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, 2024

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 6, 2024, the registrant had 17,526,956 shares of common stock, $1.00 par value per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COLONY BANKCORP, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

(dollars in thousands, except per share data)	September 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Cash and due from banks	$ 23,248	$ 25,339
Federal funds sold and interest-bearing deposits in banks	121,605	57,983
Cash and cash equivalents	144,853	83,322
Investment securities available-for-sale, at fair value (amortized cost $ 406,797 and $455,294, respectively)	370,008	407,382
Investment securities held-to-maturity, at amortized cost (fair value $ 406,182 and $405,576, respectively)	440,706	449,031
Other investments	17,712	16,868
Loans held for sale	27,760	27,958
Loans, net of unearned income	1,886,037	1,883,470
Allowance for credit losses	(19,663)	(18,371)
Loans, net	1,866,374	1,865,099
Premises and equipment	37,983	39,870
Other real estate owned	227	448
Goodwill	48,923	48,923
Other intangible assets	3,249	4,192
Bank-owned life insurance	57,556	56,925
Deferred income taxes, net	21,166	25,405
Other assets	28,586	27,999
Total assets	$ 3,065,103	$ 3,053,422
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	$ 439,892	$ 498,992
Interest-bearing	2,085,078	2,045,798
Total deposits	2,524,970	2,544,790
Federal Home Loan Bank advances	185,000	175,000
Other borrowings	63,016	63,445
Other liabilities	16,065	15,252
Total liabilities	2,789,051	2,798,487
Stockholders' equity:		
Preferred stock, stated value $1,000; 10,000,000 shares authorized, none issued or outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Common stock, par value $1.00 per share; 50,000,000 shares authorized, 17,554,884 and 17,564,182 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	17,555	17,564
Paid in capital	168,599	168,614
Retained earnings	134,910	124,400
Accumulated other comprehensive loss, net of tax	(45,012)	(55,643)
Total stockholders' equity	276,052	254,935
Total liabilities and stockholders' equity	$ 3,065,103	$ 3,053,422

See accompanying notes to consolidated financial statements (unaudited).

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

(dollars in thousands, except per share data)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Interest income				
Loans, including fees	$ 28,501	$ 26,022	$ 83,202	$ 72,242
Investment securities	5,248	5,770	15,816	17,619
Deposits with other banks and short term investments	855	787	2,232	1,852
Total interest income	34,604	32,579	101,250	91,713
Interest expense				
Deposits	13,154	10,338	37,351	23,893
Federal funds purchased	—	11	—	146
Federal Home Loan Bank advances	1,913	1,568	5,306	5,140
Other borrowings	996	1,041	2,989	3,164
Total interest expense	16,063	12,958	45,646	32,343
Net interest income	18,541	19,621	55,604	59,370
Provision for credit losses	750	1,000	2,400	2,100
Net interest income after provision for credit losses	17,791	18,621	53,204	57,270
Noninterest income				
Service charges on deposits	2,401	2,200	7,062	6,140
Mortgage fee income	1,812	1,730	4,503	4,928
Gain on sales of SBA loans	2,227	1,268	6,620	3,429
Loss on sales of securities	(454)	—	(1,434)	—
Interchange fees	2,163	2,202	6,269	6,401
BOLI Income	383	335	1,314	1,024
Insurance commissions	433	509	1,318	1,421
Other	1,117	1,474	3,414	2,986
Total noninterest income	10,082	9,718	29,066	26,329
Noninterest expense				
Salaries and employee benefits	12,594	11,973	36,889	37,929
Occupancy and equipment	1,523	1,620	4,505	4,740
Information technology expenses	2,150	2,064	6,487	6,406
Professional fees	748	752	2,286	2,348
Advertising and public relations	965	766	2,892	2,432
Communications	210	224	652	710
Other	2,645	3,482	7,851	8,913
Total noninterest expense	20,835	20,881	61,562	63,478
Income before income taxes	7,038	7,458	20,708	20,121
Income taxes	1,409	1,654	4,272	3,972
Net income	$ 5,629	$ 5,804	$ 16,436	$ 16,149
Earnings per common share:				
Basic	$ 0.32	$ 0.33	$ 0.94	$ 0.92
Diluted	0.32	0.33	0.94	0.92
Dividends declared per share	0.1125	0.1100	0.3375	0.3300
Weighted average common shares outstanding:				
Basic	17,587,902	17,569,493	17,566,452	17,581,817
Diluted	17,587,902	17,569,493	17,566,452	17,581,817

See accompanying notes to consolidated financial statements (unaudited).

COLONY BANKCORP, INC. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Loss) (unaudited)

(dollars in thousands)	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Net income	$ 5,629	$ 5,804	$ 16,436	$ 16,149
Other comprehensive income (loss):				
Net unrealized gains (losses) on securities arising during the period	7,297	(8,166)	8,804	(6,227)
Tax effect	(1,461)	1,811	(1,763)	1,229
Reclassification adjustment for amortization of unrealized holding losses from the transfer of securities from available-for-sale to held-to-maturity	1,152	1,245	3,467	3,661
Tax effect	(231)	(276)	(694)	(723)
Realized losses on sales of available-for-sale securities included in net income	454	—	1,434	—
Tax effect	(91)	—	(287)	—
Unrealized gains on derivative instruments designated as cash flow hedges	1,514	783	137	1,021
Tax effect	(303)	(173)	(27)	(201)
Realized gains on derivative instruments recognized in net income	(199)	(164)	(550)	(173)
Tax effect	40	36	110	34
Total other comprehensive income (loss)	8,172	(4,904)	10,631	(1,379)
Comprehensive income	$ 13,801	$ 900	$ 27,067	$ 14,770

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, 2024	17,538,611	$ 17,539	$ 169,132	$ 131,256	$ (53,184)	$ 264,743
Other comprehensive loss	—	—	—	—	8,172	8,172
Dividends on common shares ($0.1125 per share)	—	—	—	(1,975)	—	(1,975)
Issuance of restricted stock, net of forfeitures	70,191	70	(70)	—	—	—
Tax withholding related to vesting of restricted stock	(18,918)	(19)	(211)	—	—	(230)
Repurchase of shares	(35,000)	(35)	(491)	—	—	(526)
Stock-based compensation expense	—	—	239	—	—	239
Net income	—	—	—	5,629	—	5,629
Balance, September 30, 2024	17,554,884	$ 17,555	$ 168,599	$ 134,910	$ (45,012)	$ 276,052
Balance, June 30, 2023	17,541,661	$ 17,542	$ 167,971	$ 116,857	$ (62,915)	$ 239,455
Other comprehensive loss	—	—	—	—	(4,904)	(4,904)
Dividends on common shares ($0.1100 per share)	—	—	—	(1,929)	—	(1,929)
Issuance of restricted stock, net of forfeitures	44,823	45	(45)	—	—	—
Tax withholding related to vesting of restricted stock	(18,501)	(19)	(155)	—	—	(174)
Stock-based compensation expense	—	—	440	—	—	440
Net income	—	—	—	5,804	—	5,804
Balance, September 30, 2023	17,567,983	$ 17,568	$ 168,211	$ 120,732	$ (67,819)	$ 238,692

(dollars in thousands, except per share data)	**Common Stock**										
Nine Months Ended	**Shares**		**Amount**		**Paid-In Capital**		**Retained Earnings**		**Accumulated Other Comprehensive Income (Loss)**		**Total**
Balance, December 31, 2023	17,564,182	$	17,564	$	168,614	$	124,400	$	(55,643)	$	254,935
Other comprehensive income	—		—		—		—		10,631		10,631
Dividends on common shares ($0.3375 per share)	—		—		—		(5,926)		—		(5,926)
Issuance of restricted stock, net of forfeitures	69,597		70		(70)		—		—		—
Tax withholding related to vesting of restricted stock	(23,895)		(24)		(272)		—		—		(296)
Repurchase of shares	(55,000)		(55)		(710)		—		—		(765)
Stock-based compensation expense	—		—		1,037		—		—		1,037
Net income	—		—		—		16,436		—		16,436
Balance, September 30, 2024	17,554,884	$	17,555	$	168,599	$	134,910	$	(45,012)	$	276,052
Balance, December 31, 2022	17,598,123	$	17,598	$	167,537	$	111,573	$	(66,440)	$	230,268
Cumulative change in accounting principle for ASU 2016-13, net of tax [(1)]	—		—		—		(1,198)		—		(1,198)
Other comprehensive loss	—		—		—		—		(1,379)		(1,379)
Dividends on common shares ($0.3300 per share)	—		—		—		(5,792)		—		(5,792)
Issuance of restricted stock, net of forfeitures	36,152		36		(36)		—		—		—
Tax withholding related to vesting of restricted stock	(24,811)		(25)		(227)		—		—		(252)
Repurchase of shares	(41,481)		(41)		(365)		—		—		(406)
Stock-based compensation expense	—		—		1,302		—		—		1,302
Net income	—		—		—		16,149		—		16,149
Balance, September 30, 2023	17,567,983	$	17,568	$	168,211	$	120,732	$	(67,819)	$	238,692

[(1)] *Represents the impact of the adoption of Accounting Standards Update ("ASU") No. 2016-13: CECL.*

See accompanying notes to consolidated financial statements (unaudited).

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

	Nine Months Ended	
(dollars in thousands)	September 30, 2024	September 30, 2023
Operating Activities		
Net income	$ 16,436	$ 16,149
Adjustments reconciling net income to net cash provided by operating activities:		
Provision for credit losses	2,400	2,100
Depreciation, amortization, and accretion	6,122	6,653
Equity method investment gain	(288)	(149)
Share-based compensation expense	1,037	1,302
Net change in servicing asset	(870)	(222)
Loss on sales of securities, available-for-sale	1,434	—
Gain on sales of SBA loans	(6,620)	(3,429)
Gain on sales of other real estate owned	(174)	(13)
Writedown of bank building	197	—
Loss (gain) on sales of premises & equipment	36	(202)
Originations of loans held for sale	(210,814)	(200,638)
Proceeds from sales of loans held for sale	217,632	194,564
Change in bank-owned life insurance	(1,331)	(1,037)
Deferred tax benefit	606	146
Change in other assets	283	(1,868)
Change in other liabilities	558	1,854
Net cash provided by operating activities	26,644	15,210
Investing Activities		
Purchases of investment securities, available-for-sale	(31,688)	(3,917)
Proceeds from maturities, calls, and paydowns of investment securities, available-for-sale	51,914	28,591
Proceeds from sales of investment securities, available-for-sale	25,579	—
Proceeds from maturities, calls and paydowns of securities, held-to-maturity	10,026	16,896
Change in loans, net	(4,546)	(129,286)
Purchase of premises and equipment	(518)	(2,984)
Proceeds from sales of premises and equipment	34	433
Proceeds from sales of other real estate owned	1,249	215
Proceeds from bank-owned life insurance	700	—
Redemption of other investments	—	800
Redemption (purchase) of Federal Home Loan Bank Stock	(556)	(4,181)
Net cash provided by (used in) investing activities	52,194	(93,433)
Financing Activities		
Change in noninterest-bearing customer deposits	(59,100)	(74,949)
Change in interest-bearing customer deposits	39,280	175,284
Dividends paid for common stock	(5,926)	(5,792)
Repayments on Federal Home Loan Bank Advances	(210,000)	(625,000)
Proceeds from Federal Home Loan Bank Advances	220,000	685,000
Repayments on other borrowings	(20,000)	(270,000)
Proceeds from other borrowings	20,000	255,000
Redemption of subordinated debt	(500)	—
Repurchase of shares	(765)	(406)
Tax withholding related to vesting of restricted stock	(296)	(252)
Net cash provided by (used in) financing activities	(17,307)	138,885
Net increase in cash and cash equivalents	61,531	60,662
Cash and cash equivalents at beginning of period	83,322	80,678
Cash and cash equivalents at end of period	$ 144,853	$ 141,340

COLONY BANKCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited)

(dollars in thousands)	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 45,723	$ 30,323
Cash paid during the period for income taxes	4,593	4,000
Noncash Investing and Financing Activities		
Transfers to other real estate	854	363

See accompanying notes to consolidated financial statements (unaudited).

(1) Summary of Significant Accounting Policies

Presentation

Colony Bankcorp, Inc. (the “Company”) is a bank holding company located in Fitzgerald, Georgia. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Colony Bank, Fitzgerald, Georgia (the “Bank”). The “Company” or “our,” as used herein, includes Colony Bank, except where the context requires otherwise.

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 U.S. generally accepted accounting principles ("GAAP") 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 three and nine months ended September 30, 2024 are not necessarily indicative of the results which may be expected for the year ending December 31, 2024. 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, 2023 (“2023 Form 10-K”).

Nature of Operations

The Bank provides a full range of retail, commercial and mortgage banking services as well as government guaranteed lending, consumer insurance, wealth management and merchant services for consumers and small- to medium-size businesses located primarily in north, central, south and coastal Georgia, Birmingham, Alabama and Tallahassee and the Florida Panhandle. The Bank is headquartered in Fitzgerald, Georgia with locations in the Georgia cities of Albany, Ashburn, Athens, Atlanta, Augusta, Broxton, Cedartown, Centerville, Chickamauga, Columbus, Cordele, Douglas, Eastman, Fayetteville, Fitzgerald, LaGrange, Leesburg, Macon, Manchester, Moultrie, Quitman, Rochelle, Rockmart, Savannah, Statesboro, Sylvester, Thomaston, Tifton, Valdosta and Warner Robins along with loan production offices in Birmingham, Alabama and Tallahassee, Florida. 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 credit 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 2024. Such reclassifications have not materially affected previously reported stockholders’ equity or net income.

Concentrations of Credit Risk

Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk. At September 30, 2024, approximately 83% 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 credit 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.

Allowance for Credit Losses ("ACL") – Loans

The current expected credit loss (“CECL”) approach requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). It replaced the incurred loss approach’s threshold that delayed the recognition of a credit loss until it was probable a loss event was incurred. The estimate of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the historical period used. The Company also considers future economic conditions and portfolio performance as part of a reasonable and supportable forecast period.

The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the ACL when management believes the uncollectibility of a loan balance is confirmed. Accrued interest receivable is excluded from the estimate of credit losses.

Management determines the ACL balance using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit behaviors along with model judgments provide the basis for the estimation of expected credit losses. Adjustments to modeled loss estimates may be made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in economic conditions, property values, or other relevant factors. For the majority of loans and leases the ACL is calculated using a discounted cash flow methodology applied at a loan level with a one-year reasonable and supportable forecast period and a two-year straight-line reversion period.

The ACL-loans are measured on a collective basis when similar risk characteristics exist. The Company has identified the following portfolio segments and calculates the ACL for each using a discounted cash flow methodology at the loan level, with loss rates, prepayment assumptions and curtailment assumptions driven by each loan’s collateral type:

- Construction, land & land development - Risks common to construction, land & development loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements and declines in real estate values.

- Other commercial real estate - Loans in this category are susceptible to business failures and declines in general economic conditions, including declines in real estate value, declines in occupancy rates, and lack of suitable alternative use for the property.

- Residential real estate - Residential real estate loans are susceptible to weakening general economic conditions, increases in unemployment rates and declining real estate values.

- Commercial, financial & agricultural - Risks to this loan category include the inability to monitor the condition of the collateral, which often consists of inventory, accounts receivable and other non-real estate assets. Equipment and inventory obsolescence can also pose a risk. Declines in general economic conditions and other events can cause cash flows to fall to levels insufficient to service debt.

- Consumer and other - Risks common to consumer direct loans include unemployment and changes in local economic conditions as well as the inability to monitor collateral consisting of personal property.

When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

Allowance for Credit Losses – Off-Balance Sheet Credit Exposures

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and standby letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Management estimates expected credit losses on commitments to extend credit over the contractual period during which the Company is exposed to credit risk on the underlying commitments. The ACL on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The ACL is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

Allowance for Credit Losses – Held-to-Maturity ("HTM") Securities

Management measures current expected credit losses on HTM debt securities on a collective basis by major security type. The estimate of current expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management classifies the HTM portfolio into the following major security types: U.S. treasury securities, U.S. agency securities, State, county & municipal securities, and Mortgage-backed securities. Accrued interest receivable on HTM debt is excluded from the estimate of credit losses.

All of the residential and commercial mortgage-backed securities held by the Company as HTM are issued by U.S. government agencies and government sponsored entities. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a long history of no credit losses. The state and political subdivision securities are also highly rated by major rating agencies.

Allowance for Credit Losses – Available-for-Sale ("AFS") Securities

For AFS debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or whether it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For AFS debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an ACL is recognized in other comprehensive income. Accrued interest receivable on AFS debt securities is excluded from the estimate of credit losses.

Changes in the ACL are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the ACL when management believes the uncollectibility of an AFS security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Derivatives

At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), (2) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), or (3) an instrument with no hedging designation ("non-designated derivative"). For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change. Changes in the fair value of derivatives not designated are reported currently in earnings, as noninterest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in noninterest income or noninterest expense. Cash flows from hedges are classified in the consolidated statements of cash flows in the same manner as the items being hedged.

The Company formally documents the relationship between derivatives and hedged items, as well as the risk management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used are highly effective in offsetting changes in cash flows of the hedged item. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in cash flows of the hedged item, the derivative is settled or terminated, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as interest expense. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in OCI are amortized into earnings over the same periods which the hedged transactions will affect earnings.

Changes in Accounting Principles

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-04, *Reference Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). This ASU 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. It provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The updated guidance was originally effective for all entities from March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06 which deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The Company has adopted this ASU with no material impact to its financial statements.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). This ASU was issued to improve segment reporting disclosures. The amendments in this ASU improve financial reporting by requiring disclosure of incremental segment information including significant segment expenses regularly provided to the chief operating decision maker as well as the amount and composition of other segment items on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. Retrospective application is required in all prior periods unless impracticable to do so. The amendments in this standard will be effective for the Company for the fiscal year ended December 31, 2024 and subsequent interim periods. The Company is currently evaluating the impact of the incremental segment information that will be required to be disclosed as well as the impact to the Segment Reporting footnote.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740) Improvements to Income Tax Disclosures* ("ASU 2023-09"). This ASU was issued to enhance the transparency and decision usefulness of income tax disclosures. The ASU addresses investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. Retrospective application in all prior periods is permitted. The amendments in this standard will be effective for the Company on January 1, 2025. The Company is currently evaluating the impact of the incremental income taxes information that will be required to be disclosed as well as the impact to the Income Taxes footnote.

(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, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
U.S. treasury securities	$ 1,889	$ —	$ (6)	$ 1,883
U.S. agency securities	4,171	—	(256)	3,915
Asset backed securities	19,851	15	(193)	19,673
State, county & municipal securities	111,265	10	(12,629)	98,646
Corporate debt securities	53,330	—	(5,629)	47,701
Mortgage-backed securities	216,291	405	(18,506)	198,190
Total	$ 406,797	$ 430	$ (37,219)	$ 370,008

September 30, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held-to-Maturity:				
U.S. treasury securities	$ 94,577	$ —	$ (1,846)	$ 92,731
U.S. agency securities	16,184	—	(1,006)	15,178
State, county & municipal securities	137,066	130	(11,286)	125,910
Mortgage-backed securities	192,879	—	(20,516)	172,363
Total	$ 440,706	$ 130	$ (34,654)	$ 406,182

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
U.S. treasury securities	$ 500	$ —	$ (2)	$ 498
U.S. agency securities	4,500	—	(361)	4,139
Asset backed securities	25,035	—	(405)	24,630
State, county & municipal securities	124,524	6	(15,494)	109,036
Corporate debt securities	53,834	16	(6,460)	47,390
Mortgage-backed securities	246,901	36	(25,248)	221,689
Total	$ 455,294	$ 58	$ (47,970)	$ 407,382

December 31, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held-to-Maturity:				
U.S. treasury securities	$ 93,306	$ —	$ (3,212)	$ 90,094
U.S. agency securities	16,282	—	(1,424)	14,858
State, county & municipal securities	136,685	356	(13,859)	123,182
Mortgage-backed securities	202,758	—	(25,316)	177,442
Total	$ 449,031	$ 356	$ (43,811)	$ 405,576

The Company elected to exclude accrued interest receivable from the amortized cost basis of available-for-sale and held-to-maturity securities disclosed throughout this note. As of September 30, 2024 and December 31, 2023, accrued interest receivable for available-for-sale and held-to-maturity securities totaled $2.1 million and $2.4 million, and $1.9 million and $1.9 million, respectively, and is included in the "Other assets" line item on the Company's consolidated balance sheet.

The amortized cost and fair value of investment securities as of September 30, 2024, by contractual maturity, are shown hereafter. Expected maturities may differ from contractual maturities for certain investments because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. This is often the case with mortgage-backed securities, which are disclosed separately in the table below.

	Available-for-Sale		Held-to-Maturity	
(dollars in thousands)	**Amortized Cost**	**Fair Value**	**Amortized Cost**	**Fair Value**
Due in one year or less	$ 3,890	$ 3,863	$ 31,673	$ 31,393
Due after one year through five years	20,256	19,053	77,416	75,467
Due after five years through ten years	96,828	85,350	69,829	63,894
Due after ten years	69,532	63,552	68,909	63,065
	$ 190,506	$ 171,818	$ 247,827	$ 233,819
Mortgage-backed securities	216,291	198,190	192,879	172,363
	$ 406,797	$ 370,008	$ 440,706	$ 406,182

Proceeds from the sale of investment securities totaled $ 7.9 million and $25.6 million for the three and nine month periods ended September 30, 2024, respectively, and resulted in gross realized losses of $454,000 and $1,434,000 for each respective period. The purpose of these sales in 2024 was to restructure underperforming assets and reinvest at higher yields. The sales do not impact our ability to hold the remaining available-for-sale securities, and we are not in a position to be required to sell any remaining securities at this time. The Company had no sales of investment securities for the three and nine month periods ended September 30, 2023.

Investment securities having a carrying value of approximately $ 363.4 million and $429.9 million were pledged to secure public deposits and for other purposes as of September 30, 2024 and December 31, 2023, respectively.

Information pertaining to available-for-sale securities with gross unrealized losses at September 30, 2024 and December 31, 2023 aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

(dollars in thousands)	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, 2024						
U.S. treasury securities	$ 1,883	$ (6)	$ —	$ —	$ 1,883	$ (6)
U.S. agency securities	—	—	3,915	(256)	3,915	(256)
Asset backed securities	3,805	(19)	11,427	(174)	15,232	(193)
State, county & municipal securities	2,054	(278)	95,784	(12,351)	97,838	(12,629)
Corporate debt securities	4,515	(641)	43,186	(4,988)	47,701	(5,629)
Mortgage-backed securities	4,958	(15)	177,319	(18,491)	182,277	(18,506)
	$ 17,215	$ (959)	$ 331,631	$ (36,260)	$ 348,846	$ (37,219)
December 31, 2023						
U.S. treasury securities	$ —	$ —	$ 498	$ (2)	$ 498	$ (2)
U.S. agency securities	—	—	4,139	(361)	4,139	(361)
Asset backed securities	6,196	(75)	17,424	(330)	23,620	(405)
State, county & municipal securities	1,033	(138)	107,443	(15,356)	108,476	(15,494)
Corporate debt securities	1,446	(105)	45,044	(6,355)	46,490	(6,460)
Mortgage-backed securities	5,921	(49)	212,876	(25,199)	218,797	(25,248)
	$ 14,596	$ (367)	$ 387,424	$ (47,603)	$ 402,020	$ (47,970)

Information pertaining to held-to-maturity securities with gross unrealized losses at September 30, 2024 and December 31, 2023 aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

(dollars in thousands)	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, 2024						
U.S. treasury securities	$ —	$ —	$ 92,731	$ (1,846)	$ 92,731	$ (1,846)
U.S. agency securities	—	—	15,178	(1,006)	15,178	(1,006)
State, county & municipal securities	2,753	(29)	106,680	(11,257)	109,433	(11,286)
Mortgage-backed securities	—	—	172,363	(20,516)	172,363	(20,516)
	$ 2,753	$ (29)	$ 386,952	$ (34,625)	$ 389,705	$ (34,654)
December 31, 2023						
U.S. treasury securities	$ —	$ —	$ 90,094	$ (3,212)	$ 90,094	$ (3,212)
U.S. agency securities	—	—	14,858	(1,424)	14,858	(1,424)
State, county & municipal securities	1,461	(78)	103,500	(13,781)	104,961	(13,859)
Mortgage-backed securities	—	—	177,442	(25,316)	177,442	(25,316)
	$ 1,461	$ (78)	$ 385,894	$ (43,733)	$ 387,355	$ (43,811)

Management evaluates available-for-sale securities in an unrealized loss position at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation to determine if credit-related impairment exists. Management first evaluates whether they intend to sell or more likely than not will be required to sell an impaired security before recovering its amortized cost basis. If either criteria is met, the entire amount of unrealized loss is recognized in earnings with a corresponding adjustment to the security's amortized cost basis. If either of the above criteria is not met, management evaluates whether the decline in fair value is attributable to credit or resulted from other factors. The Company does not intend to sell these investment securities in an unrealized loss position as of September 30, 2024, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Based on management's review, the Company's available-for-sale securities have no expected credit losses and no related allowance for credit losses has been established.

The Company uses a systematic methodology to determine its ACL for debt securities held-to-maturity considering the effects of past events, current conditions, and reasonable and supportable forecasts on the collectibility of the portfolio. The ACL is a valuation account that is deducted from the amortized cost basis to present the net amount expected to be collected on the held-to-maturity portfolio. The Company monitors the held-to-maturity portfolio on a quarterly basis to determine whether a valuation account would need to be recorded. Based on management's review, the Company's held-to-maturity securities have no expected credit losses and no related allowance for credit losses has been established.

At September 30, 2024, there were 243 available-for-sale securities and 146 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 due to reasons of credit quality.

The Company adopted ASU 2016-13 Financial Instruments - Credit Losses (Topic 326), as amended on January 1, 2023 which included evaluation of expected credit losses on debt securities. As part of the Company's calculated credit losses, the allowance for credit losses on investment securities was determined to be de minimis due to the high credit quality of the portfolio, which includes securities issued or guaranteed by the U.S. treasury and U.S. government agencies and high quality municipalities. Therefore, no allowance for credit losses was recorded as of September 30, 2024. See Note 1 for additional details on the allowance for credit losses as it relates to the securities portfolio.

(3) Loans

The following table presents the composition of loans segregated by class of loans, as of September 30, 2024 and December 31, 2023.

(dollars in thousands)	September 30, 2024	December 31, 2023
Construction, land & land development	$ 196,390	$ 247,146
Other commercial real estate	1,012,466	974,375
Total commercial real estate	1,208,856	1,221,521
Residential real estate	349,777	356,234
Commercial, financial & agricultural	242,389	242,756
Consumer and other	85,015	62,959
Total Loans	$ 1,886,037	$ 1,883,470

Included in the above table are government guaranteed loans totaling $ 98.4 million at September 30, 2024 and $86.8 million at December 31, 2023. The following table presents the composition of government guaranteed loans segregated by class of loans for each respective period.

(dollars in thousands)	September 30, 2024	December 31, 2023
Construction, land & land development	$ 2,489	$ 7,027
Other commercial real estate	54,183	40,852
Total commercial real estate	56,672	47,879
Residential real estate	10,125	12,170
Commercial, financial & agricultural	31,612	26,716
Consumer and other	—	—
Total Loans	$ 98,409	$ 86,765

The Company elected to exclude accrued interest receivable from the amortized cost basis of loans disclosed throughout this note. As of September 30, 2024 and December 31, 2023, accrued interest receivable for loans totaled $8.8 million for both periods and is included in the "Other assets" line item on the Company's consolidated balance sheet.

Commercial, financial & agricultural 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 and other 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. For commercial loans over $ 500,000, 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 - Loans 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 the "pass" classification.

- Grade 6 - This grade includes "special mention" loans on management's watch list and is intended to be used on a temporary basis for pass grade loans where risk-modifying action is intended in the short-term.

- Grades 7 and 8 - These grades include "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 credit losses. Generally, loans on which interest accrual has been stopped would be included in this grade range.

- 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.

For smaller commercial loans (under $500,000) and consumer loans, the Company began using behavioral based risk grades during the second quarter of 2024. These loans are assigned risk grades of 98 or 99 based on payment performance with the Company.

- Grade 98 - Loans assigned this risk grade indicates a "pass" credit.
- Grade 99 - Loans assigned this risk grade indicates a "substandard" credit and is moved to a nonaccrual status.

The following tables present the loan portfolio segregated by class of loans and the risk category of term loans by vintage year, which is the year of origination or most recent renewal, as of September 30, 2024 and December 31, 2023. Those loans with a risk grade of 1, 2, 3, 4, 5 and 98 have been combined in the pass line for presentation purposes. Loans with a risk grade of 7, 8 and 99 have been combined in the substandard line. There were no loans with a risk rating of "doubtful" or "loss" at September 30, 2024 or December 31, 2023.

(dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolvers	Revolvers converted to term loans	Total
	Term Loans Amortized Cost Basis by Origination Year								
September 30, 2024									
Construction, land & land development									
Risk rating									
Pass	$ 74,340	$ 53,024	$ 33,062	$ 23,203	$ 2,164	$ 5,804	$ 53	$ 323	$ 191,973
Special Mention	—	3,717	—	—	419	—	281	—	4,417
Substandard	—	—	—	—	—	—	—	—	—
Total Construction, land & land development	74,340	56,741	33,062	23,203	2,583	5,804	334	323	196,390
Current period gross write offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other commercial real estate									
Risk rating									
Pass	40,156	86,804	359,674	188,879	79,073	202,660	20,811	1,618	979,675
Special Mention	1,051	2,023	4,626	173	2,365	7,533	610	1,072	19,453
Substandard	4,187	3,098	3,878	390	355	857	573	—	13,338
Total Other commercial real estate	45,394	91,925	368,178	189,442	81,793	211,050	21,994	2,690	1,012,466
Current period gross write offs	—	—	—	—	—	20	—	—	20
Residential real estate									
Risk rating									
Pass	12,225	79,966	114,744	46,641	19,249	47,081	23,550	932	344,388
Special Mention	—	1,624	—	—	—	2,007	204	—	3,835
Substandard	—	—	548	273	67	666	—	—	1,554
Total Residential real estate	12,225	81,590	115,292	46,914	19,316	49,754	23,754	932	349,777
Current period gross write offs	—	—	340	—	—	9	—	—	349
Commercial, financial & agricultural									
Risk rating									
Pass	39,811	50,615	37,949	14,315	9,686	16,854	62,998	718	232,946
Special Mention	—	—	2,207	93	168	—	971	—	3,439
Substandard	82	1,538	701	2,895	321	245	126	96	6,004

Total Commercial, financial & agricultural	39,893	52,153	40,857	17,303	10,175	17,099	64,095	814	242,389
Current period gross write offs	45	398	437	188	20	11	—	—	1,099
Consumer and other									
Risk rating									
Pass	46,650	31,980	2,652	1,209	691	1,357	445	10	84,994
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	8	—	10	1	2	—	—	—	21
Total Consumer and other	46,658	31,980	2,662	1,210	693	1,357	445	10	85,015
Current period gross write offs	67	323	30	—	5	41	—	—	466
Total Loans									
Risk rating									
Pass	213,182	302,389	548,081	274,247	110,863	273,756	107,857	3,601	1,833,976
Special Mention	1,051	7,364	6,833	266	2,952	9,540	2,066	1,072	31,144
Substandard	4,277	4,636	5,137	3,559	745	1,768	699	96	20,917
Total Loans	$ 218,510	$ 314,389	$ 560,051	$ 278,072	$ 114,560	$ 285,064	$ 110,622	$ 4,769	$ 1,886,037
Total current period gross write offs	$ 112	$ 721	$ 807	$ 188	$ 25	$ 81	$ —	$ —	$ 1,934

(dollars in thousands)	2023	2022	2021	2020	2019	Prior	Revolvers	Revolvers converted to term loans	Total
	Term Loans Amortized Cost Basis by Origination Year								
December 31, 2023									
Construction, land & land development									
Risk rating									
Pass	$ 112,587	$ 91,981	$ 27,332	$ 5,654	$ 1,000	$ 5,765	$ 605	$ 31	$ 244,955
Special Mention	792	—	25	—	—	29	282	—	1,128
Substandard	—	888	4	—	20	151	—	—	1,063
Total Construction, land & land development	113,379	92,869	27,361	5,654	1,020	5,945	887	31	247,146
Current period gross write offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other commercial real estate									
Risk rating									
Pass	61,816	341,656	204,145	88,629	79,123	145,374	24,158	2,031	946,932
Special Mention	75	3,251	766	2,113	5,733	4,694	545	48	17,225
Substandard	2,303	2,615	211	—	486	4,395	208	—	10,218
Total Other commercial real estate	64,194	347,522	205,122	90,742	85,342	154,463	24,911	2,079	974,375
Current period gross write offs	—	—	69	—	—	—	—	—	69
Residential real estate									
Risk rating									
Pass	78,088	116,704	50,986	21,892	8,510	43,038	22,642	100	341,960
Special Mention	856	466	10	50	679	4,687	424	—	7,172
Substandard	—	1,169	384	296	272	4,735	246	—	7,102

Total Residential real estate	78,944	118,339	51,380	22,238	9,461	52,460	23,312	100	356,234
Current period gross write offs	253	492	26	—	—	—	—	—	771
Commercial, financial & agricultural									
Risk rating									
Pass	66,820	51,439	21,673	12,489	4,734	14,002	58,607	306	230,070
Special Mention	4,186	894	376	745	188	40	974	—	7,403
Substandard	164	1,872	1,979	190	25	165	866	22	5,283
Total Commercial, financial & agricultural	71,170	54,205	24,028	13,424	4,947	14,207	60,447	328	242,756
Current period gross write offs	150	168	408	200	9	134	—	—	1,069
Consumer and other									
Risk rating									
Pass	53,117	4,021	2,004	1,240	925	908	462	1	62,678
Special Mention	79	42	38	12	25	1	—	—	197
Substandard	43	20	3	5	4	9	—	—	84
Total Consumer and other	53,239	4,083	2,045	1,257	954	918	462	1	62,959
Current period gross write offs	9	12	10	2	—	2	—	—	35
Total Loans									
Risk rating									
Pass	372,428	605,801	306,140	129,904	94,292	209,087	106,474	2,469	1,826,595
Special Mention	5,988	4,653	1,215	2,920	6,625	9,451	2,225	48	33,125
Substandard	2,510	6,564	2,581	491	807	9,455	1,320	22	23,750
Total Loans	$ 380,926	$ 617,018	$ 309,936	$ 133,315	$ 101,724	$ 227,993	$ 110,019	$ 2,539	$ 1,883,470
Total current period gross write offs	$ 412	$ 672	$ 513	$ 202	$ 9	$ 136	$ —	$ —	$ 1,944

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 7, 8, 9, 10 or 99 and an outstanding balance of $500,000 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 credit 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.

Collateral-Dependent Loans

We classify a loan as collateral-dependent when our borrower is experiencing financial difficulty, and we expect repayment to be provided substantially through the operation or sale of collateral. Our commercial loans have collateral that is comprised of real estate and business assets. Our consumer loans have collateral that is substantially comprised of residential real estate. The Company had $2.2 million and $1.4 million in collateral-dependent loans at September 30, 2024 and December 31, 2023, respectively.

There were no significant changes in the extent to which collateral secures our collateral-dependent loans during the three and nine month periods ended September 30, 2024.

The following table presents the aging of the amortized cost basis of loans by aging category and accrual status as of September 30, 2024 and December 31, 2023:

(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Accruing Loans Past Due	Nonaccrual Loans	Current Loans	Total Loans
September 30, 2024						
Construction, land & land development	$ 208	$ —	$ 208	$ —	$ 196,182	$ 196,390
Other commercial real estate	692	—	692	5,380	1,006,394	1,012,466
Total commercial real estate	900	—	900	5,380	1,202,576	1,208,856
Residential real estate	2,003	—	2,003	1,486	346,288	349,777
Commercial, financial & agricultural	660	—	660	5,327	236,402	242,389
Consumer and other	227	44	271	22	84,722	85,015
Total Loans	$ 3,790	$ 44	$ 3,834	$ 12,215	$ 1,869,988	$ 1,886,037
December 31, 2023						
Construction, land & land development	$ 812	$ —	$ 812	$ 85	$ 246,249	$ 247,146
Other commercial real estate	1,796	—	1,796	4,219	968,360	974,375
Total commercial real estate	2,608	—	2,608	4,304	1,214,609	1,221,521
Residential real estate	2,503	350	2,853	3,561	349,820	356,234
Commercial, financial & agricultural	775	—	775	1,956	240,025	242,756
Consumer and other	183	20	203	18	62,738	62,959
Total Loans	$ 6,069	$ 370	$ 6,439	$ 9,839	$ 1,867,192	$ 1,883,470

The following tables display a summary of the Company's nonaccrual loans by major categories for the periods indicated.

	September 30, 2024		
(dollars in thousands)	Nonaccrual Loans with No Related ACL	Nonaccrual Loans with a Related ACL	Total Nonaccrual Loans
Construction, land & land development	$ —	$ —	$ —
Other commercial real estate	—	5,380	5,380
Total commercial real estate	—	5,380	5,380
Residential real estate	3	1,483	1,486
Commercial, financial & agricultural	752	4,575	5,327
Consumer and other	—	22	22
Total Loans	$ 755	$ 11,460	$ 12,215

	December 31, 2023		
(dollars in thousands)	**Nonaccrual Loans with No Related ACL**	**Nonaccrual Loans with a Related ACL**	**Total Nonaccrual Loans**
Construction, land & land development	$ 27	$ 58	$ 85
Other commercial real estate	2,806	1,413	4,219
Total commercial real estate	2,833	1,471	4,304
Residential real estate	725	2,836	3,561
Commercial, financial & agricultural	—	1,956	1,956
Consumer and other	—	18	18
Total Loans	$ 3,558	$ 6,281	$ 9,839

Interest income recorded on nonaccrual loans during the three months ended September 30, 2024 and 2023 was $ 173,000 and $55,000, respectively. Interest income recorded on nonaccrual loans during the nine months ended September 30, 2024 and 2023 was $390,000 and $265,000, respectively.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a discounted cash flow model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In some cases, the Company will modify a certain loan by providing multiple types of concessions. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. Upon the Company's determination that a modified loan, or portion of a loan, has subsequently been deemed uncollectible, the loan, or portion of the loan, is written off.

The following tables present loans modified due to a financial difficulty under the above terms during the three and nine month periods ended September 30, 2024.

	Three months ended September 30, 2024			
(dollars in thousands)	**Term Extension**	**Payment Delay**	**Term Extension and Payment Delay**	**Total***
Commercial real estate	$ 224	$ —	$ —	$ 224
Commercial, financial & agricultural	—	1,114	558	1,672
Total Loans	$ 224	$ 1,114	$ 558	$ 1,896

*less than .05% of total class of receivable

There were a total of six loans in the above categories for the three months ended September 30, 2024. The commercial real estate category consists of one loan which was given a term extension for 20 years. The commercial, financial & agricultural category consists of five loans, three of which were given payment delays and two SBSL loans which were each given payment delays and term extensions of ten years.

	Nine months ended September 30, 2024			
(dollars in thousands)	**Term Extension**	**Payment Delay**	**Term Extension and Payment Delay**	**Total***
Commercial real estate	$ 355	$ —	$ 144	$ 499
Commercial, financial & agricultural	—	1,482	597	2,079
Total Loans	$ 355	$ 1,482	$ 741	$ 2,578

*less than .05% of total class of receivable

There were a total of ten loans in the above categories for the nine months ended September 30, 2024. The commercial real estate loans consist of three loans, two with a term extension of one year with one of these loans also given a payment delay, and one loan with a term extension of 20 years. There were seven commercial, financial & agricultural loans, four of which had been given a payment delay only and three with both a payment delay and term extensions, one loan for five years and two loans for ten years.

The Company had no loans that subsequently defaulted during the three and nine month periods ended September 30, 2024 and for the year ended December 31, 2023.

(4) Allowance for Credit Losses

The ACL for loans represents management's estimate of life of loan credit losses in the portfolio as of the end of the period. The ACL related to unfunded commitments is included in other liabilities in the consolidated balance sheet. The following tables present the balance sheet activity in the ACL by portfolio segment for loans for the three and nine month periods ended September 30, 2024 and September 30, 2023.

(dollars in thousands)	Balance, June 30, 2024	Charge-Offs	Recoveries	Provision for credit losses on loans	Balance, September 30, 2024
Three Months Ended September 30, 2024					
Construction, land & land development	$ 1,295	$ —	$ 13	$ (14)	$ 1,294
Other commercial real estate	7,396	—	25	(375)	7,046
Total commercial real estate	8,691	—	38	(389)	8,340
Residential real estate	5,990	(9)	45	69	6,095
Commercial, financial & agricultural	2,015	(85)	76	885	2,891
Consumer and other	2,110	(215)	11	431	2,337
Total allowance for credit losses on loans	$ 18,806	$ (309)	$ 170	$ 996	$ 19,663

(dollars in thousands)	Balance, June 30, 2023	Charge-Offs	Recoveries	Provision for credit losses on loans	Balance, September 30, 2023
Three Months Ended September 30, 2023					
Construction, land & land development	$ 2,281	$ —	$ 1	$ (67)	$ 2,215
Other commercial real estate	8,733	—	8	(21)	8,720
Total commercial real estate	11,014	—	9	(88)	10,935
Residential real estate	2,642	—	3	128	2,773
Commercial, financial & agricultural	2,984	(714)	13	737	3,020
Consumer and other	426	(14)	5	223	640
Total allowance for loan losses	$ 17,066	$ (728)	$ 30	$ 1,000	$ 17,368

(dollars in thousands)	**Balance, December 31, 2023**	**Charge-Offs**	**Recoveries**	**Provision for credit losses on loans**	**Balance, September 30, 2024**
Nine Months Ended September 30, 2024					
Construction, land & land development	$ 2,204	$ —	$ 15	$ (925)	1,294
Other commercial real estate	7,064	(20)	43	(41)	7,046
Total commercial real estate	9,268	(20)	58	(966)	8,340
Residential real estate	5,105	(349)	252	1,087	6,095
Commercial, financial & agricultural	2,110	(1,099)	135	1,745	2,891
Consumer and other	1,888	(466)	19	896	2,337
Total allowance for credit losses on loans	$ 18,371	$ (1,934)	$ 464	$ 2,762	$ 19,663

(dollars in thousands)	**Balance December 31, 2021**		**Charge-Offs**	**Recoveries**	**Provision**	**Balance, September 30, 2022**
Nine Months Ended September 30, 2023	**Balance December 31, 2022**	**Adoption of ASU 2016-13**	**Charge-Offs**	**Recoveries**	**Provision for credit losses on loans**	**Balance, September 30, 2023**
Construction, land & land development	$ 1,959	$ 148	$ —	$ 9	$ 99	$ 2,215
Other commercial real estate	8,886	(630)	—	33	431	8,720
Total commercial real estate	10,845	(482)	—	42	530	10,935
Residential real estate	2,354	1,053	—	40	(674)	2,773
Commercial, financial & agricultural	2,709	(690)	(1,157)	180	1,978	3,020
Consumer and other	220	66	(17)	14	357	640
Total allowance for loan losses	$ 16,128	$ (53)	$ (1,174)	$ 276	$ 2,191	$ 17,368

Colony used a one-year reasonable and supportable forecast period. The changes in loss rates used as the basis for the estimate of credit losses during this period were modeled using historical data from peer banks and macroeconomic forecast data obtained from a third party vendor, which were then applied to Colony's recent default experience as a starting point. As of September 30, 2024, the Company expects that the markets in which it operates will experience stable economic and unemployment conditions with the trend of delinquencies returning to more normalized levels, over the next two years. Management adjusted the historical loss experience for these expectations. No reversion adjustments were necessary, as the starting point for the Company's estimate was a cumulative loss rate covering the expected contractual term of the portfolio.

The Company determines its individual reserves during its quarterly review of substandard loans. This process involves reviewing all loans with a risk grade of 7, 8, 9, 10 or 99 and an outstanding balance of $500,000 or more, regardless of the loans impairment classification.

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable. The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded commitments is separately classified on the balance sheet within other liabilities.

The following table presents the balance and activity in the allowance for credit losses for unfunded commitments for the three and nine month periods ended September 30, 2024 and September 30, 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Beginning balance	$ 1,259	$ 1,570	$ 1,375	$ —
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13	—	—	—	1,661
Change in unfunded commitments	(246)	—	(362)	(91)
Ending balance	$ 1,013	$ 1,570	$ 1,013	$ 1,570

(5) Derivatives

As part of its asset liability management activities, the Company may enter into interest rate swaps to help manage its interest rate risk position and mitigate exposure to the variability of future cash flows or other forecasted transactions. The Company entered into two interest rate swaps during the second quarter of 2023, to hedge the variability of cash flows due to changes in the benchmark Secured Overnight Financing Rate ("SOFR") interest rate risk for its short-term funding over the term of these cash flow hedges. The Company entered into two additional interest rate swaps during the third quarter of 2024, one of which was designated as a cash flow hedge and the other a fair value hedge. Fair value hedging relationships mitigate exposure to the change in fair value of an asset or liability.

The notional amount of an interest rate swap does not represent the amount exchanged by the parties. The exchange of cash flows is determined by reference to the notional amount and the other terms of the interest rate swap agreements.

On June 23, 2023, the Company entered into a five-year interest rate swap with a notional amount totaling $25.0 million. On June 26, 2023, the Company entered into a three-year interest rate swap with a notional amount totaling $25.0 million. Both of the swaps were designated as cash flow hedges of certain variable rate liabilities.

On September 6, 2024, the Company entered into an interest rate swap with a notional amount totaling $ 30.0 million with maturity dates ranging from one to two years. This swap was designated as a cash flow hedge of certain variable rate liabilities. On August 30, 2024, the Company entered into an interest rate swap with a notional amount totaling $25.4 million with maturity dates ranging from three to 3.5 years. This swap was designated as a fair value hedge of certain fixed rate assets.

The derivatives are recorded in "Other liabilities" on the Company's balance sheet and have a total value of $ 1.1 million as of September 30, 2024, with $879,000 representing cash flow hedges and $175,000 representing fair value hedges.

Gains were recorded on the cash flow hedges, which totaled $199,000 and $550,000 for the three and nine months ended September 30, 2024, respectively, and $164,000 and $173,000 for the three and nine months ended September 30, 2023, as a component of interest expense in the consolidated statements of income. Amounts reported in accumulated OCI related to swaps are reclassified to interest income or expense as interest payments are made on the Bank's fixed rate assets and variable rate liabilities.

The following table presents the amounts recorded in the consolidated statements of income and the consolidated statements of comprehensive income relating to the interest rate swaps for the three and nine months ended September 30, 2024 and 2023.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Cash flow hedging relationships				
Amount of gain(loss) recognized in OCI, net of tax	$ 1,052	$ 482	$ (330)	$ 681
Amount of gain reclassified from OCI to interest expense, net of tax	159	128	$ 440	139
Fair value hedging relationships				
Amount of gain(loss) recognized in OCI, net of tax	(130)	—	$ (130)	—

(6) Borrowings

The following table presents information regarding the Company’s outstanding borrowings at September 30, 2024 and December 31, 2023:

(dollars in thousands)	September 30, 2024	December 31, 2023
Federal Home Loan Bank advances	185,000	175,000
Other borrowings	63,016	63,445
	$ 248,016	$ 238,445

Advances from the Federal Home Loan Bank (“FHLB”) have maturities ranging from 2024 to 2029 and interest rates ranging from 3.69% to 4.75%. As collateral on the outstanding FHLB advances, the Company has provided a blanket lien on its portfolio of qualifying residential first mortgage loans, commercial real estate loans, farmland loans, multifamily loans and HELOC loans. At September 30, 2024, the lendable collateral value of those loans pledged is $193.1 million. At September 30, 2024, the Company had remaining credit availability from the FHLB of $564.3 million. The Company may be required to pledge additional qualifying collateral in order to utilize the full amount of the remaining credit line.

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, 2024 and December 31, 2023, $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.

The Company also has fixed-to-floating rate subordinated notes which are due 2032 (the "Notes"). The Notes bear a fixed rate of 5.25% for the first five years and reset quarterly thereafter to the then current three-month SOFR, as published by the Federal Reserve Bank of New York, plus 265 basis points for the five-year floating term. The Company is entitled to redeem the Notes, in whole or in part, on any interest payment date on or after May 20, 2027, or at any time, in whole but not in part, upon certain other specified events. At September 30, 2024 and December 31, 2023, $38.8 million and $39.2 million, respectively, of the Notes, net of debt issuance costs were outstanding. The Notes are recorded as other borrowings on the consolidated balance sheets and, subject to certain limitations, qualify as Tier 2 capital for regulatory capital purposes.

The aggregate stated maturities of other borrowed money at September 30, 2024 are as follows:

(dollars in thousands)

Year	Amount
2024	$ 50,000
2025	—
2026	25,000
2027	15,000
2028	65,000
2029 and After	93,016
	$ 248,016

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, 2024.

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, 2024, the Company had $118.8 million 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.

(7) 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, 2024 and 2023.

(dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator				
Net income available to common stockholders	$ 5,629	$ 5,804	$ 16,436	$ 16,149
Denominator				
Weighted average number of common shares				
Outstanding for basic earnings per common share	17,587,902	17,569,493	17,566,452	17,581,817
Weighted-average number of shares outstanding for diluted earnings per common share	17,587,902	17,569,493	17,566,452	17,581,817
Earnings per share - basic	$ 0.32	$ 0.33	$ 0.94	$ 0.92
Earnings per share - diluted	$ 0.32	$ 0.33	$ 0.94	$ 0.92

(8) 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, 2024 and December 31, 2023 the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
(dollars in thousands)	September 30, 2024	December 31, 2023
Loan commitments	$ 331,920	$ 362,878
Letters of credit	5,045	5,656

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, 2024, 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.

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

Generally accepted accounting standards in the U.S. require disclosure of fair value information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair value of the Company and the Bank's financial instruments are detailed hereafter. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

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

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

The following disclosures should not be considered a surrogate of the liquidation value of the Company, but rather a good-faith estimate of the increase or decrease in value of financial instruments held by the Company since purchase, origination or issuance.

Cash and short-term investments – For cash, due from banks, bank-owned deposits and federal funds sold, the carrying amount is a reasonable estimate of fair value and is classified as Level 1.

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

Other investments– 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, net – 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.

Deposits – 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 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 are classified as Level 2 due to their expected maturities.

Derivative instruments – The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts and the discounted expected variable cash payments. The variable cash payments are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The interest rate swaps are classified as Level 2.

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

The carrying amount, estimated fair values, and placement in the fair value hierarchy of the Company's financial instruments as of September 30, 2024 and December 31, 2023 are as follows:

		Fair Value Measurements			
(dollars in thousands)	**Carrying Value**	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
September 30, 2024					
Assets					
Cash and short-term investments	$ 144,853	$ 144,853	$ 144,853	$ —	$ —
Investment securities available-for-sale	370,008	370,008	—	360,897	9,111
Investment securities held-to-maturity	440,706	406,182	—	406,182	—
Other investments	17,712	17,712	—	17,712	—
Loans held for sale	27,760	27,760	—	27,760	—
Loans, net	1,866,374	1,737,819	—	—	1,737,819
Liabilities					
Deposits	2,524,970	2,522,344	—	2,522,344	—
Federal Home Loan Bank advances	185,000	183,569	—	183,569	—
Other borrowings	63,016	51,799	—	51,799	—
Derivative instruments	1,054	1,054	—	1,054	—

		Fair Value Measurements			
(dollars in thousands)	**Carrying Value**	**Estimated Fair Value**	**Level 1**	**Level 2**	**Level 3**
December 31, 2023					
Assets					
Cash and short-term investments	$ 83,322	$ 83,322	$ 83,322	$ —	$ —
Investment securities available-for-sale	407,382	407,382	—	396,568	10,814
Investment securities held-to-maturity	449,031	405,576	—	405,576	—
Other investments	16,868	16,868	—	16,868	—
Loans held for sale	27,958	27,958	—	27,958	—
Loans, net	1,865,099	1,699,870	—	—	1,699,870
Liabilities					
Deposits	2,544,790	2,538,477	—	2,538,477	—
Federal Home Loan Bank advances	175,000	176,022	—	176,022	—
Other borrowings	63,445	51,056	—	51,056	—
Derivative instruments	438	438	—	438	—

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

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

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

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

Collateral dependent loans – 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 and Liabilities Measured at Fair Value on a Recurring and Nonrecurring Basis – The following tables present the recorded amount of the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of September 30, 2024 and December 31, 2023, aggregated by the level in the fair value hierarchy within which those measurements fall. The tables below include collateral dependent impaired loans and other real estate properties at September 30, 2024 and December 31, 2023. Those collateral dependent impaired loans and other real estate properties are shown net of the related specific reserves and valuation allowances.

		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
September 30, 2024				
Recurring				
Investment securities available-for-sale				
U.S. treasury securities	$ 1,883	$ —	$ 1,883	$ —
U.S. agency securities	3,915	—	3,915	—
Asset backed securities	19,673	—	19,673	—
State, county & municipal securities	98,646	—	98,646	—
Corporate debt securities	47,701	—	41,164	6,537
Mortgage-backed securities	198,190	—	195,616	2,574
Total investment securities available-for-sale	370,008	—	360,897	9,111
Loans held for sale	27,760	—	27,760	—
Total recurring assets	$ 397,768	$ —	$ 388,657	$ 9,111
Derivative instruments	$ 1,054	$ —	$ 1,054	$ —
Total recurring liabilities	$ 1,054	$ —	$ 1,054	$ —
Nonrecurring				
Collateral dependent loans	$ 2,181	$ —	$ —	$ 2,181
Other real estate owned	227	—	—	227
Total nonrecurring assets	$ 2,408	$ —	$ —	$ 2,408

(dollars in thousands)	Total Fair Value	Fair Value Measurements at Reporting Date Using (Level 1)	(Level 2)	(Level 3)
December 31, 2023				
Recurring				
Investment securities available-for-sale				
U.S. treasury securities	$ 498	$ —	$ 498	$ —
U.S. agency securities	4,139	—	4,139	—
Asset backed securities	24,630	—	24,630	—
State, county & municipal securities	109,036	—	109,036	—
Corporate debt securities	47,390	—	40,465	6,925
Mortgage-backed securities	221,689	—	217,800	3,889
Total investment securities available-for-sale	407,382	—	396,568	10,814
Loans held for sale	27,958	—	27,958	—
Total recurring assets	$ 435,340	$ —	$ 424,526	$ 10,814
Derivative instruments	$ 438	$ —	$ 438	$ —
Total recurring liabilities	$ 438	$ —	$ 438	$ —
Nonrecurring				
Collateral dependent loans	$ 1,410	$ —	$ —	$ 1,410
Other real estate owned	448	—	—	448
Total nonrecurring assets	$ 1,858	$ —	$ —	$ 1,858

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, 2024 and December 31, 2023. This table is comprised of collateral dependent impaired loans and other real estate owned:

(dollars in thousands)	September 30, 2024	Valuation Techniques	Unobservable Inputs	Discount rate
Collateral dependent loans	$ 2,181	Appraised Value	Discounts to reflect estimated costs to sell	10 %
Other real estate owned	227	Appraised Value/Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	10 %

(dollars in thousands)	December 31, 2023	Valuation Techniques	Unobservable Inputs	Discount rate
Collateral dependent loans	$ 1,410	Appraised Value	Discounts to reflect estimated costs to sell	10 %
Other real estate owned	448	Appraised Value/Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	10 %

The following table presents quantitative information about recurring level 3 fair value measurements as of September 30, 2024 and December 31, 2023.

	As of September 30, 2024			
(dollars in thousands)	**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Avg)**
Available-for-sale securities	$ 9,111	Discounted Cash Flow	Discount Rate or Yield	N/A*

	As of December 31, 2023			
(dollars in thousands)	**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Avg)**
Available-for-sale securities	$ 10,814	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, 2024.

(dollars in thousands)	**Three Months Ended September 30, 2024 Available-for-sale securities**	**Nine Months Ended September 30, 2024 Available-for-sale securities**
Balance, Beginning	$ 9,373	$ 10,814
Additions	—	2,588
Redemptions/Payments	(303)	(3,554)
Fair value adjustments	41	1,688
Transfers between levels	—	(2,425)
Balance, Ending	$ 9,111	$ 9,111

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 between levels for the three month periods ended September 30, 2024 and 2023 and $2.4 million and $380,000 in transfers between levels for the nine month periods ended September 30, 2024 and 2023, respectively.

(10) 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 assessed based on income before income taxes, and indirect expenses (including 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, 2024 and 2023:

(dollars in thousands)	**Bank**	**Mortgage Banking**	**Small Business Specialty Lending Division**	**Totals**
Three Months Ended September 30, 2024				
Net Interest Income	$ 17,152	$ 67	$ 1,322	$ 18,541
Provision for Credit Losses	698	—	52	750
Noninterest Income	5,494	1,812	2,776	10,082
Noninterest Expenses	17,075	1,533	2,227	20,835
Income Taxes	1,017	71	321	1,409
Segment Profit	$ 3,856	$ 275	$ 1,498	$ 5,629

(dollars in thousands)	**Bank**	**Mortgage Banking**	**Small Business Specialty Lending Division**	**Totals**
Three Months Ended September 30, 2023				
Net Interest Income	$ 18,778	$ 52	$ 791	$ 19,621
Provision for Credit Losses	286	—	714	1,000
Noninterest Income	6,233	1,725	1,760	9,718
Noninterest Expenses	16,653	2,040	2,188	20,881
Income Taxes	1,777	(53)	(70)	1,654
Segment Profit	$ 6,295	$ (210)	$ (281)	$ 5,804

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Nine Months Ended September 30, 2024				
Net Interest Income	$ 51,921	$ 157	$ 3,526	$ 55,604
Provision for Credit Losses	1,249	—	1,151	2,400
Noninterest Income	16,260	4,433	8,373	29,066
Noninterest Expenses	51,339	4,077	6,146	61,562
Income Taxes	3,243	114	915	4,272
Segment Profit	$ 12,350	$ 399	$ 3,687	$ 16,436
Segments Assets at September 30, 2024	$ 2,955,145	$ 9,300	$ 100,658	$ 3,065,103
Full time employees at September 30, 2024	375	44	33	452

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Nine Months Ended September 30, 2023				
Net Interest Income	$ 57,478	$ 86	$ 1,806	$ 59,370
Provision for Credit Losses	1,246	—	854	2,100
Noninterest Income	16,584	5,017	4,728	26,329
Noninterest Expenses	52,115	5,723	5,640	63,478
Income Taxes	4,089	(125)	8	3,972
Segment Profit	$ 16,612	$ (495)	$ 32	$ 16,149
Segments Assets at December 31, 2023	$ 2,956,121	$ 7,890	$ 89,411	$ 3,053,422
Full time employees at September 30, 2023	382	45	33	460

(11) 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, 2024, 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 tables below, and have met certain other requirements. Management believes that the Company and the Bank exceeded all well-capitalized requirements at September 30, 2024, and there have been no conditions or events since quarter-end that would change the status of well-capitalized.

The following tables summarize regulatory capital information as of September 30, 2024 and December 31, 2023 on a consolidated basis and for the subsidiary, as defined. Regulatory capital ratios for September 30, 2024 and December 31, 2023 were calculated in accordance with the Basel III rules.

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2024						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 347,219	16.48 %	$ 168,553	8.00 %	$ 210,691	10.00 %
Colony Bank	307,618	14.65	167,983	8.00	209,978	10.00
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	287,756	13.66	126,394	6.00	168,525	8.00
Colony Bank	286,942	13.67	125,944	6.00	167,925	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	263,527	12.51	94,794	4.50	136,925	6.50
Colony Bank	286,942	13.67	94,458	4.50	136,439	6.50
Tier 1 Capital to Average Assets						
Consolidated	287,756	9.51	121,033	4.00	151,291	5.00
Colony Bank	286,942	9.51	120,691	4.00	150,863	5.00

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2023						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 337,159	15.47 %	$ 174,355	8.00 %	$ 217,944	10.00 %
Colony Bank	300,497	13.85	173,572	8.00	216,965	10.00
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	278,196	12.77	130,711	6.00	174,281	8.00
Colony Bank	280,751	12.94	130,178	6.00	173,571	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	253,967	11.66	98,015	4.50	141,577	6.50
Colony Bank	280,751	12.94	97,634	4.50	141,026	6.50
Tier 1 Capital to Average Assets						
Consolidated	278,196	9.17	121,350	4.00	151,688	5.00
Colony Bank	280,751	9.28	121,013	4.00	151,267	5.00

(12) Subsequent Events

Dividend

On October 23, 2024, the Board of Directors declared a quarterly cash dividend of $ 0.1125 per share, to be paid on its common stock on November 20, 2024, to shareholders of record as of the close of business on November 6, 2024.

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, 2023 through September 30, 2024 and on our results of operations for the three and nine months ended September 30, 2024 and 2023. This discussion and analysis should be read in conjunction with our audited consolidated financial statements and notes thereto in the Company's 2023 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. 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:

- the impact of current and future economic and market conditions generally (including seasonality) and in the financial services industry, nationally and within our primary market areas, including the effects of inflationary pressures, changes in interest rates (including the impact of prolonged elevated interest rates on our financial projections and models), slowdowns in economic growth, and the potential for high unemployment rates, as well as the financial stress on borrowers and changes to customer and client behavior (including the velocity of loan repayment) and credit risk as a result of the foregoing

- changes in interest rate environment (including changes to the federal funds rate, the level and composition of deposits (as well as the cost of, and competition for, deposits), loan demand, liquidity and the values of loan collateral, securities and market fluctuations, and interest rate sensitive assets and liabilities), and competition in our markets may result in increased funding costs or reduced earning assets yields, thus reducing our margins and net interest income;

- our ability to comply with applicable capital and liquidity requirements, including our ability to generate liquidity internally or raise capital on favorable terms, including continued access to the debt and equity capital markets;

- 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 prolonged elevated interest rates 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 and credit quality of our borrowers and the success of various projects that we finance;

- concentration of our loan portfolio in real estate loans and changes in the prices, values and sales volumes of commercial and residential real estate;

- weakness in the real estate market, which can affect, among other things, the value of collateral securing mortgage loans, mortgage loan originations and delinquencies, and mortgage fee income;

- credit and lending risks associated with our construction and development, commercial real estate, commercial and industrial and residential real estate loan portfolios;
- factors that negatively impact our mortgage banking services, including declines in our mortgage originations or profitability due to rising or elevated interest rates and increased competition and regulation, the Bank’s or third party’s failure to satisfy mortgage servicing obligations, loan modifications, the effects of judicial or regulatory requirements or guidance, and the possibility of the Bank being required to repurchase mortgage loans or indemnify buyers;
- 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;
- our ability to successfully manage our credit risk and the sufficiency of our allowance for credit losses ("ACL");
- the adequacy of our reserves (including ACL) and the appropriateness of our methodology for calculating such reserves;
- adverse developments in the banking industry highlighted by high-profile bank failures and the impact of such developments on customer confidence, liquidity and regulatory responses to these developments (including increases in the cost of our deposit insurance assessments and increased regulatory scrutiny), our ability to effectively manage our liquidity risk and any growth plans and the availability of capital and funding;
- 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, Alabama, Florida and neighboring markets;
- our focus on small and mid-sized businesses;
- our ability to manage our growth;
- our ability to increase our operating efficiency;
- 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;
- 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 (including by virtue of our relationships with third party business partners, as well as our relationships with third party vendors and other service providers), strategic risk, reputational risk and other risks inherent to the business of banking;
- our ability to maintain expenses in line with current projections;
- 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 as a result of the United States presidential election and, including the interest rate policies of the Federal Reserve), the possibility that the U.S. could default on its debt obligations, 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;
- 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 prevent, identify and address cyber-security risks (which may be exacerbated by the development of generative artificial intelligence), fraud and systems errors;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems, and the cost of defending against them and any reputational or other financial risks following such a cybersecurity incident;
- our business relationships with, and reliance upon, third parties that have strategic partnerships with us or that provide key components of our business infrastructure, including the costs of services and products provided to us by third parties, and disruptions in service, security breaches, financial difficulties with or other adverse events affecting a third-party vendor or business relationship;
- 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, including the risk that the regulatory environment may not be conducive to or may prohibit the consummation of future mergers and/or business combinations, may increase the length of time and amount of resources required to consummate such transactions, and may reduce the anticipated benefit;
- 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 institution and outcome of litigation and other legal proceedings against us or to which we may become subject to;
- the impact of recent and future legislative and regulatory changes;
- examinations by our regulatory authorities;

- the effects of war or other conflicts (including the military conflict between Russia and Ukraine or the conflict in Israel and surrounding areas), acts of terrorism, acts of God, natural disasters, health emergencies, epidemics or pandemics, climate changes, or other catastrophic events that may affect general economic conditions;

- risks related to environmental, social and governance ("ESG") strategies and initiatives, the scope and pace of which could alter the Company's reputation and shareholder, associate, customer and third-party affiliations;

- a deterioration of the credit rating for U.S. long-term sovereign debt, actions that the U.S. government may take to avoid exceeding the debt ceiling, and uncertainties surrounding the debt ceiling and the federal budget; and

- other risks and factors identified in our 2023 Form 10-K, this Quarterly Report on Form 10-Q for the period ended September 30, 2024, 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, 2024 and December 31, 2023, and results of operations for the three and nine month periods ended September 30, 2024 and 2023. 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, 2024, the Company had total consolidated assets of $3.1 billion, total loans, net of $1.9 billion, total deposits of $2.5 billion, and stockholders’ equity of $276.1 million. The Company reported net income of $5.6 million, or $0.32 per diluted share, for the three months ended September 30, 2024 and $16.4 million, or $0.94 per diluted share, for the first nine months of 2024 compared to net income of $5.8 million, or $0.33 per diluted share, for the three months ended September 30, 2023 and $16.1 million, or $0.92 per diluted share, for the first nine months of 2023. The decrease in net income for the three months ended September 30, 2024 compared to the three months ended September 30, 2023 was primarily a result of the increase in interest expense that more than offset the increase in interest income due to higher interest rates period over period. The increase in net income for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023 was primarily the result of increased net interest income as detailed above along with increases in noninterest income from service charges on deposits, gains on sales of SBA loans and increases in our complementary lines of business which include mortgage, small business specialty lending, marine/RV lending, insurance and wealth and merchant services.

Net interest income on a tax equivalent basis was $18.7 million for the third quarter of 2024 compared to $19.8 million for the third quarter of 2023, a decrease of $1.1 million. Net interest income on a tax equivalent basis for the nine months ended September 30, 2024 was $56.1 million, compared to $59.9 million for the nine months ended September 30, 2023, a decrease of $3.9 million. Increases can be seen in income on interest earning assets which is more than offset by increases in expenses on interest bearing liabilities due to the significant rise in interest rates period over period. Income on interest earning assets increased $2.0 million to $34.8 million for the third quarter of 2024 compared to the respective period in 2023. Expense on interest bearing liabilities increased $3.1 million to $16.1 million for the third quarter of 2024 compared to the respective period in 2023. Income on interest earning assets increased $9.5 million to $101.8 million for the first nine months of 2024 compared to the respective period in 2023. Expense on interest bearing liabilities increased $13.3 million to $45.6 million for the first nine months of 2024 compared to the respective period in 2023.

Provision for credit losses for the three and nine months ended September 30, 2024 was $750,000 and $2.4 million, which represents $996,000 and $2.8 million in provision for credit losses on loans and $246,000 and $362,000 in release of credit losses on unfunded commitments, respectively. This is compared to $1.0 million and $2.1 million for the three and nine months ended September 30, 2023, which represents $1.0 million and $2.2 million in provision for credit losses on loans and $0 and $91,000 in release of credit losses on unfunded commitments, respectively. For the third quarter of 2024, there were net charge-offs of $139,000 compared to $698,000 for the same period in 2023. Net charge-offs for the first nine months of 2024 were $1.5 million compared to $898,000 for the same period in 2023. Colony's allowance for credit losses on loans was $19.7 million, or 1.04% of total loans at September 30, 2024, compared to $18.4 million, or 0.98% of total loans, at December 31, 2023. At September 30, 2024 and December 31, 2023, nonperforming assets were $12.5 million and $10.7 million, or 0.41% and 0.35% of total assets, respectively.

Noninterest income of $10.1 million for the third quarter of 2024 represents an increase of $364,000, or 3.75%, from the third quarter of 2023. Noninterest income of $29.1 million for the nine months ended September 30, 2024 represents an increase of $2.7 million, or 10.40%, compared to the same period of 2023. These increases were primarily related to increases in service charges on deposits, gain on sales of SBA loans and BOLI income which were partially offset by decreases in interchange fee income and losses on sales of securities. See "Table 3 - Noninterest income" for more detail and discussion on the primary drivers to the variances in noninterest income.

For the three months ended September 30, 2024, noninterest expense was $20.8 million, a decrease of $46,000, or 0.22%, from the same period in 2023. For the nine months ended September 30, 2024, noninterest expense was $61.6 million, a decrease of $1.9 million, or 3.02%, from the same period in 2023. Decreases in noninterest expense were a result of decreases in occupancy and equipment expenses, communications expenses and deposit related expenses which were partially offset by an increase in advertising and public relation expenses. See "Table 4 - Noninterest expense" for more detail and discussion on the primary drivers to the decrease in noninterest expense.

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 credit 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, 2023, which are included in the Company's 2023 Form 10-K should be reviewed for a greater understanding of how we record and report our financial performance. Other than our methodology for estimating allowance for credit losses (mentioned below), 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, 2023, which are included in the Company's 2023 Form 10-K.

Allowance for Credit Losses

A consequence of lending activities is that we may incur credit losses. The amount of such losses will vary depending upon the risk characteristics of the loan lease portfolio as affected by economic conditions such as rising interest rates and the financial performance of borrower.

The allowance for credit losses consists of the allowance for credit losses ("ACL") and the allowance for unfunded commitments. The standard replaced the "incurred loss" approach, which was used prior to our adoption of ASU No. 2016-13 on January 1, 2023, with an "expected loss" approach known as the Current Expected Credit Losses ("CECL"). The CECL approach requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). It removes the incurred loss approach's threshold that delayed the recognition of a credit loss until it was "probable" a loss event was "incurred."

The estimate of expected credit losses under the CECL approach is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. We then consider whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the period from which historical experience was used. Finally, we consider forecasts about future economic conditions that are reasonable and supportable. The allowance for unfunded commitments represents the expected credit losses on off-balance sheet commitments such as unfunded commitments to extend credit. This allowance is estimated by loan segment at each balance sheet date under the CECL model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur.

Management's evaluation of the appropriateness of the reserve for credit losses is often the most critical of accounting estimates for a financial institution. Our determination of the amount of the reserve for credit losses is a critical accounting estimate as it requires significant reliance on the credit risk rating we assign to individual borrowers, the use of estimates and significant judgment as to the amount and timing of expected future cash flows, reliance on historical loss rates on homogenous portfolios, consideration of our quantitative and qualitative evaluation of economic factors, and the reliance on our reasonable and supportable forecasts. The reserve for credit losses attributable to each portfolio segment also includes an amount for inherent risks not reflected in the historical analyses. Relevant factors include, but are not limited to, concentrations of credit risk (geographic, large borrower, and industry), local/regional economic trends and conditions, changes in underwriting standards, changes in collateral values, experience and depth of lending staff, trends in delinquencies, and the volume and terms of loans.

Recent Industry Developments

During 2023, the banking industry experienced significant volatility with multiple high-profile bank failures which led to industry wide concerns related to liquidity, deposit outflows, uninsured deposit concentrations, unrealized securities losses and eroding consumer confidence in the banking system, which has begun to soften in 2024. These negative industry developments did not impact the Company's liquidity position and our balance sheet remains robust. The Company's total deposits did experience a minimal decline of 0.78% as compared to December 31, 2023, to $2.52 billion at September 30, 2024 which was due to wholesale deposit payoffs. The Company's uninsured deposits represented 31.64% of total Bank deposits at September 30, 2024 compared to 30.22% of total Bank deposits at December 31, 2023. The Company continues to maintain strong liquidity with available sources of funding of approximately $1.3 billion at September 30, 2024. Furthermore, the Company's capital remains strong with common equity Tier 1 and total capital ratios of 12.51% and 16.48%, respectively, as of September 30, 2024.

Results of Operations

We reported net income and diluted earnings per share of $5.6 million and $0.32, respectively, for the third quarter of 2024. This compares to net income and diluted earnings per share of $5.8 million and $0.33, respectively, for the same period in 2023. We reported net income and diluted earnings per share of $16.4 million and $0.94, respectively, for the first nine months of 2024. This compares to net income and diluted earnings per share of $16.1 million and $0.92, respectively, for the same period in 2023.

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: net interest spread and net interest margin. 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 2024 and 2023 was $18.7 million and $19.8 million, respectively. This decrease quarter over quarter can be seen in increases in rates paid on deposits and other borrowings which outpaced the increases in rates and volume on loans and deposits in banks. The net interest margin for the third quarter of 2024 and 2023 was 2.64% and 2.78%, respectively. This decrease in net interest margin for the third quarter of 2024 compared to the same period in 2023 is primarily a result of the increase in higher yields paid on deposits that outpaced the increase in rates on loans and deposits in banks. Fully taxable equivalent net interest income for the nine months ended September 30, 2024 and 2023 was $56.1 million and $59.9 million, respectively. This decrease quarter over quarter can be seen in increases in rates paid on deposits and other borrowings which outpaced the increases in rates and volume on loans and deposits in banks. The net interest margin for the nine months ended September 30, 2024 compared to the same period in 2023 was 2.67% and 2.87%, respectively. This decrease in net interest margin is primarily a result of the increase in higher yields paid on deposits that outpaced the increase in rates on loans and deposits in banks. While we had anticipated margin expansion in the second half of the year, we did not see it materialize in the third quarter of 2024. However, we believe that the margin has now reached its lowest point and we are optimistic about seeing improvement going forward as changes in the rate environment and easing from the Federal Reserve will allow us to relieve pressure on our funding costs.

The following tables indicates 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, average assets decreased and average liabilities increased for the three months ended September 30, 2024 compared to the same period in 2023. The decrease in average assets was primarily driven by the decrease in investment securities of $52.5 million, which was partially offset by an increase in deposits in banks of $10.3 million and the loan portfolio of $32.6 million. The increase in average liabilities was primarily attributed to an increase in borrowings of $25.2 million as well as an increase in interest bearing deposits of $8.3 million. For the nine months ended September 30, 2024, both average assets and average liabilities increased compared to the same period in 2023. The increase in average assets was primarily driven by the increase in the loan portfolio and deposits in banks of $71.5 million and $6.4 million, respectively, partially offset by a decrease in investment securities of $59.3 million. The increase in average liabilities was funded through an increase in interest bearing deposits of $52.6 million along with a slight increase in borrowings of $1.8 million. The net interest spread, as well as the net interest margin, will continue to 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 2.26% in the third quarter of 2023 to 2.76% in the third quarter of 2024. The yield on total interest-bearing liabilities increased from 1.94% for the nine months ended September 30, 2024 to 2.66% for the nine months ended September 30, 2023. These increases were primarily due to increases in the federal funds interest rate of an additional 100 basis points during the first nine months of 2023.

Table 1 - Average Balance Sheet and Net Interest Analysis

	Three Months Ended September 30,					
	2024			2023		
(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)]	$ 1,916,375	$ 28,560	5.93 %	$ 1,883,811	$ 26,075	5.49 %
Investment securities, taxable	719,669	4,852	2.68	761,540	5,288	2.75
Investment securities, tax-exempt[(2)]	95,464	501	2.09	106,136	610	2.28
Deposits in banks and short term investments	88,563	855	3.84	78,295	787	3.99
Total interest-earning assets	$ 2,820,071	$ 34,768	4.90 %	$ 2,829,782	$ 32,760	4.59 %
Noninterest-earning assets	218,876			228,703		
Total assets	$ 3,038,947			$ 3,058,485		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	$ 1,460,011	$ 7,342	2.00 %	$ 1,382,638	$ 4,455	1.28 %
Other time	603,391	5,812	3.83	672,442	5,883	3.47
Total interest-bearing deposits	2,063,402	13,154	2.54	2,055,080	10,338	2.00
Federal funds purchased	2	—	5.92	764	11	5.93
Federal Home Loan Bank advances	185,000	1,913	4.11	155,652	1,569	4.00
Other borrowings	63,001	996	6.29	66,342	1,041	6.22
Total other interest-bearing liabilities	248,003	2,909	4.67	222,758	2,621	4.67
Total interest-bearing liabilities	$ 2,311,405	$ 16,063	2.76 %	$ 2,277,838	$ 12,959	2.26 %
Noninterest-bearing liabilities:						
Demand deposits	440,699			509,946		
Other liabilities	18,074			31,130		
Stockholders' equity	268,769			239,571		
Total noninterest-bearing liabilities and stockholders' equity	727,542			780,647		
Total liabilities and stockholders' equity	$ 3,038,947			$ 3,058,485		
Interest rate spread			2.14 %			2.33 %
Net interest income		$ 18,705			$ 19,801	
Net interest margin			2.64 %			2.78 %

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 $59,000 and $54,000 for the three months ended September 30, 2024 and 2023, respectively, are calculated using the statutory federal tax rate and are included in income and fees on loans. Accretion income of $25,000 and $36,000 for the three months ended September 30, 2024 and 2023 are also included in income and fees on loans.

2. Taxable-equivalent adjustments totaling $105,000 and $128,000 for the three months ended September 30, 2024 and 2023, respectively, are included in tax-exempt interest on investment securities.

	Nine Months Ended September 30,					
	2024			2023		
(dollars in thousands)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets						
Interest-earning assets:						
Loans, net of unearned income[3]	$ 1,904,906	$ 83,365	5.85 %	$ 1,833,405	$ 72,403	5.28 %
Investment securities, taxable	726,462	14,511	2.67	779,940	16,167	2.77
Investment securities, tax-exempt[4]	100,789	1,652	2.19	106,599	1,837	2.30
Deposits in banks and short term investments	74,255	2,232	4.01	67,828	1,853	3.65
Total interest-earning assets	$ 2,806,412	$ 101,760	4.84 %	$ 2,787,772	$ 92,260	4.42 %
Noninterest-earning assets	222,135			224,985		
Total assets	$ 3,028,547			$ 3,012,757		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	$ 1,454,287	$ 20,534	1.89 %	$ 1,388,248	$ 10,201	0.98 %
Other time	597,623	16,817	3.76	611,032	13,692	3.00
Total interest-bearing deposits	2,051,910	37,351	2.43	1,999,280	23,893	1.60
Federal funds purchased	5	—	5.94	3,703	146	5.29
Federal Home Loan Bank advances	173,540	5,306	4.08	161,099	5,140	4.27
Other borrowings	63,241	2,989	6.31	70,234	3,164	6.02
Total other interest-bearing liabilities	236,786	8,295	4.68	235,036	8,450	4.81
Total interest-bearing liabilities	$ 2,288,696	$ 45,646	2.66 %	$ 2,234,316	$ 32,343	1.94 %
Noninterest-bearing liabilities:						
Demand deposits	461,336			526,469		
Other liabilities	16,869			13,897		
Stockholders' equity	261,646			238,075		
Total noninterest-bearing liabilities and stockholders' equity	739,851			778,441		
Total liabilities and stockholders' equity	$ 3,028,547			$ 3,012,757		
Interest rate spread			2.18 %			2.48 %
Net interest income		$ 56,114			$ 59,917	
Net interest margin			2.67 %			2.87 %

3 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 $163,000 and $162,000 for the six months ended September 30, 2024 and 2023, respectively, are calculated using the statutory federal tax rate and are included in income and fees on loans. Accretion income of $35,000 and $160,000 for the six months ended September 30, 2024 and 2023 are also included in income and fees on loans.

4 Taxable-equivalent adjustments totaling $347,000 and $386,000 for the six months ended September 30, 2024 and 2023, respectively, are included in tax-exempt interest on investment securities.

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 three and nine month periods ended September 30, 2024 compared to the three and nine month periods ended September 30, 2023.

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

	Three Months Ended September 30, 2024 Compared to Three Months Ended September 30, 2023 Increase (Decrease) Due to Changes in			Nine Months Ended September 30, 2024 Compared to Nine Months Ended September 30, 2023 Increase (Decrease) Due to Changes in		
(dollars in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest-earning assets:						
Loans, net of unearned fees	$ 1,788	$ 697	$ 2,485	$ 3,775	$ 7,187	$ 10,962
Investment securities, taxable	(1,151)	715	(436)	(1,481)	(175)	(1,656)
Investment securities, tax-exempt	(243)	134	(109)	(134)	(51)	(185)
Deposits in banks and short term investments	410	(342)	68	235	144	379
Total interest-earning assets (FTE)	804	1,204	2,008	2,395	7,105	9,500
Interest-bearing liabilities:						
Interest-Bearing Demand and Savings Deposits	990	1,897	2,887	647	9,686	10,333
Time Deposits	(2,396)	2,325	(71)	(402)	3,527	3,125
Federal funds purchased	(45)	34	(11)	(196)	50	(146)
Federal Home Loan Bank Advances	1,174	(830)	344	531	(365)	166
Other Borrowed Money	(208)	163	(45)	(421)	246	(175)
Total interest-bearing liabilities	(485)	3,589	3,104	159	13,144	13,303
Increase in net interest income (FTE)	$ 1,289	$ (2,385)	$ (1,096)	$ 2,236	$ (6,039)	$ (3,803)

Provision for Credit Losses

The provision for credit losses recorded in each period is based on the amount required such that the total allowance for credit losses reflects the appropriate balance, in the estimation of management, sufficient to cover expected credit losses over the expected life of a loan exposure and unfunded commitments where the likelihood is that funding will occur. Provision for credit losses for the three and nine months ended September 30, 2024 was $750,000 and $2.4 million, respectively, compared to $1.0 million and $2.1 million, respectively, for the same period in 2023. The provision for credit losses for the three and nine months ended September 30, 2024 includes $996,000 and $2.8 million, respectively, in credit losses on loans and $246,000 and $362,000, respectively, in release of credit losses on unfunded commitments. The provision for credit losses for the three and nine months ended September 30, 2023 includes $1.0 million and $2.2 million, respectively, in credit losses on loans and $0 and $91,000, respectively, in release of credit losses on unfunded commitments. See the section captioned “Loans and Allowance for Credit Losses” elsewhere in this discussion for further analysis of the provision for credit losses.

Noninterest Income

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

Table 3 - Noninterest Income

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(dollars in thousands)	**2024**	**2023**	**Amount**	**Percent**	**2024**	**2023**	**Amount**	**Percent**
Service charges on deposits	$ 2,401	$ 2,200	$ 201	9.1 %	$ 7,062	$ 6,140	$ 922	15.0 %
Mortgage fee income	1,812	1,730	82	4.7	4,503	4,928	(425)	(8.6)
Gain on sales of SBA loans	2,227	1,268	959	75.6	6,620	3,429	3,191	93.1
Loss on sales of securities	(454)	—	(454)	(100.0)	(1,434)	—	(1,434)	(100.0)
Interchange fees	2,163	2,202	(39)	(1.8)	6,269	6,401	(132)	(2.1)
BOLI income	383	335	48	14.3	1,314	1,024	290	28.3
Insurance commissions	433	509	(76)	(14.9)	1,318	1,421	(103)	(7.2)
Other noninterest income	1,117	1,474	(357)	(24.2)	3,414	2,986	428	14.3
Total noninterest income	$ 10,082	$ 9,718	$ 364	3.7 %	$ 29,066	$ 26,329	$ 2,737	10.4 %

Noninterest income increased for the three and nine month periods ended September 30, 2024 as compared to the same periods in 2023. The increases in both periods is a result of increases in service charges on deposits, gain on sales of SBA loans and BOLI income which were partially offset by decreases in interchange fee income and losses on sales of securities.

Service charges on deposits. For the three and nine months ended September 30, 2024, service charges on deposits experienced increases compared to the same periods ended September 30, 2023. These increases in service charges on deposits can be attributed to the Company's ability to maintain a strong deposit base despite the challenging rate environment.

Mortgage Fee Income. For the three and nine months ended September 30, 2024, mortgage fee income increased and decreased, respectively, as compared to the same periods ended September 30, 2023. The three month increase in mortgage fee income was the result of improved mortgage production during the third quarter of 2024. The nine month decrease in mortgage fee income was the result of decreases in mortgage production which can be partially attributed to the Federal Reserve's decision to leave interest rates unchanged until the end of the third quarter of 2024.

*Gain on sales of SBA loan*s. For the three and nine months ended September 30, 2024, net realized gains on the sale of the guaranteed portion of SBA loans increased as compared to the same periods ended September 30, 2023. These increases are related to increased production and sales in the Small Business Specialty Lending division which hit its highest mark in five consecutive quarters during the first quarter of 2024 and continues to perform at a high level.

BOLI income. For the three and nine months ended September 30, 2024, BOLI income was higher when compared to the same periods ended September 30, 2023. These increases are primarily related to income from the payout of death benefits during the first quarter of 2024.

Interchange fees. For the three and nine months ended September 30, 2024, interchange fee income was slightly lower than the same periods ended September 30, 2023. These minimal decreases in interchange fees are the result of customer use of our card programs whose buying habits can fluctuate between periods.

Insurance commissions. For the three and nine months ended September 30, 2024, insurance commissions decreased slightly compared to the same periods ended September 30, 2023. These variances are volume driven by activity in the Company's insurance division.

Other noninterest income. For the three and nine months ended September 30, 2024, other noninterest income decreased and increased, respectively, as compared to the same periods ended September 30, 2023. The decrease in other noninterest income for the three month period ended September 30, 2024 was primarily due to a decline in commissions received from our partnership with Innovation Refunds related to the Employee Retention Credit as well as recording a loss on the sale of assets in the third quarter of 2024 compared to a gain on the sale of assets in the third quarter of 2023. The increase in other noninterest income for the nine month period ended September 30, 2024 was primarily attributable to increases in wealth advisory and merchant services, gains on sales of other real estate along with increases in SBA servicing and other related fee income, partially offset by a writedown of Bank premises in the second quarter of 2024.

Noninterest Expense

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

Table 4 - Noninterest Expense

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
(dollars in thousands)	2024	2023	Amount	Percent	2024	2023	Amount	Percent
Salaries and employee benefits	$ 12,594	$ 11,973	$ 621	5.2 %	$ 36,889	$ 37,929	$ (1,040)	(2.7)%
Occupancy and equipment	1,523	1,620	(97)	(6.0)	4,505	4,740	(235)	(5.0)
Information technology expenses	2,150	2,064	86	4.2	6,487	6,406	81	1.3
Professional fees	748	752	(4)	(0.5)	2,286	2,348	(62)	(2.6)
Advertising and public relations	965	766	199	26.0	2,892	2,432	460	18.9
Communications	210	224	(14)	(6.3)	652	710	(58)	(8.2)
Other noninterest expense	2,645	3,482	(837)	(24.0)	7,851	8,913	(1,062)	(11.9)
Total noninterest expense	$ 20,835	$ 20,881	$ (46)	(0.2)%	$ 61,562	$ 63,478	$ (1,916)	(3.0)%

Noninterest expense decreased for the three and nine months ended September 30, 2024 compared to the same periods in 2023.

Salaries and employee benefits. Salaries and employee benefits for the three and nine months ended September 30, 2024 increased and decreased, respectively, as compared to the same periods ended September 30, 2023. The increase in salaries and employee benefits expenses for the three month comparison is a result of an increase in FAS91-deferred costs due to accelerated marine/RV lending costs and the increase in Upstart costs. The decrease in salaries and employee benefits expenses for the nine month comparison is related to the Company's expense reduction initiative in 2023 which lowered total number of employees period over period.

Information technology expenses. Information technology expenses increased slightly for the three and nine months ended September 30, 2024 compared to the same periods ended September 30, 2023. These increases relate primarily to an increase in software expenses.

Professional fees. Professional fees decreased for the three and nine months ended September 30, 2024 compared to the same periods ended September 30, 2023. These decreases are the result of decreased legal fees partially offset by increased audit and consulting fees.

Advertising and public relations. Advertising and public relations expenses increased for the three and nine months ended September 30, 2024 compared to the same periods ended September 30, 2023. The increase for the three month period comparison is related to increased marketing and advertising expenses. The increase for the nine month period comparison can be attributed to a donation in the second quarter of 2024 to Colony Museum, an organization in Fitzgerald, Georgia that Colony Bank helped to establish along with increased marketing and advertising expenses..

Communications. Communications expenses decreased for the three and nine months ended September 30, 2024 compared to the same periods ended September 30, 2023. The changes in each period are related to fluctuations in data circuit fees and postage and freight charges.

Other noninterest expense. Other noninterest expense decreased for the three and nine months ended September 30, 2024 as compared to the same periods ended September 30, 2023. These decreases relate primarily to decreases in deposit related costs, amortization of intangibles and printing and supplies expenses which are partially offset by increased loan related costs.

Income Tax Expense

Income tax expense for the three and nine months ended September 30, 2024 was $1.4 million and $4.3 million, respectively, compared to $1.7 million and $4.0 million, respectively, for the same periods in 2023. The Company’s effective tax rate for the three and nine months ended September 30, 2024 was 20.0% and 20.6%, respectively, compared to 22.2% and 19.7%, respectively, for the three and nine months ended September 30, 2023. The largest driver of the difference is the tax-exempt income primarily from BOLI and tax exempt interest. Also, in both the first quarter of 2024 and 2023, the Company experienced a favorable tax impact from the donation made to the Georgia Scholarship Program.

Balance Sheet Review

Total assets remained constant at $3.1 billion for both September 30, 2024 and December 31, 2023.

Loans and Allowance for Credit Losses

At September 30, 2024, gross loans outstanding (excluding loans held for sale) were $1.89 billion, an increase of $2.6 million, or 0.14%, compared to $1.88 billion at December 31, 2023.

At September 30, 2024, approximately 64.1% of our loans were secured by commercial real estate. Our total commercial real estate loans have decreased slightly since December 31, 2023 as well as our residential real estate and commercial, financial & agricultural loans while increases can be seen in consumer lending which is driven by our marine and RV division. These movements are largely due to the sale of portfolio mortgages and credit related payoffs of a limited number of loans, along with the general slowdown in loan production over the past several quarters. We continue to maintain competitive loan pricing and tightened credit standards.

The following table presents a summary of the loan portfolio as of September 30, 2024 and December 31, 2023.

Table 5 - Loans Outstanding

(dollars in thousands)	**September 30, 2024**	**December 31, 2023**
Construction, land & land development	$ 196,390	$ 247,146
Other commercial real estate	1,012,466	974,375
Total commercial real estate	1,208,856	1,221,521
Residential real estate	349,777	356,234
Commercial, financial & agricultural	242,389	242,756
Consumer and other	85,015	62,959
Total loans	$ 1,886,037	$ 1,883,470

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 credit 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 credit losses. The Company focuses on the following loan categories: (1) construction, land & land development; (2) other commercial real estate; (3) residential real estate; (4) commercial, financial & agricultural; and (5) consumer and other.

The allowance for credit losses for loans is a reserve established through charges to earnings in the form of a provision for credit losses. The provision for credit losses for loans is based on management's evaluation of the size and composition of the loan portfolio, the level of nonperforming 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 credit losses for loans which it believes is adequate to cover expected credit losses over the expected life of a loan exposure and unfunded commitments where the likelihood is that funding will occur. Based on a credit evaluation of the loan portfolio, management presents a quarterly review of the allowance for credit losses for loans and allowance for credit losses on unfunded commitments 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 credit losses on loans.

The allowance for credit losses on loans 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 reasonable and supportable forecasts of 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 credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. The ACL is calculated using the same aggregate reserve rates calculated for the funded portion of loans at the portfolio level applied to the amount of commitments expected to fund.

The allowance for credit losses on loans was $19.7 million at September 30, 2024 compared to $17.4 million at September 30, 2023, an increase of $2.3 million, or 13.2%. The allowance for credit losses on loans as a percentage of loans was 1.04% and 0.93% at September 30, 2024 and 2023, respectively. The provision for credit losses was $750,000 compared to $1,000,000 for the three months ended September 30, 2024 and September 30, 2023, respectively. The provision for credit losses for the quarter ended September 30, 2024 includes $996,000 in credit losses on loans and a release of $246,000 in credit losses on unfunded commitments. The provision for credit losses for the quarter ended September 30, 2023 includes $1.0 million in credit losses on loans and a release of $0 in credit losses on unfunded commitments. The provision for credit losses was $2.4 million compared to $2.1 million for the nine months ended September 30, 2024 and 2023, respectively. The provision for credit losses for the nine months ended September 30, 2024 includes $2.8 million in credit losses on loans and a release of $362,000 in credit losses on unfunded commitments. The provision for credit losses for the nine months ended September 30, 2023 includes $2.2 million in credit losses on loans and a release of $91,000 in credit losses on unfunded commitments. The amount of provision expense recorded in each period was the amount required such that the total allowance for credit losses reflected the appropriate balance, in the estimation of management, that was sufficient to cover expected credit losses on loans over the expected life of a loan exposure and unfunded commitments where the likelihood is that funding will occur.

Additional information about the Company’s allowance for credit losses is provided in Note 4 to our consolidated financial statements as of September 30, 2024, included elsewhere in this Quarterly Report on Form 10-Q.

The following table presents an analysis of the allowance for credit losses on loans as of and for the nine months ended September 30, 2024 and 2023:

Table 6 - Analysis of Allowance for Credit Losses on Loans

	September 30, 2024		September 30, 2023	
(dollars in thousands)	**Reserve**	**%***	**Reserve**	**%***
Construction, land & land development	$ 1,294	10.4 %	$ 2,215	13.2 %
Other commercial real estate	7,046	53.7 %	8,720	52.0 %
Residential real estate	6,095	18.5 %	2,773	18.2 %
Commercial, financial & agricultural	2,891	12.9 %	3,020	13.5 %
Consumer and other	2,337	4.5 %	640	3.1 %
	$ 19,663	100 %	$ 17,368	100 %

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

The following table presents a summary of allowance for credit loss for the three and nine months ended September 30, 2024 and 2023.

Table 7 - Summary of Allowance for Credit Losses on Loans

	Three Months Ended		Nine Months Ended	
(dollars in thousands)	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Allowance for credit losses on loans - beginning balance	$ 18,806	$ 17,066	$ 18,371	$ 16,128
Adoption of ASU 2016-13	—	—	—	(53)
Charge-offs:				
Construction, land & land development	—	—	—	—
Other commercial real estate	—	—	20	—
Residential real estate	9	—	349	—
Commercial, financial & agricultural	85	714	1,099	1,157
Consumer and other	215	14	466	17
Total charge-offs	309	728	1,934	1,174
Recoveries:				
Construction, land & land development	13	1	15	9
Other commercial real estate	25	8	43	33
Residential real estate	45	3	252	40
Commercial, financial & agricultural	76	13	135	180
Consumer and other	11	5	19	14
Total recoveries	170	30	464	276
Net charge-offs	139	698	1,470	898
Provision for credit losses on loans	996	1,000	2,762	2,191
Allowance for credit losses on loans- ending balance	$ 19,663	$ 17,368	$ 19,663	$ 17,368
Net charge-offs to average loans (annualized)	0.03 %	0.15 %	0.10 %	0.07 %
Allowance for credit losses on loans to total loans	1.04	0.93	1.04	0.93
Allowance to nonperforming loans	160.40	187.44	160.40	187.44

Management believes the allowance for credit losses for loans is adequate to provide for losses expected in the loan portfolio as of September 30, 2024.

Nonperforming Assets

Asset quality experienced a slight decline during the first nine months of 2024. 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 $12.2 million at September 30, 2024, an increase of $2.4 million, or 24.1%, from $9.8 million at December 31, 2023. There was one loan contractually past due 90 days or more and still accruing totaling $44,000 at September 30, 2024 and one loan totaling $370,000 at December 31, 2023. There was $9,000 in repossessed personal property at September 30, 2024 and none at September 30, 2023. OREO totaled $227,000 at September 30, 2024 compared to $448,000 at December 31, 2023. As of September 30, 2024, total nonperforming assets as a percent of total assets increased to 0.41% compared with 0.35% at December 31, 2023. The increase in nonperforming assets was primarily the result of one commercial, financial & agriculture loan of $1.1 million and one other commercial real estate relationship of $2.0 million along with several SBSL government guaranteed loans in various call codes partially offset by repayments, payoffs and charged off loans.

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 credit losses on loans. 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, 2024 and December 31, 2023 were as follows:

Table 8 - Nonperforming Assets

(dollars in thousands)	**September 30, 2024**	**December 31, 2023**
Nonaccrual loans	$ 12,215	$ 9,839
Loans past due 90 days and accruing	44	370
Other real estate owned	227	448
Repossessed assets	9	—
Total nonperforming assets	$ 12,495	$ 10,657
Nonaccrual loans by loan segment		
Construction, land & land development	$ —	$ 85
Commercial real estate	5,380	4,219
Residential real estate	1,486	3,561
Commercial, financial & agricultural	5,327	1,956
Consumer & other	22	18
Total nonaccrual loans	$ 12,215	$ 9,839
NPAs as a percentage of total loans and OREO	0.66 %	0.57 %
NPAs as a percentages of total assets	0.41 %	0.35 %
Nonaccrual loans as a percentage of total loans	0.65 %	0.52 %

The Company had ten loans modified due to financial difficulty during the nine month period ended September 30, 2024. See Note 3 - Loans, included elsewhere in this Quarterly Report on Form 10-Q for additional details on loan modifications.

Deposits

Deposits at September 30, 2024 and December 31, 2023 were as follows:

Table 9 - Deposits

(dollars in thousands)	September 30, 2024	December 31, 2023
Noninterest-bearing deposits	$ 439,892	$ 498,992
Interest-bearing deposits	769,123	759,299
Savings	684,371	660,311
Time, $250,000 and over	198,942	167,680
Other time	432,642	458,508
Total deposits	$ 2,524,970	$ 2,544,790

Total deposits decreased $19.8 million to $2.52 billion at September 30, 2024 from $2.54 billion at December 31, 2023. As of September 30, 2024, 17.4% of total deposits were comprised of noninterest-bearing accounts and 82.6% were comprised of interest-bearing deposit accounts, compared to 19.6% and 80.4% as of December 31, 2023, respectively. The overall decrease in our deposits was primarily the result of a decrease in brokered deposits due to the Company's proactive management of our balance sheet position. In addition, noninterest-bearing deposits decreased due to customer cash flow needs along with movement from noninterest-bearing products to interest-bearing products due to interest rates remaining at a higher level longer than had been expected.

We had $71.0 million and $93.6 million in brokered deposits at September 30, 2024 and December 31, 2023, 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.

The Company's estimated uninsured deposits were $809.2 million at September 30, 2024, or 31.64% of total Bank deposits compared to $777.8 million at December 31, 2023, or 30.22% of total Bank deposits. Adjusted uninsured deposit estimate (which excludes deposits collateralized by public funds and internal accounts) were $463.0 million at September 30, 2024, or 18.11% of total Bank deposits compared to $453.1 million at December 31, 2023, or 17.60% of total Bank deposits. Adjusted uninsured deposits represent a small percentage of our overall deposits, which increases the stability of our deposit base and lowers our overall funding risk.

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 8 to our consolidated financial statements as of September 30, 2024, 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, 2024 and December 31, 2023.

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 FHLB 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, 2024 and December 31, 2023, respectively.

Cash and cash equivalents at September 30, 2024 and December 31, 2023 were $144.9 million and $83.3 million, respectively. Cash and cash equivalents have increased since year end 2023, primarily due to sales and paydowns of AFS investment securities. 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.

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, 2024 and December 31, 2023, we had $185.0 million and $175.0 million, respectively, of outstanding advances from the FHLB. Based on the values of loans pledged as collateral, we had $564.3 million and $596.2 million of additional borrowing availability with the FHLB at September 30, 2024 and December 31, 2023, respectively.

Other sources of liquidity include overnight borrowings from the Federal Reserve Discount Window of $118.8 million of which there was no outstanding balance at September 30, 2024. The Company also had unencumbered securities of $435.1 million, $117.1 million in FRB Reserves and $26.3 million in other cash and due from banks as of September 30, 2024. Unencumbered investment securities provide the ability to either be pledged as collateral with borrowing sources or sold and converted to cash.

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 Company and the Bank are 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 Company and the Bank in order to be considered "well-capitalized" from a regulatory perspective, as well as the Company's and the Bank's capital ratios as of September 30, 2024 and December 31, 2023. The Company and the Bank exceeded all regulatory capital requirements and was considered to be "well-capitalized" as of September 30, 2024 and December 31, 2023. There have been no conditions or events since

September 30, 2024 that management believes would change this classification.

Table 10 - Capital Ratio Requirements

	Minimum Requirement		Well-capitalized	
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	

Table 11 - Capital Ratios

Company	September 30, 2024		December 31, 2023	
CET1 risk-based capital ratio	12.51	%	11.66	%
Tier 1 risk-based capital ratio	13.66		12.77	
Total risk-based capital ratio	16.48		15.47	
Leverage ratio	9.51		9.17	
Colony Bank				
CET1 risk-based capital ratio	13.67	%	12.94	%
Tier 1 risk-based capital ratio	13.67		12.94	
Total risk-based capital ratio	14.65		13.85	
Leverage ratio	9.51		9.28	

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 Asset/Liability Management Committee, 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, 2024	December 31, 2023
Changes in rates		
200 basis point increase	4.87%	0.97%
100 basis point increase	2.56	0.54
100 basis point decrease	(2.28)	2.03
200 basis point decrease	(4.96)	2.24

See Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of the Company's 2023 Form 10-K 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 2023 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, 2024, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

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

ITEM 1A – RISK FACTORS

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in "Part I - Item IA - Risk Factors" of the Company's 2023 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 2023 Form 10-K.

ITEM 2 – UNREGISTERED SALE OF EQUITY SECURITIES, USE OF PROCEEDS, AND ISSUER PURCHASES OF EQUITY SECURITIES

(a) There were no unregistered shares of the Company's common stock sold during the three-month period ended September 30, 2024.

(b) Not applicable.

(c) The table below sets forth information regarding repurchases of our common stock during the third quarter of 2024.

(dollars in thousands, except per share data)	**Total Number of Shares Repurchased**	**Average Price Paid per Share**	**Total Number of Shares Repurchased as Part of Publicly Announced Plans or Programs**	**Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs**
July 1, 2024 to July 31, 2024	—	$ —	—	$ —
August 1, 2024 to August 31, 2024	—	—	—	—
September 1, 2024 to September 30, 2024	35,000	15.02	35,000	10,290
Total	35,000	$ 15.02	35,000	$ 10,290

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

Pursuant to Item 408(a) of Regulation S-K, none of the Company's directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended September 30, 2024.

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 10-Q (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.
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, 2024 and December 31, 2023; (ii) Condensed Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2024 and 2023; (iii) Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2024 and 2023; (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Nine Months Ended September 30, 2024 and 2023; (v) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2024 and 2023; 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, 2024 (formatted in Inline XBRL and included in Exhibit 101)

SIGNATURES

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

	Colony Bankcorp, Inc.
	/s/ T. Heath Fountain
Date: November 8, 2024	T. Heath Fountain Chief Executive Officer (Principal Executive Officer)
Date: November 8, 2024	/s/ Derek Shelnutt
	Derek Shelnutt Executive Vice President and Chief Financial Officer (Principal Financial Officer)

EXHIBIT 31.1

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

I, T. Heath Fountain certify that:

1. I have reviewed this quarterly report on 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. I am 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. 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 8, 2024

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

EXHIBIT 31.2

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

I, Derek Shelnutt 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. I am 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. I have disclosed, based on my 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 8, 2024

/s/ Derek Shelnutt
Derek Shelnutt
Executive Vice President and Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report on Form 10-Q of Colony Bankcorp, Inc. (the "Company") for the period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), T. Heath Fountain, Chief Executive Officer of the Company, and Derek Shelnutt, Executive Vice President and Chief Financial Officer of the Company, each hereby certifies, 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 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 8, 2024

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

November 8, 2024

/s/ Derek Shelnutt
Derek Shelnutt
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.