.8	7,394	5,493	1,901	34.6
Professional fees	881	804	77	9.6	2,773	1,975	798	40.4
Advertising and public relations	876	674	202	30.0	2,406	1,817	589	32.4
Communications	471	310	161	51.9	1,325	837	488	58.3
Other noninterest expense	2,847	1,959	888	45.3	8,238	4,884	3,354	68.7
Total noninterest expense	\$ 21,367	\$ 21,211	\$ 156	0.7 %	\$ 67,648	\$ 54,113	\$ 13,535	25.0 %

Noninterest expense increased for the three and nine months ended September 30, 2022 by \$156,000 and \$13.5 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 nine months ended September 30, 2022 was \$12.2 million and \$40.5 million, an increase of \$328,000, or 2.8%, and \$8.6 million, or 26.9%, 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 nine months ended September 30, 2022 was \$2.5 million and \$7.4 million, an increase of \$446,000, or 21.8% and \$1.9 million, or 34.6%, compared to the same periods in 2021, respectively. 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 nine months ended September 30, 2022 decreased \$2.0 million, or 99.9% and \$2,889,000, or 95.3%, 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 nine months ended September 30, 2022 was \$2.8 million and \$8.2 million, an increase of \$888,000, or 45.3% and \$3.4 million, or 68.7%, compared to the same periods in 2021, respectively. These increases relate primarily to increased amortization expense of intangibles and servicing rights valuations along with increased FDIC insurance premiums.

Income Tax Expense

Income tax expense for the three and nine months ended September 30, 2022 was \$1.1 million and \$2.5 million compared to \$362,000 and \$3.4 million for the same periods in 2021, respectively. The Company's effective tax rates for the three and nine months ended September 30, 2022 were 17.4% and 15.2% compared to 6.1% and 18.9%, 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 increased to \$2.8 billion at September 30, 2022 from \$2.7 billion at December 31, 2021.

Loans and Allowance for Loan Losses

At September 30, 2022, gross loans outstanding (excluding loans held for sale) were \$1.6 billion, an increase of \$248.6 million, or 18.6%, compared to \$1.3 billion at December 31, 2021. During the nine months ended September 30, 2022, PPP loans totaling approximately \$8.4 million were forgiven through the SBA.

At September 30, 2022, approximately 70.7% of our loans are secured by commercial real estate. The following table presents a summary of the loan portfolio as of September 30, 2022 and December 31, 2021.

Table 5 - Loans Outstanding

(dollars in thousands)

	September 30, 2022	December 31, 2021
Construction, land and land development	\$ 235,654	\$ 165,446
Other commercial real estate	885,807	787,392
Total commercial real estate	1,121,461	952,838
Residential real estate	241,251	212,527
Commercial, financial, & agricultural (*)	206,585	154,048
Consumer and other	17,316	18,564
Total loans	\$ 1,586,613	\$ 1,337,977
As a percentage of total loans:		
Construction, land and land development	14.9 %	12.4 %
Other commercial real estate	55.8 %	58.8 %
Total commercial real estate	70.7 %	71.2 %
Residential real estate	15.2 %	15.9 %
Commercial, financial & agricultural	13.0 %	11.5 %
Consumer and other	1.1 %	1.4 %
Total loans	100 %	100 %

(*) Includes \$98,000 and \$9.0 million in PPP loans at September 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 \$15.2 million at September 30, 2022 compared to \$12.9 million at September 30, 2021, an increase of \$2.3 million, or 17.9%. The allowance for loan losses as a percentage of loans was 0.96% and 0.98% at September 30, 2022 and 2021, respectively. The provision was \$2.5 million compared to \$650,000 for the nine months ended September 30, 2022 and September 30, 2021, respectively. The provision was \$1.3 million compared to \$150,000 for the three months ended September 30, 2022 and September 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 September 30, 2022, included elsewhere in this Quarterly Report on Form 10-Q.

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

Table 6 - Analysis of Allowance for Loan Loss

<i>(dollars in thousands)</i>	September 30, 2022		September 30, 2021	
	Reserve	%*	Reserve	%*
Construction, land and land development	\$ 1,930	14.9 %	\$ 1,049	11.7 %
Other commercial real estate	8,378	55.8 %	7,300	57.3 %
Residential real estate	1,935	15.2 %	2,290	16.8 %
Commercial, financial, & agricultural	2,730	13.0 %	1,833	12.7 %
Consumer and other	209	1.1 %	405	1.5 %
	<u>\$ 15,182</u>	<u>100 %</u>	<u>\$ 12,877</u>	<u>100 %</u>

* 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 nine months ended September 30, 2022 and 2021.

Table 7 - Summary of Allowance for Loan Loss

<i>(dollars in thousands)</i>	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Allowance for loan loss - beginning balance	\$ 13,963	\$ 12,871	\$ 12,910	\$ 12,127
Charge-offs:				
Construction, land and land development	—	—	—	—
Other commercial real estate	—	531	58	568
Residential real estate	—	—	48	—
Commercial, financial, & agricultural	118	209	266	225
Consumer and other	33	3	54	44
Total loans charged-off	151	743	426	837
Recoveries:				
Construction, land and land development	5	363	16	448
Other commercial real estate	5	14	79	108
Residential real estate	23	143	45	254
Commercial, financial, & agricultural	7	66	63	83
Consumer and other	10	13	25	44
Total recoveries	50	599	228	937
Net (recoveries)/charge-offs	101	144	198	(100)
Provision for loan loss	1,320	150	2,470	650
Allowance for loan loss - ending balance	\$ 15,182	\$ 12,877	\$ 15,182	\$ 12,877
Net (recoveries)/charge-offs to average loans (annualized)	0.03 %	0.05 %	0.02 %	(0.02)%
Allowance for loan losses to total loans	0.96	0.98	0.96	0.98
Allowance to nonperforming loans	286.34	105.15	286.34	105.15

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

Nonperforming Assets

Asset quality experienced slight improvement during the first nine 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 \$5.3 million at September 30, 2022, a decrease of \$147,000, or 2.7%, 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 September 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 nine months of 2022. As of September 30, 2022, total nonperforming assets as a percent of total assets decreased to 0.20% 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 September 30, 2022 and December 31, 2021 were as follows:

Table 8 - Nonperforming Assets

(dollars in thousands)

	September 30, 2022	December 31, 2021
Nonaccrual loans	\$ 5,302	\$ 5,449
Loans past due 90 days and accruing	—	—
Other real estate owned	246	281
Repossessed assets	—	49
Total nonperforming assets	<u>\$ 5,548</u>	<u>\$ 5,779</u>
Nonaccrual loans by loan segment		
Construction, land and land development	\$ 143	\$ 31
Commercial real estate	1,409	837
Residential real estate	2,321	3,839
Commercial, financial & agriculture	1,403	708
Consumer & other	26	34
Total nonaccrual loans	<u>\$ 5,302</u>	<u>\$ 5,449</u>
NPAs as a percentage of total loans and OREO	0.35 %	0.43 %
NPAs as a percentages of total assets	0.20 %	0.21 %
Nonaccrual loans as a percentage of total loans	0.33 %	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 September 30, 2022, TDR increased to \$7.5 million from \$7.3 million reported at December 31, 2021. At September 30, 2022, \$845,000 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 September 30, 2022 and December 31, 2021 were as follows:

Table 9 - Deposits

(dollars in thousands)

	September 30, 2022	December 31, 2021
Noninterest-bearing deposits	\$ 558,347	\$ 552,576
Interest-bearing deposits	823,179	930,811
Savings	621,875	541,993
Time, \$250,000 and over	87,361	73,407
Other time	318,900	275,821
Total deposits	<u>\$ 2,409,662</u>	<u>\$ 2,374,608</u>

Total deposits increased \$35.1 million to \$2.41 billion at September 30, 2022 from \$2.37 billion at December 31, 2021. As of September 30, 2022, 23.2% of total deposits were comprised of noninterest-bearing accounts and 76.8% comprised of interest-bearing deposit accounts, compared to 23.3% and 76.7% as of December 31, 2021, respectively. The increase in our deposits is due primarily to the increase in rates the Company offers on its deposit products as well as the increase in brokered deposits.

We had \$30.4 million and \$883,000 in brokered deposits at September 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 September 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 September 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. There were no outstanding balances of Federal Funds purchased at September 30, 2022 and December 31, 2021, respectively.

Cash and cash equivalents at September 30, 2022 and December 31, 2021 were \$85.0 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 September 30, 2022 and December 31, 2021, we had \$95.0 million and \$51.7 million, respectively, of outstanding advances from the FHLB. Based on the values of loans pledged as collateral, we had \$585.6 million and \$574.7 million of additional borrowing availability with the FHLB at September 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 September 30, 2022 and December 31, 2021. The Bank exceeded all regulatory capital requirements and was considered to be "well-capitalized" as of September 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	September 30, 2022	December 31, 2021
CET1 risk-based capital ratio	11.81 %	9.87 %
Tier 1 risk-based capital ratio	13.04	11.28
Total risk-based capital ratio	15.78	12.05
Leverage ratio	9.28	7.25
Colony Bank		
CET1 risk-based capital ratio	12.57 %	11.41 %
Tier 1 risk-based capital ratio	12.57	11.41
Total risk-based capital ratio	13.34	12.18
Leverage ratio	8.96	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	
	September 30, 2022	December 31, 2021
Changes in rates		
200 basis point increase	4.56%	13.80%
100 basis point increase	2.34	6.83
100 basis point decrease	(2.53)	(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 September 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 1A - 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 September 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 September 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.-filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10Q \(File No. 0-12436\), filed with the Commission on August 12, 2022 and incorporated herein by reference.](#)
 - 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.](#)
 - 10.1 [Employment Agreement, Dated September 9, 2022, Between R Dallis Copeland, Jr. and Colony Bankcorp, Inc.†](#)
 - 10.2 [Employment Agreement, Dated September 9, 2022, Between Max Edward Hoyle and Colony Bankcorp, Inc.†](#)
 - 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 September 30, 2022 and December 31, 2021; (ii) Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2022 and 2021; (iii) Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2022 and 2021; (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, 2022 and 2021; (v) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 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 nine months ended September 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.

Date: November 10, 2022

/s/ T. Heath Fountain

T. Heath Fountain
Chief Executive Officer
(Principal Executive Officer)

Date: November 10, 2022

/s/ Andrew Borrmann

Andrew Borrmann
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

† This EMPLOYMENT AGREEMENT (this “Agreement”), dated as of this 9th day of September and effective as of the 13th day of September, 2022 (the “Effective Date”), is by and between Colony Bank (“Employer”), a Georgia Bank and wholly-owned subsidiary of Colony Bankcorp, Inc. (the “Holding Company”) and R. Dallis Copeland, Jr (“Employee”), a resident of the State of Georgia (Employee and Employer collectively referred to herein as the “Parties”).

WHEREAS, Employee is currently engaged as the Special Advisor;

WHEREAS, effective as of the Effective Date, Employee shall be engaged as President of both the Holding Company and Employer;

WHEREAS, Employer and Employee desire to enter an employment agreement to memorialize the terms of Employee’s employment; and

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Employer and Employee hereby agree as follows:

1. Employment.

(a) Agreement to Employ. Upon the terms and subject to the conditions of this Agreement, Employer hereby agrees to employ Employee and Employee hereby agrees to be employed with Employer as of the Effective Date.

(b) Term of Agreement. The term of this Agreement and Employee’s employment with Employer hereunder shall begin on the Effective Date and shall end on the second (2nd) anniversary of the Effective Date (the “Term”), unless terminated earlier in accordance with Section 4 below. Employee’s continued employment, if any, following the last day of the Term shall be on an “at will” basis, unless such term of employment is extended by a subsequent agreement duly executed by each of the Party, in which case such employment shall be subject to the terms and conditions contained in the subsequent written agreement.

2. Position; Extent of Service; Office Location.

(a) Position. During the Term, Employee shall serve as President of Employer and the Holding Company, and in such other position or positions with Employer and/or the Holding Company as may be reasonably delegated by the Chief Executive Officer of Employer.

(b) Extent of Service. During the Term, Employee shall (i) use Employee’s reasonable best efforts, judgment, skill and energy to perform the services required of Employee’s under this Agreement in a manner consonant with the duties of Employee’s position; (ii) devote substantially all of Employee’s business effort, time, energy, and skill (reasonable vacations and reasonable absences due to illness excepted) to fulfill Employee’s employment duties; (iii) faithfully, loyally and diligently perform such duties, subject to the control and supervision of the Chief Executive Officer of Employer; and (iv) diligently follow and implement all lawful management policies and decisions of the Chief Executive Officer of Employer that are communicated to Employee.

(c) Office Location. Employee shall maintain an office at the Employer's office in Columbus, Georgia, or at one of the Employer's other offices or Remote as determined by mutual agreement between Employee and the Chief Executive Officer of Employer. In addition, Employee from time-to time may be required to travel to other geographic locations in connection with the performance of Employee's duties.

3. Compensation and Benefits.

(a) Base Salary. During the Term, Employer shall pay to Employee base salary at the rate of Three Hundred Fifty Thousand Dollars and Zero Cents (\$350,000) per year ("Base Salary"), subject to applicable withholdings required by law or authorized by Employee. Employee's Base Salary will be paid in accordance with Employer's ordinary payroll policies and practices then in effect. Employee's Base Salary is subject to review annually by the Chief Executive Officer of Employer and the Compensation Committee of the Board of Directors of Employer (the "Bank Board") and the Board of Directors of the Holding Company (the "Holding Company Board") in connection with the annual performance review process.

(b) Bonus Plans. During the Term, Employee shall have an opportunity to receive an annual bonus based upon the achievement of performance goals established from year to year by the Compensation Committee of the Bank Board (the "Annual Bonus") and the Compensation Committee of the Holding Company Board, pursuant to the terms and conditions of Employer's standard cash incentive plan for peer executives. Except as otherwise provided by Employer, Employee must be employed by Employer on the date the Annual Bonus, if any, is paid in order to receive the Annual Bonus.

(c) Benefit Plans. During the Term, Employee shall be eligible to participate in each employee benefit plan sponsored or maintained by Employer, including, without limitation, each medical, dental, group life, accident or disability insurance, and retirement contribution matching, in each case, whether now existing or established hereafter, to the extent that Employee is eligible to participate in any such plan under the generally applicable provisions thereof. Nothing in this Agreement shall require Employer to create or maintain any employee benefit plans, nor shall anything in this Agreement prohibit Employer from changing or discontinuing any existing employee benefit plans.

(d) PTO and Holidays. During the Term, Employee shall be entitled to up to twenty-seven (27) days of paid-time off (PTO), plus holidays offered consistent with Employer policy. Unused PTO shall be treated in accordance with Employer policy.

(e) Reimbursement of Expenses. During the Term, Employer shall reimburse Employee for all reasonable out-of-pocket expenses incurred by Employee on behalf of Employer in the ordinary course of business, in accordance with Employer's then current reimbursement procedures.

(f) Terms Regarding Reimbursement of Expenses. If Employee is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Employee's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than

December 31 of the year after the year in which the expense was incurred. No right of Employee to reimbursement of expenses shall be subject to liquidation or exchange for another benefit.

4. Termination of Employment. This Agreement and Employee's employment with Employer may be terminated as follows:

(a) Death. Employee's employment and this Agreement shall terminate immediately upon the death of Employee.

(b) Disability. If Employee is incapacitated by accident, sickness or otherwise so as to render Employee's mentally or physically incapable of performing fully the services required of Employee's under this Agreement (referred to herein as a "Disability") for a period of ninety (90) consecutive days or for an aggregate of one hundred twenty (120) business days during any twelve (12) month period, Employer may terminate Employee's employment and this Agreement effective immediately after the expiration of either of such periods, upon giving Employee written notice of such termination. Notwithstanding the foregoing provision, if it is determined by Employer that Employee has a "disability" as defined under the Americans with Disabilities Act, Employee's employment shall not be terminated on the basis of such disability unless it is first determined by Employer after consultation with Employee that there is no reasonable accommodation which would permit Employee to perform the essential functions of Employee's position without imposing an undue hardship on Employer.

(c) By Employer. Employer may terminate Employee's employment and this Agreement with or without Cause immediately on written notice to Employee. For purposes of this Agreement, "Cause" shall mean a good faith determination by Employer that any of the following has occurred: (i) any intentional misconduct by Employee in connection with Employer's business or relating to Employee's duties, or any willful violation of any laws, rules or regulations applicable to banks or the banking industry generally (including but not limited to the regulations of the Board of Governors of the Federal Reserve, the Federal Deposit Insurance Corporation (the "FDIC"), the State of Georgia Department of Banking and Finance, or any other applicable regulatory authority); (ii) Employee's material failure to comply with Employer's policies or guidelines of employment or corporate governance policies or guidelines, including, without limitation, any business code of ethics adopted by Employer; (iii) any act of fraud, misappropriation or embezzlement by Employee, whether or not such act was committed in connection with the business of Employer; (iv) a breach or threatened breach of this Agreement, including, without limitation, a breach of any of the obligations set forth in Section 6 hereof, that, if such breach is capable of being cured, is not cured by Employee within ten (10) days of written notice by Employer of the breach; or (v) the conviction by Employee of, or Employee's pleading guilty or nolo contendere to, a felony or a crime involving moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of Employer.

(d) By Employee. Employee's employment and this Agreement may be terminated by Employee for any reason or with Good Reason (as defined herein) by delivering a written notice of termination to Employer thirty (30) days prior to the desired date of termination (with the thirty (30) day period to be referred to as the "Notice Period"). During the Notice Period, and at the sole discretion of Employer, Employee may be required to assist Employer

with identifying a successor and in transitioning Employee's duties and responsibilities to that successor. Moreover, during the Notice Period, and at the sole discretion of Employer, Employee may be relieved of all duties and/or prohibited from physically working at the offices of Employer. A termination by Employer shall not constitute termination for Good Reason unless Employee shall first have delivered to Employer written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than sixty (60) days after the initial occurrence of such event) (the "Good Reason Notice"), and Employer has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Employee within thirty (30) days following its receipt of such Good Reason Notice. Good Reason shall not include Employee's death or Disability. Employee's date of termination for Good Reason must occur within a period of one hundred twenty (120) days after the occurrence of an event of Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following, without Employee's consent: (i) a material diminution in Employee's Base Salary (other than an across-the-board reduction in base salary that affects all peer executives); (ii) a material diminution in Employee's authority, duties, or responsibilities; or (iii) the relocation of Employee's principal office to a location that is more than thirty-five (35) miles from Employer's principal offices in Fitzgerald, Georgia or Employee's principal office if other than Fitzgerald, Georgia; *provided, however*, that Good Reason shall not include any relocation of Employee's principal office which is proposed or initiated by Employee; or (iv) a change in the Chief Executive Officer of the Holding Company.

(e) By Written Agreement. The Parties may agree in writing to terminate Employee's employment with Employer and this Agreement on the terms set forth in such writing.

5. Obligations Upon Termination.

(a) Termination for Any Reason. If this Agreement and Employee's employment with Employer are terminated for any reason, Employer shall be obligated to pay to Employee (or, in the case of a termination under Section 4(a), Employee's estate) only: (i) any Base Salary already earned but unpaid (which shall be paid in a lump sum in cash within thirty (30) days after Employee's date of termination); and (ii) to the extent not theretofore paid or provided, any other amounts or benefits required to be paid or provided or which Employee is eligible to receive under any plan, program, policy or practice or contract or agreement of Employer (collectively, the "Accrued Obligations").

(b) Termination by Employer Without Cause; Resignation by Employee for Good Reason. During the Term, if Employer terminates Employee's employment and this Agreement other than for Cause or Disability or Employee terminates Employee's employment and this Agreement for Good Reason (each, a "Qualifying Termination"), then, in addition to the Accrued Obligations, Employer shall pay to Employee:

(i) if the Qualifying Termination occurs prior to a Change in Control (as defined in this Section 5) or more than twelve (12) months following a Change in Control, an amount equal to one (1) times Employee's then-current Base Salary, subject to applicable withholding and payable in approximately equal installments for a period of twelve (12) months (the "Non-CIC Severance Period") in accordance with Employer's ordinary payroll policies and

practices then in effect, with such payments commencing with Employer's first regular payroll that occurs after the sixtieth (60th) day following the date of termination and continuing for the Non-CIC Severance Period; provided that the first such payment shall consist of all amounts payable to Employee pursuant to this Section 5(b)(i) between the date of termination and the first payroll date to occur after the sixtieth (60th) day following the date of termination; or

(ii) if the Qualifying Termination occurs within twelve (12) months following a Change in Control, an amount equal to one and one-half (1.5) times the sum of (x) Employee's then-current Base Salary plus (y) an amount equal to the annual bonus paid by Employer to Employee with respect to the calendar year immediately preceding the effective date of the Qualifying Termination, subject to applicable withholdings and payable in a single lump sum within thirty (30) days following the Qualifying Termination (the amounts described in (i) and (ii) herein referred to herein collectively as the "Severance").

The Severance shall be subject to Employee's continued compliance in all material respects with Section 6 hereof and the execution, delivery, and non-revocation of a separation agreement and general release (other than of Employer's obligations under this Agreement), in form reasonably acceptable to Employer (the "Release").

(c) Termination Other than by Reason of a Qualifying Termination. If this Agreement and Employee's employment terminates other than by reason of a Qualifying Termination, Employer shall be obligated to pay to Employee only the Accrued Obligations and shall have no further obligations to Employee.

(d) Termination upon Expiration of the Term. If this Agreement and Employee's employment with Employer terminate as a result of the expiration of the Term, Employer shall be obligated to pay to Employee only the Accrued Obligations and shall have no further obligations to Employee.

(e) Survival of Restrictions on Conduct of Employee. The provisions of Section 6 of this Agreement, as well as any other terms of this Agreement necessary for the interpretation of Section 6, shall survive termination of the Agreement pursuant to the time periods specified therein.

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

(i) during any consecutive 12-month period, individuals who, at the beginning of such period, constitute the Holding Company Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the beginning of such 12-month period and whose election or nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Holding Company Board shall be an Incumbent Director; *provided, however*, that no individual initially elected or nominated as a director of the Holding Company as a result of an actual or threatened election contest with respect to the election or removal of directors

(“Election Contest”) or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Holding Company Board (“Proxy Contest”), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

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

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

6. Restrictions on
Conduct of
Employee.

(a) Acknowledgements.

(i) Condition of Employment and Other Consideration. Employee acknowledges and agrees that Employee has received good and valuable consideration for entering into this Agreement, including, without limitation, access to and use of Employer's Confidential Information and access to Employer's customer and employee relationships and goodwill, and further acknowledges that Employer would not employ or continue to employ Employee in the absence of Employee's execution of and compliance with this Agreement.

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

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

(iv) No Undue Hardship. Employee acknowledges and agrees that, in the event that Employee's employment with Employer terminates, Employee possesses marketable skills and abilities that will enable Employee to find suitable employment without violating the covenants set forth in this Agreement.

(v) Voluntary Execution. Employee acknowledges and affirms that Employee is executing this Agreement voluntarily, that Employee has read this Agreement carefully and had a full and reasonable opportunity to consider this Agreement (including an opportunity to consult with legal counsel), and that Employee has not been pressured or in any way coerced, threatened or intimidated into signing this Agreement.

(b) Definitions. The following capitalized terms used in this Agreement shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

(i) "Competitive Services" means the community banking or commercial banking business, including, without limitation, merchant and treasury services, originating, underwriting, closing and selling loans, receiving deposits and otherwise engaging in

the business of banking, as well as the business of providing any other activities, products, or services of the type conducted, authorized, offered, or provided by Employer as of Employee's Termination Date, or during the two (2) years immediately prior to Employee's Termination Date.

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

(iii) "Intellectual Property Rights" means all intellectual property rights worldwide arising under statutory or common law or by contract and whether or not perfected, pending, now existing or hereafter filed, issued, or acquired, including all (A) patent rights; (B) rights associated with works of authorship including copyrights and mask work rights; (C) rights relating to the protection of trade secrets and confidential information; (D) trademarks, service marks, trade dress, and trade names; and (E) any right analogous to those set forth herein and any other proprietary rights relating to intangible property.

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(iv) "Invention" means any discovery, process, formula, method, compound, composition of matter, technique, development, improvement, design, schematic, device, concept, system, technical information, or know-how, whether patentable or not, and any and all patent rights therein, whether now or hereafter perfected and reduced to practice.

(v) "Material Contact" means contact between Employee and a customer or potential customer of Employer (i) with whom or which Employee has or had

dealings on behalf of Employer; (ii) whose dealings with Employer are or were coordinated or supervised by Employee; (iii) about whom Employee obtains Confidential Information in the ordinary course of business as a result of Employee's employment with Employer; or (iv) who receives products or services of Employer, the sale or provision of which results or resulted in compensation, commissions, or earnings for Employee within the two (2) years preceding the conduct in question (if the conduct occurs while Employee is still employed by Employer) or the Termination Date (if the conduct occurs after Employee's Termination), as applicable.

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

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

(viii) "Protected Customer" means any Person to whom Employer has sold its products or services or actively solicited to sell its products or services, and with whom Employee has had Material Contact on behalf of Employer during the last two years of Employee's employment with Employer.

(ix) "Protected Work" means any and all ideas, Inventions, Works, hardware systems, logos, trade dress, trademarks, service marks, brand names, and trade names (i) conceived, developed or produced by Employee, in whole or in part, alone or by others working with Employee or under Employee's direction, during the period of Employee's employment which relates to Employer's business, (ii) conceived, produced or used or intended for use by or on behalf of Employer or its customers or (iii) conceived, developed or produced by Employee after Employee leaves the employ of Employer that relates to or is based on Confidential Information to which Employee had access by virtue of Employee's employment with Employer.

(x) "Protective Covenants" means the protective covenants contained in Section 6 of this Agreement.

(xi) "Restricted Period" means any time during Employee's employment with Employer, plus twelve (12) months following Employee's Termination Date.

(xii) "Restricted Territory" means anywhere within a fifty (50) mile radius of each of the following: (i) any office or branch location or locations of Employer to which Employee was principally assigned during the one (1) year preceding the conduct in question (if the conduct occurs while Employee is still employed by Employer) or the Termination Date (if the conduct occurs after Employee's Termination), as applicable; (ii) any office or branch location or locations of Employer at which Employee otherwise conducted loan production activities during the one (1) year preceding the conduct in question (if the conduct occurs while Employee is still employed by Employer) or the Termination Date (if the conduct occurs after Employee's Termination), as applicable; and (iii) any office or branch location of Employer with respect to which Employee had oversight or supervision of the loan production activities of other employees or service providers during the one (1) year preceding the conduct

in question (if the conduct occurs while Employee is still employed by Employer) or the Termination Date (if the conduct occurs after Employee's Termination), as applicable.

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

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

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

(xvi) "Works" means any works of authorship, compilations, documents, data, notes, designs, photographs, artwork, drawings, visual or aural works, data bases, computer programs, software (source code and object code), systems, programs, software integration techniques, schematics, flow charts, studies, research, findings, manuals, pamphlets, instructional and training materials and other materials, including, without limitation, any modifications or improvements thereto or derivatives therefrom, and whether or not subject to copyright or trade secret protection.

(c) Restriction on Disclosure and Use of Confidential Information. Employee agrees that Employee shall not, directly or indirectly, use any Confidential Information on Employee's own behalf or on behalf of any Person other than Employer, or reveal, divulge, or disclose any Confidential Information to any Person not expressly authorized by Employer to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Employee further agrees that Employee shall fully cooperate with Employer in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either Employer's rights or Employee's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Employee shall not be restricted from: (i) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Employee shall provide Employer with prompt notice of such requirement so that Employer may seek an appropriate protective order prior to any such required disclosure by Employee; (ii) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Employee shall not need the prior authorization of Employer to make any such reports or disclosures and shall not be required to notify Employer that Employee has made such reports or disclosures; (iii) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (iv) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(d) Non-Competition. Employee agrees that, during the Restricted Period, Employee will not, without prior written consent of Employer, directly or indirectly (i) carry on or engage in Competitive Services within the Restricted Territory on Employee's own or on behalf of any Person or any Principal or Representative of any Person.

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

(f) Non-Recruitment of Employees and Independent Contractors. Employee agrees that during the Restricted Period, Employee shall not, directly or indirectly, whether on Employee's own behalf or as a Principal or Representative of any Person, recruit, solicit, or induce or attempt to recruit, solicit or induce any employee or independent contractor of Employer to terminate Employee's/Employee's employment or other relationship with Employer or to enter into employment or any other kind of business relationship with Employee or any other Person.

(g) Proprietary Rights.

(i) Ownership of Protected Works. Employee acknowledges and agrees that any and all Confidential Information and Protected Works, and all Intellectual Property Rights therein, are the sole and exclusive property of Employer, and that no compensation in addition to Employee's base salary is due to Employee for development, assignment or transfer of Protected Works. Employee acknowledges and agrees that all Works related to or useful in the business of Employer, whether created within or without Employer's facilities and before, during or after normal business hours, are specifically intended to be "works made for hire" by Employee created within the scope of employment with Employer, and Protected Works. Employee hereby waives any and all moral rights Employee may have to the Works in the United States and all other countries, including, without limitation, any rights Employee may have under 17 U.S.C. § 106A.

(ii) Disclosure of Protected Works. Employee will promptly and fully disclose in writing to Employer the existence of any Protected Works and maintain adequate written records of all Protected Works, which records remains the exclusive property of Employer.

(iii) Assignment of Protected Works. Employee hereby assigns and transfers, and agrees to assign and transfer, all of Employee's rights, title and interest, as and when those rights arise, in any and all Protected Works, including all Intellectual Property Rights therein, to Employer. If and to the extent it is impossible as a matter of law to assign rights, including, without limitation, Intellectual Property Rights in any portion of the Protected Works to Employer, Employee hereby grants to Employer an exclusive, irrevocable, perpetual, transferable, fully paid-up, royalty-free, worldwide and unlimited right and license (with right to sublicense) to make (including the right to practice methods, processes and procedures), have made, sell, import, export, distribute, use and exploit in any possible ways (including, but not limited to, modify, copy, amend, translate, display, further develop, prepare derivative works of,

distribute and sublicense) all Intellectual Property Rights pertaining to the Protected Works, and any portion of it. Employee shall not be entitled to use Protected Works for Employee's own benefit or the benefit of anyone, except Employer, without written permission from Employer and then only subject to the terms of such permission. Employee agrees that Employee will not oppose or object in any way to applications for registration of Protected Works by Employer or others designated by Employer. Employee agrees to exercise reasonable care to avoid making Protected Works available to any third party and shall be liable to Employer for all damages and expenses, including reasonable attorneys' fees, if Protected Works are made available to third parties by Employee's, without the express written consent of Employer.

Anything herein to the contrary notwithstanding, Employee will not be obligated to assign to Employer any Invention or Work for which no equipment, supplies, facilities, or Confidential Information of Employer was used and which was developed entirely on Employee's own time, unless (i) the Invention or Work relates (A) directly to the business of Employer, or (B) to Employer's actual or demonstrably anticipated research or development; or (ii) the Invention or Work results from any work performed by Employee for Employer. Employee likewise will not be obligated to assign to Employer any Invention or Work that is conceived by Employee after Employee leaves the employ of Employer, except that Employee is so obligated if the same relates to or is based on Confidential Information to which Employee had access by virtue of Employee's employment with Employer. Similarly, Employee will not be obligated to assign any Invention or Work to Employer that was conceived and reduced to practice prior to Employee's employment, regardless of whether such Invention or Work relates to or would be useful in the business of Employer.

(iv) Reasonable Assistance. Employee will, during and after Employee's employment, communicate to Employer any facts known to Employee's regarding the Protected Works and, at Employer's request, testify in any legal proceedings, sign all lawful papers, make all rightful oaths, execute and deliver all transfers, assignments, instruments and papers (including, without limitation, applications for registration, divisionals, continuations, continuations-in-part, foreign counterparts, or reissue applications) and take such further action as may be considered necessary by Employer to carry into full force and effect the assignment, transfer, and conveyance made or to be made of title to the Protected Works and all Intellectual Property Rights therein clearly and exclusively to Employer and to enforce and defend Employer's rights therein.

(v) Prior Works and Inventions; No Other Duties. Employee acknowledges and affirms that either (A) there are no Works or Inventions conceived, developed or produced by Employee, whether or not perfected and reduced to practice, prior to Employee's employment Employer, or (B) Employee has, on or before signing this Agreement, disclosed all such prior Works and Inventions to Employer in writing and provided to Employer a detailed written description thereof. Employee acknowledges and agrees that there is no other contract or duty on Employee's part now in existence to assign Protected Works to anyone other than Employer.

(h) Return of Materials. Employee agrees that Employee will not retain or destroy (except as set forth below), and will immediately return to Employer on or prior to the Termination Date, or at any other time Employer requests such return, any and all property of Employer that is in Employee's possession or subject to Employee's control, including, but not

limited to, customer or customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to Employer and its business (regardless of form, but specifically including all electronic files and data of Employer), together with all Protected Works and Confidential Information belonging to Employer or that Employee received from or through Employee's employment with Employer. Employee will not make, distribute, or retain copies of any such information or property. To the extent that Employee has electronic files or information in Employee's possession or control that belong to Employer, contain Confidential Information, or constitute Protected Works (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Termination Date, or at any other time Employer requests, Employee shall (i) provide Employer with an electronic copy of all of such files or information (in an electronic format that readily accessible by Employer); (ii) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Employer-owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable; and (iii) if requested by Employer, provide a written certification to Employer that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

(i) Enforcement of
Protective
Covenants.

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

(ii) Severability and Modification of Covenants. Employee acknowledges and agrees that each of the Protective Covenants is reasonable and valid in time and scope and in all other respects. The Parties agree that it is their intention that the Protective Covenants be enforced in accordance with their terms to the maximum extent permitted by law. Each of the Protective Covenants shall be considered and construed as a separate and independent covenant. Should any part or provision of any of the Protective Covenants be held invalid, void, or unenforceable, such invalidity, voidness, or unenforceability shall not render

invalid, void, or unenforceable any other part or provision of this Agreement or such Protective Covenant. If any of the provisions of the Protective Covenants should ever be held by a court of competent jurisdiction to exceed the scope permitted by the applicable law, such provision or provisions shall be automatically modified to such lesser scope as such court may deem just and proper for the reasonable protection of Employer's legitimate business interests and may be enforced by Employer to that extent in the manner described above and all other provisions of this Agreement shall be valid and enforceable.

7. Existing Covenants. Employee represents and warrants that Employee's employment with Employer does not and will not breach any agreement that Employee has with any former employer to keep in confidence proprietary or confidential information or not to compete with any such former employer. Employee will not disclose to Employer or use on its behalf any proprietary or confidential information of any other party required to be kept confidential by Employee.

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

9. Miscellaneous.

(a) Applicable Law; Forum Selection; Consent to Jurisdiction. The Parties agree that this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Georgia without giving effect to its conflicts of law principles. The Parties that the exclusive forum for any action to enforce this Agreement, as well as any action relating to or arising out of this Agreement, shall be the state or federal courts of the State of Georgia. With respect to any such court action, Employee hereby (a) irrevocably submits to the personal jurisdiction of such courts; (b) consents to venue; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or venue. The Parties hereto further agree that the state and federal courts of the State of Georgia are convenient forums for any dispute that may arise herefrom and that neither party shall raise as a defense that such courts are not convenient forums.

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

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

(d) Entire Agreement; Amendment. This Agreement contains the entire agreement between Employer and Employee with respect to the subject matter hereof and, from and after the date hereof, this Agreement shall supersede any other agreement, written or oral, between the parties relating to the subject matter of this Agreement, including, without limitation, the Prior Agreement. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(e) Assignment. This Agreement can be assigned by Employer and shall be binding and inure to the benefit of Employer, its successors and assigns. No right, obligation or duty of this Agreement may be assigned by Employee without the prior written consent of Employer.

(f) Notices. Any notice required or desired to be delivered under this Agreement shall be in writing and shall be delivered personally, by courier service, by registered mail, return receipt requested, or by telecopy and shall be effective upon actual receipt by the party to which such notice shall be directed, and shall be addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

If to Employer: Chief Executive Officer
115 S. Grant Street
Fitzgerald, GA 31750

If to Employee: R Dallis Copeland
Current address on file with Employer

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

(h) Counterparts. This Agreement may be executed in two or more counterparts, and it shall not be necessary that the signatures of the Parties hereto be contained on any one counterpart hereof. Each counterpart shall be deemed an original but all counterparts together shall constitute one and the same instrument. Any signature page of any such counterpart, or any electronic facsimile thereof, may be attached or appended to any other counterpart to complete a fully executed counterpart of this Agreement, and any telecopy or other electronic transmission of any signature shall be deemed an original and shall bind such Party.

(i) Third Party Beneficiaries. The parties acknowledge and agree that any direct and indirect parent companies or subsidiaries of Employer are intended to be beneficiaries of this Agreement and shall have every right to enforce the terms and provisions of this Agreement in accordance with the provisions of this Agreement.

(j) Acknowledgements. Employee acknowledges and agrees that Employee has read and reviewed this Agreement in its entirety, and that Employee has been given the opportunity to ask Employer questions about this Agreement. Employee further acknowledges and agrees that Employee has been given an opportunity to consult with an attorney of Employee's choice regarding this Agreement.

10. Code Section 280G.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by Employer to or for the benefit of Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then, prior to the making of any Payments to Employee, a calculation shall be made comparing (X) the net after-tax benefit to Employee of the Payments after payment by Employee of the Excise Tax, to (Y) the net after-tax benefit to Employee if the Payments had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (X) above is less than the amount calculated under (Y) above, then the Payments shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). The reduction of the Payments due hereunder, if applicable, shall be made by first reducing cash Payments and then, to the extent necessary, reducing those Payments having the next highest ratio of Parachute Value (as defined below) to actual present value of such Payments as of the date of the Change in Control, as determined by the Determination Firm (as defined in Section 10(b)(ii) below). For purposes of this Section 10, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this Section 10, the "Parachute Value" of a Payment means the present value as of the date of the Change in Control of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Determination Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(b) All determinations required to be made under this Section 10, including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an accounting firm or compensation consulting firm selected by Employer (the "Determination Firm") which shall provide detailed supporting calculations both to Employer and Employee within 15 business days after the receipt of notice from Employee that a Payment is due to be made, or such earlier time as is requested by Employer. All fees and expenses of the Determination Firm shall be borne solely by Employer. Any determination by the Determination Firm shall be binding upon Employer and Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments which Employee was entitled to, but did not receive pursuant to Section 10, could have been made without the imposition of the Excise Tax ("Underpayment"), consistent with the calculations required to be made hereunder. In such event, the Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Employer to or for the benefit of Employee but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

(c) In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 10 shall be of no further force or effect.”

11. Code Section 409A.

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

(b) Definitional Restrictions. Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Section 409A of the Code (“Non-Exempt Deferred Compensation”) would otherwise be payable or distributable hereunder, or a different form of payment of such Non-Exempt Deferred Compensation would be effected, by reason of a Change in Control or Employee’s termination of employment, such Non-Exempt Deferred Compensation will not be payable or distributable to Employee, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such Change in Control or termination of employment, as the case may be, meet any description or definition of “change in control event” or “separation from service”, as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). If this provision prevents the payment or distribution of any Non-Exempt Deferred Compensation, or the application of a different form of payment, such payment or distribution shall be made at the time and in the form that would have applied absent the non-409A-conforming event.

(c) Treatment of Installment Payments. Each payment of termination benefits under Section 5(b) of this Agreement shall be considered a separate payment, as described in Treas. Reg. Section 1.409A-2(b)(2), for purposes of Section 409A of the Code.

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

(e) Six-Month Delay in Certain Circumstances. Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute Non-Exempt Deferred Compensation would otherwise be payable or distributable under this Agreement by reason of Employee's separation from service during a period in which Employee is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by Employer under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes): (i) the amount of such Non-Exempt Deferred Compensation that would otherwise be payable during the six-month period immediately following Employee's separation from service will be accumulated through and paid or provided on the first day of the seventh month following Employee's separation from service (or, if Employee dies during such period, within 30 days after Employee's death) (in either case, the "Required Delay Period"); and (ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period. For purposes of this Agreement, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder.

11. Regulatory Action.

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

(b) If Employee is suspended and/or temporarily prohibited from participating in the conduct of Employer's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the FDIA (12 U.S.C. 1818(e)(3) and (g)(1)), all obligations of Employer under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Employer shall reinstate (in whole or in part) any of its obligations which were suspended.

(c) If Employer is in default (as defined in Section 3(x)(1) of the FDIA), all obligations under this Agreement shall terminate as of the date of default.

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

(e) Notwithstanding anything contained in this Agreement to the contrary, no payments shall be made pursuant to any provision herein in contravention of the requirements of Section 2[18(k)] of the FDIA (12 U.S.C. 1828(k)). In particular, the provisions pertaining to the potential for payments shall have no force or effect as long as either the agreement concerning

the potential for payments or the actual payment of such amounts would be considered a “golden parachute payment,” with the meaning of 12 C.F.R. Section 359.1(f).

[Signatures on following page]

IN WITNESS WHEREOF, the Parties hereto have duly executed and delivered this Agreement.

COLONY BANK

By: /s/ T. Heath Fountain

Name: T. Heath Fountain

Title: Chief Executive Officer

Date: September 9, 2022

EMPLOYEE

/s/ R. Dallis Copeland

R. Dallis Copeland

Date: September 9, 2022

EMPLOYMENT AGREEMENT

† This EMPLOYMENT AGREEMENT (this “Agreement”), dated as of this 9th day of September, 2022 and effective as of the 1st day of January, 2023 (the “Effective Date”), is by and between Colony Bank (“Employer”), a Georgia Bank and wholly-owned subsidiary of Colony Bankcorp, Inc. (the “Holding Company”) and Max Edward Hoyle (“Employee”), a resident of the State of Georgia (Employee and Employer collectively referred to herein as the “Parties”).

WHEREAS, Employee is currently engaged as Executive Vice President and Chief Banking Officer of both the Holding Company and Employer;

WHEREAS, effective as of the Effective Date, Employee shall be engaged as Special Advisor to both the Holding Company and Employer;

WHEREAS, Employer and Employee desire to enter a new employment agreement to memorialize the terms of Employee’s employment as Special Advisor, to be effective as of the Effective Date; and

WHEREAS, Employer and Employee desire to terminate the Employment Agreement between the Parties, dated as of January 19, 2021, effective as of the Effective Date.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, Employer and Employee hereby agree as follows:

1. Employment;
Termination of
Employment
Agreement.

(a) Agreement to Employ. Upon the terms and subject to the conditions of this Agreement, Employer hereby agrees to employ Employee and Employee hereby agrees to be employed with Employer as of the Effective Date.

(b) Term of Agreement. The term of this Agreement and Employee’s employment with Employer hereunder shall begin on the Effective Date and shall end on the second (2nd) anniversary of the Effective Date (the “Term”), unless terminated earlier in accordance with Section 4 below. It is the expectation of both Parties that Employee’s employment with Employer shall terminate on the last day of the Term (December 31, 2024). Notwithstanding the foregoing, Employee’s continued employment following the last day of the Term, if any, shall be on an “at will” basis, unless such term of employment is extended by a subsequent agreement duly executed by each Party, in which case such employment shall be subject to the terms and conditions contained in the subsequent written agreement. Notwithstanding anything to the contrary in this Agreement, the provisions of Section 6 of this Agreement, as well as any other terms of this Agreement necessary for the interpretation of Section 6, shall survive the expiration of the Agreement and termination of Employee’s employment hereunder pursuant to the time periods specified therein.

(c) Termination of Employment Agreement. Employer and Employee agree that, effective as of the Effective Date, the Employment Agreement by and between Employer

and Employee dated as of January 19, 2021 (the “Prior Agreement”) shall be terminated and be null and void.

2. Position; Extent of Service; Office Location.

(a) Position. During the Term, Employee shall serve as Special Advisor to Employer and the Holding Company, and in such other position or positions with Employer and/or the Holding Company as may be reasonably delegated by the Chief Executive Officer of Employer.

(b) Extent of Service. During the Term, Employee shall (i) use Employee’s reasonable best efforts, judgment, skill and energy to perform the services required of Employee’s under this Agreement in a manner consonant with the duties of Employee’s position; (ii) devote substantially all of Employee’s business effort, time, energy, and skill (reasonable vacations and reasonable absences due to illness excepted) to fulfill Employee’s employment duties; (iii) faithfully, loyally and diligently perform such duties, subject to the control and supervision of the Chief Executive Officer of Employer; and (iv) diligently follow and implement all lawful management policies and decisions of the Chief Executive Officer of Employer that are communicated to Employee.

(c) Office Location. Employee shall maintain an office at any of the Employer’s offices in Georgia or Remote as determined by mutual agreement between Employee and the Chief Executive Officer of Employer. In addition, Employee from time-to time may be required to travel to other geographic locations in connection with the performance of Employee’s duties.

3. Compensation and Benefits.

(a) Base Salary. During the Term, Employer shall pay to Employee base salary at the rate of One Hundred Twenty Thousand Dollars and Zero Cents (\$120,000) per year (“Base Salary”), subject to applicable withholdings required by law or authorized by Employee. Employee’s Base Salary will be paid in accordance with Employer’s ordinary payroll policies and practices then in effect. Employee’s Base Salary is subject to review annually by the Chief Executive Officer of Employer and the Compensation Committee of the Board of Directors of Employer (the “Bank Board”) and the Board of Directors of the Holding Company (the “Holding Company Board”) in connection with the annual performance review process.

(b) Bonus Plans. During the Term but only with respect to performance during calendar year 2022, Employee shall be eligible for an incentive bonus (the “Annual Bonus”), based on achievement of performance objectives during calendar year 2022 and, if earned, payable in calendar year 2023. Such Annual Bonus, if any, shall be earned and paid pursuant to the terms and conditions of Employer’s standard cash incentive plan for similarly-situated employees. Employee shall not be eligible for any additional Annual Bonuses following the Annual Bonus payable with respect to calendar year 2022, if any.

(c) Benefit Plans. During the Term, Employee shall be eligible to participate in each employee benefit plan sponsored or maintained by Employer, including, without limitation, each medical, dental, group life, accident or disability insurance, and retirement contribution matching, in each case, whether now existing or established hereafter, to the extent

that Employee is eligible to participate in any such plan under the generally applicable provisions thereof. Nothing in this Agreement shall require Employer to create or maintain any employee benefit plans, nor shall anything in this Agreement prohibit Employer from changing or discontinuing any existing employee benefit plans.

(d) PTO and Holidays. During the Term, Employee shall not accrue Paid Time Off (PTO).

(e) Reimbursement of Expenses. During the Term, Employer shall reimburse Employee for all reasonable out-of-pocket expenses incurred by Employee on behalf of Employer in the ordinary course of business, in accordance with Employer's then current reimbursement procedures.

(f) Terms Regarding Reimbursement of Expenses. If Employee is entitled to be paid or reimbursed for any taxable expenses under this Agreement, and such payments or reimbursements are includible in Employee's federal gross taxable income, the amount of such expenses reimbursable in any one calendar year shall not affect the amount reimbursable in any other calendar year, and the reimbursement of an eligible expense must be made no later than December 31 of the year after the year in which the expense was incurred. No right of Employee to reimbursement of expenses shall be subject to liquidation or exchange for another benefit.

4. Termination of Employment. This Agreement and Employee's employment with Employer may be terminated as follows:

(a) Death. Employee's employment and this Agreement shall terminate immediately upon the death of Employee.

(b) Disability. If Employee is incapacitated by accident, sickness or otherwise so as to render Employee's mentally or physically incapable of performing fully the services required of Employee's under this Agreement (referred to herein as a "Disability") for a period of ninety (90) consecutive days or for an aggregate of one hundred twenty (120) business days during any twelve (12) month period, Employer may terminate Employee's employment and this Agreement effective immediately after the expiration of either of such periods, upon giving Employee written notice of such termination. Notwithstanding the foregoing provision, if it is determined by Employer that Employee has a "disability" as defined under the Americans with Disabilities Act, Employee's employment shall not be terminated on the basis of such disability unless it is first determined by Employer after consultation with Employee that there is no reasonable accommodation which would permit Employee to perform the essential functions of Employee's position without imposing an undue hardship on Employer.

(c) By Employer. Employer may terminate Employee's employment and this Agreement with Cause immediately on written notice to Employee. Employer may not terminate Employee's employment and this Agreement without Cause other than within twelve (12) months following a Change in Control. For purposes of this Agreement, "Cause" shall mean a good faith determination by Employer that any of the following has occurred: (i) any intentional misconduct by Employee in connection with Employer's business or relating to Employee's duties, or any willful violation of any laws, rules or regulations applicable to banks or the banking industry generally (including but not limited to the regulations of the Board of

Governors of the Federal Reserve, the Federal Deposit Insurance Corporation (the “FDIC”), the State of Georgia Department of Banking and Finance, or any other applicable regulatory authority); (ii) Employee’s material failure to comply with Employer’s policies or guidelines of employment or corporate governance policies or guidelines, including, without limitation, any business code of ethics adopted by Employer; (iii) any act of fraud, misappropriation or embezzlement by Employee, whether or not such act was committed in connection with the business of Employer; (iv) a breach or threatened breach of this Agreement, including, without limitation, a breach of any of the obligations set forth in Section 6 hereof, that, if such breach is capable of being cured, is not cured by Employee within ten (10) days of written notice by Employer of the breach; or (v) the conviction by Employee of, or Employee’s pleading guilty or nolo contendere to, a felony or a crime involving moral turpitude (including pleading guilty or nolo contendere to a felony or lesser charge which results from plea bargaining), whether or not such felony, crime or lesser offense is connected with the business of Employer.

(d) By Employee. Employee’s employment and this Agreement may be terminated by Employee for any reason by delivering a written notice of termination to Employer thirty (30) days prior to the desired date of termination (with the thirty (30) day period to be referred to as the “Notice Period”). In addition, Employee’s employment and this Agreement may be terminated by Employee with Good Reason (as defined herein) within twelve (12) months following a Change in Control. During the Notice Period, and at the sole discretion of Employer, Employee may be required to assist Employer with identifying a successor and in transitioning Employee’s duties and responsibilities to that successor. Moreover, during the Notice Period, and at the sole discretion of Employer, Employee may be relieved of all duties and/or prohibited from physically working at the offices of Employer. A termination by Employee shall not constitute termination for Good Reason unless Employee shall first have delivered to Employer written notice setting forth with specificity the occurrence deemed to give rise to a right to terminate for Good Reason (which notice must be given no later than sixty (60) days after the initial occurrence of such event) (the “Good Reason Notice”), and Employer has not taken action to correct, rescind or otherwise substantially reverse the occurrence supporting termination for Good Reason as identified by Employee within thirty (30) days following its receipt of such Good Reason Notice. Good Reason shall not include Employee’s death or Disability. Employee’s date of termination for Good Reason must occur within a period of one hundred twenty (120) days after the occurrence of an event of Good Reason. For purposes of this Agreement, “Good Reason” shall mean any of the following, without Employee’s consent: (i) a material diminution in Employee’s Base Salary (other than an across-the-board reduction in base salary that affects all similarly-situated employees); (ii) a material diminution in Employee’s authority, duties, or responsibilities; or (iii) the relocation of Employee’s principal office to a location that is more than thirty-five (35) miles from Employer’s principal offices in Fitzgerald, Georgia or Employee’s principal office if other than Fitzgerald, Georgia; *provided, however*, that Good Reason shall not include any relocation of Employee’s principal office which is proposed or initiated by Employee.

(e) By Written Agreement. The Parties may agree in writing to terminate Employee’s employment with Employer and this Agreement on the terms set forth in such writing.

5. Obligations Upon Termination.

(a) Termination for Any Reason. If this Agreement and Employee's employment with Employer are terminated for any reason, Employer shall be obligated to pay to Employee (or, in the case of a termination under Section 4(a), Employee's estate) only: (i) any Base Salary already earned but unpaid (which shall be paid in a lump sum in cash within thirty (30) days after Employee's date of termination); and (ii) to the extent not theretofore paid or provided, any other amounts or benefits required to be paid or provided or which Employee is eligible to receive under any plan, program, policy or practice or contract or agreement of Employer (collectively, the "Accrued Obligations").

(b) Death or Disability; Termination by Employer Without Cause Following a Change in Control or Resignation by Employee for Good Reason following a Change in Control. During the Term, if (1) Employee dies or has a disability, or (2) within twelve (12) months following a Change in Control, (i) Employer terminates Employee's employment and this Agreement other than for Cause, or (ii) Employee terminates Employee's employment and this Agreement for Good Reason (each of (1) or (2), a "Qualifying Termination"), then, in addition to the Accrued Obligations, Employer shall pay to Employee, or Employee's estate or beneficiaries, as applicable, an amount equal to Employee's then-current Base Salary, vehicle allowance, cell phone allowance, and employer medical premiums that would have been paid to Employee through the last day of the Term absent his Qualifying Termination, subject to applicable withholdings and payable in a single lump sum within thirty (30) days following the Qualifying Termination date (the "Severance") as well as obligations owed to the Employee in applicable Restricted Stock Award Agreements or Deferred Incentive Plans. The Severance shall be subject to Employee's continued compliance in all material respects with Section 6 hereof and the execution, delivery, and non-revocation of a separation agreement and general release (other than of Employer's obligations under this Agreement), in form reasonably acceptable to Employer (the "Release").

(c) Termination upon Expiration of the Term. If this Agreement and Employee's employment with Employer terminate as a result of the expiration of the Term, Employer shall be obligated to pay to Employee only the Accrued Obligations as well as any remaining obligations owed to the Employee in applicable Restricted Stock Award Agreements or Deferred Incentive Plans and shall have no further obligations to Employee.

(d) Survival of Restrictions on Conduct of Employee. The provisions of Section 6 of this Agreement, as well as any other terms of this Agreement necessary for the interpretation of Section 6, shall survive termination of the Agreement pursuant to the time periods specified therein.

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

(i) during any consecutive 12-month period, individuals who, at the beginning of such period, constitute the Holding Company Board (the "Incumbent Directors") cease for any reason to constitute at least a majority of such Board, provided that any person becoming a director after the beginning of such 12-month period and whose election or

nomination for election was approved by a vote of at least a majority of the Incumbent Directors then on the Holding Company Board shall be an Incumbent Director; *provided, however*, that no individual initially elected or nominated as a director of the Holding Company as a result of an actual or threatened election contest with respect to the election or removal of directors (“Election Contest”) or other actual or threatened solicitation of proxies or consents by or on behalf of any Person other than the Holding Company Board (“Proxy Contest”), including by reason of any agreement intended to avoid or settle any Election Contest or Proxy Contest, shall be deemed an Incumbent Director; or

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

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

satisfies all of the criteria specified in (A), (B) and (C) above shall be deemed to be a “Non-Qualifying Transaction”).

6. Restrictions on
Conduct of
Employee.

(a) Acknowledgements.

(i) Condition of Employment and Other Consideration. Employee acknowledges and agrees that Employee has received good and valuable consideration for entering into this Agreement, including, without limitation, access to and use of Employer’s Confidential Information and access to Employer’s customer and employee relationships and goodwill, and further acknowledges that Employer would not employ or continue to employ Employee in the absence of Employee’s execution of and compliance with this Agreement.

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

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

(iv) No Undue Hardship. Employee acknowledges and agrees that, in the event that Employee’s employment with Employer terminates, Employee possesses marketable skills and abilities that will enable Employee to find suitable employment without violating the covenants set forth in this Agreement.

(v) Voluntary Execution. Employee acknowledges and affirms that Employee is executing this Agreement voluntarily, that Employee has read this Agreement carefully and had a full and reasonable opportunity to consider this Agreement (including an opportunity to consult with legal counsel), and that Employee has not been pressured or in any way coerced, threatened or intimidated into signing this Agreement.

(b) Definitions. The following capitalized terms used in this Agreement shall have the meanings assigned to them below, which definitions shall apply to both the singular and the plural forms of such terms:

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

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

(iii) “Intellectual Property Rights” means all intellectual property rights worldwide arising under statutory or common law or by contract and whether or not perfected, pending, now existing or hereafter filed, issued, or acquired, including all (A) patent rights; (B) rights associated with works of authorship including copyrights and mask work rights; (C) rights relating to the protection of trade secrets and confidential information; (D) trademarks, service marks, trade dress, and trade names; and (E) any right analogous to those set forth herein and any other proprietary rights relating to intangible property.

(iv) “Invention” means any discovery, process, formula, method, compound, composition of matter, technique, development, improvement, design, schematic, device, concept, system, technical information, or know-how, whether patentable or not, and any and all patent rights therein, whether now or hereafter perfected and reduced to practice.

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

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

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

(viii) “Protected Customer” means any Person to whom Employer has sold its products or services or actively solicited to sell its products or services, and with whom Employee has had Material Contact on behalf of Employer during the last two years of Employee’s employment with Employer.

(ix) “Protected Work” means any and all ideas, Inventions, Works, hardware systems, logos, trade dress, trademarks, service marks, brand names, and trade names (i) conceived, developed or produced by Employee, in whole or in part, alone or by others working with Employee or under Employee’s direction, during the period of Employee’s employment which relates to Employer’s business, (ii) conceived, produced or used or intended for use by or on behalf of Employer or its customers or (iii) conceived, developed or produced by Employee after Employee leaves the employ of Employer that relates to or is based on Confidential Information to which Employee had access by virtue of Employee’s employment with Employer.

(x) “Protective Covenants” means the protective covenants contained in Section 6 of this Agreement.

(xi) “Restricted Period” means any time during Employee’s employment with Employer, plus twelve (12) months following Employee’s Termination Date.

(xii) “Restricted Territory” means anywhere within a fifty (50) mile radius of each of the following: (i) any office or branch location or locations of Employer to which Employee was principally assigned during the one (1) year preceding the conduct in question (if the conduct occurs while Employee is still employed by Employer) or the Termination Date (if the conduct occurs after Employee’s Termination), as applicable; (ii) any

office or branch location or locations of Employer at which Employee otherwise conducted loan production activities during the one (1) year preceding the conduct in question (if the conduct occurs while Employee is still employed by Employer) or the Termination Date (if the conduct occurs after Employee's Termination), as applicable; and (iii) any office or branch location of Employer with respect to which Employee had oversight or supervision of the loan production activities of other employees or service providers during the one (1) year preceding the conduct in question (if the conduct occurs while Employee is still employed by Employer) or the Termination Date (if the conduct occurs after Employee's Termination), as applicable.

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

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

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

(xvi) "Works" means any works of authorship, compilations, documents, data, notes, designs, photographs, artwork, drawings, visual or aural works, data bases, computer programs, software (source code and object code), systems, programs, software integration techniques, schematics, flow charts, studies, research, findings, manuals, pamphlets, instructional and training materials and other materials, including, without limitation, any modifications or improvements thereto or derivatives therefrom, and whether or not subject to copyright or trade secret protection.

(c) Restriction on Disclosure and Use of Confidential Information. Employee agrees that Employee shall not, directly or indirectly, use any Confidential Information on Employee's own behalf or on behalf of any Person other than Employer, or reveal, divulge, or disclose any Confidential Information to any Person not expressly authorized by Employer to receive such Confidential Information. This obligation shall remain in effect for as long as the information or materials in question retain their status as Confidential Information. Employee further agrees that Employee shall fully cooperate with Employer in maintaining the Confidential Information to the extent permitted by law. The parties acknowledge and agree that this Agreement is not intended to, and does not, alter either Employer's rights or Employee's obligations under any state or federal statutory or common law regarding trade secrets and unfair trade practices. Anything herein to the contrary notwithstanding, Employee shall not be restricted from: (i) disclosing information that is required to be disclosed by law, court order or other valid and appropriate legal process; *provided, however*, that in the event such disclosure is required by law, Employee shall provide Employer with prompt notice of such requirement so that Employer may seek an appropriate protective order prior to any such required disclosure by Employee; (ii) reporting possible violations of federal, state, or local law or regulation to any governmental agency or entity, or from making other disclosures that are protected under the whistleblower provisions of federal, state, or local law or regulation, and Employee shall not need the prior authorization of Employer to make any such reports or disclosures and shall not be required to notify Employer that Employee has made such reports or disclosures; (iii) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in confidence to a federal, state, or local government

official, either directly or indirectly, or to an attorney, in either event solely for the purpose of reporting or investigating a suspected violation of law; or (iv) disclosing a trade secret (as defined by 18 U.S.C. § 1839) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

(d) Non-Competition. Employee agrees that, during the Restricted Period, Employee will not, without prior written consent of Employer, directly or indirectly (i) carry on or engage in Competitive Services within the Restricted Territory on Employee's own or on behalf of any Person or any Principal or Representative of any Person.

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

(f) Non-Recruitment of Employees and Independent Contractors. Employee agrees that during the Restricted Period, Employee shall not, directly or indirectly, whether on Employee's own behalf or as a Principal or Representative of any Person, recruit, solicit, or induce or attempt to recruit, solicit or induce any employee or independent contractor of Employer to terminate Employee's/Employee's employment or other relationship with Employer or to enter into employment or any other kind of business relationship with Employee or any other Person.

(g) Proprietary Rights.

(i) Ownership of Protected Works. Employee acknowledges and agrees that any and all Confidential Information and Protected Works, and all Intellectual Property Rights therein, are the sole and exclusive property of Employer, and that no compensation in addition to Employee's base salary is due to Employee for development, assignment or transfer of Protected Works. Employee acknowledges and agrees that all Works related to or useful in the business of Employer, whether created within or without Employer's facilities and before, during or after normal business hours, are specifically intended to be "works made for hire" by Employee created within the scope of employment with Employer, and Protected Works. Employee hereby waives any and all moral rights Employee may have to the Works in the United States and all other countries, including, without limitation, any rights Employee may have under 17 U.S.C. § 106A.

(ii) Disclosure of Protected Works. Employee will promptly and fully disclose in writing to Employer the existence of any Protected Works and maintain adequate written records of all Protected Works, which records remains the exclusive property of Employer.

(iii) Assignment of Protected Works. Employee hereby assigns and transfers, and agrees to assign and transfer, all of Employee's rights, title and interest, as and when those rights arise, in any and all Protected Works, including all Intellectual Property Rights therein, to Employer. If and to the extent it is impossible as a matter of law to assign rights, including, without limitation, Intellectual Property Rights in any portion of the Protected Works

to Employer, Employee hereby grants to Employer an exclusive, irrevocable, perpetual, transferable, fully paid-up, royalty-free, worldwide and unlimited right and license (with right to sublicense) to make (including the right to practice methods, processes and procedures), have made, sell, import, export, distribute, use and exploit in any possible ways (including, but not limited to, modify, copy, amend, translate, display, further develop, prepare derivative works of, distribute and sublicense) all Intellectual Property Rights pertaining to the Protected Works, and any portion of it. Employee shall not be entitled to use Protected Works for Employee's own benefit or the benefit of anyone, except Employer, without written permission from Employer and then only subject to the terms of such permission. Employee agrees that Employee will not oppose or object in any way to applications for registration of Protected Works by Employer or others designated by Employer. Employee agrees to exercise reasonable care to avoid making Protected Works available to any third party and shall be liable to Employer for all damages and expenses, including reasonable attorneys' fees, if Protected Works are made available to third parties by Employee's, without the express written consent of Employer.

Anything herein to the contrary notwithstanding, Employee will not be obligated to assign to Employer any Invention or Work for which no equipment, supplies, facilities, or Confidential Information of Employer was used and which was developed entirely on Employee's own time, unless (i) the Invention or Work relates (A) directly to the business of Employer, or (B) to Employer's actual or demonstrably anticipated research or development; or (ii) the Invention or Work results from any work performed by Employee for Employer. Employee likewise will not be obligated to assign to Employer any Invention or Work that is conceived by Employee after Employee leaves the employ of Employer, except that Employee is so obligated if the same relates to or is based on Confidential Information to which Employee had access by virtue of Employee's employment with Employer. Similarly, Employee will not be obligated to assign any Invention or Work to Employer that was conceived and reduced to practice prior to Employee's employment, regardless of whether such Invention or Work relates to or would be useful in the business of Employer.

(iv) Reasonable Assistance. Employee will, during and after Employee's employment, communicate to Employer any facts known to Employee's regarding the Protected Works and, at Employer's request, testify in any legal proceedings, sign all lawful papers, make all rightful oaths, execute and deliver all transfers, assignments, instruments and papers (including, without limitation, applications for registration, divisionals, continuations, continuations-in-part, foreign counterparts, or reissue applications) and take such further action as may be considered necessary by Employer to carry into full force and effect the assignment, transfer, and conveyance made or to be made of title to the Protected Works and all Intellectual Property Rights therein clearly and exclusively to Employer and to enforce and defend Employer's rights therein.

(v) Prior Works and Inventions; No Other Duties. Employee acknowledges and affirms that either (A) there are no Works or Inventions conceived, developed or produced by Employee, whether or not perfected and reduced to practice, prior to Employee's employment Employer, or (B) Employee has, on or before signing this Agreement, disclosed all such prior Works and Inventions to Employer in writing and provided to Employer a detailed written description thereof. Employee acknowledges and agrees that there is no other contract or duty on Employee's part now in existence to assign Protected Works to anyone other than Employer.

(h) Return of Materials. Employee agrees that Employee will not retain or destroy (except as set forth below), and will immediately return to Employer on or prior to the Termination Date, or at any other time Employer requests such return, any and all property of Employer that is in Employee's possession or subject to Employee's control, including, but not limited to, customer or customer files and information, papers, drawings, notes, manuals, specifications, designs, devices, code, email, documents, diskettes, CDs, tapes, keys, access cards, credit cards, identification cards, equipment, computers, mobile devices, other electronic media, all other files and documents relating to Employer and its business (regardless of form, but specifically including all electronic files and data of Employer), together with all Protected Works and Confidential Information belonging to Employer or that Employee received from or through Employee's employment with Employer. Employee will not make, distribute, or retain copies of any such information or property. To the extent that Employee has electronic files or information in Employee's possession or control that belong to Employer, contain Confidential Information, or constitute Protected Works (specifically including but not limited to electronic files or information stored on personal computers, mobile devices, electronic media, or in cloud storage), on or prior to the Termination Date, or at any other time Employer requests, Employee shall (i) provide Employer with an electronic copy of all of such files or information (in an electronic format that readily accessible by Employer); (ii) after doing so, delete all such files and information, including all copies and derivatives thereof, from all non-Employer-owned computers, mobile devices, electronic media, cloud storage, and other media, devices, and equipment, such that such files and information are permanently deleted and irretrievable; and (iii) if requested by Employer, provide a written certification to Employer that the required deletions have been completed and specifying the files and information deleted and the media source from which they were deleted.

(i) Enforcement of
Protective
Covenants.

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

(ii) Severability and Modification of Covenants. Employee acknowledges and agrees that each of the Protective Covenants is reasonable and valid in time

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

7. Existing Covenants. Employee represents and warrants that Employee's employment with Employer does not and will not breach any agreement that Employee has with any former employer to keep in confidence proprietary or confidential information or not to compete with any such former employer. Employee will not disclose to Employer or use on its behalf any proprietary or confidential information of any other party required to be kept confidential by Employee.

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

9. Miscellaneous.

(a) Applicable Law; Forum Selection; Consent to Jurisdiction. The Parties agree that this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of Georgia without giving effect to its conflicts of law principles. The Parties agree that the exclusive forum for any action to enforce this Agreement, as well as any action relating to or arising out of this Agreement, shall be the state or federal courts of the State of Georgia. With respect to any such court action, Employee hereby (a) irrevocably submits to the personal jurisdiction of such courts; (b) consents to venue; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or venue. The Parties hereto further agree that the state and federal courts of the State of Georgia are convenient forums for any dispute that may arise herefrom and that neither party shall raise as a defense that such courts are not convenient forums.

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

(c) Waiver. Failure of either Party to insist, in one or more instances, on performance by the other in strict accordance with the terms and conditions of this Agreement

shall not be deemed a waiver or relinquishment of any right granted in this Agreement or of the future performance of any such term or condition or of any other term or condition of this Agreement, unless such waiver is contained in a writing signed by the Party making the waiver.

(d) Entire Agreement; Amendment. This Agreement contains the entire agreement between Employer and Employee with respect to the subject matter hereof and, from and after the date hereof, this Agreement shall supersede any other agreement, written or oral, between the parties relating to the subject matter of this Agreement, but including, without limitation, the Prior Agreement. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(e) Assignment. This Agreement can be assigned by Employer and shall be binding and inure to the benefit of Employer, its successors and assigns. No right, obligation or duty of this Agreement may be assigned by Employee without the prior written consent of Employer.

(f) Notices. Any notice required or desired to be delivered under this Agreement shall be in writing and shall be delivered personally, by courier service, by registered mail, return receipt requested, or by telecopy and shall be effective upon actual receipt by the party to which such notice shall be directed, and shall be addressed as follows (or to such other address as the party entitled to notice shall hereafter designate in accordance with the terms hereof):

If to Employer: Chief Executive Officer
115 S. Grant Street
Fitzgerald, GA 31750

If to Employee: Max Edward Hoyle
Current address on file with Employer

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

(h) Counterparts. This Agreement may be executed in two or more counterparts, and it shall not be necessary that the signatures of the Parties hereto be contained on any one counterpart hereof. Each counterpart shall be deemed an original but all counterparts together shall constitute one and the same instrument. Any signature page of any such counterpart, or any electronic facsimile thereof, may be attached or appended to any other counterpart to complete a fully executed counterpart of this Agreement, and any telecopy or other electronic transmission of any signature shall be deemed an original and shall bind such Party.

(i) Third Party Beneficiaries. The parties acknowledge and agree that any direct and indirect parent companies or subsidiaries of Employer are intended to be beneficiaries of this Agreement and shall have every right to enforce the terms and provisions of this Agreement in accordance with the provisions of this Agreement.

(j) Acknowledgements. Employee acknowledges and agrees that Employee has read and reviewed this Agreement in its entirety, and that Employee has been given the opportunity to ask Employer questions about this Agreement. Employee further acknowledges and agrees that Employee has been given an opportunity to consult with an attorney of Employee's choice regarding this Agreement.

10. Code Section 280G.

(a) Notwithstanding anything in this Agreement to the contrary, in the event it shall be determined that any payment or distribution by Employer to or for the benefit of Employee (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (such benefits, payments or distributions are hereinafter referred to as "Payments") would, if paid, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then, prior to the making of any Payments to Employee, a calculation shall be made comparing (X) the net after-tax benefit to Employee of the Payments after payment by Employee of the Excise Tax, to (Y) the net after-tax benefit to Employee if the Payments had been limited to the extent necessary to avoid being subject to the Excise Tax. If the amount calculated under (X) above is less than the amount calculated under (Y) above, then the Payments shall be limited to the extent necessary to avoid being subject to the Excise Tax (the "Reduced Amount"). The reduction of the Payments due hereunder, if applicable, shall be made by first reducing cash Payments and then, to the extent necessary, reducing those Payments having the next highest ratio of Parachute Value (as defined below) to actual present value of such Payments as of the date of the Change in Control, as determined by the Determination Firm (as defined in Section 10(b)(ii) below). For purposes of this Section 10, present value shall be determined in accordance with Section 280G(d)(4) of the Code. For purposes of this Section 10, the "Parachute Value" of a Payment means the present value as of the date of the Change in Control of the portion of such Payment that constitutes a "parachute payment" under Section 280G(b)(2) of the Code, as determined by the Determination Firm for purposes of determining whether and to what extent the Excise Tax will apply to such Payment.

(b) All determinations required to be made under this Section 10, including whether an Excise Tax would otherwise be imposed, whether the Payments shall be reduced, the amount of the Reduced Amount, and the assumptions to be utilized in arriving at such determinations, shall be made by an accounting firm or compensation consulting firm selected by Employer (the "Determination Firm") which shall provide detailed supporting calculations both to Employer and Employee within 15 business days after the receipt of notice from Employee that a Payment is due to be made, or such earlier time as is requested by Employer. All fees and expenses of the Determination Firm shall be borne solely by Employer. Any determination by the Determination Firm shall be binding upon Employer and Employee. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Determination Firm hereunder, it is possible that Payments which Employee was entitled to, but did not receive pursuant to Section 10, could have been made without the imposition of the Excise Tax ("Underpayment"), consistent with the calculations required to be made

hereunder. In such event, the Determination Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Employer to or for the benefit of Employee but no later than March 15 of the year after the year in which the Underpayment is determined to exist, which is when the legally binding right to such Underpayment arises.

(c) In the event that the provisions of Code Section 280G and 4999 or any successor provisions are repealed without succession, this Section 10 shall be of no further force or effect.”

11. Code Section 409A.

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

(b) Definitional Restrictions. Notwithstanding anything in this Agreement to the contrary, to the extent that any amount or benefit that would constitute non-exempt “deferred compensation” for purposes of Section 409A of the Code (“Non-Exempt Deferred Compensation”) would otherwise be payable or distributable hereunder, or a different form of payment of such Non-Exempt Deferred Compensation would be effected, by reason of a Change in Control or Employee’s termination of employment, such Non-Exempt Deferred Compensation will not be payable or distributable to Employee, and/or such different form of payment will not be effected, by reason of such circumstance unless the circumstances giving rise to such Change in Control or termination of employment, as the case may be, meet any description or definition of “change in control event” or “separation from service”, as the case may be, in Section 409A of the Code and applicable regulations (without giving effect to any elective provisions that may be available under such definition). If this provision prevents the payment or distribution of any Non-Exempt Deferred Compensation, or the application of a different form of payment, such payment or distribution shall be made at the time and in the form that would have applied absent the non-409A-conforming event.

(c) Treatment of Installment Payments. Each payment of termination benefits under Section 5(b) of this Agreement shall be considered a separate payment, as described in Treas. Reg. Section 1.409A-2(b)(2), for purposes of Section 409A of the Code.

(d) Timing of Release of Claims. Whenever in this Agreement a payment or benefit is conditioned on Employee’s execution and non-revocation of a release of claims, such release must be executed and all revocation periods shall have expired within 60 days after Employee’s date of termination; failing which such payment or benefit shall be forfeited. If such payment or benefit constitutes Non-Exempt Deferred Compensation, then such payment or benefit shall be made (or in the case of installment payments, installments that would have

otherwise been payable during such 60-day period shall be accumulated and paid) on the 60th day after Employee's date of termination provided such release shall have been executed and such revocation periods shall have expired. If such payment or benefit is exempt from Section 409A of the Code, Employer may elect to make or commence payment at any time during such 60-day period.

(e) Six-Month Delay in Certain Circumstances. Notwithstanding anything in this Agreement to the contrary, if any amount or benefit that would constitute Non-Exempt Deferred Compensation would otherwise be payable or distributable under this Agreement by reason of Employee's separation from service during a period in which Employee is a Specified Employee (as defined below), then, subject to any permissible acceleration of payment by Employer under Treas. Reg. Section 1.409A-3(j)(4)(ii) (domestic relations order), (j)(4)(iii) (conflicts of interest), or (j)(4)(vi) (payment of employment taxes): (i) the amount of such Non-Exempt Deferred Compensation that would otherwise be payable during the six-month period immediately following Employee's separation from service will be accumulated through and paid or provided on the first day of the seventh month following Employee's separation from service (or, if Employee dies during such period, within 30 days after Employee's death) (in either case, the "Required Delay Period"); and (ii) the normal payment or distribution schedule for any remaining payments or distributions will resume at the end of the Required Delay Period. For purposes of this Agreement, the term "Specified Employee" has the meaning given such term in Code Section 409A and the final regulations thereunder.

11. Regulatory Action.

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

(b) If Employee is suspended and/or temporarily prohibited from participating in the conduct of Employer's affairs by a notice served under Section 8(e)(3) or 8(g)(1) of the FDIA (12 U.S.C. 1818(e)(3) and (g)(1)), all obligations of Employer under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Employer shall reinstate (in whole or in part) any of its obligations which were suspended.

(c) If Employer is in default (as defined in Section 3(x)(1) of the FDIA), all obligations under this Agreement shall terminate as of the date of default.

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

(e) Notwithstanding anything contained in this Agreement to the contrary, no payments shall be made pursuant to any provision herein in contravention of the requirements of Section 2[18(k)] of the FDIA (12 U.S.C. 1828(k)). In particular, the provisions pertaining to the potential for payments shall have no force or effect as long as either the agreement concerning the potential for payments or the actual payment of such amounts would be considered a “golden parachute payment,” with the meaning of 12 C.F.R. Section 359.1(f).

[Signatures on following page]

IN WITNESS WHEREOF, the Parties hereto have duly executed and delivered this Agreement.

COLONY BANK

By: /s/ T. Heath Fountain

Name: T. Heath Fountain

Title: Chief Executive Officer

Date: September 9, 2022

EMPLOYEE

/s/ Max Edward Hoyle

Max Edward Hoyle

Date: September 9, 2022

**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.

November 10, 2022

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

**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.

November 10, 2022

/s/ Andrew Borrmann

Andrew Borrmann

Executive Vice-President and Chief Financial Officer

**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 September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), T. Heath Fountain, 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.

November 10, 2022

/s/ T. Heath Fountain

T. Heath Fountain
Chief Executive Officer

November 10, 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.