UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from _____ to _____

Commission File Number: **000-12436**

COLONY BANKCORP, INC.
(Exact Name of Registrant as Specified in Its Charter)

Georgia	**58-1492391**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of May 8, 2024, the registrant had 17,558,611 shares of common stock, $1.00 par value per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COLONY BANKCORP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(dollars in thousands, except per share data)	March 31, 2024 *(Unaudited)*	December 31, 2023 *(Audited)*
ASSETS		
Cash and due from banks	$ 22,914	$ 25,339
Federal funds sold and interest-bearing deposits in banks	71,755	57,983
Cash and cash equivalents	94,669	83,322
Investment securities available for sale, at fair value (amortized cost $431,138 and $455,294, respectively)	382,953	407,382
Investment securities held to maturity, at amortized cost (fair value $398,852 and $405,576, respectively)	447,157	449,031
Other investments	16,034	16,868
Loans held for sale	31,102	27,958
Loans, net of unearned income	1,859,018	1,883,470
Allowance for credit losses	(18,657)	(18,371)
Loans, net	1,840,361	1,865,099
Premises and equipment	39,381	39,870
Other real estate owned	562	448
Goodwill	48,923	48,923
Other intangible assets	3,855	4,192
Bank-owned life insurance	56,765	56,925
Deferred income taxes, net	24,587	25,405
Other assets	29,160	27,999
Total assets	$ 3,015,509	$ 3,053,422
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	$ 476,413	$ 498,992
Interest-bearing	2,046,335	2,045,798
Total deposits	2,522,748	2,544,790
Federal Home Loan Bank advances	155,000	175,000
Other borrowings	62,969	63,445
Other liabilities	14,878	15,252
Total liabilities	$ 2,755,595	$ 2,798,487
Stockholders' equity:		
Preferred stock, stated value $1,000; 10,000,000 shares authorized, none issued or outstanding as of March 31, 2024 and December 31, 2023, respectively	—	—
Common stock, par value $1.00 per share; 50,000,000 shares authorized, 17,558,611 and 17,564,182 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	$ 17,559	$ 17,564
Paid in capital	168,951	168,614
Retained earnings	127,758	124,400
Accumulated other comprehensive loss, net of tax	(54,354)	(55,643)
Total stockholders' equity	259,914	254,935
Total liabilities and stockholders' equity	$ 3,015,509	$ 3,053,422

See accompanying notes to consolidated financial statements (unaudited).

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

(dollars in thousands, except per share data)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest income		
Loans, including fees	$ 27,097	$ 22,153
Investment securities	5,520	5,860
Deposits with other banks and short term investments	693	357
Total interest income	33,310	28,370
Interest expense		
Deposits	12,091	4,999
Federal funds purchased	—	88
Federal Home Loan Bank advances	1,572	1,626
Other borrowings	993	1,089
Total interest expense	14,656	7,802
Net interest income	18,654	20,568
Provision for credit losses	1,000	900
Net interest income after provision for credit losses	17,654	19,668
Noninterest income		
Service charges on deposits	2,373	1,914
Mortgage fee income	1,249	1,183
Gain on sales of SBA loans	2,046	1,057
Loss on sales of securities	(555)	—
Interchange fees	2,028	2,068
BOLI Income	533	331
Insurance commissions	465	460
Other	1,348	646
Total noninterest income	9,487	7,659
Noninterest expense		
Salaries and employee benefits	12,018	12,609
Occupancy and equipment	1,507	1,622
Information technology expenses	2,110	2,341
Professional fees	834	715
Advertising and public relations	960	993
Communications	226	294
Other	2,742	2,591
Total noninterest expense	20,397	21,165
Income before income taxes	6,744	6,162
Income taxes	1,411	1,119
Net income	$ 5,333	$ 5,043
Earnings per common share:		
Basic	$ 0.30	$ 0.29
Diluted	0.30	0.29
Dividends declared per share	0.1125	0.1100
Weighted average common shares outstanding:		
Basic	17,560,210	17,595,688
Diluted	17,560,210	17,595,688

See accompanying notes to consolidated financial statements (unaudited).

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

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Net income	$ 5,333	$ 5,043
Other comprehensive income:		
Net unrealized gains (losses) on securities arising during the period	(1,198)	1,520
Tax effect	255	(319)
Reclassification adjustment for amortization of unrealized holding losses from the transfer of securities from available for sale to held to maturity	1,523	6,348
Tax effect	(324)	(1,333)
Realized losses on sales of available for sale securities included in net income	555	—
Tax effect	(118)	—
Unrealized gains on derivative instruments designated as cash flow hedges	930	—
Tax effect	(198)	—
Realized gains on derivative instruments recognized in net income	(173)	—
Tax effect	37	—
Total other comprehensive income	1,289	6,216
Comprehensive income	$ 6,622	$ 11,259

See accompanying notes to consolidated financial statements (unaudited).

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

(dollars in thousands, except per share data)	Common Stock					
Three Months Ended	**Shares**	**Amount**	**Paid-In Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Total**
Balance, December 31, 2023	17,564,182	$ 17,564	$ 168,614	$ 124,400	$ (55,643)	$ 254,935
Other comprehensive income	—	—	—	—	1,289	1,289
Dividends on common shares ($0.1125 per share)	—	—	—	(1,975)	—	(1,975)
Issuance of restricted stock, net of forfeitures	(594)	—	—	—	—	—
Tax withholding related to vesting of restricted stock	(4,977)	(5)	(61)	—	—	(66)
Stock-based compensation expense	—	—	398	—	—	398
Net income	—	—	—	5,333	—	5,333
Balance, March 31, 2024	17,558,611	$ 17,559	$ 168,951	$ 127,758	$ (54,354)	$ 259,914
Balance, December 31, 2022	17,598,123	$ 17,598	$ 167,537	$ 111,573	$ (66,440)	$ 230,268
Cumulative change in accounting principle for ASU 2016-13, net of tax[(1)]	—	—	—	(1,198)	—	(1,198)
Other comprehensive income	—	—	—	—	6,216	6,216
Dividends on common shares ($0.1100 per share)	—	—	—	(1,933)	—	(1,933)
Issuance of restricted stock, net of forfeitures	1,546	2	(2)	—	—	—
Tax withholding related to vesting of restricted stock	(5,790)	(6)	(67)	—	—	(73)
Stock-based compensation expense	—	—	454	—	—	454
Net income	—	—	—	5,043	—	5,043
Balance, March 31, 2023	17,593,879	$ 17,594	$ 167,922	$ 113,485	$ (60,224)	$ 238,777

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

See accompanying notes to consolidated financial statements (unaudited).

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

(dollars in thousands)	Three Months Ended March 31, 2024	March 31, 2023
Operating Activities		
Net income	$ 5,333	$ 5,043
Adjustments reconciling net income to net cash provided by operating activities:		
Provision for credit losses	1,000	900
Depreciation, amortization, and accretion	2,002	2,233
Equity method investment loss	(35)	(88)
Share-based compensation expense	398	454
Net change in servicing asset	(240)	(219)
Loss on sales of securities, available-for-sale	555	—
Gain on sales of SBA loans	(2,046)	(1,057)
Gain on sales of other real estate owned	(131)	—
Gain on sales of premises & equipment	—	18
Originations of loans held for sale	(61,649)	(43,910)
Proceeds from sales of loans held for sale	60,551	49,087
Change in bank-owned life insurance	(540)	(344)
Deferred tax benefit	377	228
Change in other assets	(122)	(1,004)
Change in other liabilities	(424)	45
Net cash provided by operating activities	5,029	11,386
Investing Activities		
Purchases of investment securities, available-for-sale	(2,275)	(3,518)
Proceeds from maturities, calls, and paydowns of investment securities, available-for-sale	16,834	7,924
Proceeds from sales of investment securities, available-for-sale	8,555	—
Proceeds from maturities, calls and paydowns of securities, held-to-maturity	2,509	2,575
Change in loans, net	23,343	(63,194)
Purchase of premises and equipment	(101)	(893)
Proceeds from sales of other real estate owned	467	—
Proceeds from bank-owned life insurance	700	—
Redemption of other investments	—	702
Redemption (purchase) of Federal Home Loan Bank Stock	869	(1,820)
Net cash provided by (used in) investing activities	50,901	(58,224)
Financing Activities		
Change in noninterest-bearing customer deposits	(22,579)	(31,242)
Change in interest-bearing customer deposits	537	56,374
Dividends paid for common stock	(1,975)	(1,933)
Repayments on Federal Home Loan Bank Advances	(70,000)	(280,000)
Proceeds from Federal Home Loan Bank Advances	50,000	320,000
Repayments on other borrowings	—	(15,000)
Redemption of subordinated debt	(500)	—
Tax withholding related to vesting of restricted stock	(66)	(73)
Net cash provided by (used in) financing activities	(44,583)	48,126
Net increase in cash and cash equivalents	11,347	1,288
Cash and cash equivalents at beginning of period	83,322	80,678
Cash and cash equivalents at end of period	$ 94,669	$ 81,966

COLONY BANKCORP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW (unaudited)

(dollars in thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 14,604	$ 6,734
Cash paid during the period for income taxes	2	3

See accompanying notes to consolidated financial statements (unaudited).

(1) Summary of Significant Accounting Policies

Presentation

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

All adjustments consisting of normal recurring accruals which are, in the opinion of management, necessary for fair presentation of the interim consolidated financial statements, have been included and fairly and accurately present the financial position, results of operations and cash flows of the Company. All significant intercompany accounts have been eliminated in consolidation.

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

The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results which may be expected for the year ending December 31, 2024. These statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2023 ("2023 Form 10-K").

Nature of Operations

The Bank provides a full range of retail, commercial and mortgage banking services as well as government guaranteed lending, consumer insurance, wealth management and merchant services for consumers and small- to medium-size businesses located primarily in north, central, south and coastal Georgia, Birmingham, Alabama and Tallahassee and the Florida Panhandle. The Bank is headquartered in Fitzgerald, Georgia with locations in the Georgia cities of Albany, Ashburn, Athens, Atlanta, Augusta, Broxton, Cedartown, Centerville, Chickamauga, Columbus, Cordele, Douglas, Eastman, Fayetteville, Fitzgerald, LaGrange, Leesburg, Macon, Manchester, Moultrie, Quitman, Rochelle, Rockmart, Savannah, Statesboro, Sylvester, Thomaston, Tifton, Valdosta and Warner Robins along with loan production offices in Birmingham, Alabama and Tallahassee, Florida. Lending and investing activities are funded primarily by deposits gathered through its retail banking office network.

Use of Estimates

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

Reclassifications

In certain instances, amounts reported in prior years' consolidated financial statements have been reclassified to conform to statement presentations selected for 2024. Such reclassifications have not materially affected previously reported stockholders' equity or net income.

Concentrations of Credit Risk

Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk. At March 31, 2024, approximately 84% of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. Management continues to monitor these concentrations and has considered these concentrations in its allowance for credit loss analysis.

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

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

Allowance for Credit Losses ("ACL") – Loans

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

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

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

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

- Construction, land & land development - Risks common to construction, land & development loans are cost overruns, changes in market demand for property, inadequate long-term financing arrangements and declines in real estate values.
- Other commercial real estate - Loans in this category are susceptible to business failures and declines in general economic conditions, including declines in real estate value, declines in occupancy rates, and lack of suitable alternative use for the property.
- Residential real estate - Residential real estate loans are susceptible to weakening general economic conditions, increases in unemployment rates and declining real estate values.

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

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

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

Allowance for Credit Losses – Off-Balance Sheet Credit Exposures

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

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

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

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

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

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

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

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

Derivatives

The Company records cash flow hedges at the inception of a derivative contract based on management's intentions and belief as to the likely effectiveness of the hedge. Cash flow hedges represent a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability. For a cash flow hedge, the gain or loss on the derivative is recorded in other comprehensive income ("OCI") and is reclassified into earnings in the same period during which the hedged transaction affects earnings. The changes in the fair value of a derivative that is not highly effective in hedging the expected cash flows of the hedged item are recognized immediately as interest expense in the consolidated statements of income.

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

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

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

Changes in Accounting Principles

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU No. 2020-04, *Reference Reform (Topic 848) Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"). This ASU provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. It provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The updated guidance was originally effective for all entities from March 12, 2020 through December 31, 2022. In December 2022, the FASB issued ASU 2022-06 which deferred the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The Company has been diligent in responding to reference rate reform and does not anticipate a significant impact to its financial statements as a result.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280) Improvements to Reportable Segment Disclosures* ("ASU 2023-07"). This ASU was issued to improve segment reporting disclosures. The amendments in this ASU improve financial reporting by requiring disclosure of incremental segment information including significant segment expenses regularly provided to the chief operating decision maker as well as the amount and composition of other segment items on an annual and interim basis for all public entities to enable investors to develop more decision-useful financial analyses. Retrospective application is required in all prior periods unless impracticable to do so. The Company will adopt the new disclosure requirements for the annual period beginning on January 1, 2024 and interim periods beginning on January 1, 2025. The Company is currently evaluating the impact of the incremental segment information that will be required to be disclosed as well as the impact to the Segment Reporting footnote.

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

(2) Investment Securities

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

(dollars in thousands)

March 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
U.S. treasury securities	$ 2,296	$ —	$ (11)	$ 2,285
U.S. agency securities	4,433	—	(394)	4,039
Asset backed securities	21,526	14	(268)	21,272
State, county & municipal securities	123,045	—	(15,986)	107,059
Corporate debt securities	53,343	—	(6,535)	46,808
Mortgage-backed securities	226,495	158	(25,163)	201,490
Total	$ 431,138	$ 172	$ (48,357)	$ 382,953

March 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held to Maturity:				
U.S. treasury securities	$ 93,728	$ —	$ (3,995)	$ 89,733
U.S. agency securities	16,250	—	(1,502)	14,748
State, county & municipal securities	136,816	175	(14,727)	122,264
Mortgage-backed securities	200,363	—	(28,256)	172,107
Total	$ 447,157	$ 175	$ (48,480)	$ 398,852

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

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

The Company elected to exclude accrued interest receivable from the amortized cost basis of available-for-sale and held-to-maturity securities disclosed throughout this note. As of March 31, 2024 and December 31, 2023, accrued interest receivable for available-for-sale and held-to-maturity securities totaled $2.1 million and $2.4 million, and $2.0 million and $1.9 million, respectively, and is included in the "Other assets" line item on the Company's consolidated balance sheet.

The amortized cost and fair value of investment securities as of March 31, 2024, by contractual maturity, are shown hereafter. Expected maturities may differ from contractual maturities for certain investments because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. This is often the case with mortgage-backed securities, which are disclosed separately in the table below.

	Available for Sale		Held to Maturity	
(dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 2,511	$ 2,500	$ 9,823	$ 9,679
Due after one year through five years	18,090	16,800	93,608	89,399
Due after five years through ten years	97,783	84,148	72,591	64,113
Due after ten years	86,259	78,015	70,772	63,554
	$ 204,643	$ 181,463	$ 246,794	$ 226,745
Mortgage-backed securities	226,495	201,490	200,363	172,107
	$ 431,138	$ 382,953	$ 447,157	$ 398,852

Proceeds from the sale of investment securities totaled $8.6 million for the three month period ended March 31, 2024 and resulted in gross realized losses of $555,000. The Company had no sales of investment securities for the three month period ended March 31, 2023.

Investment securities having a carrying value of approximately $341.8 million and $429.9 million were pledged to secure public deposits and for other purposes as of March 31, 2024 and December 31, 2023, respectively.

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

follows:

(dollars in thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2024						
U.S. treasury securities	$ 2,285	$ (11)	$ —	$ —	$ 2,285	$ (11)
U.S. agency securities	—	—	4,039	(394)	4,039	(394)
Asset backed securities	4,285	(16)	13,107	(252)	17,392	(268)
State, county & municipal securities	1,570	(146)	105,239	(15,840)	106,809	(15,986)
Corporate debt securities	260	(140)	46,548	(6,395)	46,808	(6,535)
Mortgage-backed securities	—	—	193,006	(25,163)	193,006	(25,163)
	$ 8,400	$ (313)	$ 361,939	$ (48,044)	$ 370,339	$ (48,357)
December 31, 2023						
U.S. treasury securities	$ —	$ —	$ 498	$ (2)	$ 498	$ (2)
U.S. agency securities	—	—	4,139	(361)	4,139	(361)
Asset backed securities	6,196	(75)	17,424	(330)	23,620	(405)
State, county & municipal securities	1,033	(138)	107,443	(15,356)	108,476	(15,494)
Corporate debt securities	1,446	(105)	45,044	(6,355)	46,490	(6,460)
Mortgage-backed securities	5,921	(49)	212,876	(25,199)	218,797	(25,248)
	$ 14,596	$ (367)	$ 387,424	$ (47,603)	$ 402,020	$ (47,970)

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

(dollars in thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
March 31, 2024						
U.S. treasury securities	$ —	$ —	$ 89,733	$ (3,995)	$ 89,733	$ (3,995)
U.S. agency securities	—	—	14,748	(1,502)	14,748	(1,502)
State, county & municipal securities	5,756	(41)	104,271	(14,686)	110,027	(14,727)
Mortgage-backed securities	—	—	172,107	(28,256)	172,107	(28,256)
	$ 5,756	$ (41)	$ 380,859	$ (48,439)	$ 386,615	$ (48,480)
December 31, 2023						
U.S. treasury securities	$ —	$ —	$ 90,094	$ (3,212)	$ 90,094	$ (3,212)
U.S. agency securities	—	—	14,858	(1,424)	14,858	(1,424)
State, county & municipal securities	1,461	(78)	103,500	(13,781)	104,961	(13,859)
Mortgage-backed securities	—	—	177,442	(25,316)	177,442	(25,316)
	$ 1,461	$ (78)	$ 385,894	$ (43,733)	$ 387,355	$ (43,811)

Management evaluates available for sale securities in an unrealized loss position at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation to determine if credit-related impairment exists. Management first evaluates whether they intend to sell or more likely than not will be required to sell an impaired security

before recovering its amortized cost basis. If either criteria is met, the entire amount of unrealized loss is recognized in earnings with a corresponding adjustment to the security's amortized cost basis. If either of the above criteria is not met, management evaluates whether the decline in fair value is attributable to credit or resulted from other factors. The Company does not intend to sell these investment securities in an unrealized loss position at March 31, 2024, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Based on management's review, the Company's available for sale securities have no expected credit losses and no related allowance for credit losses has been established.

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

At March 31, 2024, there were 261 available-for-sale securities and 150 held-to-maturity securities that had unrealized losses. These securities are guaranteed by either the U.S. Government, other governments or U.S. corporations. In analyzing an issuer’s financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer’s financial condition. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are due to reasons of credit quality.

The Company adopted ASU 2016-13 Financial Instruments - Credit Losses (Topic 326), as amended on January 1, 2023 which included evaluation of expected credit losses on debt securities. As part of the Company's calculated credit losses, the allowance for credit losses on investment securities was determined to be de minimis due to the high credit quality of the portfolio, which includes securities issued or guaranteed by the U.S. Treasury, U.S. Government agencies and high quality municipalities. Therefore, no allowance for credit losses was recorded as of March 31, 2024. See Note 1 for additional details on the allowance for credit losses as it relates to the securities portfolio.

(3) Loans

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

(dollars in thousands)	**March 31, 2024**	**December 31, 2023**
Construction, land & land development	$ 234,000	$ 247,146
Other commercial real estate	971,205	974,375
Total commercial real estate	1,205,205	1,221,521
Residential real estate	347,277	356,234
Commercial, financial & agricultural	239,837	242,756
Consumer and other	66,699	62,959
Total Loans	$ 1,859,018	$ 1,883,470

Included in the above table are government guaranteed loans totaling $94.6 million at March 31, 2024 and $86.8 million at December 31, 2023. The following table presents the composition of government guaranteed loans segregated by class of loans for each respective period.

(dollars in thousands)	March 31, 2024	December 31, 2023
Construction, land & land development	$ 6,658	$ 7,027
Other commercial real estate	48,396	40,852
Total commercial real estate	55,054	47,879
Residential real estate	9,272	12,170
Commercial, financial & agricultural	30,272	26,716
Consumer and other	—	—
Total Loans	$ 94,598	$ 86,765

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

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

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

The Company uses a risk grading matrix to assign a risk grade to each of its loans. Loans are graded on a scale of 1 to 10. A description of the general characteristics of the grades is as follows:

- Grades 1, 2 and 3 - Borrowers with these assigned risk grades range from virtual absence of risk to minimal risk. Such loans may be secured by Company-issued and controlled certificates of deposit or properly margined equity securities or bonds. Other loans comprising these grades are made to companies that have been in existence for a long period of time with many years of consecutive profits and strong equity, good liquidity, excellent debt service ability and unblemished past performance, or to exceptionally strong individuals with collateral of unquestioned value that fully secures the loans. Loans in this category fall into the "pass" classification.

- Grades 4 and 5 - Loans assigned these "pass" risk grades are made to borrowers with acceptable credit quality and risk. The risk ranges from loans with no significant weaknesses in repayment capacity and collateral protection to acceptable loans with one or more risk factors considered to be more than average. These loans are also included in into the "pass" classification.

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

- Grades 7 and 8 - These grades include "substandard" loans in accordance with regulatory guidelines. This category includes borrowers with well-defined weaknesses that jeopardize the payment of the debt in accordance with the agreed terms. Loans considered to be impaired are assigned grade 8, and these loans often have assigned loss allocations as part of the allowance for credit losses. Generally, loans on which interest accrual has been stopped would be included in this grade.

- Grades 9 and 10 - These grades correspond to regulatory classification definitions of "doubtful" and "loss," respectively. In practice, any loan with these grades would be for a very short period of time, and generally the Company has no loans with these assigned grades. Management manages the Company's problem loans in such a

way that uncollectible loans or uncollectible portions of loans are charged off immediately with any residual, collectible amounts assigned a risk grade of 7 or 8.

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

	Term Loans Amortized Cost Basis by Origination Year								
(dollars in thousands)	**2024**	**2023**	**2022**	**2021**	**2020**	**Prior**	**Revolvers**	**Revolvers converted to term loans**	**Total**
March 31, 2024									
Construction, land & land development									
Risk rating									
Pass	$ 13,992	$ 97,191	$ 82,284	$ 28,121	$ 4,352	$ 6,398	$ 89	$ 31	$ 232,458
Special Mention	—	640	—	24	—	25	280	—	969
Substandard	—	—	429	4	—	140	—	—	573
Total Construction, land & land development	13,992	97,831	82,713	28,149	4,352	6,563	369	31	234,000
Current period gross write offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other commercial real estate									
Risk rating									
Pass	6,359	76,903	336,599	197,131	84,422	214,138	21,999	2,154	939,705
Special Mention	303	76	3,458	484	2,094	10,267	554	344	17,580
Substandard	—	2,807	5,602	565	356	4,381	209	—	13,920
Total Other commercial real estate	6,662	79,786	345,659	198,180	86,872	228,786	22,762	2,498	971,205
Current period gross write offs	—	—	—	—	—	20	—	—	20
Residential real estate									
Risk rating									
Pass	6,967	73,145	113,983	49,805	20,828	47,464	21,938	98	334,228
Special Mention	16	850	517	43	92	5,310	326	—	7,154
Substandard	—	—	1,271	375	281	3,938	30	—	5,895
Total Residential real estate	6,983	73,995	115,771	50,223	21,201	56,712	22,294	98	347,277
Current period gross write offs	—	—	70	—	—	—	—	—	70
Commercial, financial & agricultural									
Risk rating									
Pass	18,071	55,857	46,732	17,713	11,469	17,594	63,259	534	231,229
Special Mention	—	364	579	277	719	180	1,004	—	3,123
Substandard	—	264	2,038	1,840	202	191	910	40	5,485
Total Commercial, financial & agricultural	18,071	56,485	49,349	19,830	12,390	17,965	65,173	574	239,837
Current period gross write offs	—	52	428	178	—	—	—	—	658
Consumer and other									
Risk rating									
Pass	21,880	36,278	3,392	1,706	987	1,619	460	11	66,333
Special Mention	—	171	38	33	10	21	—	—	273
Substandard	11	34	18	15	4	11	—	—	93

Total Consumer and other	21,891	36,483	3,448	1,754	1,001	1,651	460	11	66,699
Current period gross write offs	—	116	4	—	—	—	—	—	120
Total Loans									
Risk rating									
Pass	67,269	339,374	582,990	294,476	122,058	287,213	107,745	2,828	1,803,953
Special Mention	319	2,101	4,592	861	2,915	15,803	2,164	344	29,099
Substandard	11	3,105	9,358	2,799	843	8,661	1,149	40	25,966
Total Loans	$ 67,599	$ 344,580	$ 596,940	$ 298,136	$ 125,816	$ 311,677	$ 111,058	$ 3,212	$ 1,859,018
Total current period gross write offs	$ —	$ 168	$ 502	$ 178	$ —	$ 20	$ —	$ —	$ 868

	Term Loans Amortized Cost Basis by Origination Year								
(dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**Prior**	**Revolvers**	**Revolvers converted to term loans**	**Total**
December 31, 2023									
Construction, land & land development									
Risk rating									
Pass	$ 112,587	$ 91,981	$ 27,332	$ 5,654	$ 1,000	$ 5,765	$ 605	$ 31	$ 244,955
Special Mention	792	—	25	—	—	29	282	—	1,128
Substandard	—	888	4	—	20	151	—	—	1,063
Total Construction, land & land development	113,379	92,869	27,361	5,654	1,020	5,945	887	31	247,146
Current period gross write offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other commercial real estate									
Risk rating									
Pass	61,816	341,656	204,145	88,629	79,123	145,374	24,158	2,031	946,932
Special Mention	75	3,251	766	2,113	5,733	4,694	545	48	17,225
Substandard	2,303	2,615	211	—	486	4,395	208	—	10,218
Total Other commercial real estate	64,194	347,522	205,122	90,742	85,342	154,463	24,911	2,079	974,375
Current period gross write offs	—	—	69	—	—	—	—	—	69
Residential real estate									
Risk rating									
Pass	78,088	116,704	50,986	21,892	8,510	43,038	22,642	100	341,960
Special Mention	856	466	10	50	679	4,687	424	—	7,172
Substandard	—	1,169	384	296	272	4,735	246	—	7,102
Total Residential real estate	78,944	118,339	51,380	22,238	9,461	52,460	23,312	100	356,234
Current period gross write offs	253	492	26	—	—	—	—	—	771
Commercial, financial & agricultural									
Risk rating									
Pass	66,820	51,439	21,673	12,489	4,734	14,002	58,607	306	230,070
Special Mention	4,186	894	376	745	188	40	974	—	7,403
Substandard	164	1,872	1,979	190	25	165	866	22	5,283

Total Commercial, financial & agricultural	71,170	54,205	24,028	13,424	4,947	14,207	60,447	328	242,756
Current period gross write offs	150	168	408	200	9	134	—	—	1,069
Consumer and other									
Risk rating									
Pass	53,117	4,021	2,004	1,240	925	908	462	1	62,678
Special Mention	79	42	38	12	25	1	—	—	197
Substandard	43	20	3	5	4	9	—	—	84
Total Consumer and other	53,239	4,083	2,045	1,257	954	918	462	1	62,959
Current period gross write offs	9	12	10	2	—	2	—	—	35
Total Loans									
Risk rating									
Pass	372,428	605,801	306,140	129,904	94,292	209,087	106,474	2,469	1,826,595
Special Mention	5,988	4,653	1,215	2,920	6,625	9,451	2,225	48	33,125
Substandard	2,510	6,564	2,581	491	807	9,455	1,320	22	23,750
Total Loans	$ 380,926	$ 617,018	$ 309,936	$ 133,315	$ 101,724	$ 227,993	$ 110,019	$ 2,539	$ 1,883,470
Total current period gross write offs	$ 412	$ 672	$ 513	$ 202	$ 9	$ 136	$ —	$ —	$ 1,944

A loan's risk grade is assigned at loan origination and is based on the financial strength of the borrower and the type of collateral. Loan risk grades are subject to review at various times throughout the year as part of the Company's ongoing loan review process. Loans with an assigned risk grade of seven or worse and an outstanding balance of $500,000 or more are reassessed on a quarterly basis. During this reassessment process individual reserves may be identified and placed against certain loans which are not considered impaired.

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

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

Collateral-Dependent Loans

We classify a loan as collateral-dependent when our borrower is experiencing financial difficulty, and we expect repayment to be provided substantially through the operation or sale of collateral. Our commercial loans have collateral that is comprised of real estate and business assets. Our consumer loans have collateral that is substantially comprised of residential real estate.

There were no significant changes in the extent to which collateral secures our collateral-dependent loans during the three month period ended March 31, 2024.

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

(dollars in thousands)	30-89 Days Past Due	90 Days or More Past Due	Total Accruing Loans Past Due	Nonaccrual Loans	Current Loans	Total Loans
March 31, 2024						
Construction, land & land development	$ 71	$ —	$ 71	$ 56	$ 233,873	$ 234,000
Other commercial real estate	2,641	—	2,641	2,005	966,559	971,205
Total commercial real estate	2,712	—	2,712	2,061	1,200,432	1,205,205
Residential real estate	2,310	—	2,310	2,148	342,819	347,277
Commercial, financial & agricultural	578	—	578	2,190	237,069	239,837
Consumer and other	129	—	129	32	66,538	66,699
Total Loans	$ 5,729	$ —	$ 5,729	$ 6,431	$ 1,846,858	$ 1,859,018
December 31, 2023						
Construction, land & land development	$ 812	$ —	$ 812	$ 85	$ 246,249	$ 247,146
Other commercial real estate	1,796	—	1,796	4,219	968,360	974,375
Total commercial real estate	2,608	—	2,608	4,304	1,214,609	1,221,521
Residential real estate	2,503	350	2,853	3,561	349,820	356,234
Commercial, financial & agricultural	775	—	775	1,956	240,025	242,756
Consumer and other	183	20	203	18	62,738	62,959
Total Loans	$ 6,069	$ 370	$ 6,439	$ 9,839	$ 1,867,192	$ 1,883,470

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

	March 31, 2024		
(dollars in thousands)	Nonaccrual Loans with No Related ACL	Nonaccrual Loans with a Related ACL	Total Nonaccrual Loans
Construction, land & land development	$ —	$ 56	$ 56
Other commercial real estate	29	1,976	2,005
Total commercial real estate	29	2,032	2,061
Residential real estate	—	2,148	2,148
Commercial, financial & agricultural	—	2,190	2,190
Consumer and other	—	32	32
Total Loans	$ 29	$ 6,402	$ 6,431

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

Interest income recorded on nonaccrual loans during the three months ended March 31, 2024 and March 31, 2023 was $55,000 and $154,000, respectively.

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

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

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

The following table presents loans modified due to a financial difficulty under the above terms during the three months ended March 31, 2024.

	Loans modified due to financial difficulty		
(dollars in thousands)	Term Extension	Term Extension and Payment Delay	Total*
Commercial real estate	$ 131	$ 144	$ 275
Commercial, financial & agricultural	—	42	42
Total Loans	$ 131	$ 186	$ 317

*less than .05% of total class of receivable

There were a total of three loans in the above categories. The commercial real estate loans consist of two loans, each with a term extension of one year with one loan also given a payment delay. The commercial, financial & agricultural loan had a term extension of five years and was given a payment delay.

The Company had no loans that subsequently defaulted during the three month period ended March 31, 2024 and for the year ended December 31, 2023.

(4) Allowance for Credit Losses

The ACL for loans represents management's estimate of life of loan credit losses in the portfolio as of the end of the period. The ACL related to unfunded commitments is included in other liabilities in the consolidated balance sheet. The following tables present the balance sheet activity in the ACL by portfolio segment for loans for the three month periods ended March 31, 2024 and March 31, 2023 .

(dollars in thousands)	Balance December 31, 2023	Charge-Offs	Recoveries	Provision for credit losses on loans	Balance, March 31, 2024
Three Months Ended March 31, 2024					
Construction, land & land development	$ 2,204	$ —	$ 1	$ (159)	$ 2,046
Other commercial real estate	7,064	(20)	9	336	7,389
Total commercial real estate	9,268	(20)	10	177	9,435
Residential real estate	5,105	(70)	168	124	5,327
Commercial, financial & agricultural	2,110	(658)	22	546	2,020
Consumer and other	1,888	(120)	4	103	1,875
Total allowance for credit losses on loans	$ 18,371	$ (868)	$ 204	$ 950	$ 18,657

(dollars in thousands)	Balance December 31, 2022	Adoption of ASU 2016-13	Charge-Offs	Recoveries	Provision for credit losses on loans	Balance, September 30, 2023

(dollars in thousands)	Balance December 31, 2022	Adoption of ASU 2016-13	Charge-Offs	Recoveries	Provision for credit losses on loans	Balance, March 31, 2023
Three Months Ended March 31, 2023						
Construction, land & land development	$ 1,959	$ 148	$ —	$ 3	$ 232	$ 2,342
Other commercial real estate	8,886	(630)	—	14	(148)	8,122
Total commercial real estate	10,845	(482)	—	17	84	10,464
Residential real estate	2,354	1,053	—	11	694	4,112
Commercial, financial & agricultural	2,709	(690)	(273)	7	(96)	1,657
Consumer and other	220	66	(3)	4	79	366
Total allowance for loan losses	$ 16,128	$ (53)	$ (276)	$ 39	$ 761	$ 16,599

(dollars in thousands)	Balance December 31, 2021	Charge-Offs	Recoveries	Provision	Balance, September 30, 2022

Colony used a one-year reasonable and supportable forecast period. The changes in loss rates used as the basis for the estimate of credit losses during this period were modeled using historical data from peer banks and macroeconomic forecast data obtained from a third party vendor, which were then applied to Colony's recent default experience as a starting point. As of March 31, 2024, the Company expects that the markets in which it operates will experience stable economic and unemployment conditions with the trend of delinquencies returning to more normalized levels, over the next two years. Management adjusted the historical loss experience for these expectations. No reversion adjustments were necessary, as the starting point for the Company's estimate was a cumulative loss rate covering the expected contractual term of the portfolio.

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

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

rates that are used in computing the allowance for credit losses on loans. The allowance for credit losses for unfunded commitments is separately classified on the balance sheet within other liabilities.

The following table presents the balance and activity in the allowance for credit losses for unfunded commitments for the three month periods ended March 31, 2024 and March 31, 2023.

(dollars in thousands)		Total Allowance for Credit Losses-Unfunded Commitments
Three Months Ended		
Balance, December 31, 2023	$	1,375
Change in unfunded commitments		50
Balance, March 31, 2024	$	1,425
Three Months Ended		
Balance, December 31, 2022	$	—
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13		1,661
Change in unfunded commitments		139
Balance, March 31, 2023	$	1,800

(5) Derivatives

As part of its asset liability management activities, the Company may enter into interest rate swaps to help manage its interest rate risk position and mitigate exposure to the variability of future cash flows or other forecasted transactions. The Company entered into two interest rate swaps during the second quarter of 2023, to hedge the variability of cash flows due to changes in the benchmark SOFR interest rate risk for its short-term funding over the term of these cash flow hedges.

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

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

The derivatives are recorded in "Other assets" on the Company's balance sheet and have a value of $361,000 as of March 31, 2024.

Gains were recorded on the swap transactions, which totaled $173,000 for the three months ended March 31, 2024, as a component of interest expense in the consolidated statements of income. Amounts reported in accumulated OCI related to swaps are reclassified to interest expense as interest payments are made on the Bank's variable rate liabilities.

The following table presents the amounts recorded in the consolidated statements of income and the consolidated statements of comprehensive income relating to the interest rate swaps for the three months ended March 31, 2024.

(dollars in thousands)		Three Months Ended March 31, 2024
Amount of gain recognized in OCI, net of tax	$	596
Amount of gain reclassified from OCI to interest expense, net of tax		136

(6) Borrowings

The following table presents information regarding the Company's outstanding borrowings at March 31, 2024 and December 31, 2023:

(dollars in thousands)	March 31, 2024	December 31, 2023
Federal Home Loan Bank advances	155,000	175,000
Other borrowings	62,969	63,445
	$ 217,969	$ 238,445

Advances from the Federal Home Loan Bank ("FHLB") have maturities ranging from 2024 to 2028 and interest rates ranging from 3.69% to 5.47%. As collateral on the outstanding FHLB advances, the Company has provided a blanket lien on its portfolio of qualifying residential first mortgage loans, commercial loans, farmland loans, multifamily loans and HELOC loans. At March 31, 2024, the lendable collateral of those loans pledged is $230.1 million. At March 31, 2024, the Company had remaining credit availability from the FHLB of $605.9 million. The Company may be required to pledge additional qualifying collateral in order to utilize the full amount of the remaining credit line.

The Company's debentures issued in connection with trust preferred securities are recorded as other borrowings on the consolidated balance sheets, but, subject to certain limitations, qualify as Tier 1 capital for regulatory capital purposes. At March 31, 2024 and December 31, 2023, $24.2 million of debentures underlying trust preferred securities were outstanding. The proceeds from the offerings were used to fund certain acquisitions, pay off holding company debt and inject capital into the bank subsidiary. The debentures underlying the trust preferred securities require quarterly interest payments.

The Company also has fixed-to-floating rate subordinated notes which are due 2032 (the "Notes"). The Notes will bear a fixed rate of 5.25% for the first five years and will reset quarterly thereafter to then current three-month Secured Overnight Financing Rate, as published by the Federal Reserve Bank of New York, plus 265 basis points for the five-year floating term. The Company is entitled to redeem the Notes, in whole or in part, on any interest payment date on or after May 20, 2027, or at any time, in whole but not in part, upon certain other specified events. At March 31, 2024 and December 31, 2023, $38.7 million and $39.2 million, respectively, of the Notes, net of debt issuance costs were outstanding. The Notes are recorded as other borrowings on the consolidated balance sheets and, subject to certain limitations, qualify as Tier 2 capital for regulatory capital purposes.

The aggregate stated maturities of other borrowed money at March 31, 2024 are as follows:

(dollars in thousands) Year	Amount
2024	$ 50,000
2025	—
2026	25,000
2027	15,000
2028	65,000
2029 and After	62,969
	$ 217,969

The Company also has available federal funds lines of credit with various financial institutions totaling $64.5 million, with no outstanding balance at March 31, 2024.

The Company has the ability to borrow funds from the Federal Reserve Bank ("FRB") of Atlanta utilizing the discount window. The discount window is an instrument of monetary policy that allows eligible institutions to borrow money from the FRB on a short-term basis to meet temporary liquidity shortages caused by internal or external disruptions. At March 31, 2024, the Company had $98.3 million borrowing capacity available under this arrangement, with no outstanding balances. The Company would be required to pledge certain available-for-sale investment securities as collateral under this agreement.

(7) Earnings Per Share

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of common shares outstanding during each period. Diluted earnings per share reflects the potential dilution of restricted stock.

The following table presents earnings per share for the three months ended March 31, 2024 and 2023.

(dollars in thousands, except per share data)	Three Months Ended March 31,	
	2024	**2023**
Numerator		
Net income available to common stockholders	$ 5,333	$ 5,043
Denominator		
Weighted average number of common shares		
Outstanding for basic earnings per common share	17,560,210	17,595,688
Weighted-average number of shares outstanding for diluted earnings per common share	17,560,210	17,595,688
Earnings per share - basic	$ 0.30	$ 0.29
Earnings per share - diluted	$ 0.30	$ 0.29

(8) Commitments and Contingencies

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

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit, is based on management's credit evaluation of the borrower. Collateral held varies, but may include cash or cash equivalents, negotiable instruments, real estate, accounts receivable, inventory, oil, gas and mineral interests, property, plant, and equipment.

At March 31, 2024 and December 31, 2023 the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
(dollars in thousands)	**March 31, 2024**	**December 31, 2023**
Loan commitments	$ 360,642	$ 362,878
Letters of credit	5,223	5,656

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for equity lines of credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

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

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

Legal Contingencies. In the ordinary course of business, there are various legal proceedings pending against the Company and the Bank. As of March 31, 2024, the aggregate liabilities, if any, arising from such proceedings would not, in the opinion of management, have a material adverse effect on the Company's consolidated financial position.

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

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

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

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

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

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

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

Other investments– The fair value of other bank stock approximates carrying value and is classified as Level 2. Fair values for investment funds are based on quoted market prices where available and classified as Level 1. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments and classified as Level 2. If a comparable is not available, the investment securities are classified as Level 3.

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

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

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

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

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

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

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

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

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

		Fair Value Measurements		
(dollars in thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
March 31, 2024					
Assets					
Cash and short-term investments	$ 94,669	$ 94,669	$ 94,669	$ —	$ —
Investment securities available for sale	382,953	382,953	—	375,808	7,145
Investment securities held to maturity	447,157	398,852	—	398,852	—
Other investments	16,034	16,034	—	16,034	—
Loans held for sale	31,102	31,102	—	31,102	—
Loans, net	1,840,361	1,674,467	—	—	1,674,467
Derivative instruments	361	361	—	361	—
Liabilities					
Deposits	2,522,748	2,516,381	—	2,516,381	—
Federal Home Loan Bank advances	155,000	157,599	—	157,599	—
Other borrowings	62,969	50,078	—	50,078	—

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

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

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

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

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

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

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

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

		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	**Total Fair Value**	**(Level 1)**	**(Level 2)**	**(Level 3)**
March 31, 2024				
Nonrecurring				
Collateral dependent loans	$ 1,768	$ —	$ —	$ 1,768
Other real estate owned	562	—	—	562
Total nonrecurring assets	$ 2,330	$ —	$ —	$ 2,330

		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	**Total Fair Value**	**(Level 1)**	**(Level 2)**	**(Level 3)**
December 31, 2023				
Nonrecurring				
Collateral dependent loans	$ 1,410	$ —	$ —	$ 1,410
Other real estate owned	448	—	—	448
Total nonrecurring assets	$ 1,858	$ —	$ —	$ 1,858

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following table presents quantitative information about the significant unobservable inputs used in the fair value measurements for assets in level 3 of the fair value hierarchy measured on a nonrecurring basis at March 31, 2024 and December 31, 2023. This table is comprised primarily of collateral dependent impaired loans and other real estate owned:

(dollars in thousands)	**March 31, 2024**	**Valuation Techniques**	**Unobservable Inputs**	**Range Weighted Avg**	
Collateral dependent loans	$ 1,768	Appraised Value	Discounts to reflect current market conditions, ultimate collectability, and estimated costs to sell	— %	50 %
Other real estate owned	562	Appraised Value/Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	— %	20 %

(dollars in thousands)	**December 31, 2023**	**Valuation Techniques**	**Unobservable Inputs**	**Range Weighted Avg**	
Collateral dependent loans	$ 1,410	Appraised Value	Discounts to reflect current market conditions, ultimate collectability, and estimated costs to sell	25 %	50 %
Other real estate owned	448	Appraised Value/Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	— %	20 %

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

	As of March 31, 2024			
(dollars in thousands)	**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Avg)**
Available for sale securities	$ 7,145	Discounted Cash Flow	Discount Rate or Yield	N/A*

	As of December 31, 2023			
(dollars in thousands)	**Fair Value**	**Valuation Techniques**	**Unobservable Inputs**	**Range (Weighted Avg)**
Available for sale securities	$ 10,814	Discounted Cash Flow	Discount Rate or Yield	N/A*

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

The table below presents a reconciliation and statement of income classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the three months ended March 31, 2024.

(dollars in thousands)	**Three Months Ended March 31, 2024 Available for sale securities**
Balance, Beginning	$ 10,814
Redemptions/Payments	(2,913)
Fair value adjustments	1,669
Transfers between levels	(2,425)
Balance, Ending	$ 7,145

The Company's policy is to recognize transfers in and transfers out of levels 1, 2 and 3 as of the end of a reporting period. There were $2.4 million in transfers between levels for the three months ended March 31, 2024 and no transfers of securities between levels for the three months ended March 31, 2023.

(10) Segment Information

The Company's operating segments include banking, mortgage banking and small business specialty lending division. The reportable segments are determined by the products and services offered, and internal reporting. The Bank segment derives its revenues from the delivery of full-service financial services, including retail and commercial banking services and deposit accounts. The Mortgage Banking segment derives its revenues from the origination and sales of residential mortgage loans held for sale. The Small Business Specialty Lending Division segment derives its revenue from the origination, sales and servicing of Small Business Administration loans and other government guaranteed loans. Segment performance is evaluated using net interest income and noninterest income. Income taxes are assessed based on income before income taxes, and indirect expenses (including management fees) are allocated based on various internal factors for each segment. Transactions among segments are made at fair value. Information reported internally for performance assessment follows. The following tables present information reported internally for performance assessment for the three months ended March 31, 2024 and 2023:

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Three Months Ended March 31, 2024				
Net Interest Income	$ 17,552	$ 40	$ 1,062	$ 18,654
Provision for Credit Losses	455	—	545	1,000
Noninterest Income	5,680	1,165	2,642	9,487
Noninterest Expenses	17,129	1,218	2,050	20,397
Income Taxes	1,166	1	244	1,411
Segment Profit	$ 4,482	$ (14)	$ 865	$ 5,333
Segments Assets at March 31, 2024	$ 2,910,102	$ 8,011	$ 97,396	$ 3,015,509
Full time employees at March 31, 2024	377	43	31	451

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Three Months Ended March 31, 2023				
Net Interest Income	$ 20,138	$ 3	$ 427	$ 20,568
Provision for Credit Losses	900	—	—	900
Noninterest Income	4,918	1,277	1,464	7,659
Noninterest Expenses	17,812	1,712	1,641	21,165
Income Taxes	1,155	(86)	50	1,119
Segment Profit	$ 5,189	$ (346)	$ 200	$ 5,043
Segments Assets at December 31, 2023	$ 2,956,121	$ 7,890	$ 89,411	$ 3,053,422
Full time employees at March 31, 2023	407	59	30	496

(11) Regulatory Capital Matters

The amount of dividends payable to the parent company from the subsidiary bank is limited by various banking regulatory agencies. Upon approval by regulatory authorities, the Bank may pay cash dividends to the parent company in excess of regulatory limitations.

As of March 31, 2024, the Company and the Bank were categorized as well-capitalized under the regulatory framework for prompt corrective action in effect at such time. To be categorized as well-capitalized, the Company and the Bank must have exceeded the well-capitalized guideline ratios in effect at the time, as set forth in the tables below, and have met certain other requirements. Management believes that the Company and the Bank exceeded all well-capitalized requirements at March 31, 2024, and there have been no conditions or events since quarter-end that would change the status of well-capitalized.

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

(dollars in thousands)	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2024						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 337,131	15.79 %	$ 170,807	8.00 %	$ 213,509	10.00 %
Colony Bank	304,814	14.31	170,406	8.00	213,008	10.00
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	278,310	13.04	128,057	6.00	170,742	8.00
Colony Bank	284,732	13.37	127,778	6.00	170,371	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	254,081	11.90	96,081	4.50	138,784	6.50
Colony Bank	284,732	13.37	95,834	4.50	138,426	6.50
Tier 1 Capital to Average Assets						
Consolidated	278,310	9.19	121,136	4.00	151,420	5.00
Colony Bank	284,732	9.43	120,777	4.00	150,971	5.00

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

(12) Subsequent Events

Dividend

On April 24, 2024, the Board of Directors declared a quarterly cash dividend of $0.1125 per share, to be paid on its common stock on May 22, 2024, to shareholders of record as of the close of business on May 8, 2024.

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

The purpose of this discussion and analysis is to focus on significant changes in the financial condition of Colony Bankcorp, Inc. and our wholly owned subsidiary, Colony Bank, from December 31, 2023 through March 31, 2024 and on our results of operations for the three months ended March 31, 2024 and 2023. This discussion and analysis should be read in conjunction with our audited consolidated financial statements and notes thereto in the Company's 2023 Form 10-K, and information presented elsewhere in this Quarterly Report on Form 10-Q, particularly the unaudited consolidated financial statements and related notes appearing in Item 1.

Forward-looking Statements

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

A number of important factors could cause our actual results to differ materially from those indicated in these forward-looking statements, including those factors discussed elsewhere in this Quarterly Report on Form 10-Q and the following:

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

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

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

- the risk that a future economic downturn and contraction, including a recession, could have a material adverse effect on our capital, financial condition, credit quality, results of operations and future growth, including the risk that the strength of the current economic environment could be weakened by the impact of rising or elevated interest rates and persistent inflation;

- factors that can impact the performance of our loan portfolio, including real estate values and liquidity in our primary market areas, the financial health and credit quality of our borrowers and the success of various projects that we finance;

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

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

- credit and lending risks associated with our construction and development, commercial real estate, commercial and industrial and residential real estate loan portfolios;

- factors that negatively impact our mortgage banking services, including declines in our mortgage originations or profitability due to rising or elevated interest rates and increased competition and regulation, the Bank's or third party's failure to satisfy mortgage servicing obligations, loan modifications, the effects of judicial or regulatory requirements or guidance, and the possibility of the Bank being required to repurchase mortgage loans or indemnify buyers;
- our ability to attract sufficient loans that meet prudent credit standards, including in our construction and development, commercial and industrial and owner-occupied commercial real estate loan categories;
- our ability to attract and maintain business banking relationships with well-qualified businesses, real estate developers and investors with proven track records in our market areas;
- our ability to successfully manage our credit risk and the sufficiency of our allowance for credit losses ("ACL"), including the implementation of the Current Expected Credit Losses ("CECL") model;
- the adequacy of our reserves (including ACL) and the appropriateness of our methodology for calculating such reserves;
- adverse developments in the banking industry highlighted by high-profile bank failures and the impact of such developments on customer confidence, liquidity and regulatory responses to these developments (including increases in the cost of our deposit insurance assessments and increased regulatory scrutiny), our ability to effectively manage our liquidity risk and any growth plans and the availability of capital and funding;
- our ability to successfully execute our business strategy to achieve profitable growth;
- the concentration of our business within our geographic areas of operation in Georgia, Alabama, Florida and neighboring markets;
- our focus on small and mid-sized businesses;
- our ability to manage our growth;
- our ability to increase our operating efficiency;
- significant turbulence or a disruption in the capital or financial markets and the effect of a fall in stock market prices on our investment securities;
- risks that our cost of funding could increase, in the event we are unable to continue to attract stable, low-cost deposits and reduce our cost of deposits;
- inability of our risk management framework to effectively mitigate credit risk, interest rate risk, liquidity risk, price risk, compliance risk, operational risk (including by virtue of our relationships with third party business partners, as well as our relationships with third party vendors and other service providers), strategic risk, reputational risk and other risks inherent to the business of banking;
- our ability to maintain expenses in line with current projections;
- the makeup of our asset mix and investments;
- external economic, political and/or market factors, such as changes in monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve, the possibility that the U.S. could default on its debt obligations, inflation or deflation, changes in the demand for loans, and fluctuations in consumer spending, borrowing and savings habits, which may have an adverse impact on our financial condition;
- continued or increasing competition from other financial institutions (including fintech companies), credit unions, and non-bank financial services companies, many of which are subject to different regulations than we are;
- challenges arising from unsuccessful attempts to expand into new geographic markets, products, or services;
- restraints on the ability of the Bank to pay dividends to us, which could limit our liquidity;

- increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms or at all;
- a failure in the internal controls we have implemented to address the risks inherent to the business of banking;
- inaccuracies in our assumptions about future events, which could result in material differences between our financial projections and actual financial performance;
- changes in our management personnel or our inability to retain, motivate and hire qualified management personnel;
- the dependence of our operating model on our ability to attract and retain experienced and talented bankers in each of our markets, which may be impacted as a result of labor shortages;
- our ability to prevent, identify and address cyber-security risks, fraud and systems errors;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems, and the cost of defending against them and any reputational or other financial risks following such a cybersecurity incident ;
- our business relationships with, and reliance upon, third parties that have strategic partnerships with us or that provide key components of our business infrastructure, including the costs of services and products provided to us by third parties, and disruptions in service, security breaches, financial difficulties with or other adverse events affecting a third-party vendor or business relationship;
- an inability to keep pace with the rate of technological advances due to a lack of resources to invest in new technologies;
- fraudulent and negligent acts by our clients, employees or vendors and our ability to identify and address such acts;
- risks related to potential acquisitions, including the risk that the regulatory environment may not be conducive to or may prohibit the consummation of future mergers and/or business combinations, may increase the length of time and amount of resources required to consummate such transactions, and may reduce the anticipated benefit;
- the impact of any claims or legal actions to which we may be subject, including any effect on our reputation;
- compliance with governmental and regulatory requirements, including the Dodd-Frank Act and others relating to banking, consumer protection, securities and tax matters, and our ability to maintain licenses required in connection with commercial mortgage origination, sale and servicing operations;
- changes in the scope and cost of Federal Deposit Insurance Corporation ("FDIC") insurance and other coverage;
- changes in our accounting standards;
- changes in tariffs and trade barriers;
- changes in federal tax law or policy;
- the institution and outcome of litigation and other legal proceedings against us or to which we may become subject to;
- the impact of recent and future legislative and regulatory changes;
- examinations by our regulatory authorities;
- the effects of war or other conflicts (including the military conflict between Russia and Ukraine or the conflict in Israel and surrounding areas), acts of terrorism, acts of God, natural disasters, health emergencies, epidemics or pandemics, climate changes, or other catastrophic events that may affect general economic conditions;

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

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

- other risks and factors identified in our 2023 Form 10-K, this Quarterly Report on Form 10-Q for the period ended March 31, 2024, and in any of the Company's other reports filed with the U.S. Securities and Exchange Commission and available on its website at www.sec.gov.

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

Overview

The following discussion and analysis presents the more significant factors affecting the Company’s financial condition as of March 31, 2024 and December 31, 2023, and results of operations for the three month periods ended March 31, 2024 and 2023. This discussion and analysis should be read in conjunction with the Company’s consolidated financial statements, notes thereto and other financial information appearing elsewhere in this report.

At March 31, 2024, the Company had total consolidated assets of $3.0 billion, total loans, net of $1.8 billion, total deposits of $2.5 billion, and stockholders’ equity of $259.9 million. The Company reported net income of $5.3 million, or $0.30 per diluted share, for the three months ended March 31, 2024 compared to net income of $5.0 million, or $0.29 per diluted share, for the three months ended March 31, 2023. The increase in net income for the three months ended March 31, 2024 compared to the same period ended March 31, 2023 was primarily the result of increased noninterest income from our complementary lines of business which include mortgage, SBSL, marine/RV lending, insurance and wealth and merchant services coupled with the continued impact of the expense reduction initiative implemented in 2023 which included a reduction in force along with an intentional focus on expense control in all noninterest expense categories.

Net interest income on a tax equivalent basis was $18.8 million for the first quarter of 2024 compared to $20.7 million for the first quarter of 2023, a decrease of $1.9 million. Increases can be seen in income on interest earning assets which is more than offset by increases in expenses on interest bearing liabilities due to the significant rise in interest rates period over period along with increases in FHLB advances. Income on interest earning assets increased $5.0 million to $33.5 million for the first quarter of 2024 compared to the respective period in 2023. Expense on interest bearing liabilities increased $6.9 million to $14.7 million for the first quarter of 2024 compared to the respective period in 2023.

Provision for credit losses for the three months ended March 31, 2024 was $1.0 million, which represents $950,000 in provision for credit losses on loans and $50,000 in provision for credit losses on unfunded commitments. For the first quarter of 2024, there were net charge-offs of $664,000 compared to $237,000 for the same period in 2023. Although we did see an increase in loan charge-offs following a period of historically low charge-offs, this uptick pertains to a small number of loans and does not raise any concerns regarding the quality of our overall loan portfolio. Colony’s allowance for credit losses on loans was $18.7 million, or 1.00% of total loans at March 31, 2024, compared to $18.4 million, or 0.98% of total loans, at December 31, 2023. At March 31, 2024 and December 31, 2023, nonperforming assets were $7.0 million and $10.7 million, or 0.23% and 0.35% of total assets, respectively.

Noninterest income of $9.5 million for the first quarter of 2024 represents an increase of $1.8 million, or 23.87%, from the first quarter of 2023, primarily related to increases in service charges on deposits, mortgage fee income, gain on sales of SBA loans and other noninterest income which were partially offset by a decrease in interchange fee income and losses on sales of securities. See "Table 3 - Noninterest income" for more detail and discussion on the primary drivers to the variances in noninterest income.

For the three months ended March 31, 2024, noninterest expense was $20.4 million, a decrease of $768,000, or 3.63%, from the same period in 2023. Decreases in noninterest expense were a result of overall decreases in salaries and employee

benefits expenses related to the Company's expense reduction initiative in 2023 which lowered the total number of employees period over period. Data processing expense also decreased as a result of the continued cost savings upon renewal of the core processing contract in the second quarter of 2023. See "Table 4 - Noninterest expense" for more detail and discussion on the primary drivers to the decrease in noninterest expense.

Critical Accounting Policies

Our accounting and reporting policies are in accordance with GAAP and conform to general practices within the banking industry. We have identified certain of its accounting policies as "critical accounting policies," consisting of those related to business combinations, allowance for credit losses and income taxes. In determining which accounting policies are critical in nature, we have identified the policies that require significant judgment or involve complex estimates. It is management's practice to discuss critical accounting policies with the Board of Directors' Audit Committee on a periodic basis, including the development, selection, implementation and disclosure of the critical accounting policies. The application of these policies has a significant impact on the Company's unaudited interim consolidated financial statements. Our financial results could differ significantly if different judgments or estimates are used in the application of these policies. All accounting policies described in Note 1 of our consolidated financial statements as of December 31, 2023, which are included in the Company's 2023 Form 10-K should be reviewed for a greater understanding of how we record and report our financial performance. Other than our methodology for estimating allowance for credit losses (mentioned below), there have been no significant changes to the Significant Accounting Policies as described in Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2023, which are included in the Company's 2023 Form 10-K.

Allowance for Credit Losses

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

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

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

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

Recent Industry Developments

During 2023, the banking industry experienced significant volatility with multiple high-profile bank failures which led to industry wide concerns related to liquidity, deposit outflows, uninsured deposit concentrations, unrealized securities losses and eroding consumer confidence in the banking system, all of which still remains relevant in 2024. These negative industry

developments did not impact the Company's liquidity position and our balance sheet remains robust. The Company's total deposits did experience a minimal decline of 0.87% as compared to December 31, 2023, to $2.52 billion at March 31, 2024 which was due to wholesale deposit payoffs. Our customer deposits however increased by $12.5 million as a result of our continued commitment to growing customer relationships. The Company's uninsured deposits represented 30.82% of total Bank deposits at March 31, 2024 compared to 30.22% of total Bank deposits at December 31, 2023. The Company continues to maintain strong liquidity with available sources of funding of approximately $1.3 billion at March 31, 2024. Furthermore, the Company's capital remains strong with common equity Tier 1 and total capital ratios of 11.90% and 15.79%, respectively, as of March 31, 2024.

Results of Operations

We reported net income and diluted earnings per share of $5.3 million and $0.30, respectively, for the first quarter of 2024. This compares to net income and diluted earnings per share of $5.0 million and $0.29, respectively, for the same period in 2023.

Net Interest Income

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

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

Fully taxable equivalent net interest income for the first quarter of 2024 and 2023 was $18.8 million and $20.7 million, respectively. This decrease quarter over quarter can be seen in increases in rates paid on deposits and other borrowings which outpaced the increases in rates and volume on loans and deposits in banks. The net interest margin for the first quarter of 2024 and 2023 was 2.69% and 3.08%, respectively. This decrease in net interest margin for the first quarter of 2024 compared to the same period in 2023 is primarily a result of the increase in higher yields paid on deposits and borrowings that outpaced the increase in rates on loans and investments.

The following tables indicates the relationship between interest income and interest expense and the average amounts of assets and liabilities for the periods indicated. As shown in the tables, both average assets and average liabilities for the three months ended March 31, 2024 increased compared to the same period in 2023. The increase in average assets was primarily driven by the increase in the loan portfolio of $116.2 million for the three months ended March 31, 2024 compared to the same period in 2023, which primarily reflects organic loan growth and an increase in deposits in banks and short term investments of $20.5 million, partially offset by a decrease of $57.2 million in the securities portfolio. The increase in average liabilities for the three months ended March 31, 2024 was funded through an increase in interest bearing deposits of $146.5 million partially offset by a decrease in borrowings of $12.5 million. The net interest spread, as well as the net interest margin, will continue to be impacted by future changes in short-term and long-term interest rate levels, as well as the impact from the competitive environment.

The yield on total interest-bearing liabilities increased from 1.47% in the first quarter of 2023 to 2.58% in the first quarter of 2024 primarily due to increases in the federal funds interest rate of an additional 50 basis points during the second and third quarters of 2023.

Table 1 - Average Balance Sheet and Net Interest Analysis

	Three Months Ended March 31,					
	2024			2023		
(dollars in thousands)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets						
Interest-earning assets:						
Loans, net of unearned income[1]	$ 1,896,014	$ 27,145	5.76 %	$ 1,779,852	$ 22,199	5.06 %
Investment securities, taxable	737,257	5,042	2.75	786,900	5,374	2.77
Investment securities, tax-exempt[2]	106,819	605	2.28	114,346	594	2.11
Deposits in banks and short term investments	71,431	693	3.90	50,898	357	2.85
Total interest-earning assets	$ 2,811,521	$ 33,485	4.79 %	$ 2,731,996	$ 28,524	4.23 %
Noninterest-earning assets	224,572			217,990		
Total assets	$ 3,036,093			$ 2,949,986		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	$ 1,451,490	$ 6,408	1.78 %	$ 1,409,834	$ 2,324	0.67 %
Other time	612,241	5,683	3.73	507,415	2,675	2.14
Total interest-bearing deposits	2,063,731	12,091	2.36	1,917,249	4,999	1.06
Federal funds purchased	13	—		7,012	88	5.09
Federal Home Loan Bank advances	156,978	1,572	4.03	149,444	1,626	4.41
Other borrowings	63,086	993	6.33	76,083	1,089	5.80
Total other interest-bearing liabilities	220,077	2,565	4.69	232,539	2,803	4.89
Total interest-bearing liabilities	$ 2,283,808	$ 14,656	2.58 %	$ 2,149,788	$ 7,802	1.47 %
Noninterest-bearing liabilities:						
Demand deposits	479,528			556,216		
Other liabilities	16,830			9,835		
Stockholders' equity	255,927			234,147		
Total noninterest-bearing liabilities and stockholders' equity	752,285			800,198		
Total liabilities and stockholders' equity	$ 3,036,093			$ 2,949,986		
Interest rate spread			2.21 %			2.76 %
Net interest income		$ 18,829			$ 20,722	
Net interest margin			2.69 %			3.08 %

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 $48,000 and $45,000 for the three months ended March 31, 2024 and 2023, respectively, are calculated using the statutory federal tax rate and are included in income and fees on loans. Accretion expense of $5,000 and income of $71,000 for the three months ended March 31, 2024 and 2023 are also included in income and fees on loans.
2. Taxable-equivalent adjustments totaling $127,000 and $108,000 for the three months ended March 31, 2024 and 2023, respectively, are included in tax-exempt interest on investment securities.

The following table presents the effect of net interest income for changes in the average outstanding volume amounts of interest-earning assets and interest-bearing liabilities and the rates earned and paid on these assets and liabilities for the three month period ended March 31, 2024 compared to the three month period ended March 31, 2023.

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

	Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023 Increase (Decrease) Due to Changes in		
(dollars in thousands)	**Volume**	**Rate**	**Total**
Interest-earning assets:			
Loans, net of unearned fees	$ 5,878	$ (932)	$ 4,946
Investment securities, taxable	(1,375)	1,043	(332)
Investment securities, tax-exempt	(159)	170	11
Deposits in banks and short term investments	585	(249)	336
Total interest-earning assets (FTE)	4,929	32	4,961
Interest-bearing liabilities:			
Interest-Bearing Demand and Savings Deposits	279	3,805	4,084
Time Deposits	2,243	765	3,008
Federal funds purchased	(356)	268	(88)
Federal Home Loan Bank Advances	332	(386)	(54)
Other Borrowed Money	(754)	658	(96)
Total interest-bearing liabilities	1,744	5,110	6,854
Increase in net interest income (FTE)	$ 3,185	$ (5,078)	$ (1,893)

Provision for Credit Losses

The provision for credit losses recorded in each period is based on the amount required such that the total allowance for credit losses reflects the appropriate balance, in the estimation of management, sufficient to cover expected credit losses over the expected life of a loan exposure and unfunded commitments where the likelihood is that funding will occur. Provision for credit losses for the three months ended March 31, 2024 was $1.0 million compared to $900,000 for the same period in 2023. The provision for credit losses for the three months ended March 31, 2024 includes $950,000 in credit losses on loans and $50,000 in provision for credit losses on unfunded commitments. The provision for credit losses for the three months ended March 31, 2023 includes $761,000 in credit losses on loans and $139,000 in provision for credit losses on unfunded commitments. See the section captioned “Loans and Allowance for Credit Losses” elsewhere in this discussion for further analysis of the provision for credit losses.

Noninterest Income

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

Table 3 - Noninterest Income

	Three Months Ended March 31,		Change	
(dollars in thousands)	2024	2023	Amount	Percent
Service charges on deposits	$ 2,373	$ 1,914	$ 459	24.0 %
Mortgage fee income	1,249	1,183	66	5.6
Gain on sales of SBA loans	2,046	1,057	989	93.6
(Loss)/gain on sales of securities	(555)	—	(555)	100.0
Interchange fee	2,028	2,068	(40)	(1.9)
BOLI income	533	331	202	61.0
Insurance commissions	465	460	5	1.1
Other noninterest income	1,348	646	702	108.7
Total noninterest income	$ 9,487	$ 7,659	$ 1,828	23.87 %

For the three months ended March 31, 2024, noninterest income increased $1.8 million compared to the same period in 2023. The primary reason for the increase was due to increases in service charges on deposits, mortgage fee income, gain on sales of SBA loans and other noninterest income which were partially offset by a decrease in interchange fee income and losses on sales of securities during the three months ended March 31, 2024.

Service charges on deposit accounts. For the three months ended March 31, 2024, service charges on deposits was $2.4 million compared to $1.9 million for the same period ended March 31, 2023, an increase of $459,000. This increase in service charges on deposits can be attributed to the Company's ability to continue to grow customer deposits despite the challenging rate environment.

Mortgage Fee Income. For the three months ended March 31, 2024, mortgage fee income was $1.2 million compared to $1.2 million for the same period ended March 31, 2023, a minimal increase of $66,000. This increase in mortgage fee income is the result of interest rates remaining stable since year end which has caused an uptick in the demand for mortgage products and thus an increase in mortgage fee income.

Gain on Sales of SBA loans. For the three months ended March 31, 2024, net realized gains on the sale of the guaranteed portion of SBA loans totaled $2.0 million compared to $1.1 million in the same period ended March 31, 2023, an increase of $989,000. This increase is related to increased production and sales in the Small Business Specialty Lending division which hit its highest mark in five consecutive quarters during the first quarter of 2024.

BOLI income. For the three months ended March 31, 2024, BOLI income was $533,000 compared to $331,000 for the same period ended March 31, 2023, an increase of $202,000. This increase is primarily related to income from the payout of death benefits during the first quarter of 2024.

Interchange Fees. For the three months ended March 31, 2024, interchange fee income was $2.0 million compared to $2.1 million for the same period ended March 31, 2023, a decrease of $40,000. This slight decrease in interchange fees is the result of customer use of our card programs whose buying habits can fluctuate between periods.

Insurance commissions. For the three months ended March 31, 2024, insurance commissions were $465,000 compared to $460,000 for the same period ended March 31, 2023, an increase of $5,000. This variance is volume driven by activity in the Company's insurance division.

Other noninterest income. For the three months ended March 31, 2024, other noninterest income was $1.3 million compared to $646,000 for the same period ended March 31, 2023, an increase of $702,000. The increase in other noninterest income was primarily attributable to an increase in wealth advisory and merchant services of $54,000, gains on sales of other real estate of $131,000 along with increases in SBA servicing and other related fee income, partially offset by a decrease in equity investment market valuation gains of $35,000.

Noninterest Expense

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

Table 4 - Noninterest Expense

(dollars in thousands)	Three Months Ended March 31, 2024	2023	Change Amount	Percent
Salaries and employee benefits	$ 12,018	$ 12,609	$ (591)	(4.7)%
Occupancy and equipment	1,507	1,622	(115)	(7.1)
Information technology expenses	2,110	2,341	(231)	(9.9)
Professional fees	834	715	119	16.6
Advertising and public relations	960	993	(33)	(3.3)
Communications	226	294	(68)	(23.1)
Other noninterest expense	2,742	2,591	151	5.8
Total noninterest expense	$ 20,397	$ 21,165	$ (768)	(3.6)%

Noninterest expense decreased for the three months ended March 31, 2024 by $768,000 compared to the same period in 2023. Decreases were seen in all categories except professional fees and other noninterest expense.

Salaries and employee benefits. Salaries and employee benefits for the three months ended March 31, 2024 was $12.0 million compared to $12.6 million for the same period ended March 31, 2023, a decrease of $591,000. This decrease in salaries and employee benefits expenses is related to the Company's expense reduction initiative in 2023 which lowered total number of employees period over period.

Information technology expenses. Information technology expenses for the three months ended March 31, 2024 was $2.1 million compared to $2.3 million for the same period ended March 31, 2023, a decrease of $231,000. This decrease relates to a decrease in data processing expenses due to continued cost savings upon renewal of the core processing contract in the second quarter of 2023 which is partially offset by increased software expenses.

Professional fees. Professional fees for the three months ended March 31, 2024 was $834,000 compared to $715,000 for the same period ended March 31, 2023, an increase of $119,000. This increase is the result of increased audit fees of $69,000 and increased legal fees of $91,000 in 2024 compared to 2023.

Advertising and public relations. Advertising and public relations expenses for the three months ended March 31, 2024 was $960,000 compared to $993,000 for the same period ended March 31, 2023, a decrease of $33,000. The slight decrease can be attributed to the Company's expense control initiative implemented in 2023.

Communications. Communications expenses for the three months ended March 31, 2024 was $226,000 compared to $294,000 for the same period ended March 31, 2023, a decrease of $68,000. The decrease is the result of decreases in telephone service contracts with a third party.

Other noninterest expenses. Other noninterest expense for the three months ended March 31, 2024 was $2.7 million compared to $2.6 million for the same period ended March 31, 2023, an increase of $151,000. This increase relates primarily to increased servicing rights valuation partially offset by decreases in other loan related expenses, printing and supplies and business development expenses.

Income Tax Expense

Income tax expense for the three months ended March 31, 2024 was $1.4 million compared to $1.1 million for the same period in 2023. The Company’s effective tax rate for the three months ended March 31, 2024 was 20.9% compared to 18.2% for the three months ended March 31, 2023. The largest driver of the difference is the tax exempt income primarily from

BOLI and tax exempt interest. Also in the first quarter of 2023, the Company experienced a favorable tax impact from the donation made to the Georgia Scholarship Program.

Balance Sheet Review

Total assets decreased to $3.0 billion at March 31, 2024 from $3.1 billion at December 31, 2023.

Loans and Allowance for Credit Losses

At March 31, 2024, gross loans outstanding (excluding loans held for sale) were $1.86 billion, a decrease of $24.5 million, or 1.30%, compared to $1.88 billion at December 31, 2023.

At March 31, 2024, approximately 64.9% of our loans were secured by commercial real estate. Our total commercial real estate loans have decreased slightly since December 31, 2023 as well as all other categories except for consumer lending which is driven by our marine and RV division. These decreases are largely due to the sale of portfolio mortgages and credit related payoffs of a limited number of loans, along with the general slowdown in loan production over the past several quarters. We continue to maintain competitive loan pricing and tightened credit standards.

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

Table 5 - Loans Outstanding

(dollars in thousands)	**March 31, 2024**	**December 31, 2023**
Construction, land & land development	$ 234,000	$ 247,146
Other commercial real estate	971,205	974,375
Total commercial real estate	1,205,205	1,221,521
Residential real estate	347,277	356,234
Commercial, financial & agricultural	239,837	242,756
Consumer and other	66,699	62,959
Total loans	$ 1,859,018	$ 1,883,470

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

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

The allowance for credit losses for loans is a reserve established through charges to earnings in the form of a provision for credit losses. The provision for credit losses for loans is based on management’s evaluation of the size and composition of the loan portfolio, the level of nonperforming and past due loans, historical trends of charged off loans and recoveries, prevailing economic conditions and other factors management deems appropriate. The Company’s management has established an allowance for credit losses for loans which it believes is adequate to cover expected credit losses over the expected life of a loan exposure and unfunded commitments where the likelihood is that funding will occur. Based on a credit evaluation of the loan portfolio, management presents a quarterly review of the allowance for credit losses for loans and allowance for credit losses on unfunded commitments to the Company’s Board of Directors, which primarily focuses on risk by evaluating individual loans in certain risk categories. These categories have also been established by management and take the form of loan grades. By grading the loan portfolio in this manner, the Company’s management is able to effectively evaluate the

portfolio by risk, which management believes is the most effective way to analyze the loan portfolio and thus analyze the adequacy of the allowance for credit losses on loans.

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

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

The allowance for credit losses on loans was $18.7 million at March 31, 2024 compared to $16.6 million at March 31, 2023, an increase of $2.1 million, or 12.4%. The allowance for credit losses on loans as a percentage of loans was 1.00% and 0.92% at March 31, 2024 and 2023, respectively. The provision for credit losses was $1.0 million compared to $900,000 for the three months ended March 31, 2024 and March 31, 2023, respectively. The provision for credit losses for the quarter ended March 31, 2024 includes $950,000 in credit losses on loans and $50,000 in credit losses on unfunded commitments. The provision for credit losses for the quarter ended March 31, 2023 includes $761,000 in credit losses on loans and $139,000 in credit losses on unfunded commitments. The amount of provision expense recorded in each period was the amount required such that the total allowance for credit losses reflected the appropriate balance, in the estimation of management, that was sufficient to cover expected credit losses on loans over the expected life of a loan exposure and unfunded commitments where the likelihood is that funding will occur. The primary reason for the increase in allowance to loans as a percentage for loans and provision is primarily due to the slight increase in loan charge offs. These charge offs are limited to a few loans and raises no concerns regarding the quality of our loan portfolio as a whole.

Additional information about the Company's allowance for credit losses is provided in Note 4 to our consolidated financial statements as of March 31, 2024, included elsewhere in this Quarterly Report on Form 10-Q.

The following table presents an analysis of the allowance for credit losses on loans as of and for the three months ended March 31, 2024 and 2023:

Table 6 - Analysis of Allowance for Credit Losses on Loans

	March 31, 2024		March 31, 2023	
(dollars in thousands)	**Reserve**	**%***	**Reserve**	**%***
Construction, land & land development	$ 2,046	12.6 %	$ 2,342	13.9 %
Other commercial real estate	7,389	52.2 %	8,122	54.8 %
Residential real estate	5,327	18.7 %	4,112	17.6 %
Commercial, financial & agricultural	2,020	12.8 %	1,657	12.5 %
Consumer and other	1,875	3.6 %	366	1.2 %
	$ 18,657	100 %	$ 16,599	100 %

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

The following table presents a summary of allowance for credit loss for the three months ended March 31, 2024 and 2023.

Table 7 - Summary of Allowance for Credit Losses on Loans

	Three Months Ended	
(dollars in thousands)	**March 31, 2024**	**March 31, 2023**
Allowance for credit losses on loans - beginning balance	$ 18,371	$ 16,128
Adoption of ASU 2016-13	—	(53)
Charge-offs:		
Construction, land & land development	—	—
Other commercial real estate	20	—
Residential real estate	70	—
Commercial, financial & agricultural	658	273
Consumer and other	120	3
Total charge-offs	868	276
Recoveries:		
Construction, land & land development	1	3
Other commercial real estate	9	14
Residential real estate	168	11
Commercial, financial & agricultural	22	7
Consumer and other	4	4
Total recoveries	204	39
Net charge-offs	664	237
Provision for credit losses on loans	950	761
Allowance for credit losses on loans- ending balance	$ 18,657	$ 16,599
Net charge-offs to average loans (annualized)	0.14 %	0.05 %
Allowance for credit losses on loans to total loans	1.00	0.92
Allowance to nonperforming loans	290.11	231.67

Management believes the allowance for credit losses for loans is adequate to provide for losses expected in the loan portfolio as of March 31, 2024.

Nonperforming Assets

Asset quality experienced improvement during the first three months of 2024. Nonperforming assets include nonaccrual loans, accruing loans contractually past due 90 days or more, repossessed personal property and other real estate owned ("OREO"). Nonaccrual loans totaled $6.4 million at March 31, 2024, a decrease of $3.4 million, or 34.6%, from $9.8 million at December 31, 2023. There was one loan contractually past due 90 days or more and still accruing totaling $370,000 at December 31, 2023. There was no repossessed personal property for either period presented. OREO totaled $562,000 at March 31, 2024 compared to $448,000 at December 31, 2023. As of March 31, 2024, total nonperforming assets as a percent of total assets decreased to 0.23% compared with 0.35% at December 31, 2023. The decrease in nonperforming assets was a result of repayments, payoffs and charged off loans.

Generally, loans are placed on non-accrual status if principal or interest payments become 90 days past due and/or management deems the collectability of the principal and/or interest to be in question, as well as when required by regulatory requirements. Loans to a customer whose financial condition has deteriorated are considered for non-accrual status whether or not the loan is 90 days or more past due. Once interest accruals are discontinued, accrued but uncollected interest is charged to current year operations. Subsequent loan payments made on nonaccrual loans are recorded as a reduction of principal, and interest income is recorded only after principal recovery is reasonably assured. Classification of a loan as nonaccrual does not preclude the ultimate collection of loan principal or interest.

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

Nonperforming assets at March 31, 2024 and December 31, 2023 were as follows:

Table 8 - Nonperforming Assets

(dollars in thousands)	**March 31, 2024**	**December 31, 2023**
Nonaccrual loans	$ 6,431	$ 9,839
Loans past due 90 days and accruing	—	370
Other real estate owned	562	448
Repossessed assets	—	—
Total nonperforming assets	$ 6,993	$ 10,657
Nonaccrual loans by loan segment		
Construction, land & land development	$ 56	$ 85
Commercial real estate	2,005	4,219
Residential real estate	2,148	3,561
Commercial, financial & agricultural	2,190	1,956
Consumer & other	32	18
Total nonaccrual loans	$ 6,431	$ 9,839
NPAs as a percentage of total loans and OREO	0.38 %	0.57 %
NPAs as a percentages of total assets	0.23 %	0.35 %
Nonaccrual loans as a percentage of total loans	0.35 %	0.52 %

The Company had three loans modified due to financial difficulty during the three month period ended March 31, 2024. See Note 3 - Loans, for additional details on loan modifications.

Deposits

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

Table 9 - Deposits

(dollars in thousands)	March 31, 2024	December 31, 2023
Noninterest-bearing deposits	$ 476,413	$ 498,992
Interest-bearing deposits	802,596	759,299
Savings	650,188	660,311
Time, $250,000 and over	173,386	167,680
Other time	420,165	458,508
Total deposits	$ 2,522,748	$ 2,544,790

Total deposits decreased $22.0 million to $2.52 billion at March 31, 2024 from $2.54 billion at December 31, 2023. As of March 31, 2024, 18.9% of total deposits were comprised of noninterest-bearing accounts and 81.1% were comprised of interest-bearing deposit accounts, compared to 19.6% and 80.4% as of December 31, 2023, respectively. The overall decrease in our deposits is due primarily to wholesale deposit payoffs. However, customer deposits increased by $12.5 million and is a result of the Company's commitment to growing customer relationships.

We had $59.0 million and $93.6 million in brokered deposits at March 31, 2024 and December 31, 2023, respectively. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to support our asset growth and augment the deposits generated from our branch network, which are our principal source of funding. Our level of brokered deposits varies from time to time depending on competitive interest rate conditions and other factors, and tends to increase as a percentage of total deposits when the brokered deposits are less costly than issuing internet certificates of deposit or borrowing from the FHLB.

The Company's estimated uninsured deposits were $785.6 million at March 31, 2024, or 30.82% of total Bank deposits compared to $777.8 million at December 31, 2023, or 30.22% of total Bank deposits. Adjusted uninsured deposit estimate (which excludes deposits collateralized by public funds and internal accounts) were $459.9 million at March 31, 2024, or 18.04% of total Bank deposits compared to $453.1 million at December 31, 2023, or 17.60% of total Bank deposits. Adjusted uninsured deposits represent a small percentage of our overall deposits, which increases the stability of our deposit base and lowers our overall funding risk.

Off-Balance Sheet Arrangements

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

The Company’s exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments. The Company evaluates each customer’s creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary, upon extension of credit, is based on management’s credit evaluation of the borrower. The type of collateral held varies, but may include cash or cash equivalents, unimproved or improved real estate, personal property or other acceptable collateral.

See Note 8 to our consolidated financial statements as of March 31, 2024, included elsewhere in this Form 10-Q, for a table setting forth the financial instruments that were outstanding whose contract amounts represent credit risk and more information regarding our off-balance sheet arrangements as of March 31, 2024 and December 31, 2023.

Liquidity

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

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

To plan for contingent sources of funding not satisfied by both local and out-of-market deposit balances, the Company and the Bank have established multiple borrowing sources to augment their funds management. The Company has borrowing capacity through membership of the FHLB program. The Bank has also established overnight borrowing for Federal Funds purchased through various correspondent banks. There were no outstanding balances of Federal Funds purchased at March 31, 2024 and December 31, 2023, respectively.

Cash and cash equivalents at March 31, 2024 and December 31, 2023 were $94.7 million and $83.3 million, respectively. Cash and cash equivalents has increased since year end 2023, primarily due to sales of investment securities and portfolio loans. Management believes the various funding sources discussed above are adequate to meet the Company’s liquidity needs without any material adverse impact on our operating results.

Liquidity management involves the matching of cash flow requirements of customers and the ability of the Company to manage those requirements. These requirements of customers include, but are not limited to, deposits being withdrawn or providing assurance to borrowers that sufficient funds are available to meet their credit needs. We strive to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-bearing liabilities so that the balance we have in short-term assets at any given time will adequately cover any reasonably anticipated need for funds. Additionally, we maintain relationships with correspondent banks, which could provide funds on short notice, if needed. We have also invested in FHLB stock for the purpose of establishing credit lines with the FHLB. At March 31, 2024 and December 31, 2023, we had $155.0 million and $175.0 million, respectively, of outstanding advances from the FHLB. Based on the values of loans pledged as collateral, we had $605.9 million and $596.2 million of additional borrowing availability with the FHLB at March 31, 2024 and December 31, 2023, respectively.

Other sources of liquidity include overnight borrowings from the Federal Reserve Discount Window of $98.3 million of which there was no outstanding balance at March 31, 2024. The Company also had unencumbered securities of $469.2 million, $66.6 million in FRB Reserves and $26.7 million in other cash and due from banks as of March 31, 2024. Unencumbered investment securities provide the ability to either be pledged as collateral with borrowing sources or sold and converted to cash.

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

Capital Resources

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

The table below summarizes the capital requirements applicable to the Company and the Bank in order to be considered “well-capitalized” from a regulatory perspective, as well as the Company's and the Bank’s capital ratios as of March 31, 2024 and December 31, 2023. The Company and the Bank exceeded all regulatory capital requirements and was considered to be “well-capitalized” as of March 31, 2024 and December 31, 2023. There have been no conditions or events since March 31,

2024 that management believes would change this classification.

Table 10 - Capital Ratio Requirements

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

Table 11 - Capital Ratios

Company	March 31, 2024	December 31, 2023
CET1 risk-based capital ratio	11.90 %	11.66 %
Tier 1 risk-based capital ratio	13.04	12.77
Total risk-based capital ratio	15.79	15.47
Leverage ratio	9.19	9.17
Colony Bank		
CET1 risk-based capital ratio	13.37 %	12.94 %
Tier 1 risk-based capital ratio	13.37	12.94
Total risk-based capital ratio	14.31	13.85
Leverage ratio	9.43	9.28

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Table 12 - Interest Sensitivity

	Increase (Decrease) in Net Interest Income from Base Scenario at	
	March 31, 2024	December 31, 2023
Changes in rates		
200 basis point increase	2.67%	0.97%
100 basis point increase	1.41	0.54
100 basis point decrease	0.24	2.03

See Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk,” of the Company’s 2023 Form 10-K for additional disclosures related to market and interest rate risk.

There are no material changes during the period covered by this Report to Part II, Item 7A, “Quantitative and Qualitative Disclosures About Market Risk” previously disclosed in the Company's 2023 Form 10-K.

ITEM 4 – CONTROLS AND PROCEDURES

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

During the quarter ended March 31, 2024, there were no changes in the Company’s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

Part II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

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

ITEM 1A – RISK FACTORS

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in "Part I - Item IA - Risk Factors" of the Company's 2023 Form 10-K, which could materially affect its business, financial position, results of operations, cash flows, or future results. Please be aware that these risks may change over time and other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition or results of operations, or the trading price of our securities.

There are no material changes during the period covered by this Report to the risk factors previously disclosed in the Company's 2023 Form 10-K.

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

(a) There were no unregistered shares of the Company's common stock sold during the three-month period ended March 31, 2024.

(b) Not applicable.

(c) On March 22, 2024, the Board of Directors of the Company authorized the extension of the stock buyback program which had originally been approved in October 2022 to expire on December 31, 2023, under which the Company may repurchase up to $12 million of its outstanding common stock. As of March 31, 2024, there is $11.5 million remaining available to be repurchased. The authorization extends the program until the end of 2024. There were no repurchases of our common stock during the first quarter of 2024.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

Pursuant to Item 408(a) of Regulation S-K, none of the Company's directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended March 31, 2024.

ITEM 6 – EXHIBITS

3.1	Articles of Incorporation, As Amended -filed as Exhibit 99.1 to the Registrant's Quarterly Report on Form 10-Q (File No. 0-12436), filed with the Commission on August 4, 2014 and incorporated herein by reference.
3.2	Articles of Amendment to Articles of Incorporation, As Amended, of Colony Bankcorp, Inc.-filed as Exhibit 3.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 0-12436), filed with the Commission on August 12, 2022 and incorporated herein by reference.
3.3	Amended and Restated Bylaws -filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on September 18, 2020 and incorporated herein by reference.
31.1	Certificate of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of March 31, 2024 and December 31, 2023; (ii) Condensed Consolidated Statements of Income for the Three Months Ended March 31, 2024 and 2023; (iii) Condensed Consolidated Statements of Comprehensive Income for the Three Months Ended March 31, 2024 and 2023; (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended March 31, 2024 and 2023; (v) Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2024 and 2023; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements*
104	The cover page from Colony Bankcorp's Quarterly Report on Form 10-Q for the three months ended March 31, 2024 (formatted in Inline XBRL and included in Exhibit 101)

SIGNATURES

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

Colony Bankcorp, Inc.

/s/ T. Heath Fountain

Date: May 9, 2024

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

Date: May 9, 2024

/s/ Derek Shelnutt

Derek Shelnutt
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)