Section 1: 10-K (FORM 10-K)

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Fiscal Year Ended December 31, 2018

[ ] TRANSITION REPORT UNDER 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 Specified in its Charter)

Georgia (State or Other Jurisdiction of Incorporation or Organization)	**58-1492391** (I.R.S. Employer Identification Number)
115 South Grant Street **Fitzgerald, Georgia** (Address of Principal Executive Offices)	**31750** (Zip Code)

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

Securities Registered Pursuant to Section 12(b) of the Act: None.

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, Par Value $1.00	The NASDAQ Stock Market

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes [ ] No [X]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 Accelerated Filer [ ]	Accelerated Filer [X]
Non-accelerated Filer [ ]	Smaller Reporting Company [X]
	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 any 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 Act): Yes[ ] No [X]

State the aggregate market value of the voting and non-voting common equity held by nonaffiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of June 30, 2018: $115,085,012 based on stock price of $16.90.

Indicate the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: 8,444,908 shares of $1.00 par value common stock as of March 15, 2019.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information required by Part III of this Annual Report are incorporated by reference from the Registrant's definitive Proxy Statement for the 2018 annual meeting of shareholders to be filed with Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report.

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Part I
Item 1

Business

COLONY BANKCORP, INC.

General

Colony Bankcorp, Inc. (the "Company" or "Colony") is a Georgia business corporation which was incorporated on November 8, 1982. The Company was organized for the purpose of operating as a bank holding company under the Bank Holding Company Act of 1956, as amended, and the bank holding company laws of Georgia (Georgia Laws 1976, p. 168, et. seq.). On July 22, 1983, the Company, after obtaining the requisite regulatory approvals, acquired 100 percent of the issued and outstanding common stock of Colony Bank (formerly Colony Bank of Fitzgerald and The Bank of Fitzgerald), Fitzgerald, Georgia (the "Bank" or "Colony Bank"), through the merger of the Bank with a subsidiary of the Company which was created for the purpose of organizing the Bank into a one-bank holding company. Since that time, Colony Bank has operated as a wholly-owned subsidiary of the Company. Our business is conducted primarily through our wholly-owned bank subsidiary, which provides a broad range of banking services to its retail and commercial customers. The company headquarters is located at 115 South Grant Street, Fitzgerald, Georgia 31750, its telephone number is 229-426-6000 and its Internet address is http://www.colonybank.com. We operate twenty-seven domestic banking offices and two corporate operations offices and, at December 31, 2018, we had approximately $1.25 billion in total assets, $782.03 million in total loans, $1.09 billion in total deposits and $95.69 million in stockholder's equity. Deposits are insured, up to applicable limits, by the Federal Deposit Insurance Corporation.

The Parent Company

Because the Company is a bank holding company, its principal operations are conducted through the Bank. It has 100 percent ownership of its subsidiary and maintains systems of financial, operational and administrative controls that permit centralized evaluation of the operations of the subsidiary bank in selected functional areas including operations, accounting, marketing, investment management, purchasing, human resources, computer services, auditing, compliance and credit review. As a bank holding company, we perform certain stockholder and investor relations functions.

Colony Bank - Banking Services

Our principal subsidiary is the Bank. The Bank, headquartered in Fitzgerald, Georgia, offers traditional banking products and services to commercial and consumer customers in our markets. Our product line includes, among other things, loans to small and medium-sized businesses, residential and commercial construction and land development loans, commercial real estate loans, commercial loans, agri-business and production loans, residential mortgage loans, home equity loans, consumer loans and a variety of demand, savings and time deposit products. We also offer internet banking services, electronic bill payment services, safe deposit box rentals, telephone banking, credit and debit card services, remote depository products and access to a network of ATMs to our customers. The Bank conducts a general full service commercial, consumer and mortgage banking business through twenty-seven offices located in central, south and coastal Georgia cities of Fitzgerald, Warner Robins, Centerville, Ashburn, Leesburg, Cordele, Albany, Thomaston, Columbus, Sylvester, Tifton, Moultrie, Douglas, Broxton, Savannah, Eastman, Soperton, Rochelle, Quitman, Valdosta and Statesboro, Georgia.

For additional discussion of our loan portfolio and deposit accounts, see "Management's Discussion of Financial Condition and Results of Operations - Loans and Deposits."

Subordinated Debentures (Trust Preferred Securities)

During the second quarter of 2004, the Company formed Colony Bankcorp Statutory Trust III for the sole purpose of issuing $4,500,000 in Trust Preferred Securities through a pool sponsored by FTN Financial Capital Market. The securities have a maturity of thirty years and are redeemable after five years with certain exceptions.

During the second quarter of 2006, the Company formed Colony Bankcorp Capital Trust I for the sole purpose of issuing $5,000,000 in Trust Preferred Securities through a pool sponsored by SunTrust Bank Capital Markets. The securities have a maturity of thirty years and are redeemable after five years with certain exceptions.

During the first quarter of 2007, the Company formed Colony Bankcorp Capital Trust II for the sole purpose of issuing $9,000,000 in Trust Preferred Securities through a pool sponsored by Trapeza Capital Management, LLC. The securities have a maturity of thirty years and are redeemable after five years with certain exceptions. Proceeds from this issuance were used to pay off trust preferred securities issued on March 26, 2002 through Colony Bankcorp Statutory Trust I.

During the third quarter of 2007, the Company formed Colony Bankcorp Capital Trust III for the sole purpose of issuing $5,000,000 in Trust Preferred Securities through a pool sponsored by Trapeza Capital Management, LLC. The securities have a maturity of thirty years and are redeemable after five years with certain exceptions. Proceeds from this issuance were used to pay off trust preferred securities issued on December 19, 2002 through Colony Bankcorp Statutory Trust II.

Markets and Competition

The banking industry in general is highly competitive. Our market areas of central, south and coastal Georgia have experienced good economic and population growth the past several years. In contrast to our rural markets, in which we typically rank in the top three in terms of market share, in our larger markets, we face competitive pressures in attracting deposits and making loans from larger regional banks and smaller community banks, thrift institutions, credit unions, consumer finance companies, mortgage bankers, brokerage firms and insurance companies. The principal factors in competing for deposits and loans include interest rates, fee structures, range of products and services offered and convenience of office and ATM locations. The banking industry is also experiencing increased competition for deposits from less traditional sources such as money market and mutual funds. In addition, intense market demands, economic concerns, volatile interest rates and customer awareness of product and services have forced banks to be more competitive - often resulting in margin compression and a decrease in operating efficiency.

Correspondents

Colony Bank has correspondent relationships with the following banks: Federal Reserve Bank of Atlanta; SunTrust Bank in Atlanta, Georgia; FTN Financial in Memphis, Tennessee; CenterState Bank in Lake Wales, Florida and the Federal Home Loan Bank of Atlanta. These correspondent relationships facilitate the transactions of business by means of loans, collections, investment services, lines of credit and exchange services, particularly in markets in which Colony Bank does not have a physical presence. As compensation for these services, the Bank maintains balances with its correspondents in primarily interest-bearing accounts and pays some service charges.

Employees

On December 31, 2018, the Company had a total of 330 employees, 323 of which are full-time equivalent employees. We consider our relationship with our employees to be satisfactory.

The Company has a profit-sharing plan covering all employees, subject to certain minimum age and service requirements. In addition, the Company maintains a comprehensive employee benefit program providing, among other benefits, hospitalization, major medical, life insurance and disability insurance. Management considers these benefits to be competitive with those offered by other financial institutions in our market area. Colony's employees are not represented by any collective bargaining group.

SUPERVISION AND REGULATION
BANK HOLDING COMPANY REGULATION

General

As a bank holding company under federal and state law, we are subject to regulation, supervision and examination by the Board of Governors of the Federal Reserve System ("Federal Reserve"). Our bank subsidiary, Colony Bank, is chartered in the State of Georgia and is subject to regulation, supervision and examination by the Georgia Department of Banking and Finance (the "Georgia Department") and the Federal Deposit Insurance Corporation ("FDIC"). In addition, as discussed in more detail below, Colony Bank is subject to regulation by, and potentially supervision and examination by the Consumer Financial Protection Bureau ("CFPB"). Supervision, regulation, and examination of the company and the Bank by the bank regulatory agencies are intended primarily for the protection of consumers, bank depositors and the Deposit Insurance Fund ("DIF") of the FDIC, rather than holders of our capital stock.

This discussion is qualified in its entirety by reference to the particular statutory and regulatory provisions described below and is not intended to be an exhaustive description of the statutes or regulations applicable to the Company and the Bank's business. Any change in laws, regulations, or supervisory actions, whether by the FDIC, the Federal Reserve, the Georgia Department, the CFPB, Congress or the Georgia legislature, could have a material adverse impact on the Company and the Bank.

We are also required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board, and Nasdaq. We have evaluated our controls, including compliance with the SEC rules on internal controls, and have and expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to comply with these internal control rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the values of our securities. The assessments of our financial reporting controls as of December 31, 2018 are included in this report under "Section 9A. Controls and Procedures."

From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the financial condition or results of operations of the Company. A change in statutes, regulations or regulatory policies applicable to the Company or any of its subsidiaries could have a material effect on the business of the Company.

Recent Regulatory Developments-- The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

On July 21, 2010, President Obama signed into law the Dodd-Frank Act. The Dodd-Frank Act has and will continue to have a broad impact on the financial services industry, imposing significant regulatory and compliance changes, the imposition of increased capital, leverage and liquidity requirements, and numerous other provisions designed to improve supervision and oversight of, and strengthen safety and soundness within, the financial services sector. Provisions of the Dodd-Frank Act that have affected or are likely to affect our operations or the operations of Colony Bank include:

- Creation of the CFPB with centralized authority, including examination and enforcement authority, for consumer protection in the banking industry.

- New prohibitions and restrictions on the ability of a banking entity to engage in proprietary trading for its own account and have certain interests in, or relationships with, certain unregistered hedge funds, private equity funds and commodity pools.

- Application of new regulatory capital requirements, including changes to leverage and risk-based capital standards and changes to the components of permissible tiered capital.

- Requirement that holding companies and their subsidiary banks be well capitalized and well managed in order to engage in activities permitted for financial holding companies.

- Changes to the assessment base for deposit insurance premiums.

- Permanently raising the FDIC’s standard maximum insurance amount to $250,000.

- Repealed the prohibition on the payment of interest on demand deposits.

- Restrictions on compensation, including a prohibition on incentive-based compensation arrangements that encourage inappropriate risk taking by covered financial institutions that are deemed to be excessive, or that may lead to material losses.

- Requirement that sponsors of asset-backed securities retain a percentage of the credit risk underlying the securities.

- Requirement that banking regulators remove references to and requirements of reliance upon credit ratings from their regulations and replace them with appropriate alternatives for evaluating creditworthiness.

While most of the requirements called for in the Dodd-Frank Act have been implemented, others will continue to be implemented over time. Given the extent of the changes brought about by the Dodd-Frank Act and the significant discretion afforded to federal regulators to implement those changes, we cannot fully predict the extent of the impact such requirements will have on our operations. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities, require changes to certain of our business practices, impose upon us more stringent capital, liquidity and leverage requirements or otherwise adversely affect our business. These changes may also require us to invest significant management attention and resources to evaluate and make any changes necessary to comply with new statutory and regulatory requirements. Failure to comply with the new requirements may negatively impact our results of operations and financial condition. While we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to our investors.

The following items and information provided in subsequent sections provide a further description of certain relevant provisions of the Dodd-Frank Act and their potential impact on our operations and activities, both currently and prospectively.

Creation of New Governmental Authorities. The Dodd-Frank Act created various new governmental authorities such as the CFPB, an independent regulatory authority housed within the Federal Reserve. The CFPB has broad authority to regulate the offering and provision of consumer financial products. The CFPB's authority to supervise and examine depository institutions with $10 billion or less in assets, such as us, for compliance with federal consumer laws remains largely with those institutions' primary regulators. However, the CFPB may participate in examinations of these smaller institutions on a "sampling basis" and may refer potential enforcement actions against such institutions to their primary regulators. The CFPB also may participate in examinations of Colony Bank, which currently has assets of less than $10 billion, and could supervise and examine other direct or indirect subsidiaries that offer consumer financial products or services. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB, and state attorneys general are permitted to enforce consumer protection rules adopted by the CFPB against certain institutions.

Corporate Governance. The Dodd-Frank Act addresses many investor protection, corporate governance, and executive compensation matters that will affect most U.S. publicly traded companies. The Dodd-Frank Act (1) grants shareholders of U.S. publicly traded companies an advisory vote on executive compensation; (2) enhances independence requirements for Compensation Committee members; and (3) requires companies listed on national securities exchanges to adopt incentive-based compensation clawback policies for executive officers.

Incentive Compensation. The Dodd-Frank Act requires the banking agencies and the SEC to establish joint rules or guidelines for financial institutions with more than $1 billion in assets, such as us and Colony Bank, which prohibit incentive compensation arrangements that the agencies determine encourage inappropriate risks by the institution. The banking agencies issued proposed rules in 2011 and previously issued guidance on sound incentive compensation policies. In 2016, the Federal Reserve and the FDIC have also proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2018, these rules have not been implemented.

Shareholder Say-On-Pay Votes. The Dodd-Frank Act requires public companies to take shareholders' votes on proposals addressing compensation (known as say-on-pay), the frequency of a say-on-pay vote, and the golden parachutes available to executives in connection with change-in-control transactions. Public companies must give shareholders the opportunity to vote on the compensation at least every three years and the opportunity to vote on frequency at least every six years, indicating whether the say-on-pay vote should be held annually, biennially, or triennially. The first say-on-pay vote occurred at our 2011 annual shareholders meeting. The say-on-pay, the say-on-parachute and the say-on-frequency votes are explicitly nonbinding and cannot override a decision of our board of directors.

Volcker Rule. In December 2013, the Federal Reserve and other regulators jointly issued final rules implementing requirements of a new Section 13 to the Bank Holding Company Act, commonly referred to as the “Volcker Rule.” The Volcker Rule generally prohibits us and our subsidiaries from (i) engaging in proprietary trading for our own account, and (ii) acquiring or retaining an ownership interest in or sponsoring a “covered fund,” all subject to certain exceptions. The Volcker Rule also specifies certain limited activities in which we and our subsidiaries may continue to engage. The regulators provided for a Volcker Rule conformance date of July 21, 2015. The Federal Reserve extended the conformance deadline to July 21, 2016 for certain legacy “covered funds” activities and investments in place before December 31, 2013, and the Federal Reserve expressed its intention to grant the last available statutory extension for such covered funds activities until July 21, 2017. Further, the Federal Reserve Board permits limited exemptions, upon application, for divestiture of certain “illiquid” covered funds, for an additional period of up to 5 years beyond that date.

Bank Holding Company Regulation

As a bank holding company, we are subject to supervision and regulation by the Federal Reserve under the BHCA. Bank holding companies generally are limited to the business of banking, managing or controlling banks, and other activities that the Federal Reserve determines to be so closely related to banking, or managing or controlling banks as to be a proper incident thereto. We are required to file with the Federal Reserve periodic reports and such other information as the Federal Reserve may request. Ongoing supervision is provided through regular examinations by the Federal Reserve and other means that allow the regulators to gauge management’s ability to identify, assess and control risk in all areas of operations in a safe and sound manner and to ensure compliance with laws and regulations. The Federal Reserve may also examine our non-bank subsidiaries.

Expansion and Activity Limitations. The BHCA permits acquisitions of banks by bank holding companies, such that we and any other bank holding company, whether located in Georgia or elsewhere, may acquire a bank located in any other state, subject to certain deposit-percentage, age of bank charter requirements, and other restrictions. Federal law also permits national and state-chartered banks to branch interstate through acquisitions of banks in other states, subject to certain requirements.

Subject to prior notice or Federal Reserve approval, under the BHCA, a bank holding company is generally permitted to engage in, or acquire direct or indirect control of more than 5 percent of the voting shares of, any company engaged in the following activities:

- Banking or managing or controlling banks;
- Furnishing services to or performing services for our subsidiaries; and
- Any activity that the Federal Reserve determines to be so closely related to banking as to be a proper incident to the business of banking, including:
  - Factoring accounts receivable;
  - Making, acquiring, brokering or servicing loans and usual related activities;
  - Leasing personal or real property;
  - Operating a non-bank depository institution, such as a savings association;
  - Performing trust company functions;
  - Providing financial and investment advisory activities;
  - Conducting discount securities brokerage activities;
  - Underwriting and dealing in government obligations and money market instruments;
  - Providing specified management consulting and counseling activities;
  - Performing selected data processing services and support services;
  - Acting as agent or broker in selling credit life insurance and other types of insurance in connection with credit transactions;
  - Performing selected insurance underwriting activities;
  - Providing certain community development activities (such as making investments in projects designed primarily to promote community welfare); and
  - Issuing and selling money orders and similar consumer-type payment instruments.

Bank holding companies that elect and retain "financial holding company" status pursuant to the Gramm-Leach-Bliley Act of 1999 ("GLBA") may engage in broader securities, insurance, merchant banking and other activities that are determined to be "financial in nature" or are incidental or complementary to activities that are financial in nature without prior Federal Reserve approval. Pursuant to the GLBA and the Dodd-Frank Act, in order to elect and retain financial holding company status, a bank holding company and all depository institution subsidiaries of that bank holding company must be well capitalized and well managed, and, except in limited circumstances, depository subsidiaries must be in satisfactory compliance with the Community Reinvestment Act ("CRA"), which requires banks to help meet the credit needs of the communities in which they operate. Failure to sustain compliance with these requirements or correct any non-compliance within a fixed time period could lead to the required divestiture of subsidiary banks or the termination of all activities that do not conform to those permissible for a bank holding company. The Company has not elected financial holding company status and neither Company nor the Bank has engaged in any activities determined by the Federal Reserve to be financial in nature or incidental or complementary to activities that are financial in nature.

Other Restrictions on the Company's Activities

As contained in both federal and state banking laws and regulations, a wide range of requirements and restrictions apply to bank holding companies and their subsidiaries which:

- Require periodic reports and such additional information as the Federal Reserve may require bank holding companies to meet or exceed minimum capital requirements;

- In certain circumstances, limit dividends payable to shareholders and restrict the ability of bank holding companies to obtain dividends or other distributions from their subsidiary banks;

- Require a bank holding company to terminate an activity or terminate control of or liquidate or divest certain subsidiaries, affiliates or investments if the Federal Reserve believes the activity or the control of the subsidiary or affiliate constitutes a significant risk to the financial safety, soundness or stability of any bank subsidiary;

- Require the prior approval for changes in senior executive officer or directors and prohibit golden parachute payments, including change in control agreements, or new employment agreements with such payment terms, which are contingent upon termination when a bank holding company is deemed to be in troubled condition;

- Regulate provisions of certain bank holding company debt, including the authority to impose interest ceilings and reserve requirements on such debt and require prior approval to purchase or redeem securities in certain situations; and

- Require prior approval of acquisitions and mergers with other banks or bank holding companies and consider certain competitive, management, financial, and compliance concerns.

Source of Strength

Federal Reserve policy requires a bank holding company to act as a source of financial and managerial strength and to support its bank subsidiary in situations where additional investments in a troubled bank may not otherwise be warranted. The holding company could be required to guarantee the capital plan of the Bank if it becomes undercapitalized for purposes of banking regulations. Any capital loans by a bank holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. The BHCA provides that, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a bank subsidiary will be assumed by the bankruptcy trustee and entitled to priority of payment. Notably, the Dodd-Frank Act has codified the Federal Reserve's "source of strength" doctrine. In addition, the Dodd-Frank Act's new provisions authorize the Federal Reserve to require a company that directly or indirectly controls a bank to submit reports that are designed both to assess the ability of such company to comply with its "source of strength" obligations and to enforce the company's compliance with these obligations.

Change in Control

As a general proposition, other companies seeking to acquire control of a bank holding company would require the approval of the Federal Reserve under the BHCA. In addition, individuals or groups of individuals seeking to acquire control of a bank holding company would need to file a prior notice with the Federal Reserve (which the Federal Reserve may disapprove under certain circumstances) under the Change in Bank Control Act. Control is conclusively presumed to exist if an individual or company acquires 25 percent or more of any class of voting securities of the bank holding company. Control may exist under the Change in Bank Control Act if the individual or company acquires 10 percent or more of any class of voting securities of the bank holding company.

Capital Adequacy Requirements

We and Colony Bank were required to comply with higher minimum capital requirements as of January 1, 2015. These new rules ("Revised Capital Rules") implement the Dodd-Frank Act and a separate international regulatory regime known as "Basel III" (which is discussed below). Prior to January 1, 2015, we and Colony Bank were subject to risk-based capital guidelines issued by the Federal Reserve and the FDIC for bank holding companies and state non-member banks, respectively. The risk-based capital guidelines that applied to us and Colony Bank through December 31, 2014 were based upon the 1988 capital accord of the international Basel Committee on Banking Supervision, a committee of central banks and bank supervisors, as implemented by the U.S. federal banking agencies on an interagency basis.

The following is a brief description of the relevant provisions of the Revised Capital Rules and their impact on our capital levels. Among other things, the Revised Capital Rules (i) introduced a new capital measure called "Common Equity Tier 1" ("CET1"), (ii) specified that Tier 1 Capital consist of CET1 and "Additional Tier 1 Capital" instruments meeting certain requirements, (iii) defined CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital and (iv) expanded the scope of the deductions/adjustments from capital as compared to existing regulation that apply to us and other banking organizations.

New Minimum Capital Requirements. The Revised Capital Rules required the following initial minimum capital ratios as of January 1, 2015:

- 4.5% CET1 to risk-weighted assets
- 6.0% Tier 1 capital to risk-weighted assets
- 8.0% Total capital to risk-weighted assets
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio")

Capital Conservation Buffer. The Revised Capital Rules also introduced a new "capital conservation buffer," composed entirely of CET1, on top of the minimum risk-weighted asset ratios, which is designed to absorb losses during periods of economic stress. Banking organizations with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity repurchases and compensation based on the amount of this difference.

When fully phased in on January 1, 2019, the Revised Capital Rules will require us and Colony Bank to maintain (i) a minimum ratio of CET1 to risk-weighted assets of 7% (4.5% attributable to CET1 plus the 2.5% capital conservation buffer); (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 8.5% (6.0% attributable to Tier 1 capital plus the 2.5% capital conservation buffer), (iii) a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 10.5% (8.0% attributable to Total capital plus the 2.5% capital conservation buffer) and (iv) a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets (as compared to a current minimum leverage ratio of 3% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority's risk-adjusted measure for market risk).

Regulatory Deductions. The Revised Capital Rules provide for a number of deductions from and adjustments to CET1, including the requirement that mortgage servicing rights, deferred tax assets that arise from operating loss and tax credit carryforwards, net of associated DTLs, and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Implementation of the deductions and other adjustments to CET1 began on January 1, 2015 and was phased-in over a three-year period (beginning at 40% on January 1, 2015 and an additional 20% per year thereafter until fully phased-in at January 1, 2018).

Under the Revised Capital Rules, the effects of certain accumulated other comprehensive items (except gains and losses on cash flow hedges where the hedged item is not recognized on a banking organization's balance sheet at fair value) are not excluded; however, certain banking organizations, including us and Colony Bank, may make a one-time permanent election to continue to exclude these items. We and Colony Bank each made this election as of January 1, 2015. The Revised Capital Rules also preclude counting certain hybrid securities, such as trust preferred securities, as Tier 1 capital of bank or thrift holding companies. However, for bank or thrift holding companies that had assets of less than $15 billion as of December 31, 2009 like us, trust preferred securities issued prior to May 19, 2010 can be treated as Tier 1 capital to the extent that they do not exceed 25% of Tier 1 capital after applying all capital deductions and adjustments.

Management believes, at December 31, 2018, that we and Colony Bank meet all capital adequacy requirements under the Revised Capital Rules on a fully phased-in basis if such requirements were currently effective.

Dividends

The Company is a legal entity separate and distinct from the Bank. The principal source of the Company's cash flow, including cash flow to pay dividends to its stockholders, is dividends that the Bank pays to it. A variety of federal and state laws and regulations affect the ability of the Bank and the Company to pay dividends. For example, Georgia law requires prior approval for a bank to pay dividends where the aggregate amount of dividends to be declared or anticipated to be declared during the current calendar year exceeds 50 percent of its net after-tax profits before dividends for the previous calendar year. A depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. The federal banking agencies may prevent the payment of a dividend if they determine that the payment would be an unsafe and unsound banking practice. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. Under a Federal Reserve policy adopted in 2009, the board of directors of a bank holding company must consider different factors to ensure that its dividend level is prudent relative to maintaining a strong financial position, and is not based on overly optimistic earnings scenarios, such as potential events that could affect its ability to pay, while still maintaining a strong financial position. As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should consult with the Federal Reserve and eliminate, defer or significantly reduce the bank holding company's dividends if:

- Its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;
- Its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition; or
- It will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Neither the Company nor Colony Bank can give assurances that it will receive all required regulatory approvals to pay dividends. Subject to these regulatory restrictions, future cash dividends by the Company and the Bank will depend upon management's assessment of future capital requirements, contractual restrictions and other factors.

Colony Bank received regulatory approvals in 2016 to pay total dividend payments of $9.1 million to the Company, and the Company used these proceeds to redeem $8.661 million of its preferred stock ("Preferred Stock") during 2016. The Bank was granted approval to pay total dividend payments of $8.7 million to the Company during 2017, and the Company used these proceeds to redeem $9.360 million of Preferred Stock during 2017. The Bank was also granted approval to pay total dividend payments of $8.3 million to the Company during 2018, and the Company used these proceeds to repurchase $3.175 million of warrants with private investors during 2018.

The Company paid a cash dividend of $1,688,417 or $0.20 per share of common stock in 2018. In 2017, the Company paid a cash dividend of $843,934, or $0.10 per share of common stock. No cash dividends were paid on its common stock in 2016.

BANK REGULATION

General

The Bank is a commercial bank chartered under the laws of the State of Georgia, and as such is subject to supervision, regulation and examination by the Georgia Department. The Bank is a member of the FDIC, and their deposits are insured by the FDIC's Deposit Insurance Fund up to the amount permitted by law. The FDIC and the Georgia Department routinely examine the Bank and monitor and regulate all of the Bank's operations, including such things as adequacy of reserves, quality and documentation of loans, payments of dividends, capital adequacy, adequacy of systems and controls, credit underwriting and asset liability management, compliance with laws and establishment of branches. Interest and other charges collected or contracted for by the Bank are subject to state usury laws and certain federal laws concerning interest rates. The Bank files periodic reports with the FDIC and the Georgia Department.

FDICIA and Prompt Corrective Action

The Federal Deposit Insurance Corporation Improvement Act of 1991 ("FDICIA"), among other things, requires the federal bank regulatory agencies to take "prompt corrective action" regarding depository institutions that do not meet minimum capital requirements. FDICIA establishes five regulatory capital tiers: "well capitalized", "adequately capitalized", "undercapitalized", "significantly undercapitalized", and "critically undercapitalized". A depository institution's capital tier will depend upon how its capital levels compare to various relevant capital measures and certain other factors, as established by regulation. The FDICIA imposes progressively more restrictive restraints on operations, management and capital distributions, depending on the category in which an institution is classified.

All of the federal bank regulatory agencies have adopted regulations establishing relevant capital measures and relevant capital levels for federally insured depository institutions. Notably, the Revised Capital Rule updated the prompt corrective action framework to correspond to the rule's new minimum capital thresholds, which took effect on January 1, 2015. Under this new framework, (i) a well-capitalized insured depository institution is one having a total risk-based capital ratio of 10 percent or greater, a Tier 1 risk-based capital ratio of 8 percent or greater, a CET1 capital ratio of 6.5 percent or greater, a leverage capital ratio of 5 percent or greater and that is not subject to any order or written directive to meet and maintain a specific capital level for any capital measure; (ii) an adequately-capitalized depository institution is one having a total risk based capital ratio of 8 percent or more, a Tier 1 capital ratio of 6 percent or more, a CET1 capital ratio of 4.5 percent or more, and a leverage ratio of 4 percent or more; (iii) an undercapitalized depository institution is one having a total capital ratio of less than 8 percent, a Tier 1 capital ratio of less than 6 percent, a CET1 capital ratio of less than 4.5 percent, or a leverage ratio of less than 4 percent; and (iv) a significantly undercapitalized institution is one having a total risk-based capital ratio of less than 6 percent, a Tier 1 capital ratio of less than 4 percent, a CET1 ratio of less than 3 percent or a leverage capital ratio of less than 3 percent. The Revised Capital Rules retain the 2 percent threshold for critically undercapitalized institutions, but make certain changes to the framework for calculating an institution's ratio of tangible equity to total assets.

As of December 31, 2018, Colony Bank was considered "well capitalized," and the consolidated capital ratios of the Company were as follows:

	December 31, 2018	
	Amount	**Percent**
Leverage Ratio		
Actual	**$ 126,623**	**10.24%**
Well-Capitalized Requirement	**61,847**	**5.00**
Minimum Required (1)	**49,478**	**4.00**
Risk Based Capital:		
Tier 1 Capital		
Actual	**126,623**	**15.00**
Well-Capitalized Requirement	**67,527**	**8.00**
Minimum Required (1)	**50,645**	**6.00**
Common Equity Tier 1 Capital		
Actual	**103,123**	**12.22**
Well-Capitalized Requirement	**54,865**	**6.50**
Minimum Required (1)	**37,984**	**4.50**
Total Capital		
Actual	**133,900**	**15.86**
Well-Capitalized Requirement	**84,408**	**10.00**
Minimum Required (1)	**67,527**	**8.00**

(1) Represents the minimum requirement. Institutions that are contemplating acquisitions or anticipating or experiencing significant growth may be required to maintain a substantially higher leverage ratio.

The federal banking agencies may require banks and bank holding companies subject to enforcement actions to maintain capital ratios in excess of the minimum ratios otherwise required to be deemed well capitalized, in which case institutions may no longer be deemed to be well capitalized and may therefore be subject to applicable restrictions.

FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to growth limitations and are required to submit a capital restoration plan for approval within 90 days of becoming undercapitalized. For a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of 5% of the depository institution's total assets at the time it became undercapitalized and the amount necessary to bring the institution into compliance with applicable capital standards. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. If the controlling holding company fails to fulfill its obligations under FDICIA and files (or has filed against it) a petition under the federal Bankruptcy Code, the claim for such liability would be entitled to a priority in such bankruptcy proceeding over third party creditors of the bank holding company. In addition, an undercapitalized institution is subject to increased monitoring and asset growth restrictions and is required to obtain prior regulatory approval for acquisitions, new lines of business, and branching. Such an institution also is barred from soliciting, taking or rolling over brokered deposits.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator within 90 days of becoming significantly undercapitalized, except under limited circumstances. Because our company and Colony Bank exceed applicable capital requirements, the respective managements of our company and Colony Bank do not believe that the provisions of FDICIA have had any material effect on our company and Colony Bank or our respective operations.

FDICIA also contains a variety of other provisions that may affect the operations of our company and Colony Bank, including reporting requirements, regulatory standards for real estate lending, “truth in savings” provisions, the requirement that a depository institution give 90 days’ prior notice to customers and regulatory authorities before closing any branch, and a prohibition on the acceptance or renewal of brokered deposits by depository institutions that are not well capitalized, or are adequately capitalized and have not received a waiver from the FDIC. Colony Bank was well capitalized at December 31, 2018, and brokered deposits are not restricted.

Standards for Safety and Soundness

The Federal Deposit Insurance Act requires the federal bank regulatory agencies to prescribe, by regulation or guideline, operational and managerial standards for all insured depository institutions relating to: (1) internal controls; (2) information systems and audit systems; (3) loan documentation; (4) credit underwriting; (5) interest rate risk exposure; and (6) asset quality.

The agencies also must prescribe standards for asset quality, earnings, and stock valuation, as well as standards for compensation, fees and benefits. The federal banking agencies have adopted regulations and Interagency Guidelines Establishing Standards for Safety and Soundness to implement these required standards. These guidelines set forth the safety and soundness standards used to identify and address problems at insured depository institutions before capital becomes impaired. Under the regulations, if a regulator determines that a bank fails to meet any standards prescribed by the guidelines, the regulator may require the bank to submit an acceptable plan to achieve compliance, consistent with deadlines for the submission and review of such safety and soundness compliance plans.

The federal and Georgia regulatory structures give the bank regulatory agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. If, as a result of an examination, the Georgia Department or the FDIC should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the Bank's operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation, the Georgia Department and the FDIC**,** and separately the FDIC as insurer of the Bank's deposits, have residual authority to:

- Require affirmative action to correct any conditions resulting from any violation or practice;
- Direct an increase in capital and the maintenance of higher specific minimum capital ratios, which may preclude the Bank from being deemed well capitalized and restrict its ability to accept certain brokered deposits;
- Restrict the Bank's growth geographically, by products and services, or by mergers and acquisitions, including bidding in FDIC receiverships for failed banks;
- Enter into or issue informal or formal enforcement actions, including required Board resolutions, memoranda of understanding, written agreements and consent or cease and desist orders or prompt corrective action orders to take corrective action and cease unsafe and unsound practices;
- Require prior approval of senior executive officer or director changes; remove officers and directors and assess civil monetary penalties; and
- Terminate FDIC insurance, revoke the charter and/or take possession of and close and liquidate the Bank or appoint the FDIC as receiver.

FDIC Insurance Assessments

Colony Bank's deposits are insured by the FDIC's DIF, and Colony Bank is subject to FDIC assessments for its deposit insurance, as well as assessments by the FDIC to pay interest on Financing Corporation ("FICO") bonds.

Effective April 1, 2011, the FDIC began calculating assessments based on an institution's average consolidated total assets less its average tangible equity in accordance with changes mandated by the Dodd-Frank Act. The FDIC also established a new assessment rate schedule, as well as alternative rate schedules that become effective when the DIF reserve ratio reaches certain levels. In determining the deposit insurance assessments to be paid by insured depository institutions, the FDIC generally assigns institutions to one of four risk categories based on supervisory ratings and capital ratios. Under the FDIC's risk-based assessment system, insured institutions are assigned to risk categories based on supervisory evaluations, regulatory capital levels and certain other factors. The FDIC's current system represents a change, required by the Dodd-Frank Act, from its prior practice of basing the assessment on an institution's aggregate deposits.

The Dodd-Frank Act also increased the minimum designated reserve ratio of the DIF from 1.15% to 1.35% of the estimated amount of total insured deposits, and eliminated the requirement that the FDIC pay dividends to depository institutions when the reserve ratio exceeds certain thresholds. Under FDIC rules, banks with at least $10 billion in assets would also pay a surcharge to enable the reserve ratio to reach 1.35%. In addition, the FDIC collects FICO deposit assessments, which are calculated off of the assessment base described above.

The Bank's FDIC insurance expense totaled $358 thousand for 2018. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures or if the FDIC otherwise determines, we may be required to pay even higher FDIC premiums. Any future increases in FDIC insurance premiums may have a material and adverse effect on our earnings and could have a material adverse effect on the value of, or market for, our common stock.

Other Regulations

Anti-Money Laundering. The International Money Laundering Abatement and Anti-Terrorism Funding Act of 2001 specifies "know your customer" requirements that obligate financial institutions to take actions to verify the identity of the account holders in connection with opening an account at any U.S. financial institution. Banking regulators will consider compliance with the Act's money laundering provisions in acting upon acquisition and merger proposals. Sanctions for violations of the Act can be imposed in an amount equal to twice the sum involved in the violating transaction, up to $1 million.

Under the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism ("USA PATRIOT") Act of 2001, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and "know your customer" standards in their dealings with foreign financial institutions and foreign customers.

The USA PATRIOT Act requires financial institutions to establish anti-money laundering programs with minimum standards that include:

- The development of internal policies, procedures, and controls;
- The designation of a compliance officer;
- An ongoing employee training program; and
- An independent audit function to test the programs.

Bank regulators routinely examine institutions for compliance with these anti-money laundering obligations and recently have been active in imposing "cease and desist" and other regulatory orders and money penalty sanctions against institutions found to be in violation of these requirements. In addition, the Financial Crimes Enforcement Network has proposed new regulations that would require financial institutions to obtain beneficial ownership information for certain accounts, however, it has yet to establish final regulations on this topic.

Economic Sanctions. The Office of Foreign Assets Control ("OFAC") is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and acts of Congress. OFAC publishes, and routinely updates, lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, including the Specially Designated Nationals and Blocked Persons List. If we find a name on any transaction, account or wire transfer that is on an OFAC list, we must undertake certain specified activities, which could include blocking or freezing the account or transaction requested, and we must notify the appropriate authorities.

Transactions with Related Parties. We are a legal entity separate and distinct from Colony Bank and our other subsidiaries. Various legal limitations restrict our banking subsidiary from lending or otherwise supplying funds to us or our non-bank subsidiaries. We and our banking subsidiary are subject to Section 23A of the Federal Reserve Act and the corresponding provisions of Federal Reserve Regulation W thereunder. Section 23A defines "covered transactions" to include, among other types of transactions, extensions of credit, and limits a bank's covered transactions with any of its "affiliates" to 10% of such bank's capital and surplus. All covered and exempt transactions between a bank and its affiliates must be on terms and conditions consistent with safe and sound banking practices, and banks and their operating subsidiaries are prohibited from purchasing low-quality assets from the bank's affiliates. Finally, Section 23A requires that all of a bank's extensions of credit to its affiliates be appropriately secured by acceptable collateral, generally United States government or agency securities.

We and our bank subsidiary also are subject to Section 23B of the Federal Reserve Act and the corresponding provisions of Federal Reserve Regulation W thereunder, which generally require covered transactions and certain other transactions between a bank and its affiliates to be on terms, including credit standards, that are substantially the same, or at least as favorable to, the bank as those prevailing at the time for similar transactions with unaffiliated companies.

The Dodd-Frank Act generally enhanced the restrictions on banks' transactions with affiliates under Sections 23A and 23B of the Federal Reserve Act, including an expansion of the definition of "covered transactions" and an increase in the amount of time for which collateral requirements regarding covered credit transactions must be satisfied. Specifically, Section 608 of the Dodd-Frank Act broadened the definition of "covered transactions" to include derivative transactions and the borrowing or lending of securities if the transaction will cause a bank to have credit exposure to an affiliate. The revised definition also includes the acceptance of debt obligations of an affiliate as collateral for a loan or extension of credit to a third party. Furthermore, reverse repurchase transactions will be viewed as extensions of credit (instead of asset purchases) and thus become subject to collateral requirements. The ability of the Federal Reserve to grant exemptions from these restrictions is also narrowed by the Dodd-Frank Act, including with respect to the requirement for the OCC, FDIC and Federal Reserve to coordinate with one another.

Concentrations in Lending. During 2006, the federal bank regulatory agencies released guidance on "Concentrations in Commercial Real Estate Lending" (the "Guidance") and advised financial institutions of the risks posed by commercial real estate ("CRE") lending concentrations. The Guidance requires that appropriate processes be in place to identify, monitor and control risks associated with real estate lending concentrations. Higher allowances for loan losses and capital levels may also be required. The Guidance is triggered when CRE loan concentrations exceed either:

- Total reported loans for construction, land development, and other land of 100 percent or more of a bank's total risk based capital; or
- Total reported loans secured by multifamily and nonfarm nonresidential properties and loans for construction, land development, and other land of 300 percent or more of a bank's total risk based capital.

The Guidance also applies when a bank has a sharp increase in CRE loans or has significant concentrations of CRE secured by a particular property type.

Community Reinvestment Act. We and our banking subsidiary are subject to the provisions of the Community Reinvestment Act ("CRA") and related federal bank regulatory agencies' regulations. Under the CRA, all banks and thrifts have a continuing and affirmative obligation, consistent with their safe and sound operation, to help meet the credit needs for their entire communities, including low- and moderate-income neighborhoods. The CRA requires a depository institution's primary federal regulator, in connection with its examination of the institution, to assess the institution's record of assessing and meeting the credit needs of the communities served by that institution, including low- and moderate-income neighborhoods. The bank regulatory agency's assessment of the institution's record is made available to the public. Further, such assessment is required of any institution which has applied to: (i) charter a national bank; (ii) obtain deposit insurance coverage for a newly-chartered institution; (iii) establish a new branch office that accepts deposits; (iv) relocate an office; (v) merge or consolidate with, or acquire the assets or assume the liabilities of, a federally regulated financial institution, or (vi) expand other activities, including engaging in financial services activities authorized by the GLBA. A less than satisfactory CRA rating will slow, if not preclude, expansion of banking activities and prevent a company from becoming or remaining a financial holding company.

Following the enactment of the GLBA, CRA agreements with private parties must be disclosed and annual CRA reports must be made to a bank's primary federal regulator. A bank holding company will not be permitted to become or remain a financial holding company and no new activities authorized under GLBA may be commenced by a holding company or by a bank financial subsidiary if any of its bank subsidiaries received less than a "satisfactory" CRA rating in its latest CRA examination. Federal CRA regulations require, among other things, that evidence of discrimination against applicants on a prohibited basis, and illegal or abusive lending practices be considered in the CRA evaluation.

Privacy and Data Security. The GLBA generally prohibits disclosure of consumer information to non-affiliated third parties unless the consumer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to consumers annually. Financial institutions, however, will be required to comply with state law if it is more protective of consumer privacy than the GLBA. The GLBA also directed federal regulators, including the FDIC and the OCC, to prescribe standards for the security of consumer information. Colony Bank is subject to such standards, as well as standards for notifying customers in the event of a security breach. Under federal law, Colony Bank must disclose its privacy policy to consumers, permit customers to opt out of having nonpublic customer information disclosed to third parties in certain circumstances, and allow customers to opt out of receiving marketing solicitations based on information about the customer received from another subsidiary. States may adopt more extensive privacy protections. We are similarly required to have an information security program to safeguard the confidentiality and security of customer information and to ensure proper disposal. Customers must be notified when unauthorized disclosure involves sensitive customer information that may be misused.

Consumer Regulation. The Bank must also comply with numerous federal and state consumer protection statutes and implementing regulations, including the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act, and various federal and state privacy protection laws. Noncompliance with these laws could subject the Bank to lawsuits and could also result in administrative penalties, including fines and reimbursements. The Bank and the Company are also subject to federal and state laws prohibiting unfair, deceptive, or abusive acts and practices.

These laws and regulations mandate certain disclosure and reporting requirements and regulate the manner in which financial institutions must deal with customers when taking deposits, making loans, servicing, collecting, and foreclosure of loans, and providing other services. Failure to comply with these laws and regulations can subject the Bank to various penalties, including but not limited to enforcement actions, injunctions, fines or criminal penalties, punitive damages to consumers, and the loss of certain contractual rights.

These laws and regulations include, among numerous other things, provisions that:

- Limit the interest and other charges collected or contracted for by Colony Bank, including new rules respecting the terms of credit cards and of debit card overdrafts;
- Govern Colony Bank's disclosures of credit terms to consumer borrowers;
- Require Colony Bank to provide information to enable the public and public officials to determine whether it is fulfilling its obligation to help meet the housing needs of the community it serves;
- Prohibit Colony Bank from discriminating on the basis of race, creed or other prohibited factors when it makes decisions to extend credit;
- Govern the manner in which Colony Bank may collect consumer debts; and
- Prohibit unfair, deceptive or abusive acts or practices in the provision of consumer financial products and services.

Mortgage-Related Reforms. The CFPB adopted a rule that implements the ability-to-repay and qualified mortgage provisions of the Dodd-Frank Act (the "ATR/QM rule"), which took effect on January 10, 2014, and has impacted our residential mortgage lending practices, and the residential mortgage market generally. The ATR/QM rule requires lenders to consider, among other things, income, employment status, assets, payment amounts, and credit history before approving a mortgage, and provides a compliance "safe harbor" for lenders that issue certain "qualified mortgages." The ATR/QM rule defines a "qualified mortgage" to have certain specified characteristics, and generally prohibit loans with negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years from being qualified mortgages. The rule also establishes general underwriting criteria for qualified mortgages, including that monthly payments be calculated based on the highest payment that will apply in the first five years of the loan and that the borrower have a total debt-to-income ratio that is less than or equal to 43 percent. While "qualified mortgages" will generally be afforded safe harbor status, a rebuttable presumption of compliance with the ability-to-repay requirements will attach to "qualified mortgages" that are "higher priced mortgages" (which are generally subprime loans). In particular, it will prevent banks from making "no doc" and "low doc" home loans, as the rules require that banks determine a consumer's ability to pay based in part on verified and documented information. Because we do not originate "no doc" or "low doc" loans, we do not believe this regulation will have a significant effect on our operations.

In addition, under rules that became effective December 24, 2015, the securitizer of asset-backed securities must retain not less than 5 percent of the credit risk of the assets collateralizing the asset-backed securities, unless subject to an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as “qualified residential mortgages.” These definitions are expected to significantly shape the parameters for the majority of consumer mortgage lending in the U.S.

Reflecting the CFPB's focus on the residential mortgage lending market, the CFPB has also issued rules to implement requirements of the Dodd-Frank Act pertaining to mortgage loan origination (including with respect to loan originator compensation and loan originator qualifications) and has finalized integrated mortgage disclosure rules that replace and combine certain requirements under the Truth in Lending Act and the Real Estate Settlement Procedures Act. In addition, the CFPB has issued rules that require servicers to comply with new standards and practices with regard to: error correction; information disclosure; force-placement of insurance; information management policies and procedures; requiring information about mortgage loss mitigation options be provided to delinquent borrowers; providing delinquent borrowers access to servicer personnel with continuity of contact about the borrower’s mortgage loan account; and evaluating borrowers’ applications for available loss mitigation options. These rules also address initial rate adjustment notices for adjustable-rate mortgages (ARMs), periodic statements for residential mortgage loans, and prompt crediting of mortgage payments and response to requests for payoff amounts. The CFPB has indicated that it expects to issue additional mortgage-related rules in the future.

The CFPB has indicated that, in addition to specific statutory mandates, it is working on a wide range of initiatives to address issues in markets for consumer financial products and services. The CFPB has also undertaken an effort to “streamline” consumer regulations and has established a database to collect, track and make public consumer complaints, including complaints against individual financial institutions.

The CFPB also has broad authority to prohibit unfair, deceptive and abusive acts and practices (“UDAAP”) and to investigate and penalize financial institutions that violate this prohibition. While the statutory language of the Dodd-Frank Act sets forth the standards for acts and practices that violate this prohibition, certain aspects of these standards are untested, which has created some uncertainty regarding how the CFPB will exercise this authority. The CFPB has, however, brought enforcement actions against certain financial institutions for UDAAP violations and issued some guidance on the topic, which provides insight into the agency’s expectations regarding these standards. Among other things, CFPB guidance and its UDAAP-related enforcement actions have emphasized that management of third-party service providers is essential to effective UDAAP compliance and that the CFPB is particularly focused on marketing and sales practices.

We cannot fully predict the effect that implementing regulations or revisions to existing regulations enforcement actions or other activity of the CFPB may have on our businesses.

The deposit operations of Colony Bank are also subject to laws and regulations that:

- Require Colony Bank to adequately disclose the interest rates and other terms of consumer deposit accounts;
- Impose a duty on Colony Bank to maintain the confidentiality of consumer financial records and prescribe procedures for complying with administrative subpoenas of financial records;
- Require escheatment of unclaimed funds to the appropriate state agencies after the passage of certain statutory time frames;
- Govern automatic deposits to and withdrawals from deposit accounts with Colony Bank and the rights and liabilities of customers who use automated teller machines, or ATMs, and other electronic banking services; and
- Limit the Bank's ability to charge fees for the payment of overdrafts for one-time debit and ATM card transactions.

Non-Discrimination Policies. Colony Bank is also subject to, among other things, the provisions of the Equal Credit Opportunity Act (the "ECOA") and the Fair Housing Act (the "FHA"), both of which prohibit discrimination based on race or color, religion, national origin, sex, and familial status in any aspect of a consumer or commercial credit or residential real estate transaction. The Department of Justice (the "DOJ"), and the federal bank regulatory agencies have issued an Interagency Policy Statement on Discrimination in Lending that provides guidance to financial institutions in determining whether discrimination exists, how the agencies will respond to lending discrimination, and what steps lenders might take to prevent discriminatory lending practices. The DOJ has increased its efforts to prosecute what it regards as violations of the ECOA and FHA.

Enforcement Authority. Colony Bank and its "institution-affiliated parties," including management, employees, agents, independent contractors and consultants, such as attorneys and accountants and others who participate in the conduct of the institution's affairs, are subject to potential civil and criminal penalties for violations of law, regulations or written orders of a government agency. Violations can include failure to timely file required reports, filing false or misleading information or submitting inaccurate reports. Civil penalties may be as high as $1,000,000 a day for such violations, and criminal penalties for some financial institution crimes may include imprisonment for 20 years. Regulators have flexibility to commence enforcement actions against institutions and institution-affiliated parties, and the FDIC has the authority to terminate deposit insurance. When issued by a banking agency, cease-and-desist orders may, among other things, require affirmative action to correct any harm resulting from a violation or practice, including restitution, reimbursement, indemnifications or guarantees against loss. A financial institution may also be ordered to restrict its growth, dispose of certain assets, rescind agreements or contracts, or take other actions determined to be appropriate by the ordering agency. The federal banking agencies also may remove a director or officer from an insured depository institution (or bar them from the industry) if a violation is willful or reckless.

Evolving Legislation and Regulatory Action. Proposals for new statutes and regulations are frequently circulated at both the federal and state levels, and may include wide-ranging changes to the structures, regulations and competitive relationships of financial institutions. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our business, financial condition or results of operations.

Other Regulatory Matters. We and our subsidiaries are subject to oversight by the SEC, the Financial Industry Regulatory Authority ("FINRA"), the Public Company Accounting Oversight Board ("PCAOB"), Nasdaq and various state securities regulators. We and our subsidiaries have from time to time received requests for information from regulatory authorities in various states, including state attorneys general, securities regulators and other regulatory authorities, concerning our business practices. Such requests are considered incidental to the normal conduct of business.

Iran Sanctions Related Disclosure

Under the Iran Threat Reduction and Syrian Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended, we are required to include certain disclosures in our periodic reports if we or any of our "affiliates" knowingly engaged in certain specified activities during the period covered by this Annual Report on Form 10-K. Because the SEC defines the term "affiliate" broadly, it includes any entity controlled by us as well as any person or entity that controls us or is under common control with us. We do not believe we and our consolidated subsidiary have knowingly engaged in any transaction or dealing reportable under Section 13(r) of the Exchange Act during fiscal year 2015.

Risk Factors

Strong competition and changing banking environment may limit growth and profitability.

Competition in the banking and financial services industry is intense. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms operating locally and elsewhere, and non-traditional financial institutions, including non-depository financial services providers. Many of these competitors (whether regional or national institutions) have substantially greater resources and lending limits than we have and may offer certain services that we do not or cannot provide. Additionally, non-traditional financial institutions may not have the same regulatory requirements or burdens as we do. Despite playing a rapidly increasing role in the financial services industry including providing services previously limited to commercial banks. Such competition could ultimately limit our growth, profitability and shareholder value. Our profitability depends upon our ability to successfully compete in our market areas and adapt to the ever changing banking environment.

Any future economic downturn could have a material adverse effect on our capital, financial condition, results of operations, and future growth.

Our management continually monitors market conditions and economic factors throughout our footprint. While recent economic data suggests that overall economic conditions have improved, as supported by our improved credit trends, we cannot make any assurance that these economic conditions - both nationally and in our principal markets - will not worsen in the future. If these conditions were to worsen, then we could see a sharp increase in our total net charge-offs and also be required to significantly increase our allowance for loan losses. Furthermore, the demand for loans and our other products and services could decline. Any future increase in our non-performing assets and related increases in our provision for loan losses, coupled with a potential decrease in the demand for loans and our other products and services, could negatively affect our business and could have a material adverse effect on our capital, financial condition, results of operations and future growth.

A reduction in consumer confidence could negatively impact our results of operations and financial condition.

Individual, economic, political, industry-specific conditions and other factors outside of our control, such as real estate values or other factors that affect customer income levels, could alter anticipated customer behavior, including borrowing, repayment, investment and deposit practices. Such a change in these practices could materially adversely affect our ability to anticipate business needs and meet regulatory requirements. Further, difficult economic conditions may negatively affect consumer confidence levels. A decrease in consumer confidence levels would likely aggravate the adverse effects of these difficult market conditions on us, our customers and others in the financial institutions industry.

Our business may be adversely affected by downturns in our national and local economies.

Our operations are significantly affected by national and local economic conditions. Substantially all of our loans are to businesses and individuals in Georgia. All of our branches and most of our deposit customers are also located in this area. A decline in the economies in which we operate could have a material adverse effect on our business, financial condition and results of operations.

A deterioration in economic conditions in the market areas we serve could result in the following consequences, any of which could have a material adverse effect on our business, financial condition and results of operations:

- Demand for our loans, deposits and services may decline;
- Loan delinquencies, problem assets and foreclosures may increase;
- Weak economic conditions may continue to limit the demand for loans by creditworthy borrowers, limiting our capacity to leverage our retail deposits and maintain our net interest income;
- Collateral for our loans may decline further in value; and
- The amount of our low-cost or non-interest bearing deposits may decrease.

Changes in interest rates could adversely affect our results of operations and financial condition.

Our results of operations and financial condition are significantly affected by changes in interest rates. Our results of operations depend substantially on our net interest income, which is the difference between the interest income we earn on our interest-earning assets, such as loans and securities, and the interest expense we pay on our interest-bearing liabilities, such as deposits and borrowings. Because our interest-bearing liabilities generally reprice or mature more quickly than our interest-earning assets, a sustained increase in interest rates generally would tend to reduce our interest income.

In an attempt to help the overall economy, the Federal Reserve Board has kept interest rates low through its targeted Fed Funds rate. In December 2018, the Federal Reserve Board increased the Fed Funds rate by 25 basis points. However, in January 2019, the Federal Reserve Board has now signaled a “patient” approach toward any future interest rate increases. If the Federal Reserve Board increases the Fed Funds rate, overall interest rates will likely rise, which may negatively impact the U.S. economic recovery.

Further, changes in monetary policy, including changes in interest rates, could influence (i) the amount of interest we receive on loans and securities, (ii) the amount of interest we pay on deposits and borrowings, (iii) our ability to originate loans and obtain deposits, (iv) the fair value of our assets and liabilities, and (v) the reinvestment risk associated with a reduced duration of our mortgage-backed securities portfolio as borrowers refinance to reduce borrowing costs. When interest-bearing liabilities reprice or mature more quickly than interest-earning assets, an increase in interest rates generally would tend to result in a decrease in net interest income.

Changes in interest rates also affect the current fair value of our interest-earning securities portfolio. Generally, the value of securities moves inversely with changes in interest rates. At December 31, 2018, the fair value of our portfolio of investment securities totaled $353,066,166. Net unrealized losses on these securities totaled $10,367,203 at December 31, 2018.

Additionally, 5.77% of our one- to four-family loan portfolio is comprised of adjustable-rate loans. Any rise in market interest rates may result in increased payments for borrowers who have adjustable-rate mortgage loans, which would increase the possibility of default.

Although management believes it has implemented an effective asset and liability management strategy to manage the potential effects of changes in interest rates, including the use of adjustable rate and/or short-term assets, and FHLB advances or longer term repurchase agreements, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of our operation and/or our strategies may not always be successful in managing the risk associated with changes in interest rates.

Our allowance for loan losses may not cover actual losses, and we may be required to materially increase our allowance, which may adversely affect our capital, financial condition and results of operations.

We derive the most significant portion of our revenues from our lending activities. When we lend money, commit to lend money or enter into a letter of credit or other contract with a counterparty, we incur credit risk, which is the risk of losses if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts. We estimate and maintain an allowance for loan losses, which is a reserve established through a provision for loan losses charged to expenses, which represents management's best estimate of probable credit losses that have been incurred within the existing portfolio of loans, as described under [Note 6 of Notes to Consolidated Financial Statements in this Report and under “Allowance for Loan Losses” under “Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations” of this Report.]

The allowance, in the judgment of management, is established to reserve for estimated loan losses and risks inherent in the loan portfolio. The determination of the appropriate level of the allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, risk ratings, and other factors, both within and outside of our control, may require an increase in the allowance for loan losses.

Because the risk rating of the loans is dependent on some subjective information and subject to changes in the borrower's credit risk profile, evolving local market conditions and other factors, it can be difficult for us to predict the effects that those factors will have on the classifications assigned to the loan portfolio, and thus difficult to anticipate the velocity or volume of the migration of loans through the classification process and effect on the level of the allowance for loan losses. An increase in the allowance for loan losses would result in a decrease in net income and capital, and could have a material adverse effect on our capital, financial condition and results of operations. Accordingly, we monitor our credit quality and our reserve requirements and use that as a basis for capital planning and other purposes. [See "Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Capital and Liquidity" of this Report for further information.]

Our commercial real estate, real estate construction, and commercial business loans increase our exposure to credit risks.

Over the last several years, we have increased our non-residential lending in order to improve the yield and reduce the average duration of our assets. At December 31, 2018, our portfolio of commercial real estate, commercial real estate construction, and commercial business loans totaled $478,792,789, or 61.22% of total loans, compared to $444,507,891, or 58.08% of total loans at December 31, 2017 and $426,473,271, or 56.54% of total loans at December 31, 2016. At December 31, 2018, the amount of nonperforming commercial real estate, commercial real estate construction, and commercial business loans was $4,065,472, or 42.88% of total nonperforming loans. These loans may expose us to a greater risk of non-payment and loss than residential real estate loans because, in the case of commercial loans, repayment often depends on the successful operation and earnings of the borrower's businesses and, in the case of consumer loans, the applicable collateral is subject to rapid depreciation. Additionally, commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate loans. If loans that are collateralized by real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest due on the loan, which could cause us to increase our provision for loan losses and adversely affect our financial condition and operating results.

We hold certain intangible assets that in the future could be classified as either partially or fully impaired, which would reduce our earnings and the book values of these assets.

Pursuant to applicable accounting requirements, we are required to periodically test our goodwill and core deposit intangible assets for impairment. The impairment testing process considers a variety of factors, including the current market price of our common shares, the estimated net present value of our assets and liabilities and information concerning the terminal valuation of similarly situated insured depository institutions. Future impairment testing may result in a partial or full impairment of the value of our goodwill or core deposit intangible assets, or both. If an impairment determination is made in a future reporting period, our earnings and the book value of these intangible assets will be reduced by the amount of the impairment.

Acquisitions could disrupt our business and adversely affect our operating results.

To the extent that we grow through acquisitions, we may not be able to adequately or profitably manage this growth. In addition, such acquisitions may involve the issuance of securities, which may have a dilutive effect on earnings per share. Acquiring banks, bank branches or businesses involves risks commonly associated with acquisitions, including:

- Potential exposure to unknown or contingent liabilities we acquire;
- Exposure to potential asset quality problems of the acquired financial institutions, businesses or branches;
- Difficulty and expense of integrating the operations and personnel of financial institutions, businesses or branches we acquire;
- Higher than expected deposit attrition;
- Potential diversion of our management’s time and attention;
- The possible loss of key employees and customers of financial institutions, businesses or branches we acquire;
- Difficulty in safely investing any cash generated by the acquisition;
- Inability to utilize potential tax benefits from such transactions;
- Difficulty in estimating the fair value of the financial institutions, businesses or branches to be acquired which affects the profits we generate from the acquisitions; and
- Potential changes in banking or tax laws or regulations that may affect the financial institutions or businesses to be acquired.

Reductions in service charge income or failure to comply with payment network rules could negatively impact our earnings.

We derive significant revenue from service charges on deposit accounts, the bulk of which comes from overdraft-related fees. Changes in banking regulations could have an adverse impact on our ability to derive income from service charges. Increased competition from other financial institutions or changes in consumer behavior could lead to declines in our deposit balances, which would result in a decline in service charge fees. Such a reduction could have a material impact on our earnings.

Reductions in interchange income could negatively impact our earnings.

Interchange income is derived from fees paid by merchants to the interchange network in exchange for the use of the network's infrastructure and payment facilitation. These fees are paid to card issuers to compensate them for the costs associated with issuance and operation. We earn interchange fees on card transactions from debit cards, including $2,773,714 during the year ended December 31, 2018. Merchants have attempted to negotiate lower interchange rates, and the Durbin Amendment to the Dodd-Frank Act limits the amount of interchange fees that may be charged for certain debit card transactions. Merchants may also continue to pursue alternative payment platforms, such as Apple Pay, to lower their processing costs. Any such new payment system may reduce our interchange income. Our failure to comply with the operating regulations set forth by payment card networks, which may change, could subject us to penalties, fees or the termination of our license to use the networks. Any of these scenarios could have a material impact on our business, financial condition and results of operations.

Because the nature of the financial services business involves a high volume of transactions, we face significant operational risks.

We are exposed to many types of operation risks, including reputational risk, legal and regulatory and compliance risk, the risk of fraud or theft by employees or persons outside our company, including the execution of unauthorized transactions by employees or operational errors, clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. Negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and keep customers and can expose us to litigation and regulatory action. Actual or alleged conduct by Colony Bank can result in negative public opinion about our business. Negative public opinion could also affect our credit ratings, which are important to our access to unsecured wholesale borrowings.

Our business involves storing and processing sensitive consumer and business customer data. If personal, non-public, confidential or proprietary information of customers in our possession were to be mishandled or misused, we could suffer significant regulatory consequences, reputational damage and financial loss. Such mishandling or misuse could include, for example, if such information were erroneously provided to parties who were not permitted to have that information, either by fault of our systems, employees, or counterparties, or where such information is intercepted or otherwise inappropriately taken by third parties. Furthermore, a cybersecurity breach could result in theft of such data.

Because we operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions, certain errors may be repeated or compounded before they are discovered and successfully rectified. Our necessary dependence upon automated systems to record and process transactions, and our large transaction volume, may further increase the risk that technical flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect. We also may be subject to disruptions of our operating systems arising from events that are wholly or partially beyond our control (for example, security breaches, denial of service attacks, viruses, worms and other disruptive problems caused by hackers, computer break-ins, phishing and other disruptions or electrical or telecommunications outages, or natural disasters, disease pandemics or other damage to property or physical assets) which may result in violations of consumer privacy laws including the Gramm-Leach-Bliley Act, cause significant liability to us and give reason for existing and potential customers to refrain from doing business with us. Although we, with the help of third-party service providers, intend to continue to implement security technology and establish operational procedures to prevent such damage and potential liability, there can be no assurance that these security measures will be successful. In addition, advances in computer capabilities, new discoveries in the field of cryptography or other developments could result in a compromise or breach of the algorithms we and our third-party service providers use to encrypt and protect customer transaction data. We are further exposed to the risk that our external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as we are) and to the risk that our (or our vendors') business continuity and data security systems prove to be inadequate. The occurrence of any of these risks could result in a diminished ability of us to operate our business (for example, by requiring us to expend significant resources to correct the defect), as well as potential liability to clients, reputational damage and regulatory intervention, which could adversely affect our business, financial condition or operations results, perhaps materially.

As an issuer of debit cards, we are exposed to losses in the event that holders of our cards experience fraud on their card accounts.

Our customers regularly use Colony Bank-issued debit cards to pay for transactions with retailers and other businesses. There is the risk of data security breaches at these retailers and other businesses that could result in the misappropriation of our customers' debit card information. When our customers use Colony Bank-issued cards to make purchases from those businesses, card account information is provided to the business. If the business's systems that process or store card account information are subject to a data security breach, holders of our cards who have made purchases from that business may experience fraud on their card accounts. Colony Bank may suffer losses associated with reimbursing our customers for such fraudulent transactions on customers' card accounts, as well as for other costs related to data security compromise events, such as replacing cards associated with compromised card accounts.

The financial services market is undergoing rapid technological changes, and if we are unable to stay current with those changes, we will not be able to effectively compete.

The financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology-driven products and services. Our future success will depend, in part, on our ability to keep pace with the technological changes and to use technology to satisfy and grow customer demand for our products and services and to create additional efficiencies in our operations. We expect that we will need to make substantial investments in our technology and information systems to compete effectively and to stay current with technological changes. Some of our competitors have substantially greater resources to invest in technological improvements and will be able to invest more heavily in developing and adopting new technologies, which may put us at a competitive disadvantage.

We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers. As a result, our ability to effectively compete to retain or acquire new business may be impaired, and our business, financial condition or results of operations may be adversely affected.

We face significant cyber and data security risk that could result in the dissemination of confidential and sensitive information, adversely affecting our business or reputation and exposing us to material liabilities.

Our business model enables our customers to utilize the Internet and other remote channels to transact business. As a financial institution, we are under continuous threat of loss due to the swiftness and sophistication of hacking and cyber-attacks. This risk, although considerable at the present, will only increase in the future. Two of the most significant cyber-attack risks that we face are electronic fraud and loss of sensitive customer data. Loss from electronic fraud occurs when cybercriminals breach and extract funds directly from customer accounts or our own accounts. The attempts to breach sensitive customer data, such as account numbers, social security numbers, or other personal information are less frequent but would present significant legal and/or regulatory costs to us if successful, as well as potentially damage our reputation among the markets we serve. Our risk and exposure to these matters will remain relevant because of the evolving nature and complexity of the threats posed by cybercriminals and hackers along with our plans to continue to provide Internet banking and mobile banking avenues for transacting business. While we have not experienced material losses relating to cyber-attacks or other information security breaches to date, we have been the subject of attempted hacking and cyber-attacks and there can be no assurance that we will not suffer such losses in the future.

The occurrence of any cyber-attack or information security breach could result in material adverse consequences including damage to our reputation and the loss of current or potential customers. We also could face litigation or additional regulatory scrutiny due to such an occurrence. Litigation or regulatory actions in turn could lead to material liability, including, but not limited to, fines and penalties or reimbursement to customers adversely affected by a data breach. Even if we do not suffer any material adverse consequences as a result of events affecting us directly, successful attacks or systems failures at other financial institutions could lead to a general loss of customer confidence in our company.

We continually review our network and systems security and make the necessary investments to improve the resiliency of our systems and their security from attack. Nonetheless, there remains the risk that we may be materially harmed by a cyber-attack or information security breach. Methods used to attack information systems continue to evolve in sophistication, swiftness, and frequency and can occur from a variety of sources, such as foreign governments, hacktivists, or other well-financed entities, and may originate from remote and less regulated areas of the world. If such an attack or breach were to occur, we might not be able to address and find a solution in a timely and adequate manner. We will, however, promptly take reasonable and customary measures to address the situation.

As a community bank, our recruitment and retention efforts may not be sufficient enough to implement our business strategy and execute successful operations.

Our financial success depends upon our ability to attract and retain highly motivated, well-qualified personnel. We face significant competition in the recruitment of qualified employees from financial institutions and others. As we continue to grow, we may find our recruitment and retention efforts more challenging. If we do not succeed in attracting, hiring, and integrating experienced or qualified personnel, we may not be able to successfully implement our business strategy, and we may be required to substantially increase our overall compensation or benefits to attract and retain such employees. Furthermore, in June 2010, the Federal Reserve, the Office of the Comptroller of the Currency, the Office of Thrift Supervision, and the FDIC jointly issued comprehensive final guidance designed to ensure that incentive compensation policies do not undermine the safety and soundness of banking organizations by encouraging employees to take imprudent risks. This regulation significantly restricts the amount, form, and context in which we pay incentive-based compensation and may put us at a competitive disadvantage compared to non-financial institutions in terms of attracting and retaining senior level employees.

We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

Our reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected, by the actions of our employees or otherwise, our business and, therefore, our operating results may be materially adversely affected.

We rely on third-party vendors for key components of our business.

Many key components of our operations, including data processing, recording and monitoring transactions, online interfaces and services, internet connections and network access are provided by other companies. Our vendor management process selects third-party vendors carefully, but we do not control their actions. Problems, including disruptions in communication, security breaches, or failure of a vendor to provide services, could hurt our operations or our relationships with customers. If our vendors suffer financial or operational issues, our operations and reputation could suffer if it harms the vendors' ability to serve us and our customers. Third-party vendors are also a source of operational and information security risk to us. Replacing or renegotiating contracts with vendors could entail significant operational expense and delays. The use of third-party vendors represents an unavoidable inherent risk to our company.

Hurricanes or other adverse weather events would negatively affect our local economies or disrupt our operations, which would have an adverse effect on our business or results of operations.

Our market area is located in the southeastern region of the United States and is susceptible to natural disasters, such as hurricanes, tornadoes, tropical storms, other severe weather events and related flooding and wind damage, and man-made disasters. These natural disasters could negatively impact regional economic conditions, cause a decline in the value or destruction of mortgaged properties and an increase in the risk of delinquencies, foreclosures or loss on loans originated by us, damage our banking facilities and offices and negatively impact our growth strategy. Such weather events can disrupt operations, result in damage to properties and negatively affect the local economies in the markets where they operate. We cannot predict whether or to what extent damage that may be caused by future hurricanes or tornadoes will affect our operations or the economies in our current or future market areas, but such weather events could negatively impact economic conditions in these regions and result in a decline in local loan demand and loan originations, a decline in the value or destruction of properties securing our loans and an increase in delinquencies, foreclosures or loan losses. Our business or results of operations may be adversely affected by these and other negative effects of natural or man-made disasters.

We may be adversely affected by the soundness of other financial institutions.

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. Any such losses could have a material adverse effect on our financial condition and results of operations.

Regulation of the financial services industry continues to undergo major changes, and future legislation could increase our cost of doing business or harm our competitive position.

The Dodd-Frank Act brought about a significant overhaul of many aspects of the regulation of the financial services industry, addressing, among other things, systemic risk, capital adequacy, deposit insurance assessments, consumer financial protection, interchange fees, derivatives, lending limits, mortgage lending practices, registration of investment advisors and changes among the bank regulatory agencies.

Major changes in the law could materially impact the profitability of our business, the value of assets we hold or the collateral available for our loans, require changes to business practices or force us to discontinue businesses and expose us to additional costs, taxes, liabilities, enforcement actions and reputational risk. We cannot fully predict the effect that compliance with changing laws or any implementing regulations will have on the Company's or the Bank's businesses or our ability to pursue future business opportunities, our financial condition or results of operations. [See "Part I - Item 1. Business - Supervision, Regulation and Other Factors" of this Report for further information.] We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or any regulations, would have on our business, financial condition, or results of operations.

New regulations could restrict our ability to originate and sell mortgage loans.

The Consumer Financial Protection Bureau has issued a rule designed to clarify for lenders how they can avoid monetary damages under the Dodd-Frank Act, which would hold lenders accountable for ensuring a borrower's ability to repay a mortgage. Loans that meet this "qualified mortgage" definition will be presumed to have complied with the new ability-to-repay standard. Under the Consumer Financial Protection Bureau's rule, a "qualified mortgage" loan must not contain certain specified features, including:

- Excessive upfront points and fees (those exceeding 3% of the total loan amount, less "bona fide discount points" for prime loans);
- Interest-only payments;
- Negative-amortization; and
- Terms longer than 30 years.

Also, to qualify as a "qualified mortgage," a borrower's total monthly debt-to-income ratio may not exceed 43%. Lenders must also verify and document the income and financial resources relied upon to qualify the borrower for the loan and underwrite the loan based on a fully amortizing payment schedule and maximum interest rate during the first five years, taking into account all applicable taxes, insurance and assessments. The Consumer Financial Protection Bureau's rule on qualified mortgages could limit our ability or desire to make certain types of loans or loans to certain borrowers, or could make it more expensive/and or time consuming to make these loans, which could limit our growth or profitability.

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and our income.

Bank regulatory agencies, such as the FDIC, govern the activities in which we may engage, primarily for the protection of depositors, and not for the protection or benefit of potential investors. In addition, new laws and regulations are likely to increase our costs of regulatory compliance and costs of doing business, and otherwise affect our operations. New laws and regulations may significantly affect the markets in which we do business, the markets for and value of our loans and investments, the fees we can charge, and our ongoing operations, costs and profitability. For example, regulatory changes to our overdraft protection programs could decrease the amount of fees we receive for these services. We cannot fully predict the effect that changes in law or regulation will have on the Company's or the Bank's businesses or our ability to pursue future business opportunities, our financial condition or results of operations.

Our management team's strategies for the enhancement of shareholder value may not succeed.

Our management team is taking and considering actions to enhance shareholder value, including reviewing personnel, developing new products, issuing dividends and exploring acquisition opportunities. These actions may not enhance shareholder value. For example, holders of our common stock are only entitled to receive such dividends as our Board of Directors may declare out of funds legally available for such payments. We are not legally required to do so. Further, the Federal Reserve could decide at any time that paying any dividends on our common stock could be an unsafe or unsound banking practice. The reduction or elimination of dividends paid on our common stock could adversely affect the market price of our common stock.

Our stock price may be volatile due to limited trading volume.

Our common stock is traded on the NASDAQ Global Select Market. However, the average daily trading volume in the Company's common stock has been relatively small, averaging approximately 32 total trades per day during 2018. As a result, trades involving a relatively small number of shares may have a significant effect on the market price of the common stock, and it may be difficult for investors to acquire or dispose of large blocks of stock without significantly affecting the market price.

The costs and effects of litigation, investigations or similar matters involving us or other financial institutions or counterparties, or adverse facts and developments related thereto, could materially affect our business, operating results and financial condition.

We may be involved from time to time in a variety of litigation, investigations, inquiries or similar matters arising out of our business, including those described in ["Part I - Item 3. Legal Proceedings" and "Part II - Item 8. Financial Statements and Supplementary Data" of this Report.] We cannot predict the outcome of these or any other legal matters. We establish reserves for legal claims when payments associated with the claims become probable and the losses can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. In addition, in the future, we may need to record additional litigation reserves with respect to these matters. Further, regardless of how these matters proceed, it could divert our management's attention and other resources away from our business. Our insurance may not cover all claims that may be asserted against it and indemnification rights to which we are entitled may not be honored, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our business, financial condition and results of operations. In addition, premiums for insurance covering the financial and banking sectors are rising. We may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms or at historic rates, if at all.

Our stock price is subject to fluctuations, and the value of your investment may decline.

The trading price of our common stock is subject to wide fluctuations. The stock market in general, and the market for the stocks of commercial banks and other financial services companies in particular, has experienced significant price and volume fluctuations that sometimes have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and the value of your investment may decline.

Part I (Continued)
Item 1B

Unresolved Staff Comments

None.

Item 2

Properties

The principal properties of the Registrant consist of the properties of the Bank. The Bank owns all of the banking offices occupied except one office in Valdosta, one office in Albany and one office in Douglas which are leased. In addition, the Company owns the corporate operation offices located in Fitzgerald, Georgia and Warner Robins Georgia.

Item 3

Legal Proceedings

The Company and its subsidiary may become parties to various legal proceedings arising from the normal course of business. As of December 31, 2018, there are no material pending legal proceedings to which Colony or its subsidiary are a party or of which any of its property is the subject.

Item 4

Mine Safety Disclosures

Not Applicable.

Part II
Item 5

Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchase of Equity Securities

Effective April 2, 1998, Colony Bankcorp, Inc. common stock is quoted on the NASDAQ Global Market under the symbol "CBAN." Prior to this date, there was no public market for the common stock of the registrant.

The following table sets forth the high, low and close sale prices per share of the common stock as reported on the NASDAQ Global Market, and the dividends declared per share for the periods indicated.

Year Ended December 31, 2018	High	Low	Close	Dividends Per Share
Fourth Quarter	**18.58**	**12.29**	**14.60**	**0.050**
Third Quarter	**19.20**	**16.50**	**17.80**	**0.050**
Second Quarter	**18.00**	**15.00**	**16.90**	**0.050**
First Quarter	**19.50**	**13.50**	**17.00**	**0.050**
Year Ended December 31, 2017				
Fourth Quarter	14.75	13.00	14.60	0.025
Third Quarter	14.20	11.10	13.75	0.025
Second Quarter	14.00	13.45	13.70	0.025
First Quarter	14.55	13.00	13.85	0.025

During 2018, the Company paid $1,688,417 in cash dividends on its common stock. During 2017, the Company paid $843,934 in cash dividends on its common stock. For a description of the restrictions and limitations on the Company's ability to pay dividends, please see "Dividends" on Page 14.

As of December 31, 2018, there were 8,444,908 shares of our common stock outstanding held by 1,826 holders of record.

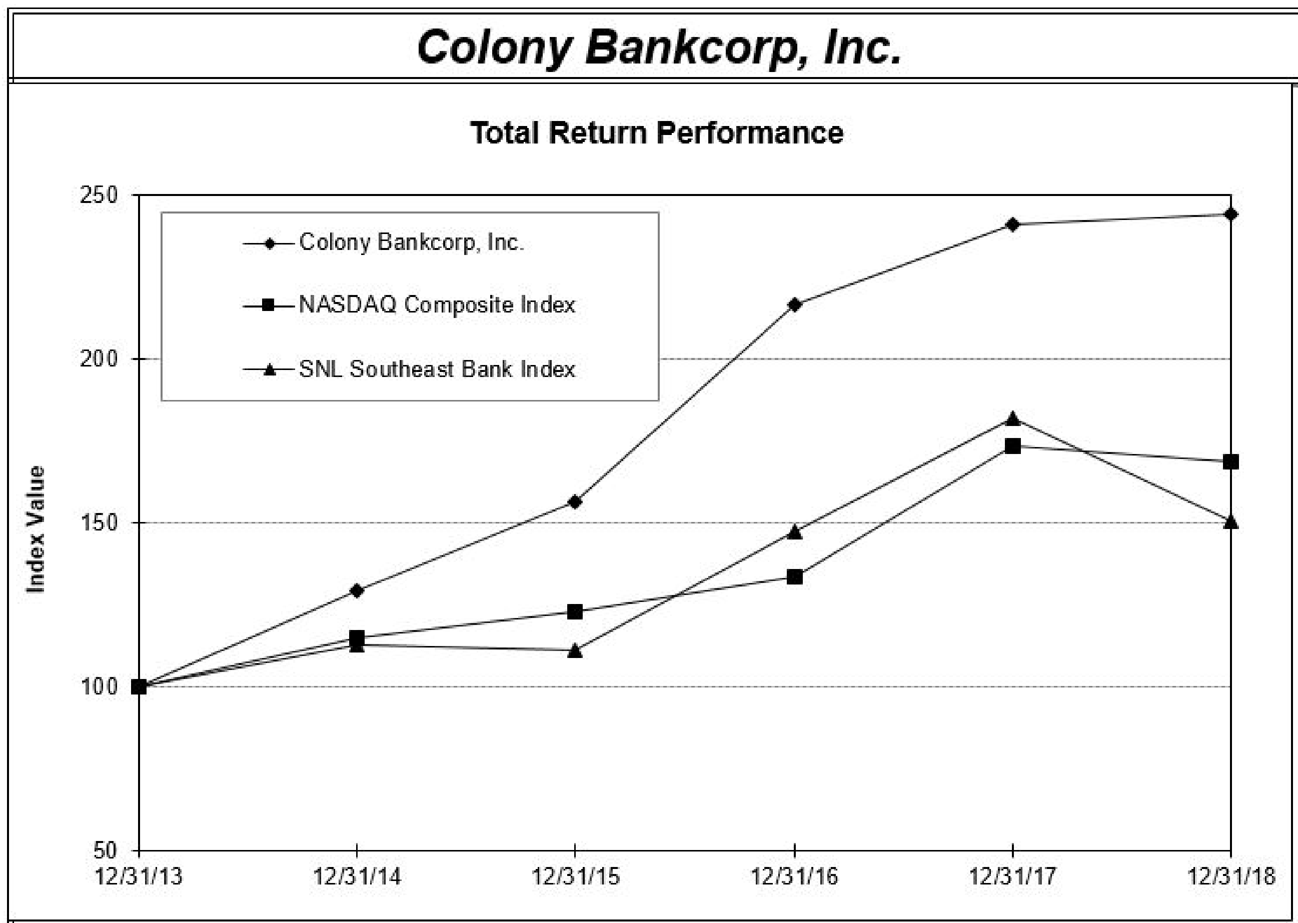
Issuer Purchase of Equity Securities

The Company purchased no shares of the Company's common stock during the quarter ended December 31, 2018.

Part II (Continued)
Item 5 (Continued)

Performance Graph

The performance graph below compares the cumulative total shareholder return on the Company's Common Stock with the cumulative total return on the equity securities of companies included in the NASDAQ Composite Index and the SNL Southeast Bank Index, measured at the last trading day of each year shown. The graph assumes an investment of $100 on December 31, 2013. The performance graph represents past performance and should not be considered to be an indication of future performance.



Index	*Period Ending*					
	12/31/13	**12/31/14**	**12/31/15**	**12/31/16**	**12/31/17**	**12/31/18**
Colony Bankcorp, Inc.	100.00	129.18	156.23	216.39	241.11	244.08
NASDAQ Composite Index	100.00	114.75	122.74	133.62	173.22	168.30
SNL Southeast Bank Index	100.00	112.63	110.87	147.18	182.06	150.42

Part II (Continued)
Item 6

Selected Financial Data

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(Dollars in Thousands, except per share data)				
Selected Balance Sheet Data					
Total Assets	**$ 1,251,878**	$ 1,232,755	$ 1,210,442	$ 1,174,149	$ 1,146,898
Total Loans, Net of Unearned Interest and Fees	**781,526**	764,788	753,922	758,279	745,733
Total Deposits	**1,085,125**	1,067,985	1,044,357	1,011,554	979,303
Investment Securities	**353,066**	354,247	323,658	296,149	274,624
Federal Home Loan Bank Stock	**2,978**	3,043	3,010	2,731	2,831
Stockholders' Equity	**95,692**	90,323	93,388	95,457	99,027
Selected Income Statement Data					
Interest Income	**49,022**	45,916	44,589	44,275	44,762
Interest Expense	**8,225**	6,873	6,483	6,569	6,799
Net Interest Income	**40,797**	39,043	38,106	37,706	37,963
Provision for Loan Losses	**201**	390	1,062	866	1,308
Other Income	**9,621**	9,735	9,553	9,045	9,125
Other Expense	**35,300**	33,860	34,073	33,724	34,980
Income Before Tax	**14,917**	14,528	12,524	12,161	10,800
Income Tax Expense	**3,000**	6,777	3,851	3,788	3,268
Net Income	**11,917**	7,751	8,673	8,373	7,532
Preferred Stock Dividends	**-**	211	1,493	2,375	2,689
Net Income Available to Common Stockholders	**$ 11,917**	$ 7,540	$ 7,180	$ 5,998	$ 4,843
Weighted Average Common Shares Outstanding, Basic	**8,439**	8,439	8,439	8,439	8,439
Common Shares Outstanding, Diluted	**8,539**	8,634	8,513	8,458	8,439
Shares Outstanding	**8,445**	8,439	8,439	8,439	8,439
Intangible Assets	**$ 759**	$ 45	$ 81	$ 116	$ 152
Dividends Declared	**1,688**	844	-	-	-
Average Assets	**1,201,874**	1,200,631	1,163,863	1,146,984	1,128,052
Average Stockholders' Equity	**89,478**	91,045	100,114	101,710	94,751
Net Charge-Offs	**431**	1,805	743	1,064	4,312
Reserve for Loan Losses	**7,277**	7,508	8,923	8,604	8,802
OREO	**1,841**	4,256	6,439	8,839	10,402
Nonperforming Loans	**9,482**	7,503	12,350	14,416	18,341
Nonperforming Assets	**11,323**	11,759	18,789	23,255	28,743
Average Interest-Earning Assets	**1,149,036**	1,133,700	1,090,967	1,074,556	1,057,608
Noninterest-Bearing Deposits	**192,847**	190,928	159,059	133,886	128,340

	Year Ended December 31,				
	2018	2017	2016	2015	2014
	(Dollars in Thousands, except per share data)				
Per Share Data:					
Net Income Per Common Share (Diluted)	**$ 1.40**	$ 0.87	$ 0.84	$ 0.71	$ 0.57
Common Book Value Per Share	**11.33**	10.70	9.96	9.18	8.42
Tangible Common Book Value Per Share	**11.24**	10.69	9.95	9.16	8.40
Dividends Per Common Share	**0.20**	0.10	0.00	0.00	0.00
Profitability Ratios:					
Net Income to Average Assets	**0.99%**	0.63%	0.62%	0.52%	0.43%
Net Income to Average Stockholders' Equity	**13.32**	8.28	7.17	5.90	5.11
Net Interest Margin	**3.56**	3.46	3.51	3.52	3.60
Loan Quality Ratios:					
Net Charge-Offs to Total Loans	**0.06**	0.24	0.10	0.14	0.58
Reserve for Loan Losses to Total Loans and OREO	**0.93**	0.98	1.17	1.12	1.16
Nonperforming Assets to Total Loans and OREO	**1.44**	1.53	2.47	3.03	3.80
Reserve for Loan Losses to Nonperforming Loans	**76.74**	100.06	72.25	59.68	47.99
Reserve for Loan Losses to Total Nonperforming Assets	**64.27**	63.85	47.49	37.00	30.62
Liquidity Ratios:					
Loans to Total Deposits (1)	**72.02**	71.61	72.19	74.96	76.15
Loans to Average Interest-Earning Assets (1)	**68.02**	67.46	69.11	70.57	70.51
Noninterest-Bearing Deposits to Total Deposits	**17.77**	17.88	15.23	13.24	13.11
Capital Adequacy Ratios:					
Common Stockholders' Equity to Total Assets	**7.64**	7.33	6.94	6.60	6.20
Total Stockholders' Equity to Total Assets	**7.64**	7.33	7.72	8.13	8.63
Dividend Payout Ratio	**14.18**	11.24	0.00	0.00	0.00

(1) Total loans, net of unearned interest and fees.

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

Forward-Looking Statements and Factors that Could Affect Future Results

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

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

- Local and regional economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact;
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements;
- The effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board;
- Inflation, interest rate, market and monetary fluctuations;
- Political instability;
- Acts of war or terrorism;
- The timely development and acceptance of new products and services and perceived overall value of these products and services by users;
- Changes in consumer spending, borrowings and savings habits;
- Technological changes;
- Acquisitions and integration of acquired businesses;
- The ability to increase market share and control expenses;

- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiaries must comply;
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters;
- Changes in the Company's organization, compensation and benefit plans;
- The costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- Greater than expected costs or difficulties related to the integration of new lines of business; and
- The Company's success at managing the risks involved in the foregoing items.

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

Future Outlook

During the recent financial crisis, the financial industry experienced tremendous adversities as a result of the collapse of the real estate markets across the country. Colony, like most banking companies, has been affected by these economic challenges that started with a rapid stall of real estate sales and developments throughout the country. We have accomplished a considerable amount of work in bringing our problem assets to an acceptable level. With these challenges behind us, we are now focusing on increasing our deposits along with solid loan growth. We continue to explore opportunities to improve core non-interest income. Revenue enhancement initiatives to accomplish this include new product lines and services.

As we look forward to 2019, we are committed to improving earnings. Given the improved condition of the company, we are also considering product and market expansion. In January 2017, the Company opened its third office in Savannah. In February 2018, the Company purchased a property in Statesboro, Georgia for a new office to open in the second quarter of 2019. In May 2018, the Company closed one branch office in Albany, Georgia to improve operating efficiencies.

In October 2018, the Bank closed on a transaction to purchase a branch in Albany, Georgia from Planters First Bank. The transaction resulted in additional $20.7 million in loans and an additional $12.0 million in deposits for the Bank. In addition, the Bank purchased a vacant lot of real estate in Albany, Georgia with this transaction in which the Bank intends to build a new branch office in the future.

In December 2018, the Company and LBC Bancshares, Inc., a Georgia corporation ("LBC"), entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which LBC will merge into the Company. Immediately thereafter, Calumet Bank, a Georgia bank wholly owned by LBC, will be merged into Colony Bank. Calumet Bank operates two full-service banking locations, one each in LaGrange, Georgia and Columbus, Georgia, as well as a loan production office in Atlanta, Georgia. Under the terms of the Merger Agreement, each LBC shareholder will have the option to receive either $23.50 in cash or 1.3239 shares of the Company's Common Stock in exchange for each share of LBC common stock, subject to customary proration and allocation procedures, such that 55% of LBC shares will receive the stock consideration and 45% will receive the cash consideration, and at least 50% of the merger consideration will be paid in the Company stock. The aggregate consideration is valued at approximately $34.1 million, based upon the $16.10 per share closing price of the Company's common stock as of December 17, 2018. The merger is subject to customary closing conditions, including the receipt of regulatory approvals and the approval of LBC's shareholders. The transaction is expected to close during the first half of 2019. As of December 31, 2018, LBC reported assets of $207 million, gross loans of $136 million and deposits of $182 million. The purchase price will be allocated among the net assets of LBC acquired as appropriate, with the remaining balance being reported as goodwill.

The Company reinstated dividend payments during the first quarter of 2017 and have continued throughout 2017 and 2018 on a quarterly basis. In 2017, we had a quarterly dividend of $0.025 per common stock and in 2018, we paid a quarterly dividend of $0.05 per common stock.

In July 2018, the Company announced the retirement of its President and Chief Executive Officer, Edward P. Loomis, Jr. and named Mr. T. Heath Fountain as his replacement. Mr. Fountain previously served as President and Chief Executive Officer of Planters First Bank for three years and Chief Financial Officer of Heritage Financial Group and Heritage Bank of the South for eight years.

Non-GAAP Financial Measures

Our accounting and reporting policies conform to generally accepted accounting principles (GAAP) in the United States and prevailing practices in the banking industry. However, certain non-GAAP measures are used by management to supplement the evaluation of our performance. These include the fully-taxable equivalent measures: tax-equivalent net interest income, tax-equivalent net interest margin and tax-equivalent net interest spread, which include the effects of taxable-equivalent adjustments using a federal income tax rate of 21% in 2018 and 34% in prior years to increase tax-exempt interest income to a tax-equivalent basis. Tax-equivalent adjustments are reported in Notes 1 and 2 to the Average Balances with Average Yields and Rates table under Rate/Volume Analysis. Tangible book value per common share is also a non-GAAP measure used in the selected Financial Data Section.

Tax-equivalent net interest income, net interest margin and net interest spread. Net interest income on a tax-equivalent basis is a non-GAAP measure that adjusts for the tax-favored status of net interest income from loans and investments. We believe this measure to be the preferred industry measurement of net interest income and it enhances comparability of net interest income arising from taxable and tax-exempt sources. The most directly comparable financial measure calculated in accordance with GAAP is our net interest income. Net interest margin on a tax-equivalent basis is net interest income on a tax-equivalent basis divided by average interest-earning assets on a tax-equivalent basis. The most directly comparable financial measure calculated in accordance with GAAP is our net interest margin. Net interest spread on a tax-equivalent basis is the difference in the average yield on average interest-earning assets on a tax equivalent basis and the average rate paid on average interest-bearing liabilities. The most directly comparable financial measure calculated in accordance with GAAP is our net interest spread.

These non-GAAP financial measures should not be considered alternatives to GAAP-basis financial statements, and other bank holding companies may define or calculate these non-GAAP measures or similar measures differently.

Non-GAAP Financial Measures (Continued)

A reconciliation of these performance measures to GAAP performance measures is included in the tables below.

Non-GAAP Performance Measures Reconciliation

	Years Ended December 31,				
	2018	2017	2016	2015	2014
	(Dollars in Thousands, except per share data)				
Interest Income Reconciliation					
Interest Income – Taxable Equivalent	**$ 49,109**	$ 46,079	$ 44,762	$ 44,407	$ 44,879
Tax Equivalent Adjustment	**(87)**	(163)	(173)	(132)	(117)
Interest Income (GAAP)	**$ 49,022**	$ 45,916	$ 44,589	$ 44,275	$ 44,762
Net Interest Income Reconciliation					
Net Interest Income – Taxable Equivalent	**$ 40,884**	$ 39,206	$ 38,279	$ 37,838	$ 38,080
Tax Equivalent Adjustment	**(87)**	(163)	(173)	(132)	(117)
Net Interest Income (GAAP)	**$ 40,797**	$ 39,043	$ 38,106	$ 37,706	$ 37,963
Net Interest Margin Reconciliation					
Net Interest Margin – Taxable Equivalent	**3.56%**	3.46%	3.51%	3.52%	3.60%
Tax Equivalent Adjustment	**(0.01)%**	(0.02)	(0.02)	(0.01)	(0.01)
Net Interest Margin (GAAP)	**3.55%**	3.44%	3.49%	3.51%	3.59%
Interest Rate Spread Reconciliation					
Interest Rate Spread – Taxable Equivalent	**3.39%**	3.34%	3.40%	3.41%	3.49%
Tax Equivalent Adjustment	**-**	(0.02)	(0.02)	(0.01)	(0.01)
Interest Rate Spread (GAAP)	**3.39%**	3.32%	3.38%	3.40%	3.48%
Selected Financial Data					
Tangible Book Value Per Common Share	**$ 11.24**	$ 10.69	$ 9.95	$ 9.16	$ 8.40
Effect of Other Intangible Assets	**0.09**	0.01	0.01	0.02	0.02
Book Value Per Common Share (GAAP)	**$ 11.33**	$ 10.70	$ 9.96	$ 9.18	$ 8.42

The Company

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

Overview

The following discussion and analysis presents the more significant factors affecting the Company's financial condition as of December 31, 2018 and 2017, and results of operations for each of the years in the three-year period ended December 31, 2018. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements, notes thereto and other financial information appearing elsewhere in this report.

Taxable-equivalent adjustments are the result of increasing income from tax-free loans and investments by an amount equal to the taxes that would be paid if the income were fully taxable based on a 21 percent federal tax rate for 2018 and 34 percent federal tax rate for 2017 and 2016, thus making tax-exempt yields comparable to taxable asset yields.

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

Part II (Continued)
Item 7 (Continued)

Results of Operations

The Company's results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since market forces and economic conditions beyond the control of the Company determine interest rates, the ability to generate net interest income is dependent upon the Company's ability to obtain an adequate spread between the rate earned on interest-earning assets and the rate paid on interest-bearing liabilities. Thus, the key performance for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average interest-earning assets. Net income available to common shareholders totaled $11.92 million, or $1.40 per diluted shares in 2018, compared to $7.54 million, or $0.87 per diluted common share in 2017 and compared to $7.18 million, or $0.84 per diluted common share in 2016.

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

	2018	2017	**$ Variance**	**% Variance**	2017	2016	$ Variance	% Variance
Taxable-equivalent net interest income	**$ 40,884**	$ 39,206	**$ 1,678**	**4.28%**	$ 39,206	$ 38,279	$ 927	2.42%
Taxable-equivalent adjustment	**87**	163	**(76)**	**(46.63)**	163	173	(10)	(5.78)
Net interest income	**40,797**	39,043	**1,754**	**4.49**	39,043	38,106	937	2.46
Provision for loan losses	**201**	390	**(189)**	**(48.46)**	390	1,062	(672)	63.28
Noninterest income	**9,621**	9,735	**(114)**	**(1.17)**	9,735	9,553	182	1.91
Noninterest expense	**35,300**	33,860	**1,440**	**4.25**	33,860	34,073	(213)	(0.63)
Income before income taxes	**$ 14,917**	$ 14,528	**$ 389**	**2.68%**	$ 14,528	$ 12,524	$ 2,004	16.00%
Income Taxes	**3,000**	6,777	**(3,777)**	**(55.73)**	6,777	3,851	2,926	75.98
Net income	**$ 11,917**	$ 7,751	**$ 4,166**	**53.75%**	$ 7,751	$ 8,673	$ (922)	(10.63)%
Preferred stock dividends	**$ -**	$ 211	**$ (211)**	**(100.00)%**	$ 211	$ 1,493	$ (1,282)	(85.87)%
Net income available to common shareholders	**$ 11,917**	$ 7,540	**$ 4,377**	**58.05%**	$ 7,540	$ 7,180	$ 360	5.01%
Net income available to common shareholders:								
Basic	**$ 1.41**	$ 0.89	**$ 0.52**	**58.43%**	$ 0.89	$ 0.85	$ 0.04	4.71%
Diluted	**$ 1.40**	$ 0.87	**$ 0.53**	**60.92%**	$ 0.87	$ 0.84	$ 0.03	3.57%
Return on average assets (1)	**0.99%**	0.63%	**0.36%**	**57.14%**	0.63%	0.62%	0.01%	1.61%
Return on average common equity (1)	**13.32%**	8.28%	**5.04%**	**60.87%**	8.28%	7.17%	1.11%	15.48%

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

Net Interest Income

Net interest income is the difference between interest income on earning assets, such as loans and securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest income is the Company's largest source of revenue, representing 80.92 percent of total revenue during 2018, 80.04 percent of total revenue during 2017, and 79.96 percent of total revenue during 2016.

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

The Company's loan portfolio is significantly affected by changes in the prime interest rate. The prime interest rate, which is the rate offered on loans to borrowers with strong credit, is currently 5.50 percent. The Federal Reserve Board sets general market rates of interest, including the deposit and loan rates offered by many financial institutions. The prime interest rate increased 25 basis points during the fourth quarter of 2016. During 2017, the prime interest rate increased overall by 75 basis points. During 2018, the prime interest rate increased overall by 100 basis points. Given that the federal funds rate moves in accordance with the movement of the prime interest rate, we anticipate in 2019 that the federal funds rate will remain the same from its current 2.4 percent.

The following table presents the changes in taxable-equivalent net interest income and identifies the changes due to differences in the average volume of interest-earning assets and interest-bearing liabilities and the changes due to changes in the average interest rate on those assets and liabilities. The changes in net interest income due to changes in both average volume and average interest rate have been allocated to the average volume change or the average interest rate change in proportion to the absolute amounts of the change in each. The Company's consolidated average balance sheets along with an analysis of taxable-equivalent net interest earnings are presented in the Rate/Volume Analysis.

Part II (Continued)
Item 7 (Continued)

Rate/Volume Analysis

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

	Changes From 2017 to 2018 (a)			Changes From 2016 to 2017 (a)		
	Volume	**Rate**	**Total**	Volume	Rate	Total
Interest Income						
Loans, Net-Taxable	**$ 496**	**$ 1,510**	**$ 2,006**	$ 72	$ (407)	$ (335)
Investment Securities						
Taxable	**(8)**	**840**	**832**	769	770	1,539
Tax-Exempt	**(9)**	**(14)**	**(23)**	(5)	(9)	(14)
Total Investment Securities	**(17)**	**826**	**809**	764	761	1,525
Interest-Bearing Deposits in Other Banks	**68**	**110**	**178**	(12)	120	108
Federal Funds Sold	**-**	**-**	**-**	-	-	-
Other Interest - Earning Assets	**5**	**32**	**37**	12	7	19
Total Interest Income	**552**	**2,478**	**3,030**	836	481	1,317
Interest Expense						
Interest-Bearing Demand and Savings Deposits	**63**	**810**	**873**	174	28	202
Time Deposits	**(221)**	**647**	**426**	(240)	15	(225)
Total Interest Expense On Deposits	**(158)**	**1,457**	**1,299**	(66)	43	(23)
Other Interest-Bearing Liabilities						
Subordinated Debentures	**-**	**241**	**241**	-	126	126
Other Debt	**(41)**	**(149)**	**(190)**	231	54	285
Federal Funds Purchased	**1**	**1**	**2**	4	(2)	2
Total Interest Expense	**(198)**	**1,550**	**1,352**	169	221	390
Net Interest Income (Loss)	**$ 750**	**$ 928**	**$ 1,678**	$ 667	$ 260	$ 927

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

The Company maintains about 24.2 percent of its loan portfolio in adjustable rate loans that reprice with prime rate changes, while the bulk of its other loans mature within 3 years. The liabilities to fund assets are primarily in non-maturing core deposits and short term certificates of deposit that mature within one year. The Federal Reserve rates have steadily increased since 2016 with a 25 basis point increase in 2016 followed by a 75 basis point increase during 2017 and a 100 basis point increase during 2018. We have seen the net interest margin change to 3.56 percent for 2018, compared to 3.46 percent for 2017 and 3.51 percent for 2016. We have seen our net interest margin reach a low of 3.55 percent in the first and fourth quarter of 2018 to a high of 3.57 percent in the second and third quarters 2018.

Taxable-equivalent net interest income for 2018 increased by $1.68 million, or 4.28 percent, compared to 2017 while taxable-equivalent net interest income for 2017 increased by $927 thousand, or 2.42 percent compared to 2016. The average volume of interest-earning assets during 2018 increased $15.34 million compared to 2017 while over the same period the net interest margin increased to 3.56 percent from 3.46 percent. The average volume of interest-earning assets during 2017 increased $42.73 million compared to 2016 while over the same period the net interest margin dropped to 3.46 percent from 3.51 percent. The change in the net interest margin in 2018 was primarily driven by a higher level of low yielding assets offset by an increase in the cost of funds. The change in the net interest margin in 2017 was primarily driven by a higher level of low yielding assets offset by an increase in the cost of funds. The increase in average interest-earning assets in 2018 was primarily in loans and interest bearing deposits. The increase in average interest-earning assets in 2017 was in investments.

The average volume of loans increased $9.77 million in 2018 compared to 2017 and increased $1.41 million in 2017 compared to 2016. The average yield on loans increased 20 basis points in 2018 compared to 2017 and decreased 5 basis points in 2017 compared to 2016. The average volume of deposits increased $4.33 million in 2018 compared to 2017. The average volume of deposits increased $36.78 million in 2017 compared to 2016. Demand deposits made up $14.76 million of the increase in average deposits in 2018 compared to $18.59 million of the increase in average deposits in 2017.

Accordingly, the ratio of average interest-bearing deposits to total average deposits was 83.2 percent in 2018, 84.6 percent in 2017 and 85.9 percent in 2016. For 2018, this deposit mix, combined with a general increase in interest rates, had the effect of (i) increasing the average cost of total deposits by 13 basis points in 2018 compared to 2017 and (ii) offset a portion of the impact of increasing yields on interest-earning assets on the Company’s net interest income. When comparing 2017 to 2016, the deposit mix had the effect of (i) decreasing the average cost of total deposits by 2 basis points and (ii) mitigating a portion of the impact of decreasing yields on interest-earning assets on the Company’s net interest income.

The Company’s net interest spread, which represents the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities, was 3.39 percent in 2018 compared to 3.34 percent in 2017 and 3.40 percent in 2016. The net interest spread, as well as the net interest margin, will be impacted by future changes in short-term and long-term interest rate levels, as well as the impact from the competitive environment. A discussion of the effects of changing interest rates on net interest income is set forth in *Market Risk and Interest Rate Sensitivity* included elsewhere in this report.

Part II (Continued)
Item 7 (Continued)

Rate/Volume Analysis (Continued)

AVERAGE BALANCE SHEETS

	2018			2017			2016		
	Average Balances	**Income/ Expense**	**Yields/ Rates**	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets									
Interest-Earning Assets									
Loans, Net of Unearned Income (1)	**$ 772,327**	**$ 40,755**	**5.28%**	$ 762,554	$ 38,749	5.08%	$ 761,149	$ 39,084	5.13%
Investment Securities									
Taxable	**344,369**	**7,699**	**2.24**	344,790	6,867	1.99	301,357	5,328	1.77
Tax-Exempt (2)	**2,046**	**58**	**2.83**	2,310	81	3.51	2,440	95	3.89
Total Investment Securities	**346,415**	**7,757**	**2.24**	347,100	6,948	2.00	303,797	5,423	1.79
Interest-Bearing Deposits	**27,072**	**410**	**1.51**	20,920	232	1.11	23,167	124	0.54
Federal Funds Sold	**-**	**-**	**-**	-	-	-	-	-	-
Other Interest-Earning Assets	**3,222**	**187**	**5.80**	3,126	150	4.80	2,854	131	4.59
Total Interest-Earning Assets	**1,149,036**	**49,109**	**4.27%**	1,133,700	46,079	4.06%	1,090,967	44,762	4.10
Noninterest-Earning Assets									
Cash	**14,578**			20,587			19,208		
Allowance for Loan Losses	**(7,335)**			(8,442)			(9,372)		
Other Assets	**45,595**			54,786			63,060		
Total Noninterest-Earning Assets	**52,838**			66,931			72,896		
Total Assets	**$1,201,874**			$ 1,200,631			$ 1,163,863		
Liabilities and Stockholders' Equity									
Interest-Bearing Liabilities									
Interest-Bearing Demand and Savings	**$ 534,887**	**$ 2,769**	**0.52%**	$ 517,974	$ 1,896	0.37%	$ 469,740	$ 1,694	0.36%
Other Time	**326,243**	**3,288**	**1.01**	353,587	2,862	0.81	383,628	3,087	0.80
Total Interest-Bearing Deposits	**861,130**	**6,057**	**0.70**	871,561	4,758	0.55	853,368	4,781	0.56
Other Interest-Bearing Liabilities									
Other Borrowed Money	**49,859**	**1,195**	**2.40**	51,388	1,385	2.70	42,470	1,100	2.59
Subordinated Debentures	**24,229**	**968**	**4.00**	24,229	727	3.00	24,229	601	2.48
Federal Funds Purchased and Repurchase Agreements	**261**	**5**	**1.92**	178	3	1.69	35	1	2.86
Total Other Interest-Bearing Liabilities	**74,349**	**2,168**	**2.92**	75,795	2,115	2.79	66,734	1,702	2.55
Total Interest-Bearing Liabilities	**935,479**	**8,225**	**0.88**	947,356	6,873	0.73	920,102	6,483	0.70
Noninterest-Bearing Liabilities and Stockholders' Equity									
Demand Deposits	**173,688**			158,924			140,338		
Other Liabilities	**3,229**			3,306			3,309		
Stockholders' Equity	**89,478**			91,045			100,114		
Total Noninterest-Bearing Liabilities and Stockholders' Equity	**266,395**			253,275			243,761		
Total Liabilities and Stockholders' Equity	**$1,201,874**			$ 1,200,631			$ 1,163,863		
Interest Rate Spread			**3.39%**			3.34%			3.40%
Net Interest Income		**$ 40,884**			$ 39,206			$ 38,279	
Net Interest Margin			**3.56%**			3.46%			3.51%

(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 $73, $135 and $141 for 2018, 2017 and 2016, respectively, are included in interest on loans. The adjustments are based on a federal tax rate of 21 percent for 2018 and 34 percent for 2017 and 2016.

(2) Taxable-equivalent adjustments totaling $14, $28 and $32 for 2018, 2017 and 2016, respectively, are included in tax-exempt interest on investment securities. The adjustments are based on a federal tax rate of 21 percent for 2018 and 34 percent for 2017 and 2016 with appropriate reductions for the effect of disallowed interest expense incurred in carrying tax-exempt obligations.

Part II (Continued)
Item 7 (Continued)

Provision for Loan Losses

The provision for loan losses is determined by management as the amount to be added to the allowance for loan losses after net charge-offs have been deducted to bring the allowance to a level which, in management's best estimate, is necessary to absorb probable losses within the existing loan portfolio. The provision for loan losses totaled $201 thousand in 2018 compared to $390 thousand in 2017 and $1.06 million in 2016. See the section captioned "Allowance for Loan Losses" elsewhere in this discussion for further analysis of the provision for loan losses.

Noninterest Income

The components of noninterest income were as follows:

	2018	2017	**$ Variance**	**% Variance**	2017	2016	$ Variance	% Variance
Service Charges on Deposit Accounts	**$ 4,374**	$ 4,467	**$ (93)**	**2.08%**	$ 4,467	$ 4,307	$ 160	3.71%
Other Charges, Commissions and Fees	**3,254**	3,049	**205**	**6.72**	3,049	2,803	246	8.78
Mortgage Fee Income	**652**	859	**(207)**	**(24.10)**	859	682	177	25.95
Securities Gains (Losses)	**116**	-	**116**	**100.00**	-	385	(385)	(100.00)
Other	**1,225**	1,360	**(135)**	**(9.93)**	1,360	1,377	(17)	(1.23)
Total	**$ 9,621**	$ 9,735	**$ (114)**	**(1.17)%**	$ 9,735	$ 9,554	$ 181	1.89%

Other Charges, Commissions and Fees. Significant amounts impacting the comparable periods was primarily attributed to ATM and debit card interchange fees which increased $219 thousand in 2018 compared to 2017 and $209 thousand in 2017 compared to 2016.

Mortgage Fee Income. The decrease in mortgage fee income in 2018 compared to the same period in 2017 is due to a decrease in the volume of mortgage loans.

Securities Gains (Losses). The increase in 2018 is attributable to a gain on sale of securities in 2018 compared to no sale of securities in 2017.

Other. The decrease in other income is attributable to a decrease in revenue from cash surrender life insurance policies which decreased $124 thousand in 2018 compared to 2017 and increased $48 thousand in 2017 compared to 2016. The Bank did not have any significant changes for 2017 compared to 2016.

Part II (Continued)
Item 7 (Continued)

Noninterest Expense

The components of noninterest expense were as follows:

	2018	2017	**$ Variance**	**% Variance**	2017	2016	$ Variance	% Variance
Salaries and Employee Benefits	**$ 20,123**	$ 19,223	**$ 900**	**4.68%**	$ 19,223	$ 18,483	$ 740	4.00%
Occupancy and Equipment	**4,180**	3,948	**232**	**5.88**	3,948	3,970	(22)	(0.55)
Directors' Fees	**291**	298	**(7)**	**(2.35)**	298	349	(51)	(14.61)
Legal and Professional Fees	**1,321**	1,170	**151**	**12.91**	1,170	1,068	102	9.55
Foreclosed Property	**205**	363	**(158)**	**(43.53)**	363	1,143	(780)	(68.24)
FDIC Assessment	**358**	387	**(29)**	**(7.49)**	387	604	(217)	(35.93)
Advertising	**338**	350	**(12)**	**(3.43)**	350	610	(260)	(42.62)
Software and Data Processing	**1,421**	1,192	**229**	**19.21**	1,192	1,112	80	7.19
Telephone	**738**	814	**(76)**	**(9.34)**	814	737	77	10.45
ATM/Card Processing	**1,510**	1,467	**43**	**2.93**	1,467	1,136	331	29.14
Other	**4,815**	4,648	**167**	**3.59**	4,648	4,861	(213)	(4.38)
Total	**$ 35,300**	$ 33,860	**$ 1,440**	**4.25%**	$ 33,860	$ 34,073	$ (213)	(0.63)%

Salaries and Employee Benefits. The increase in salary and employee benefits for 2018 and 2017 is due to merit pay increases and an increase in number of employees.

Occupancy and Equipment. The increase in occupancy and equipment is primarily attributable to an increase in depreciation expense in 2018 and an increase in maintenance on equipment and building in 2018 when compared to 2017. The Company did not have any significant changes for 2017 compared to 2016.

Foreclosed Property. The decrease in foreclosed property and repossession expense for 2018 and 2017 is primarily attributable to the decrease in the volume of OREO.

Advertising. The Bank did not have any significant changes for 2018 compared to 2017. The decrease in advertising expense for 2017 is due to management changing its approach to advertising by decreasing its television ads.

Software and Data Processing. The increase in software and data processing is primarily attributable to the Company changing its information technology processes from an in-house approach to outsourcing with our core processing provider during the first quarter of 2018. With this change, the company has shown a decrease of $400 thousand in software expense in 2018 that was offset by an increase of $629 thousand in data processing expense in 2018 compared to 2017. The Company did not have any significant changes for 2017 compared to 2016.

ATM/Card Processing. The increase is proportional to the Bank's increase in deposits and to ATM and debit card interchange fees.

Other. The increase in other expenses is primarily attributable to conversion expenses of $225 thousand for 2018. These expenses stem from our branch acquisition of the Albany, Georgia branch from Planters First Bank and from our pending acquisition of LBC Bancshares. The Company did not have any significant changes for 2017 compared to 2016.

Sources and Uses of Funds

The following table illustrates, during the years presented, the mix of the Company's funding sources and the assets in which those funds are invested as a percentage of the Company's average total assets for the period indicated. Average assets totaled $1.20 billion in 2018 compared to $1.20 billion in 2017 and $1.16 billion in 2016.

	2018		2017		2016	
Sources of Funds:						
Deposits:						
Noninterest-Bearing	**$ 173,688**	**14.45%**	$ 158,924	13.24%	$ 140,338	12.1%
Interest-Bearing	**861,130**	**71.65%**	871,561	72.59%	853,368	73.3%
Federal Funds Purchased and Repurchase Agreements	**261**	**0.02%**	178	0.01%	35	-%
Subordinated Debentures and Other Borrowed Money	**74,088**	**6.17%**	75,617	6.30%	66,699	5.7%
Other Noninterest-Bearing Liabilities	**3,229**	**0.27%**	3,306	0.28%	3,309	0.3%
Equity Capital	**89,478**	**7.44%**	91,045	7.58%	100,114	8.6%
Total	**$ 1,201,874**	**100.00%**	$ 1,200,631	100.00%	$ 1,163,863	100.0%
Uses of Funds:						
Loans (Net of Allowance)	**$ 764,992**	**63.65%**	$ 754,112	62.81%	$ 751,777	64.6%
Investment Securities	**346,415**	**28.82%**	347,100	28.91%	303,797	26.1%
Federal Funds Sold	**-**	**-%**	-	-%	-	-%
Interest-Bearing Deposits	**27,072**	**2.25%**	20,920	1.74%	23,167	2.0%
Other Interest-Earning Assets	**3,222**	**0.27%**	3,126	0.26%	2,854	0.2%
Other Noninterest-Earning Assets	**60,173**	**5.01%**	75,373	6.28%	82,268	7.1%
Total	**$ 1,201,874**	**100.00%**	$ 1,200,631	100.00%	$ 1,163,863	100.0%

Deposits continue to be the Company's primary source of funding. Over the comparable periods, the relative mix of deposits continues to be high in interest-bearing deposits. Interest-bearing deposits totaled 83.22 percent of total average deposits in 2018 compared to 84.6 percent in 2017 and 85.9 percent in 2016.

The Company primarily invests funds in loans and securities. Loans continue to be the largest component of the Company's mix of invested assets. Loan demand increased in 2018 as total loans were $782.0 million at December 31, 2018, up 2.19 percent, compared to loans of $765.3 million at December 31, 2017, which increased 1.46 percent, compared to loans of $754.3 million at December 31, 2016. See additional discussion regarding the Company's loan portfolio in the section captioned "Loans" on the following page. The majority of funds provided by deposits have been invested in loans and securities.

Loans

The following table presents the composition of the Company's loan portfolio as of December 31 for the past five years.

	2018	2017	2016	2015	2014
Commercial and Agricultural					
Commercial	**$ 57,410**	$ 48,122	$ 47,025	$ 47,782	$ 50,960
Agricultural	**16,799**	16,443	17,080	19,193	16,689
Real Estate					
Commercial Construction	**47,849**	45,214	30,358	40,107	51,259
Residential Construction	**12,500**	8,583	11,830	9,413	11,221
Commercial	**373,534**	351,172	349,090	346,262	332,231
Residential	**187,714**	194,049	195,580	197,002	203,753
Farmland	**62,709**	67,768	66,877	61,780	49,951
Consumer and Other					
Consumer	**18,485**	18,956	19,695	20,605	22,820
Other	**5,027**	14,977	16,748	16,492	7,210
	782,027	765,284	754,283	758,636	746,094
Unearned Interest and Fees	**(501)**	(495)	(361)	(357)	(362)
Allowances for Loan Losses	**(7,277)**	(7,508)	(8,923)	(8,604)	(8,802)
Loans	**$ 774,249**	$ 757,281	$ 744,999	$ 749,675	$ 736,930

The following table presents total loans as of December 31, 2018 according to maturity distribution and/or repricing opportunity on adjustable rate loans.

Maturity and Repricing Opportunity

One Year or Less	**$ 292,508**
After One Year through Three Years	**291,464**
After Three Years through Five Years	**153,625**
Over Five Years	**44,430**
	$ 782,027

Overview. Loans totaled $782.0 million at December 31, 2018 up 2.19 percent from 765.3 million at December 31, 2017. The majority of the Company's loan portfolio is comprised of the real estate loans. Commercial and residential real estate which is primarily 1-4 family residential properties and nonfarm nonresidential properties, made up 71.77 percent and 71.24 percent of total loans, real estate construction loans made up 7.72 percent and 7.03 percent while commercial and agricultural loans made up 9.49 percent and 8.44 percent of total loans at December 31, 2018 and December 31, 2017, respectively.

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

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

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

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

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

Commercial and Agricultural. Commercial and agricultural loans at December 31, 2018 increased 14.94 percent to $74.2 million from December 31, 2017 at $64.6 million. The Company's commercial and agricultural loans are a diverse group of loans to small, medium and large businesses. The purpose of these loans varies from supporting seasonal working capital needs to term financing of equipment. While some short-term loans may be made on an unsecured basis, most are secured by the assets being financed with collateral margins that are consistent with the Company's loan policy guidelines.

Real Estate. Commercial and residential construction loans increased by $6.5 million, or 12.18 percent, at December 31, 2018 to $60.3 million from $53.8 million at December 31, 2017. This increase is partially due to new construction loans being financed during the year that were not completed by the end of the year. Commercial real estate increased $22.3 million or 6.37 percent at December 31, 2018 to $373.5 million from $351.2 million at December 31, 2017.

Other. Other loans at December 31, 2018 decreased 66.44 percent to $5.0 million from $15.0 million at December 31, 2017.

Industry Concentrations. As of December 31, 2018 and December 31, 2017, there were no concentrations of loans within any single industry in excess of 10 percent of total loans, as segregated by Standard Industrial Classification code ("SIC code"). The SIC code is a federally designed standard industrial numbering system used by the Company to categorize loans by the borrower's type of business. The Company has established industry-specific guidelines with respect to maximum loans permitted for each industry with which the Company does business.

Collateral Concentrations. Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk, particularly with the current economic downturn in the real estate market. At December 31, 2018, approximately 87.50 percent of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor these concentrations and has considered these concentrations in its allowance for loan loss analysis. In the recent year, we have seen real estate values stabilizing in our markets. The stabilization of rates has resulted in a decrease in the number of loans being classified as impaired over the past several years.

Large Credit Relationships. The Company is currently in eighteen counties in central, south and coastal Georgia and includes metropolitan markets in Dougherty, Lowndes, Houston, Chatham and Muscogee counties. As a result, the Company originates and maintains large credit relationships with several commercial customers in the ordinary course of business. The Company considers large credit relationships to be those with commitments equal to or in excess of $5.0 million prior to any portion being sold. Large relationships also include loan participations purchased if the credit relationship with the agent is equal to or in excess of $5.0 million. In addition to the Company's normal policies and procedures related to the origination of large credits, the Company's Executive Loan Committee and Director Loan Committee must approve all new and renewed credit facilities which are part of large credit relationships. The following table provides additional information on the Company's large credit relationships outstanding at December 31, 2018 and December 31, 2017.

	December 31, 2018			December 31, 2017		
		Period End Balances			Period End Balances	
	Number of Relationships	**Committed**	**Outstanding**	Number of Relationships	Committed	Outstanding
Large Credit Relationships:						
$10 million or greater	**3**	**$ 35,394**	**$ 32,445**	1	$ 11,541	$ 8,718
$5 million to $9.9 million	**24**	**123,331**	**103,124**	15	98,718	89,556

Maturities and Sensitivities of Loans to Changes in Interest Rates. The following table presents the maturity distribution of the Company's loans at December 31, 2018. The table also presents the portion of loans that have fixed interest rates or variable interest rates that fluctuate over the life of the loans in accordance with changes in an interest rate index such as the prime rate.

	Due in One Year or Less	After One, but Within Three Years	After Three, but Within Five Years	After Five Years	Total
Loans with fixed interest rates	$ 202,593	$ 236,263	$ 120,338	$ 33,294	$ 592,488
Loans with floating interest rates	89,915	55,201	33,287	11,136	189,539
Total	$ 292,508	$ 291,464	$ 153,625	$ 44,430	$ 782,027

The Company may renew loans at maturity when requested by a customer whose financial strength appears to support such renewal or when such renewal appears to be in the Company's best interest. In such instances, the Company generally requires payment of accrued interest and may adjust the rate of interest, require a principal reduction or modify other terms of the loan at the time of renewal.

Nonperforming Assets and Potential Problem Loans

Year-end nonperforming assets and accruing past due loans were as follows:

	2018	2017	2016	2015	2014
Loans Accounted for on Nonaccrual	**$ 9,482**	$ 7,503	$ 12,350	$ 14,408	$ 18,334
Loans Accruing Past Due 90 Days or More	**-**	-	-	8	7
Other Real Estate Foreclosed	**1,841**	4,256	6,439	8,839	10,402
Securities Accounted for on Nonaccrual	**-**	-	-	-	-
Total Nonperforming Assets	**$ 11,323**	$ 11,759	$ 18,789	$ 23,255	$ 28,743
Nonperforming Assets by Segment					
Construction and Land Development	**$ 883**	$ 2,630	$ 3,376	$ 7,106	$ 9,655
1-4 Family Residential	**3,299**	3,309	4,375	4,197	8,237
Multifamily Residential	**-**	-	-	-	173
Nonfarm Residential	**3,821**	3,796	9,182	9,908	8,375
Farmland	**2,053**	839	800	1,103	1,449
Commercial and Consumer	**1,267**	1,185	1,056	941	854
Total Nonperforming Assets	**$ 11,323**	$ 11,759	$ 18,789	$ 23,255	$ 28,743
Nonperforming Assets as a Percentage of:					
Total Loans and Foreclosed Assets	**1.44%**	1.53%	2.47%	3.03%	3.80%
Total Assets	**0.90%**	0.95%	1.55%	1.98%	2.51%
Nonperforming Loans as a Percentage of:					
Total Loans	**1.21%**	0.98%	1.64%	1.90%	2.46%
Supplemental Data:					
Trouble Debt Restructured Loans In Compliance with Modified Terms	**$ 14,128**	$ 18,363	$ 17,992	$ 19,375	$ 19,229
Trouble Debt Restructured Loans Past Due 30-89 Days	**864**	131	319	344	757
Accruing Past Due Loans:					
30-89 Days Past Due	**8,234**	4,558	4,469	10,959	9,701
90 or More Days Past Due	**-**	-	-	8	7
Total Accruing Past Due Loans	**$ 8,234**	$ 4,558	$ 4,469	$ 10,967	$ 9,708
Allowance for Loan Losses	**$ 7,277**	$ 7,508	$ 8,923	$ 8,604	$ 8,802
ALLL as a Percentage of:					
Total Loans	**0.93%**	0.98%	1.18%	1.13%	1.18%
Nonperforming Loans	**76.74%**	100.06%	72.25%	59.68%	47.99%

Nonperforming assets include nonaccrual loans, loans past due 90 days or more, foreclosed real estate and nonaccrual securities. Nonperforming assets at December 31, 2018 decreased 3.71 percent from December 31, 2017.

Generally, loans are placed on nonaccrual status if principal or interest payments become 90 days past due and/or management deems the collectibility 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 nonaccrual status whether or not the loan is 90 days or more past due. For consumer loans, collectibility and loss are generally determined before the loan reaches 90 days past due. Accordingly, losses on consumer loans are recorded at the time they are determined. Consumer loans that are 90 days or more past due are generally either in liquidation/payment status or bankruptcy awaiting confirmation of a plan. Once interest accruals are discontinued, accrued but uncollected interest is charged to current year operations. Subsequent receipts on nonaccrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Classification of a loan as nonaccrual does not preclude the ultimate collection of loan principal or interest.

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

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

Allowance for Loan Losses

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

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

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

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

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

The following table sets forth the breakdown of the allowance for loan losses by loan category for the periods indicated. The allocation of the allowance to each category is subjective and is not necessarily indicative of future losses and does not restrict the use of the allowance to absorb losses in any other category.

	2018		2017		2016		2015		2014	
	Reserve	**%***	Reserve	%*	Reserve	%*	Reserve	%*	Reserve	%*
Commercial and Agricultural										
Commercial	**$ 370**	**7%**	$ 447	6%	$ 456	6%	$ 855	6%	$ 497	7%
Agricultural	**248**	**2%**	186	2%	168	2%	203	3%	304	2%
Real Estate										
Commercial Constructic	**115**	**6%**	1,216	6%	323	4%	691	5%	1,223	7%
Residential Constructic	**16**	**2%**	-	1%	13	2%	20	1%	138	1%
Commercial	**4,549**	**48%**	3,874	46%	5,751	46%	3,851	46%	3,665	45%
Residential	**1,181**	**24%**	968	25%	1,396	26%	1,990	26%	2,425	27%
Farmland	**702**	**8%**	780	9%	722	9%	912	8%	104	7%
Consumer and Other										
Consumer	**86**	**2%**	34	3%	80	3%	63	3%	67	3%
Other	**10**	**1%**	3	2%	14	2%	19	2%	379	1%
	$ 7,277	**100%**	$ 7,508	100%	$ 8,923	100%	$ 8,604	100%	$ 8,802	100%

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

The following table presents an analysis of the Company's loan loss experience for the periods indicated.

	2018	2017	2016	2015	2014
Allowance for Loan Losses at Beginning of Year	**$ 7,508**	$ 8,923	$ 8,604	$ 8,802	$ 11,806
Charge-Offs					
Commercial	**124**	299	305	455	625
Agricultural	**123**	159	19	5	-
Commercial Construction	**-**	52	25	98	1,543
Residential Construction	**-**	-	-	-	-
Commercial	**257**	966	992	275	1,327
Residential	**162**	1,048	362	930	1,034
Farmland	**-**	61	120	40	233
Consumer	**299**	330	265	255	342
Other	**-**	-	-	25	-
	$ 965	$ 2,915	$ 2,088	$ 2,083	$ 5,104
Recoveries					
Commercial	**139**	137	67	52	76
Agricultural	**22**	4	4	3	3
Commercial Construction	**155**	266	814	486	485
Residential Construction	**-**	-	-	-	-
Commercial	**40**	527	206	270	90
Residential	**91**	82	50	110	31
Farmland	**12**	17	145	20	20
Consumer	**72**	75	53	62	72
Other	**2**	2	6	16	15
	533	1,110	1,345	1,019	792
Net Charge-Offs	**432**	1,805	743	1,064	4,312
Provision for Loans Losses	**201**	390	1,062	866	1,308
Allowance for Loan Losses at End of Year	**$ 7,277**	$ 7,508	$ 8,923	$ 8,604	$ 8,802
Ratio of Net Charge-Offs to Average Loans	**0.06%**	0.24%	0.10%	0.14%	0.58%

The allowance for loan losses decreased from $7.51 million, or 0.98 percent of total loans at December 31, 2017 to $7.28 million, or 0.93 percent of total loans at December 31, 2018. The provision for loan losses reflects loan quality trends, including the level of net charge-offs or recoveries, among other factors. Significant changes in the allowance during 2018 was the reduction in the net charge-offs in 2018 to $432 thousand from $1.81 million in 2017, or a decrease of $1.37 million. Significant changes in the allowance during 2017 was the increase in the net charge-offs in 2017 to $1.81 million from $743 thousand in 2016. The Company believes that collection efforts have reduced impaired loans and the reduction in net charge-offs runs parallel with the improvement in the substandard assets. As we have seen stabilization in the economy and the housing and real estate market, we expect continued improvement in our substandard assets, including net charge-offs. There were no charge-offs or recoveries related to foreign loans during any of the periods presented.

Investment Portfolio

The following table presents carrying values of investment securities held by the Company as of December 31, 2018, 2017 and 2016.

	2018	2017	2016
State, County and Municipal	$ 3,989	$ 4,493	$ 4,561
Mortgage-Backed Securities	346,205	346,723	319,097
Corporate	2,872	2,060	-
Asset-Backed	-	971	-
Total Investment Securities and Mortgage-Backed Securities	$ 353,066	$ 354,247	$ 323,658

The following table represents expected maturities and weighted-average yields of investment securities held by the Company as of December 31, 2018. (Mortgage-backed securities are based on the average life at the projected speed, while State and Political Subdivisions reflect anticipated calls being exercised.)

	Within 1 Year		After 1 Year But Within 5 Years		After 5 Years But Within 10 Years		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Mortgage-Backed Securities	$ 19,993	3.21%	$ 183,040	2.12%	$ 121,252	2.63%	$ 21,920	3.18%
Obligations of State and Political Subdivisions	1,003	2.44	2,730	2.39	-	-	256	4.03
Corporate	-	-	2,872	3.75	-	-	-	-
Total Investment Portfolio	$ 20,996	3.17%	$ 188,642	2.15%	$ 121,252	2.63%	$ 22,176	3.19%

Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. The Company has 100 percent of its portfolio classified as available for sale.

At December 31, 2018, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10 percent of the Company’s stockholders’ equity.

The average yield of the securities portfolio was 2.24 percent in 2018 compared to 2.00 percent in 2017 and 1.79 percent in 2016. The increase in the average yield from 2017 to 2018 was primarily attributed to the purchase of new securities which have a higher yield. The increase in the average yield from 2016 to 2017 was primarily attributed to the purchase of new securities which have a higher yield.

Deposits

The following table presents the average amount outstanding and the average rate paid on deposits by the Company for the years 2018, 2017 and 2016.

	2018		2017		2016	
	Average Amount	**Average Rate**	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest-Bearing						
Demand Deposits	**$ 173,688**		$ 158,924		$ 140,338	
Interest-Bearing						
Demand and Savings	**534,887**	**0.52%**	517,974	0.37%	469,740	0.36%
Time Deposits	**326,243**	**1.01%**	353,587	0.81%	383,628	0.80%
Total Deposits	**$ 1,034,818**	**0.59%**	$ 1,030,485	0.46%	$ 993,706	0.48%

The following table presents the maturities of the Company's time deposits as of December 31, 2018.

	Time Deposits $250,000 or Greater	**Time Deposits Less Than $250,000**	**Total**
Months to Maturity			
3 or Less	**$ 6,779**	**$ 53,625**	**$ 60,404**
Over 3 through 6	**7,658**	**43,084**	**50,742**
Over 6 through 12	**26,667**	**103,553**	**130,220**
Over 12 Months	**12,777**	**86,888**	**99,665**
	$ 53,881	**$ 287,150**	**$ 341,031**

Average deposits increased $4.33 million in 2018 compared to 2017 and increased $36.78 million in 2017 compared to 2016. The increase in 2018 included $16.91 million, or 3.27 percent in interest-bearing demand and savings deposits while, at the same time noninterest bearing deposits increased $14.76 million, or 9.29 percent and time deposits decreased $27.34 million, or 7.73 percent. The increase in 2017 included $48.23 million, or 10.27 percent in interest-bearing demand and savings deposits while, at the same time noninterest bearing deposits increased $18.59 million, or 13.24 percent and time deposits decreased $30.04 million, or 7.83 percent. Accordingly, the ratio of average noninterest-bearing deposits to total average deposits was 16.78 percent in 2018, 15.42 percent in 2017 and 14.12 percent in 2016. The general increase in market rates in 2018 had the effect of (i) increasing the average cost of interest-bearing deposits by 13 basis points in 2018 compared to 2017 and (ii) offset a portion of the impact of increasing yields on interest-earning assets on the Company's net interest income in 2018. The general decrease in market rates in 2017 had the effect of (i) decreasing the average cost of interest-bearing deposits by 2 basis points in 2017 compared to 2016 and (ii) mitigating a portion of the impact of decreasing yields on interest-earning assets in the Company's net interest income in 2017.

Total average interest-bearing deposits decreased $10.43 million, or 1.20 percent in 2018 compared to 2017 and increased $18.19 million, or 2.13 percent in 2017 compared to 2016. The decrease in 2018 was primarily attributable to the decrease in time deposits, and for 2017, the increase was primarily attributable to the increase in interest-bearing demand and savings accounts.

The Company supplements deposit sources with brokered deposits. As of December 31, 2018, the Company had $80.54 million, or 7.42 percent of total deposits, in brokered certificates of deposit attracted by external third parties. Additional information is provided in the Notes to Consolidated Financial Statements for Deposits.

Off-Balance-Sheet Arrangements, Commitments, Guarantees, and Contractual Obligations

The following table summarizes the Company's contractual obligations and other commitments to make future payments as of December 31, 2018. Payments for borrowings do not include interest. Payments related to leases are based on actual payments specified in the underlying contracts. Loan commitments and standby letters of credit are presented at contractual amounts; however, since many of these commitments are expected to expire unused or only partially used, the total amounts of these commitments do not necessarily reflect future cash requirements. The off-balance-sheet arrangements for loan commitments consist of approximately $12 million in 1-4 residential home equity and construction loans, $22 million in commercial real estate construction loans, $22 million in commercial/industrial loans and $43 million in the overdraft privilege program.

	Payments Due by Period				
	Total	**Less Than 1 Year**	**1 – 3 Years**	**3 – 5 Years**	**More Than 5 Years**
Contractual Obligations:					
Subordinated Debentures	$ **24,229**	$ **-**	$ **-**	$ **-**	$ **24,229**
Federal Home Loan Bank Advances	**44,000**	**5,000**	**2,500**	**24,000**	**12,500**
Operating Leases	**186**	**63**	**84**	**39**	**-**
Deposits with Stated Maturity Dates	**341,031**	**241,366**	**82,412**	**17,212**	**41**
	409,446	**246,429**	**84,996**	**41,251**	**36,770**
Other Commitments:					
Loan Commitments	**98,736**	**98,736**	**-**	**-**	**-**
Standby Letters of Credit	**1,525**	**1,525**	**-**	**-**	**-**
	100,261	**100,261**	**-**	**-**	**-**
Total Contractual Obligations and Other Commitments	$ **509,707**	$ **346,690**	$ **84,996**	$ **41,251**	$ **36,770**

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments which are not reflected in the consolidated financial statements. These instruments include commitments to extend credit, standby letters of credit, performance letters of credit, guarantees and liability for assets held in trust.

Such financial instruments are recorded in the financial statements when funds are disbursed or the instruments become payable. The Company uses the same credit policies for these off-balance sheet financial instruments as they do for instruments that are recorded in the consolidated financial statements.

Loan Commitments. The Company enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of the Company's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. The Company minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for loan losses. Loan commitments outstanding at December 31, 2018 are included in the preceding table.

Standby Letters of Credit. Letters of credit are written conditional commitments issued by the Company to guarantee the performance of a customer to a third party. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, the Company would be entitled to seek recovery from the customer. The Company's policies generally require that standby letters of credit arrangements contain security and debt covenants similar to those contained in loan agreements. Standby letters of credit outstanding at December 31, 2018 are included in the preceding table.

Capital and Liquidity

At December 31, 2018, shareholders' equity totaled $95.69 million compared to $90.32 million at December 31, 2017. In addition to net income of $11.92 million, other significant changes in shareholders' equity during 2018 included $1.69 million of dividends declared on common stock, $3.17 million repurchase of warrants and the issuance of approximately $6 thousand in shares of restricted stock. The accumulated other comprehensive loss component of stockholders' equity totaled $(8.19) million at December 31, 2018 compared to $(6.49) million at December 31, 2017. This fluctuation was mostly related to the after-tax effect of changes in the fair value of securities available for sale. Under regulatory requirements, the unrealized gain or loss on securities available for sale does not increase or reduce regulatory capital and is not included in the calculation of risk-based capital and leverage ratios. Regulatory agencies for banks and bank holding companies utilize capital guidelines designed to measure Tier 1 and total capital and take into consideration the risk inherent in both on-balance sheet and off-balance sheet items.

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

Using the capital requirements presently in effect, the Tier 1 ratio as of December 31, 2018 was 15.00 percent and total Tier 1 and 2 risk-based capital was 15.86 percent. Both of these measures compare favorably with the regulatory minimum of 6 percent for Tier 1 and 8 percent for total risk-based capital. The Company's common equity Tier 1 ratio as of December 31, 2018 was 12.22, which exceeds the regulatory minimum of 4.50 percent. The Company's Tier 1 leverage ratio as of December 31, 2018 was 10.24 percent, which exceeds the required ratio standard of 4 percent.

For 2017, average capital was $89.48 million, representing 7.44 percent of average assets for the year. This compares to 7.58 percent for 2017.

For 2018, the Company did not have any material commitments for capital expenditures.

On August 23, 2018, the Company granted 5,650 restricted shares of common stock to T. Heath Fountain, President and Chief Executive Officer, as part of his employment agreement. The restricted shares will vest over a three year period.

The Company reinstated payment of common stock dividends in 2017. A cash dividend of $1.69 million paid in 2018 and a cash dividend of $844 thousand paid in 2017.

The Company declared dividends of $211 thousand on preferred stock during 2017. The Company redeemed the remaining $9.36 million in preferred stock in 2017. In 2018, the Company repurchased $3.17 million of warrants. Additional information is provided in the Notes to the Consolidated Financial Statements for Preferred Stock.

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

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

The investment portfolio provides a ready means to raise cash if liquidity needs arise. As of December 31, 2018, the available for sale bond portfolio totaled $353.1 million. At December 31, 2017, the available for sale bond portfolio totaled $354.2 million. Only marketable investment grade bonds are purchased. Although approximately half of the Bank's bond portfolio is encumbered as pledges to secure various public funds deposits, repurchase agreements, and for other purposes, management can restructure and free up investment securities for sale if required to meet liquidity needs.

Management continually monitors the relationship of loans to deposits as it primarily determines the Company's liquidity posture. Colony had ratios of loans to deposits of 72.0 percent as of December 31, 2018 and 71.6 percent as of December 31, 2017. Management employs alternative funding sources when deposit balances will not meet loan demands. The ratios of loans to all funding sources (excluding Subordinated Debentures) at December 31, 2018 and December 31, 2017 were 69.2 percent and 68.6 percent, respectively. Management continues to emphasize programs to generate local core deposits as our Company's primary funding sources. The stability of the Banks' core deposit base is an important factor in Colony's liquidity position. A heavy percentage of the deposit base is comprised of accounts of individuals and small businesses with comprehensive banking relationships and limited volatility. At December 31, 2018 and December 31, 2017, the Bank had $53.9 million and $38.9 million, respectively, in certificates of deposit of $250,000 or more. These larger deposits represented 5.0 percent and 3.6 percent of respective total deposits. Management seeks to monitor and control the use of these larger certificates, which tend to be more volatile in nature, to ensure an adequate supply of funds as needed. Relative interest costs to attract local core relationships are compared to market rates of interest on various external deposit sources to help minimize the Company's overall cost of funds.

The Company supplemented deposit sources with brokered deposits. As of December 31, 2018, the Company had $80.5 million or 7.42 percent of total deposits in CDARS. Additional information is provided in the Notes to the Consolidated Financial Statements regarding these brokered deposits. Additionally, the Company uses external deposit listing services to obtain out-of-market certificates of deposit at competitive interest rates when funding is needed. The deposits obtained from listing services are often referred to as wholesale or Internet CDs. As of December 31, 2018, the Company had $7.3 million, or 0.7 percent of total deposits, in internet certificates of deposit obtained through deposit listing services.

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

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

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

Liability liquidity is provided by access to funding sources which include core deposits. Should the need arise, the Company also maintains relationships with the Federal Home Loan Bank, Federal Reserve Bank, two correspondent banks and repurchase agreement lines that can provide funds on short notice.

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

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

Impact of Inflation and Changing Prices

The Company's financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States (GAAP). GAAP presently requires the Company to measure financial position and operating results primarily in terms of historic dollars. Changes in the relative value of money due to inflation or recession are generally not considered. The primary effect of inflation on the operations of the Company is reflected in increased operating costs, though given recent economic conditions, the Company has not experienced any material effects of inflation during the last three fiscal years. In management's opinion, changes in interest rates affect the financial condition of a financial institution to a far greater degree than changes in the inflation rate. While interest rates are greatly influenced by changes in the inflation rate, they do not necessarily change at the same rate or in the same magnitude as the inflation rate. Interest rates are highly sensitive to many factors that are beyond the control of the Company, including changes in the expected rate of inflation, the influence of general and local economic conditions and the monetary and fiscal policies of the United States government, its agencies and various other governmental regulatory authorities, among other things, as further discussed in the next section.

Regulatory and Economic Policies

The Company's business and earnings are affected by general and local economic conditions and by the monetary and fiscal policies of the United States government, its agencies and various other governmental regulatory authorities, among other things. The Federal Reserve Board regulates the supply of money in order to influence general economic conditions. Among the instruments of monetary policy available to the Federal Reserve Board are (i) conducting open market operations in United States government obligations, (ii) changing the discount rate on financial institution borrowings, (iii) imposing or changing reserve requirements against financial institution deposits, and (iv) restricting certain borrowings and imposing or changing reserve requirements against certain borrowings by financial institutions and their affiliates. These methods are used in varying degrees and combinations to affect directly the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. For that reason alone, the policies of the Federal Reserve Board have a material effect on the earnings of the Company.

Governmental policies have had a significant effect on the operating results of commercial banks in the past and are expected to continue to do so in the future; however, the Company cannot accurately predict the nature, timing or extent of any effect such policies may have on its future business and earnings.

Recently Issued Accounting Pronouncements

See Note 1 - Summary of Significant Accounting Policies under the section headed Changes in Accounting Principles and Effects of New Accounting Pronouncements included in the Notes to the Consolidated Financial Statements.

Market Risk and Interest Rate Sensitivity

Our financial performance is impacted by, among other factors, interest rate risk and credit risk. We do not utilize derivatives to mitigate our credit risk, relying instead on an extensive loan review process and our allowance for loan losses.

Interest rate risk is the change in value due to changes in interest rates. The Company is exposed only to U.S. dollar interest rate changes and, accordingly, the Company manages exposure by considering the possible changes in the net interest margin. The Company does not have any trading instruments nor does it classify any portion of its investment portfolio as held for trading. The Company does not engage in any hedging activity or utilize any derivatives. The Company has no exposure to foreign currency exchange rate risk, commodity price risk and other market risks. Interest rate risk is addressed by our Risk Management Committee which includes senior management representatives. The Risk Management Committee monitors interest rate risk by analyzing the potential impact to the net portfolio of equity value and net interest income from potential changes to interest rates and considers the impact of alternative strategies or changes in balance sheet structure.

Interest rates play a major part in the net interest income of financial institutions. The repricing of interest earnings assets and interest-bearing liabilities can influence the changes in net interest income. The timing of repriced assets and liabilities is Gap management and our Company has established its policy to maintain a Gap ratio in the one-year time horizon of .80 to 1.20.

Our exposure to interest rate risk is reviewed at least quarterly by our Board of Directors and by our Risk Management Committee. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net portfolio value in the event of assumed changes in interest rates. In order to reduce the exposure to interest rate fluctuations, we have implemented strategies to more closely match our balance sheet composition. The Company has engaged FTN Financial to run a quarterly asset/liability model for interest rate risk analysis. We are generally focusing our investment activities on securities with terms or average lives in the 3 ½ - 5 ½ year range.

Market risk reflects the risk of economic loss resulting from adverse changes in market prices and interest rates. This risk of loss can be reflected in either reduced current market values or reduced current and potential net income. Colony's most significant market risk is interest rate risk. This risk arises primarily from Colony's extension of loans and acceptance of deposits.

Managing interest rate risk is a primary goal of the asset liability management function. Colony attempts to achieve stability in net interest income while limiting volatility arising from changes in interest rates. Colony seeks to achieve this goal by balancing the maturity and repricing characteristics of assets and liabilities. Colony manages its exposure to fluctuations in interest rates through policies established by the Risk Management Committee and approved by the Board of Directors. The Risk Management Committee meets at least quarterly and has responsibility for developing asset liability management policies, reviewing the interest rate sensitivity of Colony, and developing and implementing strategies to improve balance sheet structure and interest rate risk positioning.

Colony measures the sensitivity of net interest income to changes in market interest rates through the utilization of Asset/Liability simulation modeling. On at least a quarterly basis, the following twenty-four month time period is simulated to determine a baseline net interest income forecast and the sensitivity of this forecast to changes in interest rates. These simulations include all of Colony's earning assets and liabilities. Forecasted balance sheet changes, primarily reflecting loan and deposit growth and forecasts, are included in the periods modeled. Projected rates for loans and deposits are based on management's outlook and local market conditions.

The magnitude and velocity of rate changes among the various asset and liability groups exhibit different characteristics for each possible interest rate scenario; additionally, customer loan and deposit preferences can vary in response to changing interest rates. Simulation modeling enables Colony to capture the expected effect of these differences. Assumptions utilized in the model are updated on an ongoing basis and are reviewed and approved by the Risk Management Committee of the Board of Directors.

Colony has modeled its baseline net interest income forecast assuming a flat interest rate environment with the federal funds rate at the Federal Reserve's current targeted range of 2.25% to 2.50% and the current prime rate of 5.50%. Colony has modeled the impact of a gradual increase in short-term rates of 100 and 200 basis points and a decline of 100 basis points to determine the sensitivity of net interest income for the next twelve months. As illustrated in the table below, the net interest income sensitivity model indicates that, compared with a net interest income forecast assuming stable rates, net interest income is projected to increase by 1.46% and increase by 2.36% if interest rates increased by 100 and 200 basis points, respectively. Net interest income is projected to decline by 2.86% if interest rates decreased by 100 basis points. These changes were within Colony's policy limit of a maximum 15% negative change.

Twelve Month Net Interest Income Sensitivity

	Estimated Change in Net Interest Income As of December 31,	
Change in Short-term Interest Rates (in basis points)	**2018**	2017
+200	**2.36%**	0.27%
+100	**1.46%**	0.58%
Flat	**-%**	-%
-100	**-2.86%**	-2.57%

The measured interest rate sensitivity indicates an asset sensitive position over the next year, which could serve to improve net interest income in a rising interest rate environment. The actual realized change in net interest income would depend on several factors, some of which could serve to reduce or eliminate the asset sensitivity noted above. These factors include a higher than projected level of deposit customer migration to higher cost deposits, such as certificates of deposit, which would increase total interest expense and serve to reduce the realized level of asset sensitivity. Another factor which could impact the realized interest rate sensitivity in a rising rate environment is the repricing behavior of interest bearing non-maturity deposits. Assumptions for repricing are expressed as a beta relative to the change in the prime rate. For instance, a 25% beta would correspond to a deposit rate that would increase 0.25% for every 1% increase in the prime rate. Projected betas for interest bearing non-maturity deposit repricing are a key component of determining the Company's interest rate risk position. Should realized betas be higher than projected betas, the expected benefit from higher interest rates would be reduced.

The net interest income simulation model is the primary tool utilized to evaluate potential interest rate risks over a shorter term time horizon. Colony also evaluates potential longer term interest rate risk through modeling and evaluation of economic value of equity (EVE). This EVE modeling allows Colony to capture longer-term repricing risk and options risk embedded in the balance sheet. Simulation modeling is utilized to measure the economic value of equity and its sensitivity to immediate changes in interest rates. These simulations value only the current balance sheet and do not incorporate growth assumptions used in the net interest income simulation. The economic value of equity is the net fair value of assets and liabilities derived from the present value of future cash flows discounted at current market interest rates. From this baseline valuation, Colony evaluates changes in the value of each of these items in various interest rate scenarios to determine the net impact on the economic value of equity. Key assumptions utilized in the model, namely loan prepayments, deposit pricing betas, and non-maturity deposit durations have a significant impact on the results of the EVE simulations.

As illustrated in the table below, the economic value of equity model indicates that, compared with a valuation assuming stable rates, EVE is projected to increase by 7.32% and 12.20%, assuming an immediate and sustained increase in interest rates of 100 and 200 basis points, respectively. The primary reason for the increase in asset sensitivity from the prior year is a more aggressive assumption regarding non-maturity deposit durations. Assuming an immediate 100 basis point decline in rates, EVE is projected to be -10.74%. These changes were within Colony's policy except in the -100 basis point change, which limits the maximum negative change in EVE to 10% of the base EVE. We believe this projection outside of policy is mitigated by the unlikely reduction in interest rates due to the current rate environment.

Economic Value of Equity Sensitivity

Immediate Change in Interest Rates (in basis points)	Estimated Change in EVE As of December 31,	
	2018	**2017**
+200	**12.20%**	13.13%
+100	**7.32%**	7.93%
-100	**-10.74%**	-11.73%

Colony is also subject to market risk in certain of its fee income business lines. Mortgage banking income is subject to market risk. Mortgage loan originations are sensitive to levels of mortgage interest rates and therefore, mortgage banking income could be negatively impacted during a period of rising interest rates. The extension of commitments to customers to fund mortgage loans also subjects Colony to market risk. This risk is primarily created by the time period between making the commitment and closing and delivering the loan. Colony seeks to minimize this exposure by utilizing various risk management tools, the primary of which are forward sales commitments and best efforts commitments.

Part II (Continued)
Item 7 (Continued)

The following table is an analysis of the Company's interest rate-sensitivity position at December 31, 2018. The interest-bearing rate-sensitivity gap, which is the difference between interest-earning assets and interest-bearing liabilities by repricing period, is based upon maturity or first repricing opportunity, along with a cumulative interest rate-sensitivity gap. It is important to note that the table indicates a position at a specific point in time and may not be reflective of positions at other times during the year or in subsequent periods. Major changes in the gap position can be, and are, made promptly as market outlooks change.

	Assets and Liabilities Repricing Within					
	3 Months or Less	4 to 12 Months	1 Year	1 to 5 Years	Over 5 Years	Total
INTEREST-EARNING ASSETS:						
Interest-Bearing Deposits	$ 49,779	$ -	$ 49,779	$ -	$ -	$ 49,779
Investment Securities	5,348	3,789	9,137	176,889	167,040	353,066
Loans, Net of Unearned Income	156,826	135,181	292,007	445,089	44,430	781,526
Other Interest- Earning Assets	2,978	-	2,978	-	-	2,978
Total Interest-Earning Assets	$ 214,931	$ 138,970	$ 353,901	$ 621,978	$ 211,470	$ 1,187,349
INTEREST-BEARING LIABILITIES:						
Interest-Bearing Demand Deposits (1)	471,794	-	471,794	-	-	471,794
Savings (1)	79,453	-	79,453	-	-	79,453
Time Deposits	60,404	180,962	241,366	99,624	41	341,031
Other Borrowings	-	5,000	5,000	26,500	12,500	44,000
Subordinated Debentures	24,229	-	24,229	-	-	24,229
Total Interest-Bearing Liabilities	635,880	185,962	821,842	126,124	12,541	960,507
Interest Rate-Sensitivity Gap	(420,949)	(46,992)	(467,941)	495,854	198,929	$ 226,842
Cumulative Interest-Sensitivity Gap	$ (420,949)	$ (467,941)	$ (467,941)	$ 27,913	$ 226,842	
Interest Rate-Sensitivity Gap as a Percentage of Interest-Earning Assets	(35.45)%	(3.96)%	(39.41)%	41.76%	16.75%	
Cumulative Interest Rate-Sensitivity as a Percentage of Interest-Earning Assets	(35.45)%	(39.41)%	(39.41)%	2.35%	19.10%	

(1) Interest-bearing Demand and Savings Accounts for repricing purposes are considered to reprice within 3 months or less.

The foregoing table indicates that we had a one year negative gap of $467.9 million, or 39.41 percent of total interest-earning assets at December 31, 2018. In theory, this would indicate that at December 31, 2018, $467.9 million more in liabilities than assets would reprice if there were a change in interest rates over the next 365 days. Thus, if interest rates were to decline, the gap would indicate a resulting increase in net interest margin. However, changes in the mix of interest-earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. In addition, the interest rate spread between an asset and our supporting liability can vary significantly while the timing of repricing of both the assets and our supporting liability can remain the same, thus impacting net interest income. This characteristic is referred to as a basis risk and, generally, relates to the repricing characteristics of short-term funding sources such as certificates of deposits.

Gap analysis has certain limitations. Measuring the volume of repricing or maturing assets and liabilities does not always measure the full impact on the portfolio value of equity or net interest income. Gap analysis does not account for rate caps on products; dynamic changes such as increasing prepay speeds as interest rates decrease, basis risk, or the benefit of non-rate funding sources. The majority of our loan portfolio reprices quickly and completely following changes in market rates, while non-term deposit rates in general move slowly and usually incorporate only a fraction of the change in rates. Products categorized as nonrate sensitive, such as our noninterest-bearing demand deposits, in the gap analysis behave like long term fixed rate funding sources. Both of these factors tend to make our actual behavior more asset sensitive than is indicated in the gap analysis. In fact, we experience higher net interest income when rates rise, opposite what is indicated by the gap analysis. Therefore, management uses gap analysis, net interest margin analysis and market value of portfolio equity as our primary interest rate risk management tools. The Company has established its one year gap to be 80 percent to 120 percent. The most recent analysis as of December 31, 2018 indicates a one year gap of 1.14 percent. The analysis reflects slight net interest margin compression in both a declining and increasing interest rate environment. Given that interest rates have shown a gradual increase with the Federal Reserve actions since 2015, the Company is anticipating interest rates to increase in the future though we believe that interest rates will increase slightly in 2019. The Company is focusing on areas to minimize margin compression in the future by minimizing longer term fixed rate loans, shortening on the yield curve with investments, securing longer term FHLB advances, securing certificates of deposit for longer terms and focusing on reduction of nonperforming assets.

The Company utilizes FTN Financial Asset/Liability Management Analysis for a more dynamic analysis of balance sheet structure. The Company has established policies for rate shock per basis point (bp) for earnings at risk for net interest income and for equity at risk. The following table shows the policy limits with the rate shock for earnings at risk and equity at risk as of December 31, 2018.

	Rate Shock	Policy Limit	Immediate Shock (-) decrease bp	Immediate Shock (+) increase bp
Net Interest Income –				
Earnings at Risk	+/- 100 bp	+/- 10%	-2.66%	1.24%
	+/- 200 bp	+/- 15%	-7.89	2.36
	+/- 300 bp	+/- 20%	-11.31	2.17
	+/- 400 bp	+/- 25%	-13.29	3.39
Equity at Risk	+/- 100 bp	+/- 10%	-10.74	7.32
	+/- 200 bp	+/- 20%	-25.58	12.20
	+/- 300 bp	+/- 30%	-37.50	15.02
	+/- 400 bp	+/- 40%	-37.34	16.48

Return on Assets and Stockholders' Equity

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

	Years Ended December 31		
	2018	2017	2016
Return on Average Assets(1)	**0.99%**	0.63%	0.62%
Return on Average Equity(1)	**13.32%**	8.28%	7.17%
Equity to Assets	**7.64%**	7.33%	7.72%
Common Stock Dividends Declared	**$ 0.20**	$ 0.10	$ 0.00

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

Item 7A

Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is located in Item 7 under the heading Market Risk and Interest Rate Sensitivity.

Item 8

Financial Statements and Supplemental Data

The following consolidated financial statements of the Registrant and its subsidiaries are included on Exhibit 13 of this Annual Report on Form 10-K:

Consolidated Balance Sheets - December 31, 2018 and 2017

Consolidated Statements of Operations - Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Comprehensive Income - Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Changes in Stockholders' Equity - Years Ended December 31, 2018, 2017 and 2016

Consolidated Statements of Cash Flows - Years Ended December 31, 2018, 2017 and 2016

Notes to Consolidated Financial Statements

Part II (Continued)
Item 8 (Continued)

Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2018 and 2017:

	Three Months Ended			
	December 31	**September 30**	**June 30**	**March 31**
	($ in Thousands, Except Per Share Data)			
2018				
Interest Income	**$ 12,852**	**$ 12,251**	**$ 12,109**	**$ 11,810**
Interest Expense	**2,454**	**2,146**	**1,944**	**1,681**
Net Interest Income	**10,398**	**10,105**	**10,165**	**10,129**
Provision for Loan Losses	**70**	**61**	**44**	**26**
Securities Gains	**-**	**-**	**116**	**-**
Noninterest Income	**2,458**	**2,405**	**2,208**	**2,434**
Noninterest Expense	**9,085**	**9,078**	**8,601**	**8,536**
Income Before Income Taxes	**3,701**	**3,371**	**3,844**	**4,001**
Provision for Income Taxes	**736**	**676**	**775**	**813**
Net Income	**2,965**	**2,695**	**3,069**	**3,188**
Preferred Stock Dividends	**-**	**-**	**-**	**-**
Net Income Available to Common Stockholders	**$ 2,965**	**$ 2,695**	**$ 3,069**	**$ 3,188**
Net Income Per Common Share				
Basic	**$ 0.35**	**$ 0.32**	**$ 0.36**	**$ 0.38**
Diluted	**$ 0.35**	**$ 0.32**	**$ 0.36**	**$ 0.37**
2017				
Interest Income	$ 11,679	$ 11,578	$ 11,538	$ 11,121
Interest Expense	1,757	1,735	1,722	1,659
Net Interest Income	9,922	9,843	9,816	9,462
Provision for Loan Losses	55	-	-	335
Securities Gains	-	-	-	-
Noninterest Income	2,517	2,424	2,394	2,400
Noninterest Expense	8,452	8,380	8,620	8,408
Income Before Income Taxes	3,932	3,887	3,590	3,119
Provision for Income Taxes	3,353	1,265	1,157	1,002
Net Income	579	2,622	2,433	2,117
Preferred Stock Dividends	-	-	-	211
Net Income Available to Common Stockholders	$ 579	$ 2,622	$ 2,433	$ 1,906
Net Income Per Common Share				
Basic	$ 0.06	$ 0.31	$ 0.29	$ 0.23
Diluted	$ 0.07	$ 0.30	$ 0.28	$ 0.22

Part II (Continued)
Item 9

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

The Company did not change auditors in 2018. In addition, there was no accounting or disclosure disagreement or reportable event with the current auditors that would have required the filing of a report on Form 8-K.

Item 9A

Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's 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, such officers have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

During the year ended December 31, 2018, there was not any change 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.

Management's Report on Internal Control Over Financial Reporting

Colony's management is responsible for establishing and maintaining adequate internal control over financial reporting. Colony's internal control over financial reporting is a process designed under the supervision of the Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Colony's financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Colony's management assessed the effectiveness of Colony's internal control over financial reporting as of December 31, 2018 based on the criteria for effective internal control over financial reporting established in *Internal Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission ("2013 Framework"). Based on the assessment, management determined that Colony maintained effective internal control over financial reporting as of December 31, 2018.

McNair, McLemore, Middlebrooks & Co., LLC, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K, has issued an audit report on the effectiveness of Colony's internal control over financial reporting as of December 31, 2018. The report, which expresses an unqualified opinion on Colony's internal control over financial reporting as of December 31, 2018 is included in this Annual Report on Form 10-K.

Colony Bankcorp, Inc.
March 15, 2019

Part II (Continued)
Item 9A (Continued)

Changes in Internal Controls

There were no changes made in our internal controls during the period covered by this report or, to our knowledge, in other factors that have materially affected, or are reasonably likely to materially affect these controls.

See the Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Item 9B

Other Information

None.

Part III
Item 10

Directors and Executive Officers and Corporate Governance

Code of Ethics

Colony Bankcorp, Inc. has adopted a Code of Ethics that applies to the Company's principal executive officer and principal accounting and financial officer. A copy of the Code of Ethics will be provided to any person without charge, upon written request mailed to Terry Hester, Colony Bankcorp, Inc., 115 S. Grant Street, Fitzgerald, Georgia 31750.

The remaining information required by this item is incorporated by reference to the Directors and Nominees section of the Company's definitive Proxy Statements to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report.

Item 11

Executive Compensation

The information required by this item is incorporated by reference to the Executive Compensation section of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report.

Part III (Continued)
Item 12

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

EQUITY COMPENSATION PLAN INFORMATION

The Company does not currently have any securities authorized for issuance pursuant to the grant or exercise of awards under an equity compensation plan.

The remaining information required by this item is incorporated by reference to Security Ownership of Certain Beneficial Owners section of the Company's definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the end of the fiscal year covered by this Annual Report.

Item 13

Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated by reference to the Governance of the Company and Related Party Transactions with the Company sections of the Company's definitive Proxy Statements to be filed with Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the fiscal year covered by this Annual Report.

Item 14

Principal Accounting Fees and Services

The information required by this item is incorporated by reference to the Independent Public Accountants section of the Company's definitive Proxy Statements to be filed with Securities and Exchange Commission pursuant to Regulation 14A within 120 days after the fiscal year covered by this Annual Report.

Part IV
Item 15

Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

(1) Financial Statements

(2) Financial Statements Schedules:

All schedules are omitted as the required information is inapplicable or the information is presented in the financial statements or the related notes.

(3) A list of the exhibits required by Item 601 of Regulation S-K to be filed as a part of this report is shown on the "Exhibit Index" filed herewith.

Exhibit Index

3.1 Articles of Incorporation, As Amended

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

3.2 Bylaws, as Amended

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

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

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

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

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

3.5 Amendment to the Company's Bylaws

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

4.1 Instruments Defining the Rights of Security Holders

-incorporated herein by reference to page 1 of the Company's Definitive Proxy Statement for Annual Meeting of Stockholders to be held on April 26, 2005, filed with the Securities and Exchange Commission on March 2, 2005 (File No. 000-12436).

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

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

4.3 Form of Series A Preferred Stock Certificate

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

10.1 Deferred Compensation Plan and Sample Director Agreement

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

10.2 Profit-Sharing Plan Dated January 1, 1979

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

10.3 1999 Restricted Stock Grant Plan and Restricted Stock Grant Agreement

-filed as Exhibit 10© the Registrant's Annual Report on Form 10-K (File 000-12436), filed with the Commission on March 30, 2001 and incorporated herein by reference.

10.4 2004 Restricted Stock Grant Plan and Restricted Stock Grant Agreement

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

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

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

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

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

10.7 Form of Waiver, Executed by Each of Messrs Al D. Ross, Terry L. Hester, Henry F. Brown, Jr., Walter P. Patten and Larry E. Stevenson

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

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

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

10.9 Retention Agreements

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

10.10 Restricted Stock Award Between T. Heath Fountain and Colony Bankcorp, Inc.

-filed as Exhibit 10.1 to the Registrant's Registration. Statement on Form S-8 (File No. 000-12436), filed with the Commission on August 23, 2018 and incorporated herein by reference.

13 Consolidated Financial Statements of Colony Bankcorp, Inc. as of December 31, 2018, 2017 and 2016

21 Subsidiaries of the Company

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

31.2 Certificate of Chief Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

99.2 Retention Agreement

-filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on October 18, 2016 and incorporated herein, by reference.

99.3 Retention Agreement

-filed as Exhibit 99.3 to the Registrant's 10-Q for the period ended March 31, 2018 (File No. 000-12436), filed with the Commission on May 4, 2018 and incorporated herein by reference.

99.4 Employment Agreement, Dated July 27, 2018 Between T. Heath Fountain and Colony Bankcorp, Inc.

-filed as Exhibit 99.4 to the Registrant's 10-Q for the period ended September 30, 2018 (File No. 000-12436), filed with the Commission on November 2, 2018 and incorporated herein by reference.

99.5 Retention Agreement

-filed as Exhibit 99.2 to the Registrant’s Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 17, 2019 and incorporated herein by reference.

101.INS XBRL Instance Document

101.SCH XBRL Schema Document

101.CAL XBRL Calculation Linkbase Document

101.DEF XBRL Definition Linkbase Document

101.LAB XBRL Label Linkbase Document

101.PRE XBRL Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Colony Bankcorp, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

COLONY BANKCORP, INC.

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

March 15, 2019
Date

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

March 15, 2019
Date

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Mark H. Massee Mark H. Massee, Director	March 15, 2019 Date
/s/ Jonathan W. R. Ross Jonathan W. R. Ross, Director	March 15, 2019 Date
/s/ Frederick Dwozan M. Frederick Dwozan, Director	March 15, 2019 Date
/s/ Scott Lowell Downing Scott Lowell Downing, Director	March 15, 2019 Date
/s/ Edward P. Loomis Edward P. Loomis, Director	March 15, 2019 Date

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Section 2: EX-13 (EXHIBIT 13)

Exhibit 13

389 Mulberry Street | Macon, Georgia 31201
Post Office Box One | Macon, Georgia 31202
478-746-6277 | mmmcpa.com

March 15, 2019

REPORT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Colony Bankcorp, Inc.

Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Colony Bankcorp, Inc. and subsidiary (the Company) as of December 31, 2018 and 2017, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2018, and the related notes (collectively, the financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013.

Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included under Item 9A, Controls and Procedures, in the Company's Annual Report on Form 10-K. Our responsibility is to express an opinion on the Company's financial statements and an opinion on the company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

McNair, McLemore, Middlebrooks & Co., LLC

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLC

We have served as the Company’s auditor since 1995.

Macon, Georgia
March 15, 2019

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

	2018	2017
ASSETS		
Cash and Cash Equivalents		
Cash and Due from Banks	**$ 10,376,876**	$ 23,145,136
Interest-Bearing Deposits	**49,778,576**	34,667,715
Investment Securities		
Available for Sale, at Fair Value	**353,066,166**	354,246,904
Federal Home Loan Bank Stock, at Cost	**2,977,900**	3,042,900
Loans	**782,027,368**	765,283,855
Allowance for Loan Losses	**(7,276,806)**	(7,507,508)
Unearned Interest and Fees	**(501,300)**	(495,500)
	774,249,262	757,280,847
Premises and Equipment	**28,831,272**	27,639,430
Other Real Estate (Net of Allowance of $876,177 and $1,451,492 in 2018 and 2017, Respectively)	**1,840,743**	4,256,469
Goodwill	**202,244**	-
Other Intangible Assets	**556,573**	44,766
Other Assets	**29,998,856**	28,431,150
Total Assets	**$ 1,251,878,468**	$ 1,232,755,317

See accompanying notes which are an integral part of these financial statements.

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31

		2018		2017
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits				
Noninterest-Bearing	$	**192,847,392**	$	190,927,928
Interest-Bearing		**892,278,066**		877,057,477
		1,085,125,458		1,067,985,405
Borrowed Money				
Subordinated Debentures		**24,229,000**		24,229,000
Other Borrowed Money		**44,000,000**		47,500,000
		68,229,000		71,729,000
Other Liabilities		**2,831,615**		2,718,249
Commitments and Contingencies				
Stockholders' Equity				
Common Stock, Par Value $1; 20,000,000 Shares Authorized, 8,444,908 and 8,439,258 Shares Issued and Outstanding as of December 31, 2018 and 2017, respectively		**8,444,908**		8,439,258
Paid-In Capital		**25,978,334**		29,145,094
Retained Earnings		**69,459,243**		59,230,260
Accumulated Other Comprehensive Loss, Net of Tax		**(8,190,090)**		(6,491,949)
		95,692,395		90,322,663
Total Liabilities and Stockholders' Equity	$	**1,251,878,468**	$	1,232,755,317

See accompanying notes which are an integral part of these financial statements.

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31

	2018	2017	2016
Interest Income			
Loans, Including Fees	$ 40,681,853	$ 38,613,540	$ 38,942,503
Federal Funds Sold	-	3	-
Deposits with Other Banks	409,732	232,397	124,459
Investment Securities			
U.S. Government Agencies	7,528,962	6,717,827	5,263,741
State, County and Municipal	102,719	115,097	127,379
Corporate	111,763	87,387	-
Dividends on Other Investments	187,117	150,172	131,007
	49,022,146	45,916,423	44,589,089
Interest Expense			
Deposits	6,057,066	4,758,073	4,781,228
Federal Funds Purchased	5,305	2,639	581
Borrowed Money	2,163,148	2,112,017	1,701,522
	8,225,519	6,872,729	6,483,331
Net Interest Income	40,796,627	39,043,694	38,105,758
Provision for Loan Losses	200,500	390,000	1,062,000
Net Interest Income After Provision for Loan Losses	40,596,127	38,653,694	37,043,758
Noninterest Income			
Service Charges on Deposits	4,373,854	4,466,997	4,307,214
Other Service Charges, Commissions and Fees	3,253,922	3,048,601	2,802,651
Mortgage Fee Income	651,985	858,658	681,806
Securities Gains (Losses)	115,909	-	385,223
Other	1,225,660	1,360,309	1,376,860
	9,621,330	9,734,565	9,553,754
Noninterest Expenses			
Salaries and Employee Benefits	20,122,843	19,222,594	18,482,693
Occupancy and Equipment	4,180,396	3,947,941	3,970,244
Directors' Fees	291,400	298,100	348,755
Legal and Professional Fees	1,320,653	1,169,938	1,067,563
Foreclosed Property	204,705	363,519	1,143,518
FDIC Assessment	358,222	386,823	603,654
Advertising	337,527	349,722	609,892
Software and Data Processing	1,420,482	1,192,025	1,112,065
Telephone	738,193	813,592	737,063
ATM/Card Processing	1,510,322	1,467,411	1,136,122
Other	4,815,044	4,648,163	4,861,400
	35,299,787	33,859,828	34,072,969
Income Before Income Taxes	14,917,670	14,528,431	12,524,543
Income Taxes	3,000,270	6,777,453	3,851,333
Net Income	11,917,400	7,750,978	8,673,210
Preferred Stock Dividends	-	210,600	1,493,310
Net Income Available to Common Stockholders	$ 11,917,400	$ 7,540,378	$ 7,179,900
Net Income Per Share of Common Stock			
Basic	$ 1.41	$ 0.89	$ 0.85
Diluted	$ 1.40	$ 0.87	$ 0.84
Cash Dividends Declared Per Share of Common Stock	$ 0.20	$ 0.10	$ 0.00
Weighted Average Shares Outstanding, Basic	8,439,454	8,439,258	8,439,258
Weighted Average Shares Outstanding, Diluted	8,538,608	8,633,581	8,513,295

See accompanying notes which are an integral part of these financial statements.

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	2018	2017	2016
Net Income	**$ 11,917,400**	$ 7,750,978	$ 8,673,210
Other Comprehensive Income (Loss)			
Gains (Losses) on Securities Arising During the Year	**(2,033,636)**	(608,355)	(505,367)
Tax Effect	**427,063**	206,841	171,825
Realized (Gains) Losses on Sale of AFS Securities	**(115,909)**	-	(385,223)
Tax Effect	**24,341**	-	130,976
Change in Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effects	**(1,698,141)**	(401,514)	(587,789)
Comprehensive Income	**$ 10,219,259**	$ 7,349,464	$ 8,085,421

See accompanying notes which are an integral part of these financial statements.

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016

	Preferred Shares Issued	Preferred Stock	Common Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2015	18,021	$ 18,021,000	8,439,258	$ 8,439,258	$ 29,145,094	$ 44,285,621	$ (4,434,351)	$ 95,456,622
Change in Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effects							(587,789)	(587,789)
Dividends on Preferred Shares						(1,493,310)		(1,493,310)
Redemption of Preferred Stock	(8,661)	(8,661,000)						(8,661,000)
Net Income						8,673,210		8,673,210
Balance, December 31, 2016	9,360	$ 9,360,000	8,439,258	$ 8,439,258	$ 29,145,094	$ 51,465,521	$ (5,022,140)	$ 93,387,733
Change in Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effects							(401,514)	(401,514)
Dividends on Common Shares						(843,934)		(843,934)
Dividends on Preferred Shares						(210,600)		(210,600)
Redemption of Preferred Stock	(9,360)	(9,360,000)						(9,360,000)
TCJ Act Reclassification						1,068,295	(1,068,295)	-
Net Income						7,750,978		7,750,978
Balance, December 31, 2017	-	$ -	8,439,258	$ 8,439,258	$ 29,145,094	$ 59,230,260	$ (6,491,949)	$ 90,322,663
Change in Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effects							**(1,698,141)**	**(1,698,141)**
Dividends on Common Shares						**(1,688,417)**		**(1,688,417)**
Issuance of Restricted Stock			**5,650**	**5,650**	**(5,650)**		**-**	**-**
Stock-based Compensation Expense					**13,890**			**13,890**
Repurchase of Warrants					**(3,175,000)**			**(3,175,000)**
Net Income						**11,917,400**		**11,917,400**
Balance, December 31, 2018	**-**	**$ -**	**8,444,908**	**$ 8,444,908**	**$25,978,334**	**$69,459,243**	**$ (8,190,090)**	**$95,692,395**

See accompanying notes which are an integral part of these financial statements.

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2018	2017	2016
Cash Flows from Operating Activities			
Net Income	**$ 11,917,400**	$ 7,750,978	$ 8,673,210
Adjustments to Reconcile Net Income to Net Cash Provided from Operating Activities			
Depreciation	**1,786,652**	1,647,813	1,574,249
Amortization and Accretion	**1,176,224**	1,449,111	1,645,088
Provision for Loan Losses	**200,500**	390,000	1,062,000
Share-based Compensation Expense	**13,890**	-	-
Deferred Income Taxes	**273,176**	2,833,958	222,120
Securities (Gains) Losses	**(115,909)**	-	(385,223)
(Gain) Loss on Sale of Premises and Equipment	**(305)**	(10,735)	80,329
(Gain) Loss on Sale of Other Real Estate and Repossessions	**(309,077)**	(208,329)	160,682
Provision for Losses on Other Real Estate	**262,041**	333,767	501,736
Increase in Cash Surrender Value of Life Insurance	**(508,946)**	(1,669,424)	(589,408)
Provision for Losses on Premises & Equipment	**172,143**	-	-
Change In			
Interest Receivable	**(217,491)**	(90,204)	176,766
Prepaid Expenses	**266,806**	139,382	(372,380)
Interest Payable	**38,573**	21,188	(46,284)
Accrued Expenses and Accounts Payable	**1,418**	361,005	(252,617)
Other	**(45,858)**	(403,375)	938,223
	14,911,237	12,545,135	13,388,491
Cash Flows from Investing Activities			
Interest-Bearing Deposits in Other Banks	**(15,110,861)**	11,677,144	(7,729,560)
Purchase of Investment Securities Available for Sale	**(63,682,791)**	(87,160,178)	(109,634,793)
Proceeds from Sale of Investment Securities Available for Sale	**11,267,642**	-	25,209,851
Proceeds from Maturities, Calls and Paydowns of Investment Securities Available for Sale	**50,422,396**	54,587,986	54,868,726
Proceeds from Sale of Premises and Equipment	**22,581**	37,650	89,551
Net Loans to Customers	**2,395,928**	(14,459,526)	(2,167,126)
Purchase of Premises and Equipment	**(2,762,585)**	(1,344,898)	(3,259,859)
Proceeds from Sale of Other Real Estate and Repossessions	**3,002,508**	3,863,576	7,529,131
Proceeds from Sale of Federal Home Loan Bank Stock	**65,000**	-	-
Purchase of Federal Home Loan Bank Stock	**-**	(32,900)	(279,500)
Net Cash and Cash Equivalents Paid in Acquisition	**(10,043,452)**	-	-
	(24,423,634)	(32,831,146)	(35,373,579)
Cash Flows from Financing Activities			
Interest-Bearing Customer Deposits	**(445,146)**	(8,240,418)	7,629,930
Noninterest-Bearing Customer Deposits	**5,552,700**	31,869,295	25,172,362
Proceeds from Other Borrowed Money	**44,007,500**	10,015,500	10,000,000
Principal Payments on Other Borrowed Money	**(47,507,500)**	(8,515,500)	(4,000,000)
Dividends Paid on Preferred Stock	**-**	(315,900)	(1,590,746)
Redemption of Preferred Stock	**-**	(9,360,000)	(8,661,000)
Repurchase of Warrants	**(3,175,000)**	-	-
Dividends Paid on Common Stock	**(1,688,417)**	(843,934)	-
	(3,255,863)	14,609,043	28,550,546
Net Increase (Decrease) in Cash and Cash Equivalents	**(12,768,260)**	(5,676,968)	6,565,458
Cash and Cash Equivalents, Beginning	**23,145,136**	28,822,104	22,256,646
Cash and Cash Equivalents, Ending	**$ 10,376,876**	$ 23,145,136	$ 28,822,104

See accompanying notes which are an integral part of these financial statements.

COLONY BANKCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Principles of Consolidation

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

Nature of Operations

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

Use of Estimates

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

Reclassifications

In certain instances, amounts reported in prior years' consolidated financial statements and note disclosures have been reclassified to conform to statement presentations selected for 2018. Such reclassifications had no effect on previously reported stockholders' equity or net income.

(1) Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk

Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk, particularly if an economic downturn occurred in the real estate market. At December 31, 2018, approximately 88 percent of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. Collateral real estate values that secure land development, construction and speculative real estate loans in the Company's larger MSA markets have started showing signs of stabilization in values in recent years. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor these concentrations and has considered these concentrations in its allowance for loan loss analysis.

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 rating is monitored by management to minimize credit risk.

Investment Securities

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

(1) Summary of Significant Accounting Policies (Continued)

Investment Securities (Continued)

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

Federal Home Loan Bank Stock

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

Loans

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Loans Modified in a Troubled Debt Restructuring (TDR)

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

Allowance for Loan Losses

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

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

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

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

(1) Summary of Significant Accounting Policies (Continued)

Premises and Equipment

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

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

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

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

Goodwill

Goodwill represents the excess of the cost of businesses acquired over the fair value of the net assets acquired. Goodwill is assigned to reporting units and tested for impairment at least annually, or on an interim basis if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying value.

Other Intangible Assets

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

Transfers of Financial Assets

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

Statement of Cash Flows

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

(1) Summary of Significant Accounting Policies (Continued)

Advertising Costs

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

Income Taxes

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

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

The Company's federal and state income tax returns for tax years 2018, 2017, 2016 and 2015 are subject to examination by the Internal Revenue Service (IRS) and the Georgia Department of Revenue, generally for three years after filing.

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

Other Real Estate

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

(1) Summary of Significant Accounting Policies (Continued)

Bank-Owned Life Insurance

The Company has purchased life insurance on the lives of certain key members of management and directors. The life insurance policies are recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or amounts due that are probable at settlement, if applicable. Increases in the cash surrender value are recorded as other income in the consolidated statements of income. The cash surrender value of the insurance contracts is recorded in other assets on the consolidated balance sheets in the amount of $17,597,639 and $17,088,693 as of December 31, 2018 and 2017, respectively.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, represent equity changes from economic events of the period other than transactions with owners. Such items are considered components of other comprehensive income (loss). Accounting standards codification requires the presentation in the consolidated financial statements of net income and all items of other comprehensive income (loss) as total comprehensive income (loss).

Off-Balance Sheet Credit Related Financial Instruments

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

(1) Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles and Effects of New Accounting Pronouncements

ASU 2014-09, *Revenue from Contracts with Customers (Topic 606).* On January 1, 2018, the Company adopted ASU 2014-09 and all subsequent amendments to the ASU and ASC 606 which (1) creates a single framework for recognizing revenue from contracts with customers that fall within its scope and (2) revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as other real estate owned. The majority of the Company's revenues came from interest income and other sources, including loans and investment securities, that are outside the scope of ASC 606. With the exception of gain/losses on the sale of other real estate owned, the Company's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Company satisfies its obligations to the customer. Services within the scope of ASC 606 reported in noninterest income include service charges on deposit accounts, debit card interchange fees, and ATM fees. The net of gains and losses on the sale of other real estate owned are recorded in other noninterest expenses in the Company's consolidated statements of income for the year ended December 31, 2017 and 2016. For the year ended December 31, 2018, the net of gains and losses on the sale of other real estate owned is recorded in other noninterest income in the Company's consolidated statements of income. The adoption of ASC 606 did not change the timing or amount of revenue recognized for the Company. Accordingly, no cumulative effect adjustment was recorded under the modified retrospective transition method. See Note 26 for further discussion on the Company's accounting policies for revenue source within the scope of ASC 606.

ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities.* ASU 2016-01, among other things, (i) requires equity investments, with certain exceptions, to be measured at fair value with changes in fair value recognized in net income, (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by requiring a qualitative assessment to identify impairment, (iii) eliminates the requirement for public business entities to disclose the methods and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet, (iv) requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes, (v) requires an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments, (vi) requires separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements and (viii) clarifies that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale. ASU 2016-01 was effective for the Company on January 1, 2018. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

ASU 2016-02, *Leases (Topic 842).* This ASU requires lessees to put most leases on their balance sheets but recognize expenses in the income statement in a manner similar to current accounting treatment. This ASU changes the guidance on sale-leaseback transactions, initial direct costs and lease execution costs, and, for lessors, modifies the classification criteria and the accounting for sales-type and direct financing leases. For public business entities, this ASU is effective for annual periods beginning after December 15, 2018, and interim periods therein. Entities are required to use a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. The Company is evaluating the impact of this ASU on its financial statements and disclosures.

(1) Summary of Significant Accounting Policies (Continued)

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

ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326).* This ASU sets forth a "current expected credit loss" (CECL) model which requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable supported forecasts. This replaces the existing incurred loss model and is applicable to the measurement of credit losses on financial assets measured at amortized cost and applies to some off-balance sheet credit exposures. This ASU is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Company is currently assessing the impact of the adoption of this ASU on its consolidated financial statements.

ASU 2016-15*, Statement of Cash Flows (Topic 230) - Classification of Certain Cash Receipts and Cash Payments.* ASU 2016-15 provides guidance related to certain cash flow issues in order to reduce the current and potential future diversity in practice. ASU 2016-15 became effective for us on January 1, 2018 and did not have a significant impact on our financial statements.

ASU 2017-04, *Intangibles: Goodwill and Other: Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"). ASU 2017-04 eliminates Step 2 from the goodwill impairment test to simplify the subsequent measurement of goodwill. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. In addition, the income tax effects of tax deductible goodwill on the carrying amount of the reporting unit should be considered when measuring the goodwill impairment loss, if applicable. ASU 2017-04 also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform Step 2 of the goodwill impairment test. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The standard must be adopted using a prospective basis and the nature and reason for the change in accounting principle should be disclosed upon transition. ASU 2017-04 is effective for annual or any interim goodwill impairment tests in reporting periods beginning after December 15, 2019. Early adoption is permitted on testing dates after January 1, 2017. The Company is currently evaluating the impact this ASU will have on the Company's Consolidated Financial Statements, but it is not expected to have a material impact.

ASU 2017-08*, Premium Amortization on Purchased Callable Debt Securities.* This ASU shortens the amortization period for the premium on certain purchased callable debt securities to the earliest call date. Today, entities generally amortize the premium over the contractual life of the security. The new guidance does not change the accounting for purchased callable debt securities held at a discount; the discount continues to be amortized to maturity. ASU No. 2017-08 is effective for interim and annual reporting periods beginning after December 15, 2018; early adoption is permitted. The guidance calls for a modified retrospective transition approach under which a cumulative-effect adjustment will be made to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company is currently evaluating the provisions of ASU No. 2017-08 to determine the potential impact the new standard will have on the Company's Consolidated Financial Statements.

(1) Summary of Significant Accounting Policies (Continued)

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

ASU 2018-02, *Income Statement – Reporting Comprehensive Income (Topic 220). Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.* This ASU allows an entity to elect a reclassification from accumulated other comprehensive income (AOCI) to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act (TCJ Act). ASU 2018-02 is effective for all entities for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. The Company elected to early adopt the provisions of ASU 2018-02 in the fourth quarter of 2017 and, as a result, reclassified $1,068,295 from AOCI to retained earnings as of December 31, 2017.

ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820).* This ASU modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for interim and annual reporting periods after December 15, 2019; early adoption is permitted. The Company is currently evaluating the provisions of ASU 2018-13 to determine the potential impact the new standard will have on the Company's Consolidated Financial Statements.

(2) Business Combination

Planters First Bank Branch Acquisition

On October 22, 2018, the Bank purchased one branch from Planters First Bank ("PFB") located in Albany, Georgia. Pursuant to the transaction, the Bank acquired $20.4 million in loans and $12.0 million in deposits, as well as the branch equipment. In addition, the Bank purchased a vacant lot owned by PFB in Albany for $725 thousand, on which it plans to build a new branch office. In addition to the premium paid on deposits, other costs associated with the acquisition totaled $113 thousand. This acquisition provides the Bank with the opportunity to enhance its footprint in the Albany, Georgia market.

The Company has accounted for the branch purchases under the acquisition method of accounting in accordance with FASB ASC topic 805, "Business Combinations," whereby the acquired assets and liabilities were recorded by the Bank at their estimated fair values as of their acquisition date.

The acquired assets and assumed liabilities of the PFB branch were measured at estimated fair value. Management made significant estimates and exercised significant judgement in accounting for the acquisition of the PFB branch. Management evaluated expected cash flows and estimated loss factors to measure fair values for loans. Deposits were valued based upon interest rates, original and remaining terms and maturities, as well as current rates for similar funds in the same markets. The vacant lot was based on recent appraised value, whereas equipment was acquired based on the remaining book value from PFB, which approximated fair value. Management engaged independent outside experts to provide the fair value estimates.

(2) Business Combination (Continued)

The following table provides the purchase price as of acquisition date, the identifiable assets acquired and liabilities assumed at their estimated fair values, and the resulting goodwill of $202 thousand recorded from the acquisition:

Purchase Price Consideration:		
Cash Consideration	**$**	**10,237,789**
Total purchase price for PFB branch acquisition	**$**	**10,237,789**
Assets acquired at fair value:		
Cash and cash equivalents	**$**	**194,337**
Loans		**20,430,271**
Premises and equipment, net		**772,727**
Core deposit intangible		**560,000**
Other assets		**123,363**
Total fair value of assets acquired	**$**	**22,080,698**
Liabilities assumed at fair value:		
Deposits	**$**	**12,032,500**
Other liabilities		**12,653**
Total fair value of liabilities assumed	**$**	**12,045,153**
Net Assets acquired at fair value:	**$**	**10,035,545**
Amount of goodwill resulting from acquisition	**$**	**202,244**

The total amount of goodwill arising from this transaction of $202 thousand is expected to be deductible for tax purposes, pursuant to section 197 of the Internal Revenue Code.

(2) Business Combination (Continued)

Acquired Loans

The following table outlines the contractually required payments receivable, cash flows we expect to receive and the discounted yield for all PFB loans as of the acquisition date.

	Contractually Required Payments Receivable	Cash Flows Expected To Be Collected	Discounted FMV Adjustments	Carrying Value of Loans Receivable
Performing loans acquired	**$ 20,749,515**	**20,749,515**	**319,244**	**$ 20,430,271**

The Bank recorded all loans acquired at the estimated fair value on the purchase date with no carryover of the related allowance for loan losses. The Bank only acquired loans which were deemed to be performing loans with no signs of credit deterioration.

The Bank determined the net discounted value of cash flows on approximately 89 performing loans totaling $20.4 million. The valuation took into consideration the loans' underlying characteristics, including account types, remaining terms, annual interest rates, interest types, current market rates, loss exposure and remaining balances. These performing loans were segregated into pools based on loan and payment type. The effect of this fair valuation process was a net discount adjustment of $319 thousand at acquisition.

Pending Acquisition

On December 17, 2018, the Company and LBC Bancshares, Inc., a Georgia corporation ("LBC"), entered into an Agreement and Plan of Merger (the "Merger Agreement") pursuant to which LBC will merge into the Company. Immediately thereafter, Calumet Bank, a Georgia bank wholly owned by LBC, will be merged into Colony Bank. Calumet Bank operates two full-service banking locations, one each in LaGrange, Georgia and Columbus, Georgia, as well as a loan production office in Atlanta, Georgia. Under the terms of the Merger Agreement, each LBC shareholder will have the option to receive either $23.50 in cash or 1.3239 shares of the Company's Common Stock in exchange for each share of LBC common stock, subject to customary proration and location procedures, such that 55% of LBC shares will receive the stock consideration and 45% will receive the cash consideration, and at least 50% of the merger consideration will be paid in the Company stock. The aggregate consideration is valued at approximately $34.1 million, based upon the $16.10 per share closing price of the Company's common stock as of December 17, 2018. The merger is subject to customary closing conditions, including the receipt of regulatory approvals and the approval of LBC's shareholders. The transaction is expected to close during the first half of 2019. As of December 31, 2018, LBC reported assets of $207 million, gross loans of $136 million and deposits of $182 million. The purchase price will be allocated among the net assets of LBC acquired as appropriate, with the remaining balance being reported as goodwill.

(3) Cash and Balances Due from Banks

Components of cash and balances due from banks are as follows as of December 31:

	2018	2017
Cash on Hand and Cash Items	**$ 9,359,924**	$ 9,746,132
Noninterest-Bearing Deposits with Other Banks	**1,016,952**	13,399,004
	$ 10,376,876	$ 23,145,136

The Company is required to maintain reserve balances in cash or on deposit with the Federal Reserve Bank based on a percentage of deposits. Reserve balances totaled approximately $1,979,000 and $1,515,000 at December 31, 2018 and 2017, respectively.

(4) Investment Securities

Investment securities as of December 31, 2018 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
U.S. Government Agencies				
Mortgage-Backed	**$ 356,498,339**	**$ 303,360**	**$ (10,596,527)**	**$ 346,205,172**
State, County and Municipal	**4,007,883**	**17,858**	**(36,632)**	**3,989,109**
Corporate	**2,927,147**	**-**	**(55,262)**	**2,871,885**
	$ 363,433,369	**$ 321,218**	**$ (10,688,421)**	**$ 353,066,166**

The amortized cost and fair value of investment securities as of December 31, 2018, by contractual maturity, are shown hereafter. Expected maturities may differ from contractual maturities for certain investments because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. This is often the case with mortgage-backed securities, which are disclosed separately in the table below.

	Securities Available for Sale	
	Amortized Cost	Fair Value
Due in One Year or Less	$ 354,440	$ 353,794
Due After One Year Through Five Years	4,294,198	4,237,813
Due After Five Years Through Ten Years	1,133,881	1,150,770
Due After Ten Years	1,152,511	1,118,617
	$ 6,935,030	$ 6,860,994
Mortgage-Backed Securities	356,498,339	346,205,172
	$ 363,433,369	$ 353,066,166

(4) Investment Securities (Continued)

Investment securities as of December 31, 2017 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
U.S. Government Agencies				
Mortgage-Backed	$ 354,931,318	$ 258,049	$ (8,465,948)	$ 346,723,419
State, County and Municipal	4,493,085	22,835	(23,094)	4,492,826
Corporate	2,047,517	12,483	-	2,060,000
Asset-Backed	992,641	-	(21,982)	970,659
	$ 362,464,561	$ 293,367	$ (8,511,024)	$ 354,246,904

Proceeds from sales of investments available for sale were $11,267,642 in 2018, $0 in 2017 and $25,209,851 in 2016. Gross realized gains totaled $115,909 in 2018, $0 in 2017 and $391,976 in 2016. Gross realized losses totaled $0 in 2018, $0 in 2017 and $6,753 in 2016.

Investment securities having a carrying value totaling $178,978,383 and $175,484,021 as of December 31, 2018 and 2017, respectively, were pledged to secure public deposits and for other purposes.

Information pertaining to securities with gross unrealized losses at December 31, 2018 and 2017 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2018						
U.S. Government Agencies						
Mortgage-Backed	**$ 39,082,750**	**$ (504,496)**	**$ 255,747,472**	**$ (10,092,031)**	**$ 294,830,222**	**$ (10,596,527)**
State, County and Municipal	**611,882**	**(2,668)**	**1,882,249**	**(33,964)**	**2,494,131**	**(36,632)**
Corporate	**2,009,080**	**(20,847)**	**862,805**	**(34,415)**	**2,871,885**	**(55,262)**
	$ 41,703,712	**$ (528,011)**	**$ 258,492,526**	**$ (10,160,410)**	**$ 300,196,238**	**$ (10,688,421)**
December 31, 2017						
U.S. Government Agencies						
Mortgage-Backed	$ 120,139,340	$ (1,655,223)	$ 190,196,101	$ (6,810,725)	$ 310,335,441	$ (8,465,948)
State, County and Municipal	2,598,344	(23,094)	-	-	2,598,344	(23,094)
Asset – Backed	970,659	(21,982)	-	-	970,659	(21,982)
	$ 123,708,343	$ (1,700,299)	$ 190,196,101	$ (6,810,725)	$ 313,904,444	$ (8,511,024)

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

(4) Investment Securities (Continued)

At December 31, 2018, 145 securities have unrealized losses which have depreciated 3.44 percent from the Company's amortized cost basis. These securities are guaranteed by either the U.S. Government, other governments or U.S. corporations. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other than temporary. However, the Company owns one asset-backed security at December 31, 2018 which was completely written off during prior years. This investment is comprised of one issuance of a trust preferred security and has no book value.

(5) Loans

The following table presents the composition of loans, segregated by class of loans, as of December 31:

	2018	2017
Commercial and Agricultural		
Commercial	**$ 57,410,473**	$ 48,122,263
Agricultural	**16,798,743**	16,442,581
Real Estate		
Commercial Construction	**47,848,754**	45,213,960
Residential Construction	**12,499,744**	8,583,446
Commercial	**373,533,562**	351,171,668
Residential	**187,714,372**	194,048,945
Farmland	**62,708,998**	67,767,655
Consumer and Other		
Consumer	**18,485,199**	18,956,028
Other	**5,027,523**	14,977,309
Total Loans	**$ 782,027,368**	$ 765,283,855

(5) Loans (Continued)

Commercial and 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 loans are originated at the bank level. These loans are generally smaller loan amounts spread across many individual borrowers to help minimize risk.

Credit Quality Indicators. As part of the ongoing monitoring of the credit quality of the loan portfolio, management tracks certain credit quality indicators including trends related to (1) the risk grade assigned to commercial and consumer loans, (2) the level of classified commercial loans, (3) net charge-offs, (4) nonperforming loans, and (5) the general economic conditions in the Company's geographic markets.

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

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

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

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

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

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

(5) Loans (Continued)

The following tables present the loan portfolio by credit quality indicator (risk grade) as of December 31. Those loans with a risk grade of 1, 2, 3 or 4 have been combined in the pass column for presentation purposes.

2018	**Pass**	**Special Mention**	**Substandard**	**Total Loans**
Commercial and Agricultural				
Commercial	**$ 55,808,422**	**$ 729,088**	**$ 872,963**	**$ 57,410,473**
Agricultural	**15,664,048**	**636,666**	**498,029**	**16,798,743**
Real Estate				
Commercial Construction	**47,087,255**	**44,306**	**717,193**	**47,848,754**
Residential Construction	**12,499,744**	**-**	**-**	**12,499,744**
Commercial	**358,139,315**	**7,661,667**	**7,732,580**	**373,533,562**
Residential	**170,050,484**	**7,106,793**	**10,557,095**	**187,714,372**
Farmland	**58,712,452**	**1,912,338**	**2,084,208**	**62,708,998**
Consumer and Other				
Consumer	**18,103,792**	**59,073**	**322,334**	**18,485,199**
Other	**5,018,095**	**5,475**	**3,953**	**5,027,523**
Total Loans	**$ 741,083,607**	**$ 18,155,406**	**$ 22,788,355**	**$ 782,027,368**

2017	Pass	Special Mention	Substandard	Total Loans
Commercial and Agricultural				
Commercial	$ 46,468,726	$ 825,607	$ 827,930	$ 48,122,263
Agricultural	15,868,191	174,356	400,034	16,442,581
Real Estate				
Commercial Construction	41,282,295	577,765	3,353,900	45,213,960
Residential Construction	8,583,446	-	-	8,583,446
Commercial	338,775,805	7,662,637	4,733,226	351,171,668
Residential	177,962,870	4,864,893	11,221,182	194,048,945
Farmland	66,334,906	444,095	988,654	67,767,655
Consumer and Other				
Consumer	18,495,798	52,970	407,260	18,956,028
Other	14,968,677	8,632	-	14,977,309
Total Loans	$ 728,740,714	$ 14,610,955	$ 21,932,186	$ 765,283,855

A loan's risk grade is assigned at the inception of the loan and is based on the financial strength of the borrower and the type of collateral. Loan risk grades are subject to reassessment at various times throughout the year as part of the Company's ongoing loan review process. Loans with an assigned risk grade of 6 or below and an outstanding balance of $250,000 or more are reassessed on a quarterly basis. During this reassessment process individual reserves may be identified and placed against certain loans which are not considered impaired. In assessing the overall economic condition of the markets in which it operates, the Company monitors the unemployment rates for its major service areas. The unemployment rates are reviewed on a quarterly basis as part of the allowance for loan loss determination.

PART I (Continued)
Item 1 (Continued)

(5) Loans (Continued)

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

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

	Accruing Loans					
2018	**30-89 Days Past Due**	**90 Days or More Past Due**	**Total Accruing Loans Past Due**	**Nonaccrual Loans**	**Current Loans**	**Total Loans**
Commercial and Agricultural						
Commercial	**$ 282,116**	**$ -**	**$ 282,116**	**$ 637,085**	**$ 56,491,272**	**$ 57,410,473**
Agricultural	**117,087**	**-**	**117,087**	**413,254**	**16,268,402**	**16,798,743**
Real Estate						
Commercial Construction	**88,371**	**-**	**88,371**	**462,841**	**47,297,542**	**47,848,754**
Residential Construction	**-**	**-**	**-**	**-**	**12,499,744**	**12,499,744**
Commercial	**679,387**	**-**	**679,387**	**2,965,546**	**369,888,629**	**373,533,562**
Residential	**6,881,632**	**-**	**6,881,632**	**2,734,179**	**178,098,561**	**187,714,372**
Farmland	**75,548**	**-**	**75,548**	**2,052,604**	**60,580,846**	**62,708,998**
Consumer and Other						
Consumer	**110,340**	**-**	**110,340**	**212,524**	**18,162,335**	**18,485,199**
Other	**-**	**-**	**-**	**3,953**	**5,023,570**	**5,027,523**
Total Loans	**$ 8,234,481**	**$ -**	**$ 8,234,481**	**$ 9,481,986**	**$ 764,310,901**	**$ 782,027,368**
2017						
Commercial and Agricultural						
Commercial	$ 328,483	$ -	$ 328,483	$ 598,305	$ 47,195,475	$ 48,122,263
Agricultural	110,482	-	110,482	398,509	15,933,590	16,442,581
Real Estate						
Commercial Construction	27,062	-	27,062	477,043	44,709,855	45,213,960
Residential Construction	119,443	-	119,443	-	8,464,003	8,583,446
Commercial	918,997	-	918,997	2,172,229	348,080,442	351,171,668
Residential	2,482,276	-	2,482,276	2,829,966	188,736,703	194,048,945
Farmland	318,329	-	318,329	838,577	66,610,749	67,767,655
Consumer and Other						
Consumer	246,175		246,175	188,073	18,521,780	18,956,028
Other	7,158	-	7,158	-	14,970,151	14,977,309
Total Loans	$ 4,558,405	$ -	$ 4,558,405	$ 7,502,702	$ 753,222,748	$ 765,283,855

PART I (Continued)
Item 1 (Continued)

(5) Loans (Continued)

Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $226,000, $205,000 and $387,000 for the years ended December 31, 2018, 2017 and 2016, respectively.

The following table details impaired loan data as of December 31, 2018:

	Unpaid Contractual Principal Balance	Impaired Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Collected
With No Related Allowance Recorded						
Commercial	$ 595,323	$ 595,323	$ -	$ 525,463	$ 21,350	$ 23,985
Agricultural	433,915	413,254	-	382,978	17,949	24,825
Commercial Construction	132,366	132,366	-	69,396	7,806	7,966
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	12,163,915	12,163,915	-	11,039,755	581,836	582,893
Residential Real Estate	4,214,354	4,129,876	-	4,067,529	208,138	212,509
Farmland	2,054,137	2,052,604	-	1,361,278	52,974	81,962
Consumer	212,524	212,524	-	197,225	13,614	14,373
Other	3,953	3,953	-	791	204	233
	$ 19,810,487	$ 19,703,815	$ -	$ 17,644,415	$ 903,871	$ 948,746
With An Allowance Recorded						
Commercial	$ 41,762	$ 41,762	$ 6,264	$ 8,352	$ 2,154	$ 2,247
Agricultural	-	-	-	-	-	-
Commercial Construction	398,930	398,930	38,930	465,929	-	-
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	3,691,010	3,691,010	1,275,837	5,120,933	135,042	141,978
Residential Real Estate	274,198	274,198	60,716	97,902	8,187	8,180
Farmland	363,566	363,566	35,984	367,425	24,075	24,415
Consumer	-	-	-	-	-	-
Other	-	-	-	-	-	-
	$ 4,769,466	$ 4,769,466	$ 1,417,731	$ 6,060,541	$ 169,458	$ 176,820
Total						
Commercial	$ 637,085	$ 637,085	$ 6,264	$ 533,815	$ 23,504	$ 26,232
Agricultural	433,915	413,254	-	382,978	17,949	24,825
Commercial Construction	531,296	531,296	38,930	535,325	7,806	7,966
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	15,854,925	15,854,925	1,275,837	16,160,688	716,878	724,871
Residential Real Estate	4,488,552	4,404,074	60,716	4,165,431	216,325	220,689
Farmland	2,417,703	2,416,170	35,984	1,728,703	77,049	106,377
Consumer	212,524	212,524	-	197,225	13,614	14,373
Other	3,953	3,953	-	791	204	233
	$ 24,579,953	$ 24,473,281	$ 1,417,731	$ 23,704,956	$ 1,073,329	$ 1,125,566

PART I (Continued)
Item 1 (Continued)

(5) Loans (Continued)

The following table details impaired loan data as of December 31, 2017:

	Unpaid Contractual Principal Balance	Impaired Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Collected
With No Related Allowance Recorded						
Commercial	$ 598,305	$ 598,305	$ -	$ 633,528	$ 33,283	$ 33,868
Agricultural	485,132	398,509	-	296,578	11,046	19,376
Commercial Construction	54,306	54,306	-	141,396	3,526	3,836
Residential Construction	-	-	-	79,295	-	-
Commercial Real Estate	12,637,057	12,637,057	-	12,808,414	559,601	549,825
Residential Real Estate	4,977,769	4,579,614	-	4,566,041	211,318	226,684
Farmland	840,110	838,577	-	790,967	54,367	58,085
Consumer	188,073	188,073	-	186,348	8,576	9,452
	$ 19,780,752	$ 19,294,441	$ -	$ 19,502,567	$ 881,717	$ 901,126
With An Allowance Recorded						
Commercial	$ -	$ -	$ -	$ -	$ -	$ -
Agricultural	-	-	-	-	-	-
Commercial Construction	493,067	493,067	65,635	241,063	22,626	32,922
Residential Construction	-	-	-	-	-	-
Commercial Real Estate	5,729,300	5,729,300	1,712,557	6,599,144	228,745	237,066
Residential Real Estate	108,859	108,859	27,123	482,228	4,261	7,446
Farmland	371,376	371,376	21,369	375,595	22,121	22,021
Consumer	-	-	-	-	-	-
	$ 6,702,602	$ 6,702,602	$ 1,826,684	$ 7,698,030	$ 277,753	$ 299,455
Total						
Commercial	$ 598,305	$ 598,305	$ -	$ 633,528	$ 33,283	$ 33,868
Agricultural	485,132	398,509	-	296,578	11,046	19,376
Commercial Construction	547,373	547,373	65,635	382,459	26,152	36,758
Residential Construction	-	-	-	79,295	-	-
Commercial Real Estate	18,366,357	18,366,357	1,712,557	19,407,558	788,346	786,891
Residential Real Estate	5,086,628	4,688,473	27,123	5,048,269	215,579	234,130
Farmland	1,211,486	1,209,953	21,369	1,166,562	76,488	80,106
Consumer	188,073	188,073	-	186,348	8,576	9,452
	$ 26,483,354	$ 25,997,043	$ 1,826,684	$ 27,200,597	$ 1,159,470	$ 1,200,581

PART I (Continued)
Item 1 (Continued)

(5) Loans (Continued)

The following table details impaired loan data as of December 31, 2016:

	Unpaid Contractual Principal Balance	Impaired Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Interest Income Collected
With No Related Allowance Recorded						
Commercial	$ 634,955	$ 634,955	$ -	$ 539,099	$ 24,563	$ 27,142
Agricultural	229,182	208,522	-	210,372	8,794	12,412
Commercial Construction	190,494	190,494	-	697,893	6,630	7,127
Commercial Real Estate	14,357,601	14,276,688	-	14,274,719	567,349	560,354
Residential Real Estate	4,261,558	3,952,139	-	4,553,322	73,099	190,373
Farmland	920,666	799,556	-	1,016,395	21,526	26,012
Consumer	212,376	212,026	-	213,309	9,599	12,036
	$ 20,806,832	$ 20,274,380	$ -	$ 21,505,109	$ 711,560	$ 835,456
With An Allowance Recorded						
Commercial	$ -	$ -	$ -	$ 30,270	$ -	$ -
Agricultural	-	-	-	-	-	-
Commercial Construction	72,296	72,296	21,135	74,098	1,532	1,416
Commercial Real Estate	8,557,582	8,467,135	3,021,943	8,339,666	238,684	235,749
Residential Real Estate	1,475,594	1,467,833	362,521	1,042,750	27,759	32,260
Farmland	379,851	379,851	29,173	384,056	21,098	21,310
Consumer	-	-	-	-	-	-
	$ 10,485,323	$ 10,387,115	$ 3,434,772	$ 9,870,840	$ 289,073	$ 290,735
Total						
Commercial	$ 634,955	$ 634,955	$ -	$ 569,369	$ 24,563	$ 27,142
Agricultural	229,182	208,522	-	210,372	8,794	12,412
Commercial Construction	262,790	262,790	21,135	771,991	8,162	8,543
Commercial Real Estate	22,915,183	22,743,823	3,021,943	22,614,385	806,033	796,103
Residential Real Estate	5,737,152	5,419,972	362,521	5,596,072	100,858	222,633
Farmland	1,300,517	1,179,407	29,173	1,400,451	42,624	47,322
Consumer	212,376	212,026	-	213,309	9,599	12,036
	$ 31,292,155	$ 30,661,495	$ 3,434,772	$ 31,375,949	$ 1,000,633	$ 1,126,191

(5) Loans (Continued)

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

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

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

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

(5) Loans (Continued)

As discussed in Note 1, Summary of Significant Accounting Policies, once a loan is identified as a TDR, it is accounted for as an impaired loan. The Company had no unfunded commitments to lend to a customer that has a troubled debt restructured loan as of December 31, 2018. The following tables present the number of loan contracts restructured during the 12 months ended December 31, 2018, 2017 and 2016. It shows the pre- and post-modification recorded investment as well as the number of contracts and the recorded investment for those TDRs modified during the previous 12 months which subsequently defaulted during the period. Loans modified in a troubled debt restructuring are considered to be in default once the loan becomes 90 days past due. A TDR may cease being classified as impaired if the loan is subsequently modified at market terms, has performed according to the modified terms for at least six months, and has not had any prior principal forgiveness on a cumulative basis.

Troubled Debt Restructurings

2018	**# of Contracts**	**Pre-Modification**	**Post-Modification**
Commercial Real Estate	**1**	**$ 402,430**	**$ 402,430**
2017			
Commercial Real Estate	-	$ -	$ -
Residential Real Estate	-	-	-
Total Loans	-	-	-
2016			
Commercial Real Estate	1	$ 91,280	$ 91,097
Residential Real Estate	1	354,784	354,784
Total Loans	2	$ 446,064	$ 445,881

(5) Loans (Continued)

Troubled debt restructurings that subsequently defaulted as of December 31 are as follows:

	2018		2017		2016	
	# of Contracts	**Recorded Investment**	**# of Contracts**	**Recorded Investment**	**# of Contracts**	**Recorded Investment**
Residential Real Estate	**1**	**$ 131,067**	**-**	**$ -**	1	$ 89,297
Total Loans	**1**	**$ 131,067**	**-**	**$ -**	1	$ 89,297

During 2018, a restructured loan totaling $131,067 failed to continue to perform as agreed and was moved to non-accrual status. At December 31, 2017, all restructured loans were performing as agreed. During December 2016, a restructured loan totaling $89,297 failed to continue to perform as agreed and was charged off in June 2016.

(6) Allowance for Loan Losses

Changes in the allowance for loan losses for the years ended December 31 are as follows:

	2018	2017	2016
Balance, Beginning of Year	**$ 7,507,508**	$ 8,923,293	$ 8,603,905
Provision for Loan Losses	**200,500**	390,000	1,062,000
Loans Charged Off	**(965,447)**	(2,915,753)	(2,087,850)
Recoveries of Loans Previously Charged Off	**534,245**	1,109,968	1,345,238
Balance, End of Year	**$ 7,276,806**	$ 7,507,508	$ 8,923,293

(6) Allowance for Loan Losses (Continued)

The following tables detail activity in the allowance for loan losses, segregated by class of loan, for the years ended December 31. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other loan categories and periodically may result in reallocation within the provision categories.

2018	**Beginning Balance**	**Charge-Offs**	**Recoveries**	**Provision**	**Ending Balance**
Commercial and Agricultural					
Commercial	**$ 446,675**	**$ (123,528)**	**$ 139,466**	**$ (93,049)**	**$ 369,564**
Agricultural	**185,904**	**(122,873)**	**22,031**	**163,188**	**248,250**
Real Estate					
Commercial Construction	**1,216,015**	**-**	**155,272**	**(1,256,413)**	**114,874**
Residential Construction	**-**	**-**	**-**	**16,530**	**16,530**
Commercial	**3,873,959**	**(257,424)**	**40,052**	**892,523**	**4,549,110**
Residential	**968,101**	**(162,235)**	**90,703**	**284,483**	**1,181,052**
Farmland	**779,531**	**-**	**12,228**	**(90,210)**	**701,549**
Consumer and Other					
Consumer	**33,993**	**(299,387)**	**72,386**	**279,121**	**86,113**
Other	**3,330**	**-**	**2,107**	**4,327**	**9,764**
	$ 7,507,508	**$ (965,447)**	**$ 534,245**	**$ 200,500**	**$ 7,276,806**
2017					
Commercial and Agricultural					
Commercial	$ 456,197	$ (299,079)	$ 136,499	$ 153,058	$ 446,675
Agricultural	167,692	(159,500)	3,963	173,749	185,904
Real Estate					
Commercial Construction	322,725	(51,977)	266,459	678,808	1,216,015
Residential Construction	13,491	-	-	(13,491)	-
Commercial	5,750,998	(966,014)	527,150	(1,438,175)	3,873,959
Residential	1,396,099	(1,048,337)	82,079	538,260	968,101
Farmland	722,331	(60,902)	16,750	101,352	779,531
Consumer and Other					
Consumer	80,265	(329,944)	74,933	208,739	33,993
Other	13,495	-	2,135	(12,300)	3,330
	$ 8,923,293	$ (2,915,753)	$ 1,109,968	$ 390,000	$ 7,507,508

(6) Allowance for Loan Losses (Continued)

2016	Beginning Balance	Charge-Offs	Recoveries	Provision	Ending Balance
Commercial and Agricultural					
Commercial	$ 855,364	$ (304,918)	$ 66,738	$ (160,987)	$ 456,197
Agricultural	203,091	(19,258)	4,150	(20,291)	167,692
Real Estate					
Commercial Construction	690,766	(25,318)	814,586	(1,157,309)	322,725
Residential Construction	19,890	-	-	(6,399)	13,491
Commercial	3,850,527	(992,067)	206,154	2,686,384	5,750,998
Residential	1,990,355	(361,630)	49,660	(282,286)	1,396,099
Farmland	911,692	(119,576)	145,000	(214,785)	722,331
Consumer and Other					
Consumer	63,377	(265,083)	52,629	229,342	80,265
Other	18,843	-	6,321	(11,669)	13,495
	$ 8,603,905	$ (2,087,850)	$ 1,345,238	$ 1,062,000	$ 8,923,293

The Company's allowance for loan losses consists of specific valuation allowances established for probable losses on specific loans and historical valuation allowances for other loans with similar risk characteristics.

The Company determines its individual reserves during its quarterly review of substandard loans. This process involves reviewing all loans with a risk grade of 6 or greater and an outstanding balance of $250,000 or more, regardless of the loans impairment classification.

Since not all loans in the substandard category are considered impaired, this quarterly review process may result in the identification of specific reserves on nonimpaired loans. Management considers those loans graded substandard, but not classified as impaired, to be higher risk loans and, therefore, makes specific allocations to the allowance for those loans if warranted. The total of such loans is $8,875,310 and $9,470,621 as of December 31, 2018 and 2017, respectively. Specific allowance allocations were made for these loans totaling $1,312,154 and $1,510,868 as of December 31, 2018 and 2017, respectively. Since these loans are not considered impaired, both the loan balance and related specific allocation are included in the "Collectively Evaluated for Impairment" column of the following tables.

(6) Allowance for Loan Losses (Continued)

At December 31, 2018, there were 148 impaired loans totaling $4,257,258 below the $250,000 review threshold which were not individually reviewed for impairment. Those loans were subject to the Bank's general loan loss reserve methodology and are included in the "Collectively Evaluated for Impairment" column of the following tables. Likewise, at December 31, 2017 and 2016, impaired loans totaling $4,335,524 and $4,204,156, respectively, were below the $250,000 review threshold and were subject to the Bank's general loan loss reserve methodology and are included in the "Collectively Evaluated for Impairment" column of the following tables.

	Ending Allowance Balance			Ending Loan Balance		
2018	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Total**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Total**
Commercial and Agricultural						
Commercial	$ 6,264	$ 363,300	$ 369,564	$ 83,309	$ 57,327,164	$ 57,410,473
Agricultural	-	248,250	248,250	27,031	16,771,712	16,798,743
Real Estate						
Commercial Construction	38,930	75,944	114,874	467,384	47,381,370	47,848,754
Residential Construction	-	16,530	16,530	-	12,499,744	12,499,744
Commercial	1,275,837	3,273,273	4,549,110	15,413,112	358,120,450	373,533,562
Residential	60,716	1,120,336	1,181,052	2,067,906	185,646,466	187,714,372
Farmland	35,984	665,565	701,549	2,157,281	60,551,717	62,708,998
Consumer and Other						
Consumer	-	86,113	86,113	-	18,485,199	18,485,199
Other	-	9,764	9,764	-	5,027,523	5,027,523
Total End of Year Balance	$ 1,417,731	$ 5,859,075	$ 7,276,806	$ 20,216,023	$ 761,811,345	$ 782,027,368

PART I (Continued)
Item 1 (Continued)

(6) Allowance for Loan Losses (Continued)

2017	Ending Allowance Balance			Ending Loan Balance		
	Individually Evaluated for Impairment	**Collectively Evaluated for Impairment**	**Total**	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Total**
Commercial and Agricultural						
Commercial	$ -	$ 446,675	$ 446,675	$ 77,599	$ 48,044,664	$ 48,122,263
Agricultural	-	185,904	185,904	5,121	16,437,460	16,442,581
Real Estate						
Commercial Construction	65,635	1,150,380	1,216,015	493,067	44,720,893	45,213,960
Residential Construction	-	-	-	-	8,583,446	8,583,446
Commercial	1,712,557	2,161,402	3,873,959	18,010,035	333,161,633	351,171,668
Residential	27,123	940,978	968,101	2,040,125	192,008,820	194,048,945
Farmland	21,369	758,162	779,531	1,035,572	66,732,083	67,767,655
Consumer and Other						
Consumer	-	33,993	33,993	-	18,956,028	18,956,028
Other	-	3,330	3,330	-	14,977,309	14,977,309
Total End of Year Balance	$ 1,826,684	$ 5,680,824	$ 7,507,508	$ 21,661,519	$ 743,622,336	$ 765,283,855
2016						
Commercial and Agricultural						
Commercial	$ -	$ 456,197	$ 456,197	$ 6,671	$ 47,018,207	$ 47,024,878
Agricultural	-	167,692	167,692	-	17,079,579	17,079,579
Real Estate						
Commercial Construction	21,135	301,590	322,725	72,296	30,286,066	30,358,362
Residential Construction	-	13,491	13,491	-	11,830,447	11,830,447
Commercial	3,021,943	2,729,055	5,750,998	22,422,451	326,667,580	349,090,031
Residential	362,522	1,033,577	1,396,099	2,911,874	192,668,093	195,579,967
Farmland	29,172	693,159	722,331	1,044,047	65,833,150	66,877,197
Consumer and Other						
Consumer	-	80,265	80,265	-	19,695,241	19,695,241
Other	-	13,495	13,495	-	16,747,861	16,747,861
Total End of Year Balance	$ 3,434,772	$ 5,488,521	$ 8,923,293	$ 26,457,339	$ 727,826,224	$ 754,283,563

(7) Premises and Equipment

Premises and equipment are comprised of the following as of December 31:

	2018	2017
Land	$ 10,934,885	$ 9,668,722
Building	26,544,689	26,893,354
Furniture, Fixtures and Equipment	12,782,042	13,090,366
Leasehold Improvements	696,529	655,166
Construction in Progress	581,389	68,253
	51,539,534	50,375,861
Accumulated Depreciation	(22,708,262)	(22,736,431)
	$ 28,831,272	$ 27,639,430

Depreciation charged to operations totaled $1,786,652 in 2018, $1,647,813 in 2017 and $1,574,249 in 2016.

Certain Company facilities and equipment are leased under various operating leases. Rental expense approximated $443,000 for 2018, $427,000 for 2017 and $437,000 for 2016.

Future minimum rental payments as of December 31, 2018 are as follows:

Year Ending December 31	Amount
2019	$ 63,480
2020	42,000
2021	42,000
2022	38,500
2023 and Thereafter	-
	$ 185,980

(8) Other Real Estate Owned

The aggregate carrying amount of Other Real Estate Owned (OREO) at December 31, 2018, 2017 and 2016 was $1,840,743, $4,256,469 and $6,439,226, respectively. All of the Company's other real estate owned represents properties acquired through foreclosure or deed in lieu of foreclosure. The following table details the change in OREO during 2018, 2017 and 2016 as of December 31:

	2018	2017	2016
Balance, Beginning of Year	$ 4,256,469	$ 6,439,226	$ 8,839,103
Additions	792,459	1,724,936	5,664,554
Sales of OREO	(2,949,283)	(3,786,567)	(7,416,293)
Transfer to Bank Premises	(300,000)	-	-
Gain/(Loss) on Sale	303,139	212,641	(146,402)
Provision for Losses	(262,041)	(333,767)	(501,736)
Balance, End of Year	$ 1,840,743	$ 4,256,469	$ 6,439,226

(8) Other Real Estate Owned (Continued)

At December 31, 2018, the Company held $564,748 of residential real estate property as foreclosed property. Also at December 31, 2018, $25,069 of consumer mortgage loans collateralized by residential real estate property was in the process of foreclosure according to local requirements of the applicable jurisdictions.

(9) Other Intangible Assets

The following is an analysis of the core deposit intangible activity for the years ended December 31:

	Core Deposit Intangible	Accumulated Amortization	Net Core Deposit Intangible
Core Deposit Intangible			
Balance, December 31, 2016	$ 1,056,693	$ (976,178)	$ 80,515
Amortization Expense	-	(35,749)	(35,749)
Balance, December 31, 2017	$ 1,056,693	$ (1,011,927)	$ 44,766
Addition	**560,000**	**-**	**560,000**
Amortization Expense	**-**	**(48,193)**	**(48,193)**
Balance, December 31, 2018	**$ 1,616,693**	**$ (1,060,120)**	**$ 556,573**

Amortization expense related to the core deposit intangible was $48,193, $35,749 and $35,749 for the years ended December 31, 2018, 2017 and 2016. The estimated future amortization expense for intangible assets remaining as of December 31, 2018 is as follows:

Year Ending December 31	Amount
2019	**$ 83,684**
2020	**74,667**
2021	**74,667**
2022	**74,667**
2023	**74,667**
Thereafter	**174,221**
	$ 556,573

(10) Income Taxes

The Tax Cuts and Jobs Act (the "TCJ Act"), enacted on December 22, 2017, reduced the U.S. federal corporate tax rate to 21 percent. As a result of the enactment of the TCJ Act we remeasured our deferred tax assets and liabilities based upon the new U.S. statutory federal income tax rate of 21 percent, which is the tax rate at which these assets and liabilities are expected to reverse in the future. Nonetheless, we recognized additional income tax expense of $2,040,946 in the fourth quarter of 2017 related to the remeasurement of our deferred tax assets and liabilities.

PART I (Continued)
Item 1 (Continued)

(10) Income Taxes (Continued)

The components of income tax expense for the years ended December 31 are as follows:

	2018	2017	2016
Current Federal Expense	**$ 2,727,094**	$ 3,943,495	$ 3,629,213
Deferred Federal Expense	**273,176**	793,012	222,120
Deferred Tax Expense from Tax Rate Changes	**-**	2,040,946	-
Federal Income Tax Expense	**3,000,270**	6,777,453	3,851,333
Current State Income Tax Expense	**-**	-	-
Federal and State Income Tax Expense	**$ 3,000,270**	$ 6,777,453	$ 3,851,333

The federal income tax expense of $3,000,270 in 2018, $6,777,453 in 2017 and $3,851,333 in 2016 is different than the income taxes computed by applying the federal statutory rates to income before income taxes. The reasons for the differences are as follows:

	2018	2017	2016
Statutory Federal Income Taxes	**$ 3,132,711**	$ 4,954,199	$ 4,283,394
Tax-Exempt Interest	**(57,271)**	(102,345)	(109,759)
Income from Cash Value Life Insurance, net of premiums	**(96,733)**	(198,730)	(182,532)
Meal and Entertainment Disallowance	**9,578**	14,354	16,813
Other	**11,985**	69,029	(156,583)
Tax Expense from Tax Rate Changes	**-**	2,040,946	-
Actual Federal Income Taxes	**$ 3,000,270**	$ 6,777,453	$ 3,851,333

(10) Income Taxes (Continued)

Deferred taxes, which are included in Other Assets, in the accompanying consolidated balance sheets as of December 31 include the following:

		2018		2017
Deferred Tax Assets				
Allowance for Loan Losses	$	**1,528,129**	$	1,576,577
Other Real Estate		**183,997**		304,813
Deferred Compensation		**148,402**		161,000
Core Deposit Intangible		**1,307**		-
Investments		**210,000**		210,000
Goodwill		**48,086**		76,058
Restricted Stock		**2,917**		-
Other		**201,574**		237,591
	$	**2,324,412**	$	2,566,039
Deferred Tax Liabilities				
Premises and Equipment		**(1,023,090)**		(995,190)
Other		**(6,234)**		(2,585)
		(1,029,324)		(997,775)
Deferred Tax Assets (Liabilities) on Unrealized Securities Gains (Losses)		**2,177,113**		1,725,708
Net Deferred Tax Assets	$	**3,472,201**	$	3,293,972

(11) Deposits

The aggregate amount of overdrawn deposit accounts reclassified as loan balances totaled $476,182 and $475,161 as of December 31, 2018 and 2017, respectively.

Components of interest-bearing deposits as of December 31 are as follows:

		2018		2017
Interest-Bearing Demand	$	**471,794,491**	$	458,717,332
Savings		**79,452,705**		78,172,441
Time, $250,000 and Over		**53,881,417**		38,919,469
Other Time		**287,149,453**		301,248,235
	$	**892,278,066**	$	877,057,477

At December 31, 2018 and 2017, the Company had brokered deposits of $80,535,032 and $46,328,995 respectively. All of these brokered deposits represent Certificate of Deposit Account Registry Service (CDARS) reciprocal deposits. The CDARS deposits are ones in which customers placed core deposits into the CDARS program for FDIC insurance coverage and the Company receives reciprocal brokered deposits in a like amount. The aggregate amount of jumbo certificates of deposit, each with a minimum denomination of $250,000 was $53,881,417 and $38,919,469 as of December 31, 2018 and December 31, 2017, respectively.

(11) Deposits (Continued)

As of December 31, 2018, the scheduled maturities of certificates of deposit are as follows:

Year	Amount
2019	$ **241,365,987**
2020	**45,279,800**
2021	**37,132,339**
2022	**8,423,379**
2023	**8,788,583**
Thereafter	**40,782**
	$ **341,030,870**

(12) Other Borrowed Money

Other borrowed money at December 31 is summarized as follows:

	2018	2017
Federal Home Loan Bank Advances	$ **44,000,000**	$ 46,000,000
Other Borrowings	**-**	1,500,000
	$ **44,000,000**	$ 47,500,000

Advances from the Federal Home Loan Bank (FHLB) have maturities ranging from 2019 to 2028 and interest rates ranging from 0.98 percent to 3.51 percent. As collateral on the outstanding FHLB advances, the Company has provided a blanket lien on its portfolio of qualifying residential first mortgage loans and commercial loans. At December 31, 2018, the book value of those loans pledged is $108,634,687. At December 31, 2018, the Company had remaining credit availability from the FHLB of $252,071,000. The Company may be required to pledge additional qualifying collateral in order to utilize the full amount of the remaining credit line.

The Company borrowed $5,000,000 during the first quarter of 2017 as a short term loan to be paid off within one year with an interest rate of prime plus 0.75 percent, currently 5.25 percent. The Company paid down $3,500,000 during November 2017. The remaining amount was paid off during January 2018.

The aggregate stated maturities of other borrowed money at December 31, 2018 are as follows:

Year	Amount
2019	$ **5,000,000**
2020	**2,500,000**
2021	**-**
2022	**18,000,000**
2023	**6,000,000**
2024 and Thereafter	**12,500,000**
	$ **44,000,000**

(12) Other Borrowed Money (Continued)

At December 31, 2018, $10,500,000 of FHLB advances are subject to fixed rates of interest, while the remaining $33,500,000 is subject to floating interest rates which will convert to fixed rates of interests in the next few years.

The Company also has available federal funds lines of credit with various financial institutions totaling $43,500,000, of which there were none outstanding at December 31, 2018.

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 December 31, 2018, the Company had borrowing capacity available under this arrangement, with no outstanding balances. The Company would be required to pledge certain available-for-sale investment securities as collateral under this agreement.

(13) Subordinated Debentures (Trust Preferred Securities)

Description	Date	Amount	3-Month Libor Rate	Added Points	Total Interest Rate	Maturity	5-Year Call Option
		(In Thousands)					
Colony Bankcorp Statutory Trust III	6/17/2004	$ 4,640	2.78819	2.68	5.46819	6/14/2034	6/17/2009
Colony Bankcorp Capital Trust I	4/13/2006	5,155	2.80300	1.50	4.30300	4/13/2036	4/13/2011
Colony Bankcorp Capital Trust II	3/12/2007	9,279	2.80300	1.65	4.45300	3/12/2037	3/12/2012
Colony Bankcorp Capital Trust III	9/14/2007	5,155	2.52038	1.40	3.92038	9/14/2037	9/14/2012

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

(14) Preferred Stock and Warrant

The Company redeemed 9,360 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A (the Preferred Stock) outstanding with private investors as of March 31, 2017. The Company redeemed 8,661 shares of Preferred Stock at $1,000 per share in 2016. The Company redeemed 9,979 shares of Preferred Stock at $1,000 per share during 2015. The Company currently has no outstanding shares of Preferred Stock. The Company also had a warrant (the Warrant) to purchase up to 500,000 shares of the Company's common stock outstanding with private investors. The Warrant was repurchased by the Company on June 5, 2018, for $3,175,000. Both the Preferred Stock and the Warrant originated in 2009 through transactions with the United States Department of the Treasury and were subsequently sold to the public through an auction process during 2013. The Company currently has no outstanding warrants as of December 31, 2018.

(15) Employee Benefit Plan

The Company offers a defined contribution 401(k) Profit Sharing Plan (the Plan) which covers substantially all employees who meet certain age and service requirements. The Plan allows employees to make voluntary pre-tax salary deferrals to the Plan. The Company, at its discretion, may elect to make an annual contribution to the Plan equal to a percentage of each participating employee's salary. Such discretionary contributions must be approved by the Company's board of directors. Employees are fully vested in the Company contributions after six years of service. In 2018, 2017 and 2016, the Company made total contributions of $709,723, $686,580 and $408,303 to the Plan, respectively.

(16) Commitments and Contingencies

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

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

At December 31, 2018 and 2017, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2018	2017
Commitments to Extend Credit	**$ 98,736,000**	$ 96,374,000
Standby Letters of Credit	**1,525,000**	1,536,000

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.

(16) Commitments and Contingencies (Continued)

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

(17) Deferred Compensation Plan

Colony Bank, the wholly-owned subsidiary, has deferred compensation plans covering certain former directors and certain officers choosing to participate through individual deferred compensation contracts. In accordance with terms of the contracts, the Bank is committed to pay the participant's deferred compensation over a specified number of years, beginning at age 65. In the event of a participant's death before age 65, payments are made to the participant's named beneficiary over a specified number of years, beginning on the first day of the month following the death of the participant.

Liabilities accrued under the plans totaled $706,677 and $766,667 as of December 31, 2018 and 2017, respectively. Benefit payments under the contracts were $107,850 in 2018 and $110,080 in 2017.

Provisions charged to operations totaled $52,285 in 2018, $55,572 in 2017 and $57,125 in 2016.

The Company has purchased life insurance policies on the plans' participants and uses the cash flow from these policies to partially fund the plan. Fee income recognized with these plans totaled $135,218 in 2018, $233,064 in 2017 and $165,128 in 2016.

(18) Supplemental Cash Flow Information

Cash payments for the following were made during the years ended December 31:

	2018	2017	2016
Interest Expense	**$ 8,186,946**	$ 6,851,541	$ 6,529,615
Income Taxes	**$ 2,695,000**	$ 4,000,000	$ 3,365,000

Noncash financing and investing activities for the years ended December 31 are as follows:

	2018	2017	2016
Acquisitions of Real Estate Through Loan Foreclosures	**$ 792,459**	$ 1,724,936	$ 5,664,554
Change in Unrealized Gain (Loss) on AFS Investment Securities	**$ (2,149,545)**	$ (608,355)	$ (890,590)

(19) Related Party Transactions

The following table reflects the activity and aggregate balance of direct and indirect loans to directors, executive officers or principal holders of equity securities of the Company. All such loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than a normal risk of collectibility. A summary of activity of related party loans is shown below:

	2018	2017
Balance, Beginning	**$ 744,637**	$ 1,025,543
New Loans	**97,690**	1,050,393
Repayments	**(166,997)**	(1,106,606)
Transactions Due to Changes in Directors	**-**	(224,693)
Balance, Ending	**$ 675,330**	$ 744,637

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

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

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.

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

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 Level 1.

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

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

Loans - The fair value of fixed rate loans is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For variable rate loans, the carrying amount is a reasonable estimate of fair value. Most loans are classified as Level 2, but impaired loans with a related allowance are classified as Level 3.

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

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

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

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

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

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

2018	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
			(in Thousands)		
Assets					
Cash and Short-Term Investments	**$ 60,155**	**$ 60,155**	**$ 60,155**	**$ -**	**$ -**
Investment Securities Available for Sale	**353,066**	**353,066**	**-**	**348,788**	**4,278**
Federal Home Loan Bank Stock	**2,978**	**2,978**	**2,978**	**-**	**-**
Loans, Net	**774,249**	**769,809**	**-**	**766,457**	**3,352**
Bank-Owned Life Insurance	**17,598**	**17,598**	**17,598**	**-**	**-**
Liabilities					
Deposits	**1,085,125**	**1,086,503**	**744,094**	**342,409**	**-**
Subordinated Debentures	**24,229**	**24,229**	**-**	**24,229**	**-**
Other Borrowed Money	**44,000**	**44,032**	**-**	**44,032**	**-**
2017					
Assets					
Cash and Short-Term Investments	$ 57,813	$ 57,813	$ 57,813	$ -	$ -
Investment Securities Available for Sale	354,247	354,247	-	346,950	7,297
Federal Home Loan Bank Stock	3,043	3,043	3,043	-	-
Loans, Net	757,281	757,163	-	752,287	4,876
Bank-Owned Life Insurance	17,089	17,089	17,089	-	-
Liabilities					
Deposits	1,067,985	1,068,392	727,818	340,574	-
Subordinated Debentures	24,229	24,229	-	24,229	-
Other Borrowed Money	47,500	47,626	-	47,626	-

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.

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

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

Assets

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

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

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

Assets and Liabilities Measured at Fair Value on a Recurring and Nonrecurring Basis - The following table presents the recorded amount of the Company's assets measured at fair value on a recurring and nonrecurring basis as of December 31, 2018 and 2017, aggregated by the level in the fair value hierarchy within which those measurements fall. The table below includes only impaired loans with a specific reserve and only other real estate properties with a valuation allowance at December 31, 2018 and 2017. Those impaired loans and other real estate properties are shown net of the related specific reserves and valuation allowances.

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

Assets (Continued)

2018	Total Fair Value	Fair Value Measurements at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring				
Securities Available for Sale				
U.S. Government Agencies				
Mortgage-Backed	**$ 346,205,172**	**$ -**	**$ 342,142,079**	**$ 4,063,093**
State, County and Municipal	**3,989,109**	**-**	**3,774,634**	**214,475**
Corporate	**2,871,885**	**-**	**2,871,885**	**-**
	$ 353,066,166	**$ -**	**$ 348,788,598**	**$ 4,277,568**
Nonrecurring				
Impaired Loans	**$ 3,351,735**	**$ -**	**$ -**	**$ 3,351,735**
Other Real Estate	**$ 1,182,783**	**$ -**	**$ -**	**$ 1,182,783**
2017				
Recurring				
Securities Available for Sale				
U.S. Government Agencies				
Mortgage-Backed	$ 346,723,419	$ -	$ 341,701,288	$ 5,022,131
State, County and Municipal	4,492,826	-	4,277,460	215,366
Corporate	2,060,000	-	-	2,060,000
Asset-Backed	970,659	-	970,659	-
	$ 354,246,904	$ -	$ 346,949,407	$ 7,297,497
Nonrecurring				
Impaired Loans	$ 4,875,918	$ -	$ -	$ 4,875,918
Other Real Estate	$ 2,014,904	$ -	$ -	$ 2,014,904

Liabilities

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

PART I (Continued)
Item 1 (Continued)

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following tables present 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 December 31, 2018 and 2017. These tables are comprised primarily of collateral dependent impaired loans and other real estate owned:

	December 31, 2018	Valuation Techniques	Unobservable Inputs	Range Weighted Avg
Real Estate				
Commercial Construction	$ 360,000	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(6.60)% - 1,975.00% 984.20%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 10.00% 5.00%
Residential Real Estate	213,482	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(10.86)% - 6.70% (2.08)%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 25.00% 12.50%
Commercial Real Estate	2,415,174	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(60.00)% - 80.00% 10.00%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 35.00% 17.50%
		Income Approach	Capitalization Rate	10.13%
Farmland	327,581	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(71.00)% - (3.50)% (37.25)%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	10.00% - 80.00% 45.00%
Commercial	35,498	Sales Contract	Adjustment for Estimated Costs to Sell	0.00% - 0.00% (0.00)%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	0.00% - 15.00% 15.00%
Other Real Estate Owned	1,182,783	Sales Comparison	Adjustment for Differences Between the Comparable Sales	(30.00)% - 25.02% (2.49)%
			Management Adjustments for Age of Appraisals and/or Current Market Conditions	9.82% - 99.39% 35.26%
		Income Approach	Capitalization Rate	10.00%

PART I (Continued)
Item 1 (Continued)

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

Fair Value Measurements using Significant Unobservable Inputs (Level 3) (Continued)

		December 31, 2017	Valuation Techniques	Unobservable Inputs	Range		
					Weighted Avg		
Real Estate							
Commercial Construction	$	427,433	Sales Comparison	Adjustment for Differences	(16.00)%	-	1,975.00%
				Between the Comparable Sales	979.50%		
				Management Adjustments for Age	0.00%	-	10.00%
				of Appraisals and/or Current	5.00%		
				Market Conditions			
Residential Real Estate		81,736	Sales Comparison	Adjustment for Differences	(43.30)%	-	83.30%
				Between the Comparable Sales	20.00%		
				Management Adjustments for Age	0.00%	-	25.00%
				of Appraisals and/or Current	12.50%		
				Market Conditions			
Commercial Real Estate		4,016,742	Income Approach	Management Adjustments for Age	0.00%	-	10.00%
				of Appraisals and/or Current	5.00%		
				Market Conditions			
				Capitalization Rate	10.75%		
Farmland		350,007	Sales Comparison	Adjustment for Differences	(71.00)%	-	88.70%
				Between the Comparable Sales	8.85%		
				Management Adjustments for Age	10.00%	-	75.00%
				of Appraisals and/or Current	42.50%		
				Market Conditions			
Other Real Estate Owned		2,014,904	Sales Comparison	Adjustment for Differences	(22.74)%	-	15.00%
				Between the Comparable Sales	(3.87)%		
				Management Adjustments for Age	5.44%	-	87.24%
				of Appraisals and/or Current	24.44%		
				Market Conditions			
			Income Approach	Capitalization Rate	10.00%		

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3) (Continued)

The following table 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 years ended December 31, 2018, 2017 and 2016:

	Available for Sale Securities		
	2018	2017	2016
Balance, Beginning	**$ 7,297,497**	$ 576,384	$ 930,311
Transfers out of Level 3	**(2,009,080)**	-	-
Securities Purchased During the Year	**-**	7,069,649	-
Securities Matured During the Year	**-**	(360,000)	(330,000)
Paydowns on Securities	**(885,082)**	-	-
Unrealized Gains(Losses) Included in Other Comprehensive Income	**(125,767)**	11,464	(23,927)
Balance, Ending	**$ 4,277,568**	$ 7,297,497	$ 576,384

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 was one security totaling $2,009,080 that was transferred from level 3 to level 2 for the year ended December 31, 2018. There were no transfers of securities between level 1 and level 2 or level 3 for the years ended December 31, 2017 or 2016.

The following table presents quantitative information about recurring level 3 fair value measurements as of December 31, 2018 and 2017:

December 31, 2018	**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Avg)**
State, County and Municipal	**$ 214,475**	Discounted Cash Flow	Discount Rate or Yield	N/A*
U. S. Government Agencies Mortgage - Backed	**4,063,093**	Fundamental Analysis	Discount Rate or Yield	N/A*
December 31, 2017				
State, County and Municipal	$ 215,366	Discounted Cash Flow	Discount Rate or Yield	N/A*
U. S. Government Agencies Mortgage - Backed	5,022,131	Fundamental Analysis	Discount Rate or Yield	N/A*
Corporate	2,060,000	Option Pricing	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.

(21) 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.

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. As of December 31, 2018, the interim final Basel III rules (Basel III) require the Company to also maintain minimum amounts and ratios of common equity Tier 1 capital to risk weighted assets. These amounts and ratios as defined in regulations are presented hereafter. Management believes, as of December 31, 2018, the Company meets all capital adequacy requirements to which it is subject under the regulatory framework for prompt corrective action. In the opinion of management, there are no conditions or events since prior notification of capital adequacy from the regulators that have changed the institution's category.

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

PART I (Continued)
Item 1 (Continued)

(21) Regulatory Capital Matters (Continued)

The following table summarizes regulatory capital information as of December 31, 2018 and December 31, 2017 on a consolidated basis and for the subsidiary, as defined. Regulatory capital ratios for December 31, 2018 and 2017 were calculated in accordance with the Basel III rules.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2018			(In Thousands)			
Total Capital to Risk-Weighted Assets						
Consolidated	**$ 133,900**	**15.86%**	**$ 67,527**	**8.00%**	**N/A**	**N/A**
Colony Bank	**131,723**	**15.63**	**67,418**	**8.00**	**84,272**	**10.00%**
Tier I Capital to Risk-Weighted Assets						
Consolidated	**126,623**	**15.00**	**50,645**	**6.00**	**N/A**	**N/A**
Colony Bank	**124,446**	**14.77**	**50,563**	**6.00**	**67,418**	**8.00**
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	**103,123**	**12.22**	**37,984**	**4.50**	**N/A**	**N/A**
Colony Bank	**124,446**	**14.77**	**37,923**	**4.50**	**54,777**	**6.50**
Tier I Capital to Average Assets						
Consolidated	**126,623**	**10.24**	**49,478**	**4.00**	**N/A**	**N/A**
Colony Bank	**124,446**	**10.08**	**49,396**	**4.00**	**61,745**	**5.00**
As of December 31, 2017						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 127,786	15.56%	$ 65,718	8.00%	N/A	N/A
Colony Bank	127,470	15.54	65,628	8.00	$ 82,036	10.00%
Tier I Capital to Risk-Weighted Assets						
Consolidated	120,279	14.64	49,289	6.00	N/A	N/A
Colony Bank	119,963	14.62	49,221	6.00	65,628	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	96,779	11.78	36,967	4.50	N/A	N/A
Colony Bank	119,963	14.62	36,916	4.50	53,323	6.50
Tier I Capital to Average Assets						
Consolidated	120,279	9.89	48,635	4.00	N/A	N/A
Colony Bank	119,963	9.88	48,566	4.00	60,708	5.00

(21) Regulatory Capital Matters (Continued)

In 2018, the Bank obtained approval of its regulators and paid a $8,300,000 dividend to the Company. The dividend was utilized to pay dividends to shareholders and to repurchase the Warrant, which was for 500,000 shares of the Company's common stock outstanding with private investors. The Warrant was repurchased during the second quarter for $3.2 million. In 2017, the Bank obtained approval of its regulators and paid a $8,725,000 dividend to the Company. The dividend was utilized to pay dividends to shareholders and to redeem 9,360 shares of Preferred Stock. In 2016, the Bank obtained approval of its regulators and paid a $9,100,000 dividend to the Company. The dividend was utilized to redeem 8,661 shares of Preferred Stock.

(22) Stock-Based Compensation

In August 2018, the Company granted an award of 5,650 restricted shares of the Company's common stock to T. Heath Fountain, the Company's Chief Executive Officer ("CEO"), with a market price of $17.73 per share. The restricted shares vest in equal installments on each of July 30, 2019, July 2020 and July 2021, subject to continued service by Mr. Fountain through each applicable vesting date, or earlier upon the occurrence of a change in control. With the restricted stock, there will be no cash consideration to the Company for the shares. The CEO will have the right to vote all shares subject to such grant and receive all dividends with respect to such shares, whether or not the shares have vested.

Compensation expense for restricted stock is based on the market price of the Company stock at the time of the grant and amortized on a straight-line basis over the vesting period. The balance of unearned compensation related to these restricted shares as of December 31, 2018 is $86,115 which is expected to be recognized over a weighted-average of 2.58 years. Total compensation expense recognized for the restricted shares granted for the year ended December 31, 2018 was $13,890.

(23) Financial Information of Colony Bankcorp, Inc. (Parent Only)

The parent company's balance sheets as of December 31, 2018 and 2017 and the related statements of operations and comprehensive income (loss) and cash flows for each of the years in the three-year period then ended are as follows:

COLONY BANKCORP, INC. (PARENT ONLY)
BALANCE SHEETS
DECEMBER 31

	2018	2017
ASSETS		
Cash	**$ 936,808**	$ 910,239
Premises and Equipment, Net	**1,198,006**	1,099,626
Investment in Subsidiary, at Equity	**117,743,674**	114,235,955
Other	**235,878**	24,458
Total Assets	**$ 120,114,366**	$ 116,270,278
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Other Borrowed Money	**$ -**	$ 1,500,000
Other	**192,971**	218,615
	$ 192,971	$ 1,718,615
Subordinated Debt	**24,229,000**	24,229,000
Stockholders' Equity		
Common Stock, Par Value $1; 20,000,000 Shares Authorized, 8,444,908 and 8,439,258 Shares Issued and Outstanding as of December 31, 2018 and 2017, respectively	**8,444,908**	8,439,258
Paid-In Capital	**25,978,334**	29,145,094
Retained Earnings	**69,459,243**	59,230,260
Accumulated Other Comprehensive Loss, Net of Tax	**(8,190,090)**	(6,491,949)
	95,692,395	90,322,663
Total Liabilities and Stockholders' Equity	**$ 120,114,366**	$ 116,270,278

PART I (Continued)
Item 1 (Continued)

(23) Financial Information of Colony Bankcorp, Inc. (Parent Only) (Continued)

COLONY BANKCORP, INC. (PARENT ONLY)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31

	2018	2017	2016
Income			
Dividends from Subsidiaries	**$ 8,329,127**	$ 8,746,882	$ 9,118,104
Management Fees	**601,080**	601,080	601,080
Other	**105,968**	97,103	103,612
	$ 9,036,175	$ 9,445,065	$ 9,822,796
Expenses			
Interest	**971,847**	900,113	601,567
Salaries and Employee Benefits	**1,083,960**	917,259	840,130
Other	**691,037**	604,166	554,434
	2,746,844	2,421,538	1,996,131
Income Before Taxes and Equity in Undistributed Earnings of Subsidiary	**6,289,331**	7,023,527	7,826,665
Income Tax Benefits	**422,210**	568,258	457,934
Income Before Equity in Undistributed Earnings of Subsidiary	**6,711,541**	7,591,785	8,284,599
Equity in Undistributed Earnings of Subsidiary	**5,205,859**	159,193	388,611
Net Income	**11,917,400**	7,750,978	8,673,210
Preferred Stock Dividends	**-**	210,600	1,493,310
Net Income Available to Common Stockholders	**$ 11,917,400**	$ 7,540,378	$ 7,179,900

PART I (Continued)
Item 1 (Continued)

(23) Financial Information of Colony Bankcorp, Inc. (Parent Only) (Continued)

COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	2018	2017	2016
Net Income	**$ 11,917,400**	$ 7,750,978	$ 8,673,210
Other Comprehensive Income (Loss)			
Gains (Losses) on Securities Arising During the Year	**(2,033,636)**	(608,355)	(505,367)
Tax Effect	**427,063**	206,841	171,825
Realized (Gains) Losses on Sale of AFS Securities	**(115,909)**	-	(385,223)
Tax Effect	**24,341**	-	130,976
Change in Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effects	**(1,698,141)**	(401,514)	(587,789)
Comprehensive Income	**$ 10,219,259**	$ 7,349,464	$ 8,085,421

(23) Financial Information of Colony Bankcorp, Inc. (Parent Only) (Continued)

COLONY BANKCORP, INC. (PARENT ONLY)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31

	2018	2017	2016
Cash Flows from Operating Activities			
Net Income	**$ 11,917,400**	$ 7,750,978	$ 8,673,210
Adjustments to Reconcile Net Income to			
Net Cash Provided by Operating Activities			
Depreciation and Amortization	**84,848**	70,183	66,476
Share-based Compensation Expense	**13,890**	-	-
Equity in Undistributed			
Earnings of Subsidiary	**(5,205,859)**	(159,193)	(388,611)
Change in Interest Payable	**2,450**	17,887	5,367
Other	**(239,515)**	38,135	108,288
	6,573,214	7,717,990	8,464,730
Cash Flows from Investing Activities			
Purchases of Premises and Equipment	**(183,228)**	(94,925)	(6,836)
Cash Flows from Financing Activities			
Proceeds from Other Borrowed Money	**7,500**	5,000,000	-
Principal Payments on Other Borrowed Money	**(1,507,500)**	(3,500,000)	-
Dividends Paid on Common Stock	**(1,688,417)**	(843,934)	-
Dividends Paid on Preferred Stock	**-**	(315,900)	(1,590,746)
Repurchase of Warrants	**(3,175,000)**	-	-
Redemption of Preferred Stock	**-**	(9,360,000)	(8,661,000)
	(6,363,417)	(9,019,834)	(10,251,746)
Increase (Decrease) in Cash	**26,569**	(1,396,769)	(1,793,852)
Cash, Beginning	**910,239**	2,307,008	4,100,860
Cash, Ending	**$ 936,808**	$ 910,239	$ 2,307,008

(24) 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 common stock warrants and restricted stock. Net income available to common stockholders represents net income after preferred stock dividends. The following table presents earnings per share for the years ended December 31, 2018, 2017 and 2016:

	2018	2017	2016
Numerator			
Net Income Available to Common Stockholders	**$ 11,917,400**	$ 7,540,378	$ 7,179,900
Denominator			
Weighted Average Number of Common Shares Outstanding for Basic Earnings Per Common Share	**8,439,454**	8,439,258	8,439,258
Dilutive Effect of Potential Common Stock			
Restricted Stock	**-**	-	-
Stock Warrants	**99,154**	194,323	74,037
Weighted-Average Number of Shares Outstanding for Diluted Earnings Per Common Share	**8,538,608**	8,633,581	8,513,295
Earnings Per Share - Basic	**$ 1.41**	$ 0.89	$ 0.85
Earnings Per Share - Diluted	**$ 1.40**	$ 0.87	$ 0.84

(25) Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for unrealized gains and losses securities available for sale for the years ended December 31, 2018, 2017 and 2016 are as follows:

	2018	**2017**	**2016**
Beginning Balance	**$ (6,491,949)**	$ (5,022,140)	$ (4,434,351)
Other Comprehensive Income Before Reclassification	**(1,606,573)**	(401,514)	(333,542)
Amounts Reclassified from Accumulated Other Comprehensive Income	**(91,568)**	-	(254,247)
TCJ Act	**-**	(1,068,295)	-
Net Current Period Other Comprehensive Income	**(1,698,141)**	(1,469,809)	(587,789)
Ending Balance	**$ (8,190,090)**	$ (6,491,949)	$ (5,022,140)

(26) Revenue From Contracts with Customers

With the exception of gains and losses on the sale of other real estate owned, revenue from contracts with customers is recognized in the service charges on deposits category and the other service charges, commissions and fees category in the Company's consolidated statements of operations as part of noninterest income. The following provides information on the Company's sources of noninterest income within the scope of ASC 606 for the periods indicated.

Service Charges on Deposits

Service charges on deposits include both account maintenance fees and overdraft fees. The overdraft fees are recognized at the point in time that the overdraft occurs. For the years ended December 31, 2018, 2017, and 2016, there was $4.4 million, $4.5 million and $4.3 million, respectively, in service charges on deposits.

Other Service Charges, Commissions and Fees

Other service charges, commissions and fees include debit card interchange fees and ATM fees. Debit card interchange fees are earned from debit card holder transactions conducted through various payment networks. Interchange fees from debit card holders transactions represent a percentage of the underlying transaction amount and are recognized daily, concurrently with the transaction processing services provided to the debit cardholder. For the years ended December 31, 2018, 2017 and 2016, there was $2.8 million, $2.6 million and $2.4 million, respectively, for debit card interchange fees. ATM fees are transaction-based fees recognized at the time the transaction is executed as that is the point at which the Company satisfies the performance obligation. For the years ended December 31, 2018, 2017 and 2016, there was $352 thousand, $338 thousand and $307 thousand, respectively, for ATM fees.

Gains/Losses on the Sale of Other Real Estate

The net gains and losses on sales of other real estate owned are recorded in other noninterest expenses in the Company's consolidated statements of operations for the years ended December 31, 2017 and 2016. For the year ended December 31, 2018, the net gains and losses on sales of other real estate owned is recorded in other noninterest income in the Company's consolidated statements of operations. The Company records a gain or loss from the sale of other real estate owned when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Company finances the sale of other real estate owned to the buyer, the Company assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the other real estate owned asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. The Company does not provide financing for the sale of other real estate owned property unless these criteria are met and the property can be derecognized. For the years ended December 31, 2018, 2017 and 2016, there was $41 thousand, $(121) thousand and $(648) thousand, respectively, for the gains and losses on the sale of other real estate.

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Section 3: EX-21 (EXHIBIT 21)

EXHIBIT NO. 21

SUBSIDIARIES OF THE COMPANY

Name of Subsidiary	State of Incorporation
Colony Bank	Georgia
Colony Bankcorp Statutory Trust III	Delaware
Colony Bankcorp Capital Trust I	Delaware
Colony Bankcorp Capital Trust II	Delaware
Colony Bankcorp Capital Trust III	Delaware

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Section 4: EX-31.1 (EXHIBIT 31.1)

EXHIBIT NO. 31.1

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

I, T. Heath Fountain, certify that:

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

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

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

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

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

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

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

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

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of 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.

March 15, 2019

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

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Section 5: EX-31.2 (EXHIBIT 31.2)

EXHIBIT NO. 31.2

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

I, Terry L. Hester, certify that:

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

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

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

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

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

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

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

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

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of 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 controls 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.

March 15, 2019

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

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Section 6: EX-32 (EXHIBIT 32)

EXHIBIT NO. 32

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

In connection with the Form 10-K of Colony Bankcorp, Inc. (the Company) for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, T. Heath Fountain, President and Chief Executive Officer of the Company, and Terry L. Hester, Chief Financial and Accounting Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, to the best of our knowledge and belief 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.

/s/ T. Heath Fountain
T. Heath Fountain
President and Chief Executive Officer
March 15, 2019

/s/ Terry L. Hester
Terry L. Hester
Chief Financial and Accounting Officer
March 15, 2019

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