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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Fiscal Year Ended December 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 001-42397

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ 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 Accelerated 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 any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of Colony Bankcorp, Inc. common stock held by non-affiliates was $206.6 million based on the closing price of $12.25 per share on June 30, 2024. For purposes of the foregoing calculation only, all directors and executive officers of the registrant have been deemed affiliates.

The number of shares outstanding of Colony Bankcorp, Inc. common stock, par value $1.00 per share, as of March 12, 2025, was 17,520,136 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2025 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K to the extent stated herein. Such Proxy Statement will be filed with the Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended December 31, 2024.

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In this Annual Report on Form 10-K (this "Annual Report"), references to "we," "our," "us," "Colony" or "the Company" refer to Colony Bankcorp, Inc., a Georgia corporation, and our wholly-owned banking subsidiary, Colony Bank, a Georgia-state chartered bank, unless otherwise indicated or the context otherwise requires. References to "Bank" refer to Colony Bank, our wholly-owned banking subsidiary.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual Report 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 the 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, persistent inflation, trade wars or economic uncertainty as a result of the foregoing;
- 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;
- uncertainties surrounding geopolitical events, trade policy, taxation policy, and monetary policy which continue to impact the outlook for future economic growth, including U.S. imposition of tariffs against Mexico, Canada, and China and consideration of responsive actions by these nations or the expansion of import fees and tariffs among a larger group of nations, which is bringing greater ambiguity to the outlook for future economic growth;
- the potential implementation of a regulatory reform agenda under the new presidential administration that is significantly different that that of the prior administration, impacting rulemaking, supervision, examination and enforcement priorities of the federal banking agencies;
- continued or increasing competition from other financial institutions (including fintech companies), credit unions, and non-bank financial services companies, many of which are subject to different regulations than we are;
- challenges arising from unsuccessful attempts to expand into new geographic markets, products, or services;
- restraints on the ability of the Bank to pay dividends to us, which could limit our liquidity;
- increased capital requirements imposed by banking regulators, which may require us to raise capital at a time when capital is not available on favorable terms or at all;
- a failure in the internal controls we have implemented to address the risks inherent to the business of banking;
- inaccuracies in our assumptions about future events, which could result in material differences between our financial projections and actual financial performance;
- changes in our management personnel or our inability to retain motivate and hire qualified management personnel;
- the dependence of our operating model on our ability to attract and retain experienced and talented bankers in each of our markets, which may be impacted as a result of labor shortages;
- our ability to prevent, identify and address cyber-security risks (which may be exacerbated by the development of generative artificial intelligence), fraud and systems errors;
- disruptions, security breaches, or other adverse events, failures or interruptions in, or attacks on, our information technology systems, and the cost of defending against them and any reputational or other financial risks following such a cybersecurity incident;
- our business relationships with, and reliance upon, third parties that have strategic partnerships with us or that provide key components of our business infrastructure, including the costs of services and products provided to us

by third parties, and disruptions in service, security breaches, financial difficulties with or other adverse events affecting a third-party vendor or business relationship;
- an inability to keep pace with the rate of technological advances due to a lack of resources to invest in new technologies;
- fraudulent and negligent acts by our clients, employees or vendors and our ability to identify and address such acts;
- risks related to potential acquisitions, including the risk that the regulatory environment may not be conducive to or may prohibit the consummation of future mergers and/or business combinations, may increase the length of time and amount of resources required to consummate such transactions, and may reduce the anticipated benefit;
- the impact of any claims or legal actions to which we may be subject, including any effect on our reputation;
- compliance with governmental and regulatory requirements, including the Dodd-Frank Act and others relating to banking, consumer protection, securities and tax matters, and our ability to maintain licenses required in connection with commercial mortgage origination, sale and servicing operations;
- changes in the scope and cost of Federal Deposit Insurance Corporation ("FDIC") insurance and other coverage;
- changes in our accounting standards;
- changes in tariffs and trade barriers;
- changes in federal tax law or policy;
- the institution and outcome of litigation and other legal proceedings against us or to which we may become subject to;
- the impact of recent and future legislative and regulatory changes;
- examinations by our regulatory authorities;
- the effects of war or other conflicts, civil unrest, 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 diversity, equity and inclusion ("DEI") and 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 or result in litigation in connection with anti-DEI and anti-ESG laws, rules or activism;
- 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 this Form 10-K under the heading “Risk Factors” and "Management's Discussion and Analysis of Financial Condition and Results of Operations".

The foregoing factors should not be construed as exhaustive and should be read together with the other cautionary statements included in this Annual Report on Form 10-K. 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 Annual Report on Form 10-K. 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.

Part I

Item 1

Business

COLONY BANKCORP, INC.

General

Colony Bankcorp, Inc. (the "Company" or "Colony") is a financial services company and a registered bank holding company headquartered in Fitzgerald, Georgia. The Company was incorporated on November 8, 1982 under the laws of the State of Georgia. The Company was organized for the purpose of operating as a bank holding company under the Bank Holding Company Act of 1956, as amended, and the bank holding company laws of Georgia. Our business is conducted primarily through our wholly-owned bank subsidiary, Colony Bank, a Georgia state-chartered commercial bank, which provides a broad range of banking services to its retail and commercial customers. We operate locations throughout Georgia as well as in Birmingham, Alabama; Tallahassee, Florida; and the Florida Panhandle. At December 31, 2024, we had approximately $3.1 billion in total assets, $1.9 billion in total loans, $2.6 billion in total deposits and $278.7 million in stockholder's equity. Deposits are insured, up to applicable limits, by the Federal Deposit Insurance Corporation.

The Parent Company

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

Colony Bank - Banking Services

Our principal subsidiary is the Bank. The Bank, headquartered in Fitzgerald, Georgia, offers a comprehensive range of banking solutions tailored to both personal and commercial customers. Our lending solutions include loans for small and medium-sized businesses, residential and commercial construction, land development and commercial real estate. We also provide commercial loans, agri-business and production loans, residential mortgages, home equity loans, and consumer loans. In addition to traditional lending, we offer specialized loan programs, including government-guaranteed loans through our Small Business Specialty Lending ("SBSL") department and financing for marine and recreational vehicles.

Our deposit products serve as the primary funding source for our loans and are designed to meet the needs of both individuals and businesses. We offer a variety of noninterest-bearing and interest-bearing accounts, including checking, savings, money market, and other deposit options. Our focus is on expanding core deposits while strengthening customer relationships. To complement our deposit offerings, we also provide treasury solutions, merchant services, and other financial tools that support businesses in managing cash flow and operational efficiency.

We also offer internet banking services, electronic bill payment services, safe deposit box rentals, telephone banking, credit and debit card services, remote depository products and access to a network of ATMs to our customers. The Bank conducts its business through thirty-four offices located in north, central, south and coastal Georgia cities of Fitzgerald, Warner Robins, Centerville, Ashburn, Leesburg, Cordele, Albany, LaGrange, Columbus, Sylvester, Tifton, Moultrie, Douglas, Broxton, Savannah, Eastman, Fayetteville, Rochelle, Rockmart, Cedartown, Chickamauga, Atlanta, Athens, Augusta, Macon, Manchester, Quitman, Thomaston, Valdosta and Statesboro, Georgia along with a corporate banking office in Birmingham, Alabama and a loan production office in Tallahassee, Florida.

Recent Capital Developments

Subordinated Notes

On May 20, 2022, the Company completed a private placement of $39.5 million in fixed-to-floating rate subordinated notes 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 December 31, 2024, $38.8 million of the Notes were outstanding.

Stock Buyback Program

On October 20, 2022, the Board of Directors of the Company authorized a stock buyback program, under which the Company could repurchase up to $12 million of its outstanding common stock. Repurchases under this program are made through open market purchases, privately negotiated transactions or such other manners as comply with applicable laws and regulations. The initial buyback program began on October 20, 2022 and expired on December 31, 2023. On March 22, 2024, the Board of Directors of the Company authorized the extension of the initial buyback program until the end of 2024 and then again on December 18, 2024, authorized another extension of the program until the end of 2025. As of December 31, 2024, the Company had repurchased a total of 171,481 shares for a total of $2,249,000 since the start of the program in 2022, leaving $9,751,000 available to repurchase.

Markets and Competition

The banking industry in general is highly competitive. Our market areas consist of north, central, south and coastal Georgia. In contrast to our rural markets, in which we typically rank in the top three in terms of market share, we face competitive pressures in attracting deposits and making loans from larger regional banks and smaller community banks. The Bank's competition includes not only other banks of comparable or larger size in the same markets, but also various other nonbank financial institutions, including savings and loan associations, credit unions, mortgage companies, personal and commercial financial companies, peer to peer lending businesses, fintech companies, investment brokerage and financial advisory firms and mutual fund companies. The Bank competes for deposits, commercial, fiduciary and investment services and various types of loans and other financial services. The Bank also competes for interest-bearing funds with a number of other financial intermediaries, including brokerage and insurance firms, as well as investment alternatives, including mutual funds, governmental and corporate bonds, and other securities. Continued consolidation and rapid technological changes within the financial services industry will likely change the nature and intensity of competition, but also will create opportunities for the Company to demonstrate and leverage its competitive advantages. The continuing consolidation within the financial services industry is leading to larger, better capitalized and geographically diverse institutions with enhanced product and technology capabilities. Additionally, competition from fintechs, is increasing. In addition to fintechs, certain technology companies are working to provide financial services directly to their customers. These nontraditional financial service providers have been successful in developing digital and other products and services that effectively compete with traditional banking services, but are in some cases subject to fewer regulatory restrictions than banks and bank holding companies, allowing them to operate with greater flexibility and lower cost structures. Although digital products and services have been important competitive features of financial institutions for some time, the move toward digital financial services products has accelerated in recent years and we expect that trend to continue.

Competitors include not only financial institutions based in Georgia, but also a number of large out-of-state and foreign banks, bank holding companies and other financial institutions that have an established market presence in Georgia or that offer internet-based products. Many of the Company's competitors are engaged in local, regional, national and international operations and have greater assets, personnel and other resources. Some of these competitors are subject to less regulation and/or more favorable tax treatment. Many of these institutions have greater resources, broader geographic markets and higher lending limits, and may offer services that the Company does not offer. In addition, these institutions may be able to better afford and make broader use of media advertising, support services, and electronic and other technology. To offset these potential competitive disadvantages, the Company depends on its reputation for superior service, ability to make credit and other business decisions quickly, and the delivery of an integrated distribution of traditional branches and bankers, with digital technology.

Correspondents

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

Human Capital Resources

We recognize that our most valuable asset is our people. One of our top strategic priorities is the retention and development of our talent. This includes providing career development opportunities for all associates; increasing our inclusivity and recognizing that diverse perspectives, backgrounds, and experiences strengthen our ability to meet the needs of our associates, communities, clients and shareholders; training our next generation of leaders; and succession planning.

On December 31, 2024, the Company had a total of 465 employees, 455 of which are full-time equivalent employees. None of our employees are represented by any collective bargaining unit or is a party to a collective bargaining agreement. We consider our relationship with our employees to be satisfactory and have not experienced interruptions of operations due to labor disagreements. All of our employees are chosen on the basis of their qualifications and merit.

Talent Acquisition, Development and Retention

Our culture emphasizes our longstanding dedication to being respectful to others and having a workforce that is representative of the communities we serve. Inclusion and belonging are fundamental to our culture. We believe in attracting, retaining and promoting quality talent and recognize that diversity makes us stronger as a company. Our success depends on our ability to attract, retain and develop employees, and our talent acquisition teams partner with hiring managers in sourcing and presenting a slate of qualified candidates to strengthen our organization. Professional development is a key priority, which is facilitated through our many corporate development initiatives including extensive training programs, corporate mentoring, leadership programs, educational reimbursement and professional speaker series. Our talent acquisition, development and retention focuses on rewarding merit and achievement while nurturing and progressing skilled talent across various business segments.

Health and Welfare

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

Corporate Information

The Company's headquarters is located at 115 South Grant Street, Fitzgerald, Georgia 31750, its telephone number is 229-426-6000 and its internet address is www.colonybank.com. The information contained on or accessible from our website does not constitute a part of this Annual Report on Form 10-K and is not incorporated by reference herein.

Public Information

Persons interested in obtaining information on the Company may read and copy any materials that we file with the U.S. Securities and Exchange Commission ("SEC"). The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at https://www.sec.gov. We make available, free of charge, on or through our website, https://investors.colony.bank.com/sec-filings, our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and other filings pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and amendments to such filings, as soon as reasonably practicable after each is electronically filed with, or furnished to, the SEC.

SUPERVISION AND REGULATION

General

We are extensively regulated under federal and state law. The following is a brief summary that does not purport to be a complete description of all regulations that affect us or all aspects of those regulations. This discussion is qualified in its entirety by reference to the particular statutory and regulatory provisions described below and is not intended to be an exhaustive description of the statutes or regulations applicable to the Company's and the Bank's business. In addition, proposals to change the laws and regulations governing the banking industry are frequently raised at both the state and federal levels. The likelihood and timing of any changes in these laws and regulations, and the impact such changes may have on us and the Bank, are

difficult to predict. In addition, bank regulatory agencies may issue enforcement actions, policy statements, interpretive letters and similar written guidance applicable to us or the Bank. Changes in applicable laws, regulations or regulatory guidance, or their interpretation by regulatory agencies or courts may have a material adverse effect on our and the Bank's business, operations, and earnings. Supervision and regulation of banks, their holding companies and affiliates is intended primarily for the protection of depositors and customers, the Deposit Insurance Fund ("DIF") of the Federal Deposit Insurance Corporation ("FDIC"), and the U.S. banking and financial system rather than holders of our capital stock.

Regulation of the Company

We are registered as a bank holding company with the Federal Reserve under the Bank Holding Company Act of 1956, as amended (the "BHC Act") and have elected to be treated as a financial holding company. As such, we are subject to comprehensive supervision and regulation by the Federal Reserve and are subject to its regulatory reporting requirements. Federal law subjects financial holding companies, such as the Company, to particular restrictions on the types of activities in which they may engage, and to a range of supervisory requirements and activities, including regulatory enforcement actions for violations of laws and regulations. Violations of laws and regulations, or other unsafe and unsound practices, may result in regulatory agencies imposing fines or penalties, cease and desist orders, or taking other enforcement actions. Under certain circumstances, these agencies may enforce these remedies directly against officers, directors, employees and other parties participating in the affairs of a bank or bank holding company.

Activity Limitations. As a financial holding company, we are permitted to engage directly or indirectly in a broader range of activities than those permitted for a bank holding company that has not elected to be a financial holding company. Bank holding companies are generally restricted to engaging in the business of banking, managing or controlling banks and certain other activities determined by the Federal Reserve to be closely related to banking. Financial holding companies may also engage in activities that are considered to be financial in nature, as well as those incidental or, if determined by the Federal Reserve, complementary to financial activities. We and Colony Bank must each remain "well-capitalized" and "well-managed" and Colony Bank must receive a CRA rating of at least "Satisfactory" at its most recent examination in order for us to maintain our status as a financial holding company. If Colony Bank ceases to be "well capitalized" or "well managed" under applicable regulatory standards, or if Colony Bank receives a rating of less than satisfactory under the CRA, the Federal Reserve Board may, among other things, place limitations on our ability to conduct these broader financial activities or, if the deficiencies persist, require us to divest the banking subsidiary or the businesses engaged in activities permissible only for financial holding companies.

In addition, the Federal Reserve has the power to order a bank holding company or its subsidiaries to terminate any nonbanking activity or terminate its ownership or control of any nonbank subsidiary, when it has reasonable cause to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company.

Source of Strength Obligations. A financial holding company is required to act as a source of financial and managerial strength to its subsidiary bank and to maintain resources adequate to support its bank. The term "source of financial strength" means the ability of a company, such as us, that directly or indirectly owns or controls an insured depository institution, such as the Bank, to provide financial assistance to such insured depository institution in the event of financial distress. The appropriate federal banking agency for the depository institution (in the case of the Bank, this agency is the FDIC) may require reports from us to assess our ability to serve as a source of strength and to enforce compliance with the source of strength requirements by requiring us to provide financial assistance to the Bank in the event of financial distress. If we were to enter bankruptcy or become subject to the orderly liquidation process established by the Dodd-Frank Act, any commitment by us to a federal bank regulatory agency to maintain the capital of the Bank would be assumed by the bankruptcy trustee or the FDIC, as appropriate, and entitled to a priority of payment.

Acquisitions. The BHC Act permits acquisitions of banks by bank holding companies, such that we and any other bank holding company, whether located in Georgia or elsewhere, may acquire a bank located in any other state, subject to certain deposit-percentage, age of bank charter requirements, and other restrictions. The BHC Act requires that a bank holding company obtain the prior approval of the Federal Reserve before (i) acquiring direct or indirect ownership or control of more than 5% of the voting shares of any additional bank or bank holding company, (ii) taking any action that causes an additional bank or bank holding company to become a subsidiary of the bank holding company, or (iii) merging or consolidating with any other bank holding company. The Federal Reserve may not approve any such transaction that would result in a monopoly or would be in furtherance of any combination or conspiracy to monopolize or attempt to monopolize the business of banking in any section of the United States, or the effect of which may be substantially to lessen competition or to tend to create a monopoly in any section of the country, or that in any other manner would be in restraint of trade, unless the anticompetitive effects of the proposed transaction are clearly outweighed by the public interest in meeting the convenience and needs of the community to be

served. The Federal Reserve is also required to consider: (1) the financial and managerial resources of the companies involved, including pro forma capital ratios; (2) the risk to the stability of the United States banking or financial system; (3) the convenience and needs of the communities to be served, including performance under the Community Reinvestment Act, further described below; and (4) the effectiveness of the companies in combatting money laundering.

Change in Control. Federal law restricts the amount of voting stock of a bank holding company or a bank that a person may acquire without the prior approval of banking regulators. Under the Change in Bank Control Act and the regulations thereunder, a person or group must give advance notice to the Federal Reserve before acquiring control of any bank holding company, such as the Company, and the FDIC before acquiring control of the Bank. Upon receipt of such notice, the bank regulatory agencies may approve or disapprove the acquisition. The Change in Bank Control Act creates a rebuttable presumption of control if a person or group acquires the power to vote 10% or more of our outstanding common stock. The overall effect of such laws is to make it more difficult to acquire a bank holding company and a bank by tender offer or similar means than it might be to acquire control of another type of corporation. Consequently, shareholders of the Company may be less likely to benefit from the rapid increases in stock prices that may result from tender offers or similar efforts to acquire control of other companies. Investors should be aware of these requirements when acquiring shares of our stock.

Governance and Financial Reporting Obligations. We are required to comply with various corporate governance and financial reporting requirements under the Sarbanes-Oxley Act of 2002, as well as rules and regulations adopted by the SEC, the Public Company Accounting Oversight Board, and the New York Stock Exchange. In particular, we are required to include management and independent registered public accounting firm reports on internal controls as part of our Annual Report on Form 10-K in order to comply with Section 404 of the Sarbanes-Oxley Act. We have evaluated our controls, including compliance with the SEC rules on internal controls, and have and expect to continue to spend significant amounts of time and money on compliance with these rules. Our failure to comply with these internal control rules may materially adversely affect our reputation, ability to obtain the necessary certifications to financial statements, and the values of our securities.

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

Incentive Compensation. The Dodd-Frank Act required the banking agencies and the SEC to establish joint rules or guidelines for financial institutions with more than $1 billion in assets, such as us and the Bank, which prohibit incentive compensation arrangements that the agencies determine to encourage inappropriate risks by the institution. The federal banking agencies issued proposed rules in 2011 and previously issued guidance on sound incentive compensation policies. In 2016, the federal banking agencies also proposed rules that would, depending upon the assets of the institution, directly regulate incentive compensation arrangements and would require enhanced oversight and recordkeeping. As of December 31, 2023, these rules have not been implemented. We and the Bank have undertaken efforts to ensure that our incentive compensation plans do not encourage inappropriate risks, consistent with three key principles - that incentive compensation arrangements should appropriately balance risk and financial rewards, be compatible with effective controls and risk management, and be supported by strong corporate governance. On October 26, 2022, the SEC adopted final rules to implement Section 954 of the Dodd-Frank Act that require public companies to adopt and disclose a policy for the recovery of incentive-based compensation received by current or former executive officers that is based on erroneously reported financial information in the event of a required accounting restatement. The rules also require disclosure of the policy, including filing the policy as an exhibit to annual reports on Form 10-K and additional disclosure in the event an accounting restatement is required and recovery is triggered under the policy.

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

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

Capital Requirements. The Company and the Bank are each 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 in assessing an institution's overall capital adequacy. The following is a brief description of the relevant provisions of these capital rules and their potential impact on our capital levels.

The Company and the Bank are each subject to the following risk-based capital ratios: a common equity Tier 1 ("CET1") risk-based capital ratio, a Tier 1 risk-based capital ratio, which includes CET1 and additional Tier 1 capital, and a total risk-based capital ratio, which includes Tier 1 and Tier 2 capital. CET1 is primarily comprised of the sum of common stock instruments and related surplus net of treasury stock, plus retained earnings, and certain qualifying minority interests, less certain adjustments and deductions, including with respect to goodwill, intangible assets, mortgage servicing assets and deferred tax assets subject to temporary timing differences. Additional Tier 1 capital is primarily comprised of noncumulative perpetual preferred stock, tier 1 minority interests and grandfathered trust preferred securities. Tier 2 capital consists of instruments disqualified from Tier 1 capital, including qualifying subordinated debt, other preferred stock and certain hybrid capital instruments, and a limited amount of loan loss reserves up to a maximum of 1.25% of risk-weighted assets, subject to certain eligibility criteria. The capital rules also define the risk-weights assigned to assets and off-balance sheet items to determine the risk-weighted asset components of the risk-based capital rules, including, for example, certain "high volatility" commercial real estate, past due assets, structured securities and equity holdings.

The leverage capital ratio, which serves as a minimum capital standard, is the ratio of Tier 1 capital to quarterly average total consolidated assets net of goodwill, certain other intangible assets, and certain required deduction items. The required minimum leverage ratio for all banks is 4%.

In addition, as of January 1, 2019, the capital rules require a capital conservation buffer of 2.5%, constituted of CET1, above each of the minimum capital ratio requirements (CET1, Tier 1, and total risk-based capital), which is designed to absorb losses during periods of economic stress. These buffer requirements must be met for a bank to be able to pay dividends, engage in share buybacks or make discretionary bonus payments to executive management without restriction.

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

To be well-capitalized, the Bank must maintain at least the following capital ratios:

- 6.5% CET1 to risk-weighted assets;
- 8.0% Tier 1 capital to risk-weighted assets;
- 10.0% Total capital to risk-weighted assets; and
- 5.0% Leverage ratio.

Failure to be well-capitalized or to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have an adverse material effect on our operations or financial condition. For example, only a well-capitalized depository institution may accept brokered deposits without prior regulatory approval. Failure to be well-capitalized or to meet minimum capital requirements could also result in restrictions on the Bank's ability to pay dividends or otherwise distribute capital or to receive regulatory approval of applications or other restrictions on its growth.

The Federal Reserve has not yet revised the well-capitalized standard for bank holding companies to reflect the higher capital requirements imposed under the current capital rules. For purposes of the FRB's Regulation Y, including determining whether a bank holding company meets the requirements to be a financial holding company, bank holding companies, such as the

Company, must maintain a Tier 1 risk-based capital ratio of 6.0% or greater and a total risk-based capital ratio of 10% or greater to be well-capitalized.

The Company is required to comply with minimum regulatory capital levels due to surpassing the $3 billion asset threshold in 2023. The Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Economic Growth Act") signed into law in May 2018 scaled back certain requirements of the Dodd-Frank Act and provided other regulatory relief. Among the provisions of the Economic Growth Act was a requirement that the Federal Reserve raise the asset threshold for those bank holding companies subject to the Federal Reserve's Small Bank Holding Company Policy Statement ("Policy Statement") to $3 billion. As a result, as of the effective date of that change in 2018, the Company was no longer required to comply with the risk-based capital rules applicable to the Bank as described above from 2018 until June 2023 when its assets passed the $3 billion asset threshold.

As of December 31, 2024, the Company's and the Bank's regulatory capital ratios were above the applicable well-capitalized standards and met the then-applicable capital conservation buffer.

As a result of the Economic Growth Act, the federal banking agencies were also required to develop a "Community Bank Leverage Ratio" (the ratio of a bank's Tier 1 capital to average total consolidated assets) for financial institutions with assets of less than $10 billion. A "qualifying community bank" that exceeds this ratio will be deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered "well capitalized" under prompt corrective action statutes. The federal banking agencies may consider a financial institution's risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies set the minimum capital for the new Community Bank Leverage Ratio at 9%. The Bank has not opted into the Community Bank Leverage Ratio Framework.

In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-13, which introduced CECL as the methodology to replace the "incurred loss" methodology for financial assets measured at amortized cost, and changed the approaches for recognizing and recording credit losses on available-for-sale debt securities and purchased credit impaired financial assets. Under the incurred loss methodology, credit losses are recognized only when the losses are probable or have been incurred; under CECL, companies are required to recognize the full amount of expected credit losses for the lifetime of the financial assets, based on historical experience, current conditions and reasonable and supportable forecasts. This change will result in earlier recognition of credit losses that the Company deems expected but not yet probable. For SEC reporting companies with smaller reporting company designation and December 31 fiscal-year ends, such as the Company, CECL became effective in the first quarter of 2023.

Payment of Dividends. We are a legal entity separate and distinct from the Bank and our other subsidiaries. Our primary source of cash, other than securities offerings, is dividends from the Bank. Under the laws of the State of Georgia, we, as a business corporation, may declare and pay dividends in cash or property unless the payment or declaration would be contrary to restrictions contained in our Articles of Incorporation, as amended, or unless, after payment of the dividend, we would not be able to pay our debts when they become due in the usual course of our business or our total assets would be less than the sum of our total liabilities. In addition, we are also subject to federal regulatory capital requirements that effectively limit the amount of cash dividends that we may pay.

The primary sources of funds for our payment of dividends to our shareholders are cash on hand and dividends from the Bank and our non-bank subsidiaries. Various federal and state statutory provisions and regulations limit the amount of dividends that the Bank and our non-bank subsidiaries may pay. The Bank is a Georgia bank. Under the regulations of the Georgia Department of Banking and Finance, a Georgia bank must have approval of the Georgia Department of Banking and Finance to pay cash dividends if, at the time of such payment:

- the ratio of Tier 1 capital to average total assets is less than 6%;
- the aggregate amount of dividends to be declared or anticipated to be declared during the current calendar year exceeds 50% of its net after-tax profits before dividends for the previous calendar year; or
- its total adversely classified assets in its most recent regulatory examination exceeded 80% of its Tier 1 capital plus its allowance for loan and lease losses.

The Georgia Financial Institutions Code contains restrictions on the ability of a Georgia bank to pay dividends other than from retained earnings without the approval of the Georgia Department of Banking and Finance. As a result of the foregoing restrictions, the Bank may be required to seek approval from the Georgia Department of Banking and Finance to pay dividends.

In addition, we and the Bank are subject to various general regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal bank regulatory authority may prohibit the payment of dividends where it has determined that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. The FDIC and the Federal Reserve have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsound and unsafe banking practice. The FDIC and the Federal Reserve have each indicated that depository institutions and their holding companies should generally pay dividends only out of current operating earnings. Prior approval by the FDIC is required if the total of all dividends declared by a bank in any calendar year exceeds the bank's profits for that year combined with its retained net profits for the preceding two calendar years.

Under a Federal Reserve policy adopted in 2009, the board of directors of a bank holding company must consider different factors to ensure that its dividend level is prudent relative to maintaining a strong financial position, and is not based on overly optimistic earnings scenarios, such as potential events that could affect its ability to pay, while still maintaining a strong financial position. As a general matter, the Federal Reserve has indicated that the board of directors of a bank holding company should consult with the Federal Reserve and eliminate, defer or significantly reduce the bank holding company's dividends if:

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

Regulation of the Bank

The Bank is subject to comprehensive supervision and regulation by the FDIC and is subject to its regulatory reporting requirements. The Bank also is subject to certain Federal Reserve regulations. In addition, as discussed in more detail below, the Bank and any other of our subsidiaries that offer consumer financial products and services are subject to regulation and potential supervision by the Consumer Financial Protection Bureau ("CFPB"). Authority to supervise and examine the Company and the Bank for compliance with federal consumer laws remains largely with the Federal Reserve and the FDIC, respectively. However, the CFPB may participate in examinations on a "sampling basis" and may refer potential enforcement actions against such institutions to their primary regulators. The CFPB also may participate in examinations of our other direct or indirect subsidiaries that offer consumer financial products or services. In addition, the Dodd-Frank Act permits states to adopt consumer protection laws and regulations that are stricter than those regulations promulgated by the CFPB, and state attorneys general are permitted to enforce certain federal consumer financial protection rules adopted by the CFPB.

Broadly, regulations applicable to the Bank include limitations on loans to a single borrower and to its directors, officers and employees; restrictions on the opening and closing of branch offices; the maintenance of required capital and liquidity ratios; the granting of credit under equal and fair conditions; the disclosure of the costs and terms of such credit; requirements to maintain reserves against deposits and loans; limitations on the types of investment that may be made by the Bank; and requirements governing risk management practices. The Bank is permitted under federal law to branch on a de novo basis across state lines where the laws of that state would permit a bank chartered by that state to open a de novo branch.

Transactions with Affiliates and Insiders. The Bank is subject to restrictions on extensions of credit and certain other transactions between the Bank and the Company or any nonbank affiliate. Generally, these covered transactions with either the Company or any affiliate are limited to 10% of the Bank's capital and surplus, and all such transactions between the Bank and the Company and all of its nonbank affiliates combined are limited to 20% of the Bank's capital and surplus. Loans and other extensions of credit from the Bank to the Company or any affiliate generally are required to be secured by eligible collateral in specified amounts. In addition, any transaction between the Bank and the Company or any affiliate are required to be on an arm's length basis. Federal banking laws also place similar restrictions on certain extensions of credit by insured banks, such as the Bank, to their directors, executive officers and principal shareholders.

Reserves. Federal Reserve rules require depository institutions, such as the Bank, to maintain reserves against their transaction accounts, primarily interest bearing and non-interest bearing checking accounts. Effective March 26, 2020, reserve requirement ratios were reduced to zero percent. These reserve requirements are subject to annual adjustment by the Federal Reserve. At December 31, 2024, the reserve requirement ratio remains at zero percent.

FDIC Insurance Assessments and Depositor Preference. The Bank's deposits are insured by the FDIC's DIF up to the limits under applicable law, which currently are set at $250,000 per depositor, per insured bank, for each account ownership category. The Bank is subject to FDIC assessments for its deposit insurance. The FDIC calculates quarterly deposit insurance assessments

based on an institution's average total consolidated assets less its average tangible equity, and applies one of four risk categories determined by reference to its capital levels, supervisory ratings, and certain other factors. The assessment rate schedule can change from time to time, at the discretion of the FDIC, subject to certain limits.

As of June 30, 2020, the DIF reserve ratio fell to 1.30%, below the statutory minimum of 1.35%. The FDIC, as required under the Federal Deposit Insurance Act, established a plan on September 15, 2020, to restore the DIF reserve ratio to meet or exceed the statutory minimum of 1.35% within eight years. On October 18, 2022, the FDIC adopted an amended restoration plan to increase the likelihood that the reserve ratio would be restored to at least 1.35 percent by September 30, 2028. The FDIC's amended restoration plan increases the initial base deposit insurance assessment rate schedules uniformly by 2 basis points, beginning in the first quarterly assessment period of 2023. The FDIC could further increase the deposit insurance assessments for certain insured depository institutions, including the Bank, if the DIF reserve ratio is not restored as projected.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by a bank's federal regulatory agency. In addition, the Federal Deposit Insurance Act provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution, including those of the parent bank holding company.

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

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

Anti-Money Laundering. A continued focus of governmental policy relating to financial institutions in recent years has been combating money laundering and terrorist financing. The USA PATRIOT Act broadened the application of anti-money laundering regulations to apply to additional types of financial institutions such as broker-dealers, investment advisors and insurance companies, and strengthened the ability of the U.S. Government to help prevent, detect and prosecute international money laundering and the financing of terrorism. The principal provisions of Title III of the USA PATRIOT Act require that regulated financial institutions, including state member banks: (i) establish an anti-money laundering program that includes training and audit components; (ii) comply with regulations regarding the verification of the identity of any person seeking to open an account; (iii) take additional required precautions with non-U.S. owned accounts; and (iv) perform certain verification and certification of money laundering risk for their foreign correspondent banking relationships. Failure of a financial institution to comply with the USA PATRIOT Act's requirements could have serious legal and reputational consequences for the institution. The Bank has augmented its systems and procedures to meet the requirements of these regulations and will continue to revise and update its policies, procedures and controls to reflect changes required by law.

FinCEN has adopted rules that require financial institutions to obtain beneficial ownership information with respect to legal entities with which such institutions conduct business, subject to certain exclusions and exemptions. Bank regulators are focusing their examinations on anti-money laundering compliance, and we continue to monitor and augment, where necessary, our anti-money laundering compliance programs.

Banking regulators will consider compliance with the Act's money laundering provisions in acting upon acquisition and merger proposals. Bank regulators routinely examine institutions for compliance with these obligations and have been active in imposing cease and desist and other regulatory orders and money penalty sanctions against institutions found to be violating these obligations. Sanctions for violations of the Act can be imposed in an amount equal to twice the sum involved in the violating transaction, up to $1 million. On January 1, 2021, Congress passed federal legislation that made sweeping changes to federal anti-money laundering laws, including changes that will be implemented in 2021 and subsequent years.

Economic Sanctions. The Office of Foreign Assets Control ("OFAC") is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and acts of Congress. OFAC

publishes, and routinely updates, lists of names of persons and organizations suspected of aiding, harboring or engaging in terrorist acts, including the Specially Designated Nationals and Blocked Persons List. If we find a name on any transaction, account or wire transfer that is on an OFAC list, we must undertake certain specified activities, which could include blocking or freezing the account or transaction requested, and we must notify the appropriate authorities.

Concentrations in Lending. As part of the adoption of CECL by the Company on January 1, 2023, the Company updated its calculations for credit concentrations to use guidance issued by the federal bank regulatory agencies for financial institutions after CECL implementation. The guidance requires that appropriate processes be in place to identify, monitor and control risks associated with real estate lending concentrations. Under the new guidance, a financial institution will be considered to have a significant commercial real estate ("CRE") concentration risk, and will be subject to enhanced supervisory expectations to manage that risk, if:

- total reported loans for construction, land & land development represent 100% or more of a bank's tier 1 capital plus the allowance for credit losses for loans; or
- total reported loans for construction, land & land development plus non-owner occupied CRE represent 300% or more of a bank's tier 1 capital plus the allowance for credit losses for loans and the outstanding balance of the bank's CRE loan portfolio has increased by 50% or more during the prior 36 months.

As of December 31, 2024, the Company's construction, land & land development concentration as a percentage of capital totaled 65.5% and our CRE concentration, net of owner occupied loans, as a percentage of capital totaled 251.4%. As of December 31, 2024, both percentages were below the established regulatory guidelines.

We have always had exposures to loans secured by commercial real estate due to the nature of our markets and the loan needs of both retail and commercial customers. We believe our long term experience in CRE lending, underwriting policies, internal controls, and other policies currently in place, as well as our loan and credit monitoring and administration procedures, which include calculation of the above two ratios, are generally appropriate to managing our concentrations as required under the guidance.

Community Reinvestment Act. The Bank is subject to the provisions of the Community Reinvestment Act ("CRA"), which imposes a continuing and affirmative obligation, consistent with their safe and sound operation, to help meet the credit needs of entire communities where the bank accepts deposits, including low- and moderate-income neighborhoods. The FDIC's assessment of the Bank's CRA record is made available to the public. Further, a less than satisfactory CRA rating will slow, if not preclude, expansion of banking activities and prevent a company from becoming or remaining a financial holding company. Following the enactment of the Gramm-Leach-Bliley Act ("GLB"), CRA agreements with private parties must be disclosed and annual CRA reports must be made to a bank's primary federal regulator. A bank holding company will not be permitted to become or remain a financial holding company and no new activities authorized under GLB may be commenced by a holding company or by a bank financial subsidiary if any of its bank subsidiaries received less than a "satisfactory" CRA rating in its latest CRA examination. Federal CRA regulations require, among other things, that evidence of discrimination against applicants on a prohibited basis, and illegal or abusive lending practices be considered in the CRA evaluation. The Bank has a rating of "Satisfactory" in its most recent CRA evaluation.

On October 24, 2023, the OCC, FRB, and FDIC issued a final rule to modernize their respective CRA regulations. The revised rules substantially alter the methodology for assessing compliance with the CRA with material aspects taking effect January 1, 2026, and revised data reporting requirements taking effect January 1, 2027. Among other things, the revised rules evaluate lending outside traditional assessment areas generated by the growth of non-branch delivery systems, such as online and mobile banking, apply a metrics-based benchmarking approach to assessment, and clarify eligible CRA activities. The final rules were challenged in federal court and a preliminary injunction was granted in March 2024 enjoining implementation of the rules. The effective dates will be extended for each day the injunction remains in place, pending the resolution of the lawsuit. If the final rules are reinstated, they are likely to make it more challenging and/or costly for the Bank to receive a rating of at least "satisfactory" on its CRA exam.

Privacy and Data Security. The GLB generally prohibits disclosure of consumer information to non-affiliated third parties unless the consumer has been given the opportunity to object and has not objected to such disclosure. Financial institutions are further required to disclose their privacy policies to customers annually. Financial institutions, however, will be required to comply with state law if it is more protective of consumer privacy than the GLB. The GLB also directed federal regulators, including the FDIC, to prescribe standards for the security of consumer information. The Bank is subject to such standards, as well as standards for notifying customers in the event of a security breach. Under federal law, the Bank must disclose its privacy policy to consumers, permit customers to opt out of having nonpublic customer information disclosed to third parties in certain circumstances and allow customers to opt out of receiving marketing solicitations based on information about the

customer received from another subsidiary. States may adopt more extensive privacy protections. We are similarly required to have an information security program to safeguard the confidentiality and security of customer information and to ensure proper disposal. Customers must be notified when unauthorized disclosure involves sensitive customer information that may be misused. The federal banking agencies require banks to notify their regulators within 36 hours of a "computer-security incident" that rises to the level of a "notification incident."

Consumer Regulation. Activities of the Bank are subject to a variety of statutes and regulations designed to protect consumers. These laws and regulations include, among numerous other things, provisions that:

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

Mortgage Regulation. The CFPB adopted a rule that implements the ability-to-repay and qualified mortgage provisions of the Dodd-Frank Act (the "ATR/QM rule"), which requires lenders to consider, among other things, income, employment status, assets, payment amounts, and credit history before approving a mortgage, and provides a compliance "safe harbor" for lenders that issue certain "qualified mortgages." The ATR/QM rule defines a "qualified mortgage" to have certain specified characteristics, and generally prohibit loans with negative amortization, interest-only payments, balloon payments, or terms exceeding 30 years from being qualified mortgages. The rule also establishes general underwriting criteria for qualified mortgages, including that monthly payments be calculated based on the highest payment that will apply in the first five years of the loan and that the borrower have a total debt-to-income ratio that is less than or equal to 43%. While "qualified mortgages" will generally be afforded safe harbor status, a rebuttable presumption of compliance with the ability-to-repay requirements will attach to "qualified mortgages" that are "higher priced mortgages" (which are generally subprime loans). In addition, the securitizer of asset-backed securities must retain not less than 5% of the credit risk of the assets collateralizing the asset-backed securities, unless subject to an exemption for asset-backed securities that are collateralized exclusively by residential mortgages that qualify as "qualified residential mortgages."

The CFPB has also issued rules to implement requirements of the Dodd-Frank Act pertaining to mortgage loan origination (including with respect to loan originator compensation and loan originator qualifications) as well as integrated mortgage disclosure rules. In addition, the CFPB has issued rules that require servicers to comply with new standards and practices with regard to: error correction; information disclosure; force-placement of insurance; information management policies and procedures; requiring information about mortgage loss mitigation options be provided to delinquent borrowers; providing delinquent borrowers access to servicer personnel with continuity of contact about the borrower's mortgage loan account; and evaluating borrowers' applications for available loss mitigation options. These rules also address initial rate adjustment notices for adjustable-rate mortgages (ARMs), periodic statements for residential mortgage loans, and prompt crediting of mortgage payments and response to requests for payoff amounts.

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

Item 1A.

Risk Factors

In addition to the other information contained in this Annual Report, you should carefully consider the risks described below, as well as the risk factors and uncertainties discussed in our other public filings with the SEC under the caption "Risk Factors" in evaluating us and our business and making or continuing an investment in our stock. Our operations and financial results are subject to various risks and uncertainties, including, but not limited to, the material risks described below. Many of these risks are beyond our control although efforts are made to manage those risks while simultaneously optimizing operational and financial results. The occurrence of any of the following risks, as well as risks of which we are currently unaware or currently deem immaterial, could materially and adversely affect our assets, business, cash flows, condition (financial or otherwise), liquidity, prospects, results of operations and the trading price of our common stock. It is impossible to predict or identify all such factors and, as a result, you should not consider the following factors to be a complete discussion of the risks, uncertainties and assumptions that could materially and adversely affect our assets, business, cash flows, condition (financial or otherwise), liquidity, prospects, results of operations and the trading price of our common stock.

In addition, certain statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled "Cautionary Note Regarding Forward-Looking Statements" beginning on page 1 of this Annual Report.

Risks Related to Our Business

Difficult or volatile conditions in the national financial markets and local economies may adversely affect our results of operations and financial condition.

Our business and financial performance are vulnerable to weak economic conditions in the financial markets and economic conditions generally or specifically in the state of Georgia, the principal market in which we conduct business. We are operating in a challenging and uncertain economic environment. The global credit and financial markets have from time to time experienced extreme volatility and disruptions, including as a result of severely diminished liquidity and credit availability, declines in consumer confidence, declines in economic growth, increases in unemployment rates, high or elevated rates of inflation, as a result of trade wars and/or tariffs, the U.S. government's decisions regarding its debt ceiling and the possibility that the U.S. could default on its debt obligations, fluctuations in debt and equity capital markets, increased delinquencies on mortgage, commercial and consumer loans, residential and commercial real estate price declines, and lower home sales and commercial activity, changes in securities markets and uncertainty about economic stability. As a result, financial institutions continue to be affected by uncertainty, including in the real estate market, the credit markets, and the national financial market generally. We retain direct exposure to the commercial and residential real estate markets, and we are affected by events in these markets. The financial markets and the global economy may also be adversely affected by current or anticipated impact of military conflict and any resulting increase in volatility in commodity and energy prices, supply chain issues and instability in financial markets. Sanctions imposed by the United States and other countries in response to such conflicts could further adversely impact the financial markets and the global economy, and any economic countermeasures by the affected countries or others could exacerbate market and economic instability.

Moreover, substantially all of our loans are to businesses and individuals in Georgia, and most of our branches and deposit customers are also located in this area. As a result, local economic conditions significantly affect the demand for loans and other products we offer to our customers (including real estate, commercial and construction loans), the ability of borrowers to repay these loans and the value of the collateral securing these loans. A decline in the economies in which we operate could have a material adverse effect on our business, financial condition and results of operations, including, but not limited to the following:

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

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

Competition in the banking and financial services industry is intense. We compete with commercial banks, savings institutions, mortgage brokerage firms, credit unions, finance companies, mutual funds, insurance companies, brokerage and investment banking firms operating locally and elsewhere, non-traditional financial institutions, including fintech companies, and non-depository financial services providers. Many of these competitors (whether regional or national institutions) have substantially greater resources and lending limits than we have and may offer certain services that we do not or cannot provide. Additionally, non-traditional financial institutions may not have the same regulatory requirements or burdens as we do, despite playing a rapidly increasing role in the financial services industry including providing services previously limited to commercial banks. For example, our credit union competitors benefit from competitive advantages, including the credit union exemption from paying federal income tax and can, therefore, more aggressively price many products and services. Such competition could ultimately limit our growth, profitability and shareholder value, as increased competition in our markets may result in reduced loans, deposits and commissions and brokers' fees, gains on sales, servicing fees, as well as reduced net interest margin and profitability. If we are unable to successfully compete in our market areas and adapt to the ever-changing banking environment, we may be unable to continue to grow our business, and our financial condition and results of operations may be adversely affected. We also compete with many forms of payments offered by both bank and non-bank providers, including a variety of new and evolving alternative payment mechanisms, systems and products, such as aggregators and web-based and wireless payment platforms or technologies, digital or "crypto" currencies, prepaid systems and payment services targeting users of social networks, communications platforms and online gaming. Our future success may depend, in part, on our ability to use technology competitively to offer products and services that provide convenience to customers and create additional efficiencies in our operations.

Some of our competitors have reduced or eliminated certain service charges on deposit accounts, including overdraft fees, and additional competitors may be willing to reduce or eliminate service or other fees in order to attract additional customers. If the Company chooses to reduce or eliminate certain categories of fees, including those related to deposit accounts, fee income related to these products and services would be reduced. If the Company chooses not to take such actions, we may be at a competitive disadvantage in attracting customers for certain fee producing products.

Fluctuations in interest rates may impact net interest income and otherwise negatively impact our financial condition and results of operations.

Net interest income, which is the difference between the interest income that we earn on interest-earning assets and the interest expense that we pay on interest-bearing liabilities, is a major component of our income and our primary source of revenue from our operations. A further narrowing of interest rate spreads could adversely affect our earnings and financial condition. We cannot control or predict with certainty changes in interest rates. Regional and local economic conditions, competitive pressures and the policies of regulatory authorities, including monetary policies of the Federal Reserve, affect interest income and interest expense.

Interest rates are highly sensitive to many factors including, without limitation: the rate of inflation; economic conditions; federal monetary policies; and stability of domestic and foreign markets. Interest rates decreased by a full percentage point in 2024 as the Federal Reserve attempted to stimulate economic growth and counteract a drop in inflation levels. Further changes in interest rates and monetary policy reportedly are dependent upon the Federal Reserve's assessment of economic data as it becomes available, and the Company cannot predict the nature or timing of future changes in monetary, economic, or other policies or the effect that they may have on the Company's business activities, financial condition and results of operations. Increasing interest rates can have a negative impact on our business by reducing the amount of money our customers borrow or by adversely affecting their ability to repay outstanding loan balances that may increase due to adjustments in their variable rates. This may lead to an increase in nonperforming assets and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. In addition, in a rising interest rate environment we may have to offer more attractive interest rates to depositors to compete for deposits, or pursue other sources of liquidity, such as wholesale funds. Conversely, lower interest rates may reduce our realized yield on variable rate loans and investment securities and on new loans and securities, which would reduce our interest income and cause downward pressure on net interest income and net interest margin. Higher income volatility from changes in interest rates and spreads to benchmark indices could result in a decrease in net interest income and a decrease in current fair market values of our assets. Fluctuations in interest rates impacts both the level of income and expense recorded on most of our assets and liabilities and the market value of all interest-earning assets and interest-bearing liabilities, which in turn could have a material adverse effect on our net income, operating results, asset quality, liquidity, or financial condition. A prolonged period of volatile and unstable market conditions would likely increase our funding costs and negatively affect market risk mitigation strategies.

We have ongoing policies and procedures designed to manage the risks associated with changes in market interest rates and actively manage these risks through hedging and other risk mitigation strategies. However, these risks are often outside of our control, and if our assumptions are wrong or overall economic conditions are significantly different than anticipated, our risk mitigation techniques may be ineffective or costly.

Inflation could negatively impact our business, our profitability and our stock price.

Prolonged periods of inflation may impact our profitability by negatively impacting our fixed costs and expenses, including increasing funding costs and expense related to talent acquisition and retention, and negatively impacting the demand for our products and services. Additionally, inflation may lead to a decrease in consumer and clients purchasing power and negatively affect the need or demand for our products and services. If significant inflation continues, our business could be negatively affected by, among other things, increased default rates leading to credit losses which could decrease our appetite for new credit extensions. These inflationary pressures could result in missed earnings and budgetary projections causing our stock price to suffer.

Our future success is largely dependent upon our ability to successfully execute our business strategy.

Our future success, including our ability to achieve our growth and profitability goals, is dependent on the ability of our management team to execute on our long-term business strategy, which requires them to, among other things: maintain and enhance our reputation; attract and retain experienced and talented bankers in each of our markets; maintain adequate funding sources, including by continuing to attract stable, low-cost deposits; enhance our market penetration in our metropolitan markets and maintain our leadership position in our community markets; improve our operating efficiency; implement new technologies to enhance the client experience and keep pace with our competitors; attract and maintain commercial banking relationships with well-qualified businesses, real estate developers and investors with proven track records in our market areas; attract sufficient loans that meet prudent credit standards; maintain adequate liquidity and regulatory capital and comply with applicable federal and state banking regulations; manage our credit, interest rate and liquidity risks; develop new, and grow our existing, streams of noninterest income; oversee the performance of third-party service providers that provide material services to our business; and control expenses in line with current projections.

Failure to achieve these strategic goals could adversely affect our ability to successfully implement our business strategies and could negatively impact our business, growth prospects, financial condition and results of operations. Further, if we do not manage our growth effectively, our business, financial condition, results of operations and future prospects could be negatively affected, and we may not be able to continue to implement our business strategy and successfully conduct our operations.

Liquidity risks could affect operations and jeopardize our business, financial condition, and results of operations.

Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and/or investment securities and through other sources could have a substantial negative effect on our liquidity. Our most important source of funds consists of our customer deposits. Such deposit balances can decrease when customers perceive alternative investments, such as the stock market, as providing a better risk/return tradeoff. If customers move money out of bank deposits and into other investments, we could lose a relatively low cost source of funds, which would require us to seek wholesale funding alternatives in order to continue to grow, thereby increasing our funding costs and reducing our net interest income and net income. Moreover, competition among U.S. banks and non-banks for customer deposits is intense and may increase the cost of deposits (particularly in an elevated rate environment) or prevent new deposits and may otherwise negatively affect our ability to grow our deposit base. In addition, our access to deposits may be affected by the liquidity and/or cash flow needs of depositors, which may be exacerbated in an inflationary, recessionary, or elevated rate environment. This may cause our deposit accounts to decrease in the future, and any such decrease could have a material adverse impact on our sources of funding.

Other primary sources of funds consist of cash from operations, investment maturities and sales, sale of loans and proceeds from the issuance and sale of our equity securities to investors. Additional liquidity is provided by our ability to borrow from the Federal Reserve Bank of Atlanta and the Federal Home Loan Bank of Atlanta. We also may borrow from third-party lenders from time to time. Our access to funding sources in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry.

Any decline in available funding could adversely impact our ability to continue to implement our strategic plan, including our ability to originate loans, invest in securities, meet our expenses, or to fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse impact on our liquidity, business, financial condition and results of operations.

Our business depends on our ability to successfully manage our asset quality and credit risk.

We are subject to the risk of losses resulting from the failure of borrowers, guarantors and related parties to pay us the interest and principal amounts due on their loans. Although we maintain well-defined credit policies and credit underwriting and monitoring and collection procedures, these policies and procedures may not prevent losses, as some of these risks are outside of our control, particularly during periods in which the local, regional or national economy suffers a general decline. Moreover, in the event of a return to elevated inflation and interest rates, the future effects on economic activity could negatively affect the collateral values associated with our existing loans, the ability to liquidate the real estate collateral securing our residential and commercial real estate loans, our ability to maintain loan origination volume and to obtain additional financing, the future demand for or profitability of our lending and services, and the financial condition and credit risk of our customers. Further, in the event of delinquencies, regulatory changes and policies designed to protect borrowers may slow or prevent us from making our business decisions or may result in a delay in our taking certain remediation actions, such as foreclosure. If borrowers fail to repay their loans, our financial condition and results of operations would be adversely affected.

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

At December 31, 2024, our portfolio of commercial real estate and commercial, financial and agricultural loans totaled $1.4 billion or 76.5% of total loans compared to $1.5 billion, or 77.7% of total loans at December 31, 2023. At December 31, 2024, the amount of nonperforming commercial real estate and commercial, financial and agricultural loans was $9.4 million, or 86.9% of total nonperforming loans. These loans may expose us to a greater risk of non-payment and loss than residential real estate loans because, in the case of commercial loans, repayment often depends on the successful operation and earnings of the borrower's businesses and, in the case of consumer loans, the applicable collateral is subject to rapid depreciation. Additionally, commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate loans. If loans that are collateralized by real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest due on the loan, which could cause us to increase our provision for loan losses and adversely affect our financial condition and operating results.

Because a significant portion of our loan portfolio is comprised of real estate loans, negative changes in the economy affecting real estate values and liquidity could impair the value of collateral securing our real estate loans and result in loans and other losses.

At December 31, 2024, approximately 83.6% of our loan portfolio was comprised of loans with real estate as a primary or secondary component of collateral. As a result, adverse developments affecting real estate values in our market areas could increase the credit risk associated with our real estate loan portfolio. The market value of real estate can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Adverse changes affecting real estate values and the liquidity of real estate in one or more of our markets could increase the credit risk associated with our loan portfolio, significantly impair the value of property pledged as collateral on loans and affect our ability to sell the collateral upon foreclosure without a loss or additional losses, which could result in losses that would adversely affect credit quality, profitability, financial condition, and results of operation. Such declines and losses would have a material adverse impact on our business, results of operations and growth prospects. In addition, the value and salability of properties pledged as collateral could be adversely impacted as a result of the presence of hazardous or toxic substances and we may incur significant remediation costs or expenses as a result. .

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

We make various assumptions and judgments about the collectability of our loan and lease portfolio and utilize these assumptions and judgments when determining the provision and allowance for credit losses. The determination of the appropriate level of the provision and allowance for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information and future trends, all of which may undergo material changes. Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the amount reserved in the allowance for credit losses.

Because the risk rating of the loans is dependent on some subjective information and subject to changes in the borrower's credit risk profile, evolving local market conditions and other factors, it can be difficult for us to predict the effects that those factors will have on the classifications assigned to the loan portfolio, and thus difficult to anticipate the velocity or volume of the migration of loans through the classification process and effect on the level of the allowance for credit losses. In addition, due

to the declining economic conditions, our customers may not be able to repay their loans according to the original terms, and the collateral securing the payment of those loans may be insufficient to pay any remaining loan balance. While we maintain our allowance to provide for loan defaults and non-performance, losses may exceed the value of the collateral securing the loans and the allowance may not fully cover any excess loss. In addition, bank regulatory agencies periodically review our provision and the total allowance for credit losses and may require an increase in the allowance for credit losses or future provisions for credit losses on loans, based on judgments different than those of management. Any increases in the provision or allowance for credit losses will result in a decrease in our net income and, potentially, capital, and may have a material adverse effect on our financial condition or results of operations.

We may not be able to meet our unfunded credit commitments, or adequately reserve for losses associated with our unfunded credit commitments.

A commitment to extend credit is a formal agreement to lend funds to a client as long as there is no violation of any condition established under the agreement. The borrowing needs of our customers may exceed our expected funding requirements, especially during a challenging economic environment when our client companies may be more dependent on our credit commitments due to the lack of available credit elsewhere, the increasing costs of credit, or the limited availability of financings from other sources. Any failure to meet our unfunded credit commitments in accordance with the borrowing needs of our customers may have a material adverse effect on our business, financial condition, results of operations or reputation.

We use brokered deposits which may be an unstable and/or expensive deposit source to fund earning asset growth.

We use brokered deposits, as a source of funding to support our asset growth and augment deposits generated from our branch network, which are our principal source of funding. We have established policies and procedures with respect to the use of brokered deposits, which require, among other things, that (i) we limit the amount of brokered deposits as a percentage of total assets, and (ii) our asset liability committee monitors our use of brokered deposits on a regular basis, including interest rates and the total volume of such deposits in relation to our total assets. In the event that our funding strategies call for the use of brokered deposits, there can be no assurance that such sources will be available, or will remain available, or that the cost of such funding sources will be reasonable. Additionally, if the Bank is no longer considered well-capitalized, our ability to access new brokered deposits or retain existing brokered deposits could be affected by market conditions, regulatory requirements or a combination thereof, which could result in most, if not all, brokered deposit sources being unavailable. The inability to utilize brokered deposits as a source of funding could have an adverse effect on our financial position, results of operations and liquidity.

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

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

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

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

- potential exposure to unknown or contingent liabilities we acquire;
- exposure to potential asset quality problems of the acquired financial institutions, businesses or branches;
- difficulty and expense of integrating the operations and personnel of financial institutions, businesses or branches we acquire;
- higher than expected deposit attrition;
- potential diversion of our management's time and attention;
- the possible loss of key employees and customers of financial institutions, businesses or branches we acquire;
- difficulty in safely investing any cash generated by the acquisition;

- inability to utilize potential tax benefits from such transactions;
- difficulty in estimating the fair value of the financial institutions, businesses or branches to be acquired which affects the profits we generate from the acquisitions; and
- potential changes in banking or tax laws or regulations that may affect the financial institutions or businesses to be acquired or the ability to obtain all required regulatory approvals.

In addition, we face significant competition from numerous other financial services institutions, many of which will have greater financial resources than we do, when considering acquisition opportunities. Accordingly, attractive acquisition opportunities may not be available to us. Furthermore, we may not be able to complete future acquisitions and, if we do complete such acquisitions, we may not be able to successfully integrate the operations, management, products and services of the entities that we acquire and eliminate redundancies.

If we are unable to grow our noninterest income, our growth prospects will be impaired.

Taking advantage of opportunities to develop new, and expand existing, streams of noninterest income, including service charges, interchange fees and mortgage fees, is a part of our long-term growth strategy. If we are unsuccessful in our attempts to grow our noninterest income, our long-term growth will be impaired. Furthermore, focusing on these noninterest income streams may divert management's attention and resources away from our core banking business, which could impair our core business, financial condition and operating results.

Decreased residential mortgage origination, volume and pricing decisions of competitors may adversely affect our profitability.

Our mortgage operation originates residential mortgage loans and services residential mortgage loans. Changes in interest rates, housing prices, financial stress on borrowers as a result of economic conditions, regulations by the applicable governmental authorities and pricing decisions by our loan competitors may adversely affect demand for our residential mortgage loan products, revenues received from servicing such loans for others, and ultimately reduce our net income. New regulations and increased regulatory reviews may be introduced and may increase costs and make it more difficult to operate a residential mortgage origination business.

Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition, and could result in further losses in the future.

Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on nonaccrual loans or OREO, thereby adversely affecting our net interest income, net income and returns on assets and equity, and our loan administration costs increase, which together with reduced interest income adversely affects our efficiency ratio. When we take collateral in foreclosure and similar proceedings, we are required to mark the collateral to its then-fair market value, which may result in a loss. These nonperforming loans and OREO also increase our risk profile and the level of capital our regulators believe is appropriate for us to maintain in light of such risks. The resolution of nonperforming assets requires significant time commitments from management and can be detrimental to the performance of their other responsibilities. If we experience increases in nonperforming loans and nonperforming assets, our net interest income may be negatively impacted and our loan administration costs could increase, each of which would have an adverse effect on our net income and related ratios, such as return on assets and equity.

We could recognize losses on securities held in our securities portfolio, particularly if interest rates increase or economic and market conditions deteriorate.

Changes in interest rates may negatively affect both the returns on and market value of our investment securities. Interest rate volatility can reduce unrealized gains or increase unrealized losses in our portfolio. Interest rates are highly sensitive to many factors including monetary policies, domestic and international economic and political issues, and other factors beyond our control. These changes can negatively impact our other comprehensive income and equity levels through accumulated other comprehensive income, which includes net unrealized gains and losses on our investment securities. Further, such losses could be realized into earnings should liquidity and/or business strategy necessitate the sales of securities in a loss position. Additionally, actual investment income and cash flows from investment securities that carry prepayment risk, such as mortgage-backed securities and callable securities, may materially differ from those anticipated at the time of investment or subsequently as a result of changes in interest rates and market conditions. These occurrences could have a material adverse effect on our net interest income or our results of operations.

The implementation of other new lines of business or new products and services may subject us to additional risk.

We continuously evaluate our service offerings and may implement new lines of business or offer new products and services within existing lines of business in the future. There are substantial risks and uncertainties associated with these efforts. In developing and marketing new lines of business and/or new products and services, we undergo a new product process to assess the risks of the initiative, and invest significant time and resources to build internal controls, policies and procedures to mitigate those risks, including hiring experienced management to oversee the implementation of the initiative. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business and/or a new product or service. Furthermore, any new line of business and/or new product or service could require the establishment of new key and other controls and have a significant impact on our existing system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business and/or new products or services could have a material adverse effect on our business and, in turn, our financial condition and results of operations.

We are highly dependent on our management team, and the loss of our senior executive officers or other key employees could harm our ability to implement our strategic plan, impair our relationships with customers and adversely affect our business, results of operations and growth prospects.

Our success depends, in large part, on our ability to attract and retain key personnel. Competition for the best personnel in most activities we engage in can be intense, as we compete with both smaller banks that may be able to offer bankers with more responsibility and autonomy and larger banks that may be able to offer bankers with higher compensation, resources and support, and we may not be able to hire personnel or to retain them. As a result, we may not be able to effectively compete for talent across our markets. Further, our bankers may leave us to work for our competitors and, in some instances, may take important banking and lending relationships with them to our competitors. If we are unable to attract and retain talented bankers in our markets, our business, growth prospects and financial results could be materially and adversely affected. In addition, the unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of their skills, knowledge of our market, relationships in the communities we serve, years of industry experience and the difficulty of promptly finding qualified replacement personnel. Although we have employment agreements with certain of our executive officers, there is no guarantee that these officers and other key personnel will remain employed with the Company.

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

Our reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality, compliance deficiencies, and questionable or fraudulent activities of our customers. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in revenues and increased governmental regulation. If our reputation is negatively affected, by the actions of our employees or otherwise, our business and, therefore, our operating results may be materially adversely affected.

Our risk management framework may not be effective in mitigating risks and/or losses to us.

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk or loss to us. If our risk management framework is not effective, we could suffer unexpected losses and our business, financial condition, results of operations or growth prospects could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences.

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

The financial services market is undergoing rapid technological changes with frequent introductions of new technology-driven products and services (including those related to or involving artificial intelligence, machine learning, blockchain and other distributed ledger technologies), and an established and growing demand for mobile and other phone and computer banking applications. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, in part, on our ability to keep pace with the technological changes and to use technology to satisfy and grow customer demand for our products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our market area. We expect that we will need to make substantial investments in our technology and information systems to compete effectively and to stay current with technological changes. Many of our larger competitors have substantially greater resources to invest in technological improvements and have invested significantly more than us in technological improvements. As a result, they may be able to invest more heavily in developing and adopting new technologies, and offer additional or more convenient products compared to those that we will be able to provide, which would put us at a competitive disadvantage. Accordingly, we may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to our customers, which could impair our growth and profitability. As a result, our ability to effectively compete to retain or acquire new business may be impaired, and the failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business, financial condition and results of operations.

System failures or disruptions of our network security, or the security of our data processing subsidiary, including as a result of cyberattacks or data security incidents, could subject us to increased operating costs as well as litigation and other liabilities.

The computer systems and network infrastructure we use, including those we maintain with our service providers and vendors, could be vulnerable to hardware and cyber security issues. Our operations are dependent upon our ability to protect our computer equipment against damage from fire, power loss, telecommunications failure, natural disasters such as earthquakes, tornadoes and hurricanes, or a similar catastrophic event. We could also experience a cybersecurity incident by intentional or negligent conduct on the part of employees or other internal or external sources, including our third-party vendors and cyber criminals through, for example, phishing attempts, brute force attacks, denial of service attacks, viruses or other malicious code, exploiting software vulnerabilities (including "zero-day attacks"), ransomware or other malware and supply chain attacks and other disruptive problems caused by criminal threat actors. Any damage or failure that causes an interruption in our operations could have an adverse effect on our financial condition and results of operations. In addition, our operations are dependent upon our ability to protect the computer systems and network infrastructure utilized by us, including our internet banking activities, against damage from physical break-ins, cyber security attacks and other disruptive problems caused by criminal threat actors. Such cyberattacks and other technology disruptions would jeopardize the security of information stored in and transmitted through our computer systems and network infrastructure, and those maintained by our service providers and vendors, which may result in significant liability, damage our reputation and inhibit the use of our internet banking services by current and potential customers, any of which may result in a material adverse impact on our financial condition, results of operations or the market price of our common stock. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. In addition, as the regulatory environment related to information security, data collection and use, and privacy becomes increasingly rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

We are under continuous threat of loss due to cyberattacks especially as we continue to expand client capabilities to utilize internet and other remote channels to transact business. These cyber risks include increased phishing, malware, and other cybersecurity attacks described above, vulnerability to disruptions of our information technology infrastructure and telecommunications systems for remote operations, increased risk of unauthorized dissemination of confidential information, limited ability to restore the systems in the event of a systems failure or interruption, greater risk of a cybersecurity incident resulting in destruction or misuse of valuable information, and potential impairment of our ability to perform critical functions, including wiring funds, all of which could expose us to risks of data or financial loss, increased operational expenses, reputational damage, damaged customer relationships, diversion of the attention of management away from the operation of our business, increased cybersecurity protection and remediation costs, regulatory scrutiny, sanctions, fines or penalties (which may not be covered by our insurance policies), release of sensitive and/or confidential information, litigation and liability and could seriously disrupt our operations and the operations of any impacted customers.

To date, none of foregoing types of attacks have had a material effect on our business or operations and we maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. However, no assurances can be provided that we may not suffer from such an attack in

the future that may cause us material harm, especially in light of the risks being posed by changing technologies as well as the increased sophistication and activities of cybercriminals.

Our operations could be interrupted if our third-party service providers experience difficulty, terminate their services or fail to comply with banking regulations.

We depend to a significant extent on a number of relationships with third-party service providers. Specifically, we receive core systems processing, essential web hosting, deposit processing and other processing services from third-party service providers. If these third-party service providers experience financial, operational (including as a result of a cybersecurity incident), or technological difficulties or terminate their services and we are unable to replace them with other suitable service providers, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, financial condition and results of operations could be adversely affected, perhaps materially. Even if we are able to replace our service providers, it may be at a higher cost to us, which could adversely affect our business, reputation, financial condition and results of operations.

We are subject to certain operational risks, including, but not limited to, client or employee fraud and data processing system failures and errors.

Employee errors and employee and client misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our clients or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence. We maintain a system of internal controls and insurance coverage to mitigate against operational risks. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations.

In addition, we rely heavily upon information supplied by third parties, including the information contained in credit applications, property appraisals, title information, equipment pricing and valuation and employment and income documentation, in deciding which loans we will originate, as well as the terms of those loans. If any of the information upon which we rely is misrepresented, either fraudulently or inadvertently, and the misrepresentation is not detected prior to asset funding, the value of the asset may be significantly lower than expected, or we may fund a loan that we would not have funded or on terms we would not have extended.

The development and use of artificial intelligence (AI) presents risks and challenges that may adversely impact our business.

The Company or its third-party (or fourth party) vendors, clients or counterparties may develop or incorporate AI technology in certain business processes, services, or products. The development and use of AI presents a number of risks and challenges to the Company's business. The legal and regulatory environment relating to AI is uncertain and rapidly evolving, both in the U.S. and internationally, and includes regulatory schemes targeted specifically at AI as well as provisions in intellectual property, privacy, consumer protection, employment, and other laws applicable to the use of AI. These evolving laws and regulations could require changes in the Company's implementation of AI technology and increase the Company's compliance costs and the risk of non-compliance. AI models, particularly generative AI models, may produce output or take action that is incorrect, that reflects biases included in the data on which they are trained, that results in the release of private, confidential, or proprietary information, that infringes on the intellectual property rights of others, or that is otherwise harmful. In addition, the complexity of many AI models makes it difficult to understand why they are generating particular outputs. This limited transparency increases the challenges associated with assessing the proper operation of AI models, understanding and monitoring the capabilities of the AI models, reducing erroneous output, eliminating bias, and complying with regulations that require documentation or explanation of the basis on which decisions are made. Further, the Company may rely on AI models developed by third parties, and, to that extent, would be dependent in part on the manner in which those third parties develop and train their models, including risks arising from the inclusion of any unauthorized material in the training data for their models and the effectiveness of the steps these third parties have taken to limit the risks associated with the output of their models, matters over which the Company may have limited visibility. Any of these risks could expose the Company to liability or adverse legal or regulatory consequences and harm the Company's reputation and the public perception of its business or the effectiveness of its security measures.

Our accounting estimates and risk management processes rely on analytical and forecasting models.

Processes that management uses to estimate our probable incurred credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depend upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models that management uses for interest rate risk and asset liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models that management uses for determining our probable credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge offs. If the models that management uses to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in management's analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations.

Changes in accounting standards could materially impact our financial statements.

From time to time, the FASB or the Securities and Exchange Commission, or SEC, may change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes may result in us being subject to new or changing accounting and reporting standards. In addition, the bodies that interpret the accounting standards (such as banking regulators or outside auditors) may change their interpretations or positions on how these standards should be applied. These changes may be beyond our control, can be hard to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retrospectively, or apply an existing standard differently, also retrospectively, in each case resulting in our needing to revise or restate prior period financial statements.

Failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business and stock price.

Management regularly monitors, reviews and updates our disclosure controls and procedures, including our internal control over financial reporting. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable assurances that the controls will be effective. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition. Failure to achieve and maintain an effective internal control environment could prevent us from accurately reporting our financial results, preventing or detecting fraud or providing timely and reliable financial information pursuant to our reporting obligations, which could result in a material weakness in our internal controls over financial reporting and the restatement of previously filed financial statements and could have a material adverse effect on our business, financial condition and results of operations. Further, ineffective internal controls could cause our investors to lose confidence in our financial information, which could affect the trading price of our common stock.

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

Financial services institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose us to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices insufficient to recover the full amount of the loan or derivative exposure due to us. There is no assurance that any such losses would not materially and adversely affect our results of operations or earnings.

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

Our market area is located in the southeastern region of the United States and is susceptible to natural disasters, such as hurricanes, tornadoes, tropical storms, other severe weather events and related flooding and wind damage, and man-made disasters. These natural disasters could negatively impact regional economic conditions, cause a decline in the value or destruction of mortgaged properties and an increase in the risk of delinquencies, foreclosures or loss on loans originated by us, damage our banking facilities and offices and negatively impact our growth strategy. Climate change may be increasing the nature, severity and frequency of adverse weather conditions, making the impact from these types of natural disasters on us or our customers worse. Such weather events can disrupt operations, result in damage to properties and negatively affect the local

economies in the markets where they operate. We cannot predict whether or to what extent damage that may be caused by future hurricanes or tornadoes will affect our operations or the economies in our current or future market areas, but such weather events could negatively impact economic conditions in these regions and result in a decline in local loan demand and loan originations, a decline in the value or destruction of properties securing our loans and an increase in delinquencies, foreclosures or loan losses. Our business or results of operations may be adversely affected by these and other negative effects of natural or man-made disasters.

We may need to rely on the financial markets to provide needed capital.

Our common stock is listed and traded on the New York Stock Exchange. If our capital resources prove in the future to be inadequate to meet our capital requirements, we may need to raise additional debt or equity capital. If conditions in the capital markets are not favorable, we may be constrained in raising capital, and an inability to raise additional capital on acceptable terms when and if needed could have a material adverse effect on our business, financial condition or results of operations.

The interest rates that we pay on our securities are also influenced by, among other things, the credit ratings that we, our affiliates and/or our securities receive from recognized rating agencies. Our credit ratings are based on a number of factors, including our financial strength and some factors not entirely within our control such as conditions affecting the financial services industry generally, and remain subject to change at any time. A downgrade to the credit rating of us or our affiliates could affect our ability to access the capital markets, increase our borrowing costs and negatively impact our profitability. A downgrade to us, our affiliates or our securities could create obligations or liabilities to us under the terms of our outstanding securities that could increase our costs or otherwise have a negative effect on our results of operations or financial condition. Additionally, a downgrade to the credit rating of any particular security issued by us or our affiliates could negatively affect the ability of the holders of that security to sell the securities and the prices at which any such securities may be sold.

Because our decision to incur debt and issue securities in future offerings will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings and debt financings. Further, market conditions could require us to accept less favorable terms for the issuance of our securities in the future. In addition, geopolitical and worldwide market conditions may cause disruption or volatility in the U.S. equity and debt markets, which could hinder our ability to issue debt and equity securities in the future on favorable terms.

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

We may be involved from time to time in a variety of litigation, investigations or similar matters arising out of our business. It is inherently difficult to assess the outcome of these matters, and we may not prevail in any proceedings or litigation. Our insurance may not cover all claims that may be asserted against us and indemnification rights to which we are entitled may not be honored, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation or investigation significantly exceed our insurance coverage or to the extent that we incur civil money penalties that are not covered by insurance, they could have a material adverse effect on our business, financial condition and results of operations. In addition, premiums for insurance covering the financial and banking sectors are rising. We may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms or at historic rates, if at all. Finally, in recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed “lender liability.” Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. We have been and in the future could become subject to claims based on this or other evolving legal theories. Further, banking institutions are also increasingly the target of class action lawsuits, including claims alleging deceptive practices or violations of account terms in connection with non-sufficient funds or overdraft charges and violations of the Fair Labor Standards Act (FLSA). We manage these risks through internal controls, personnel training, insurance, litigation management, our compliance and ethics processes, and other means. However, the commencement, outcome, and magnitude of litigation cannot be predicted or controlled with any certainty.

Risks Related to Legislative and Regulatory Events

We are subject to extensive government regulation that could limit or restrict our activities, which in turn may adversely impact our ability to increase our assets and earnings.

We operate in a highly regulated environment and are subject to supervision and regulation by a number of governmental regulatory agencies, including the Federal Reserve, the Georgia Department of Banking and Finance ("DBF") and the FDIC. Regulations adopted by these agencies, which are generally intended to provide protection for depositors and customers rather than for the benefit of shareholders, govern a comprehensive range of matters relating to ownership and control of our shares, our acquisition of other companies and businesses, permissible activities for us to engage in, maintenance of adequate capital levels, and other aspects of our operations. These bank regulators possess broad authority to prevent or remedy unsafe or unsound practices or violations of law. The laws and regulations applicable to the banking industry could change at any time and we cannot predict the effects of these changes on our business, profitability or growth strategy. Increased regulation could increase our cost of compliance and adversely affect profitability. Moreover, certain of these regulations contain significant punitive sanctions for violations, including monetary penalties and limitations on a bank's ability to implement components of its business plan, such as expansion through mergers and acquisitions or the opening of new branch offices. In addition, changes in regulatory requirements may add costs associated with compliance efforts. Furthermore, government policy and regulation, particularly as implemented through the Federal Reserve System, significantly affect credit conditions. Negative developments in the financial industry and the impact of new legislation and regulation in response to those developments could negatively impact our business operations and adversely impact our financial performance. See "Item 1 - Business - Supervision and Regulation" for more information on the extensive regulation and supervision the Company and the Bank are subject to.

Federal and state regulators periodically examine our business, and we may be required to remediate adverse examination findings.

The Federal Reserve, the FDIC, and the DBF periodically examine our business, including our compliance with laws and regulations. If, as a result of an examination, a banking agency were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity, interest rate sensitivity or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, they may take a number of different remedial actions as they deem appropriate. These actions include the power to enjoin "unsafe or unsound" practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil money penalties, to fine or remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place us into receivership or conservatorship. Any regulatory action against us could have an adverse effect on our business, financial condition and results of operations.

We are subject to federal and state fair lending laws, and failure to comply with these laws could lead to material penalties.

Federal and state fair lending laws and regulations, such as the Equal Credit Opportunity Act and the Fair Housing Act, impose nondiscriminatory lending requirements on financial institutions. The Department of Justice, Consumer Financial Protection Bureau ("CFPB") and other federal and state agencies are responsible for enforcing these laws and regulations. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. A successful challenge to our performance under the fair lending laws and regulations could adversely impact our rating under the Community Reinvestment Act and result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on merger and acquisition activity and restrictions on expansion activity, which could negatively impact our reputation, business, financial condition and results of operations.

We could face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations.

The Bank Secrecy Act of 1970, the USA PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain effective anti-money laundering programs and file suspicious activity and currency transaction reports as appropriate. FinCEN, established by the U.S. Department of the Treasury to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of those requirements and engages in coordinated enforcement efforts with the individual federal banking regulators, as well as the U.S. Department of Justice, Drug Enforcement Administration and IRS. There is also increased scrutiny of compliance with the rules enforced by OFAC related to U.S.

sanctions regimes. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we have already acquired or may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans, which would negatively impact our business, financial condition and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us.

Our deposit insurance premiums could be substantially higher in the future, which could have a material adverse effect on our future earnings.

The FDIC insures deposits at FDIC-insured depository institutions, such as the Bank, up to applicable limits. The amount of a particular institution's deposit insurance assessment is based on that institution's risk classification under an FDIC risk-based assessment system. An institution's risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. Any future additional assessments, increases or required prepayments in FDIC insurance premiums could reduce our profitability, may limit our ability to pursue certain business opportunities or otherwise negatively impact our operations.

Risks Related to Our Common Stock

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

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

An investment in our common stock is not an insured deposit and may lose value.

An investment in our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock is inherently risky for the reasons described herein, and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you could lose some or all of your investment.

Our stock price may be volatile.

The market price of our common stock may be volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control, including the failure of securities analysts to cover our common stock, fluctuations in interest rates and the impact of inflation. In addition, if the market for stocks in our industry, or the stock market in general, experiences a loss of investor confidence, the trading price of our common stock could decline for reasons unrelated to our business, financial condition or results of operations. If any of the foregoing occurs, it could cause our stock price to fall and may expose us to lawsuits that, even if unsuccessful, could be costly to defend and a distraction to management which could materially adversely affect our business, financial condition or results of operations.

Environmental, social and governance ("ESG") and diversity, equity and inclusion ("DEI") risks could adversely affect our reputation and shareholder, employee, client and third-party relationships and may negatively affect our stock price.

Our business faces increasing public investor, activist, legislative and regulatory scrutiny related to ESG, anti-ESG, DEI and anti-DEI activities and developments. We risk damage to our brand and reputation if we fail to act responsibly in a number of areas, such as diversity, equity, inclusion, environmental stewardship, human capital management, support for our local communities, corporate governance and transparency, or fail to consider ESG factors in our business operations.

Furthermore, as a result of our diverse base of clients and business partners, we may face potential negative publicity based on the identity of our clients or business partners and the public's (or certain segments of the public's) view of those entities. Such publicity may arise from traditional media sources or from social media and may increase rapidly in size and scope. If our client or business partner relationships were to become intertwined in such negative publicity, our ability to attract and retain clients,

business partners, and employees may be negatively impacted, and our stock price may also be negatively impacted. Additionally, we may face pressure to not do business in certain industries that are viewed as harmful to the environment or are otherwise negatively perceived, which could impact our growth.

Additionally, investors and shareholder advocates are placing ever increasing emphasis on how corporations address ESG issues in their business strategy when making investment decisions and when developing their investment theses and proxy recommendations. We may incur meaningful costs with respect to our ESG efforts and if such efforts are negatively perceived, our reputation and stock price may suffer. In response to ESG developments (including, in particular DEI initiatives), there are increasing instances of anti-ESG legislation and anti-DEI executive orders, adverse media coverage, regulation, and litigation that could have unintended impacts on ordinary banking operations and increase litigation or reputational risk related to actions we choose to take and impact the results of our operations. If legislatures in the states in which we operate adopt legislation intended to protect certain industries by limiting or prohibiting consideration of business and industry factors in lending activities, certain portions of our lending operations may be impacted.

Our dividend policy may change, and consequently, your only opportunity to achieve a return on your investment may be if the price of our common stock appreciates.

We have historically paid quarterly dividends to our shareholders. However, we have no obligation to pay dividends and we may change our dividend policy at any time without notice to our shareholders. Holders of our common stock are only entitled to receive such cash dividends as our board of directors, in its discretion, may declare out of funds legally available for such payments. Furthermore, consistent with our strategic plans, growth initiatives, capital availability and requirements, projected liquidity needs, financial condition, and other factors, we have made, and will continue to make, capital management decisions and policies that could adversely impact the amount of dividends paid to our shareholders.
We are a separate and distinct legal entity from our subsidiary, the Bank. We receive substantially all of our revenue from dividends from the Bank, which we use as the principal source of funds to pay our expenses. Various federal and/or state laws and regulations limit the amount of dividends that the Bank may pay us. Such limits are also tied to the earnings of our subsidiary. If the Bank does not receive regulatory approval or if the Bank's earnings are not sufficient to make dividend payments to us while maintaining adequate capital levels, our ability to pay our expenses and our business, financial condition or results of operations could be materially and adversely impacted.

Future equity issuances could result in dilution, which could cause our common stock price to decline.

We are generally not restricted from issuing additional shares of our common stock up to the authorized number of shares set forth in our charter. We may issue additional shares of our common stock or securities convertible into our common stock in the future pursuant to current or future employee stock option plans, employee stock grants, upon exercise of warrants or in connection with future acquisitions or financings. We cannot predict the size of any such future issuances or the effect, if any, that any such future issuances will have on the trading price of our common stock. Any such future issuances of shares of our common stock or securities convertible into common stock may have a dilutive effect on the holders of our common stock and could have a material negative effect on the trading price of our common stock.

In addition, we may sell additional shares of our common stock in public offerings, and issue additional shares of common stock or convertible securities to finance future acquisitions. We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares that may be issued in connection with acquisitions), or the perception that such issuance could occur, may adversely affect prevailing market prices for our common stock.

We have the ability to incur debt and pledge our assets, including our stock in the Bank, to secure that debt.

We have the ability to incur debt and pledge our assets to secure that debt. Absent special and unusual circumstances, a holder of indebtedness for borrowed money has rights that are superior to those of holders of common stock. For example, interest must be paid to the lender before dividends can be paid to the shareholders, and loans must be paid off before any assets can be distributed to shareholders if we were to liquidate. Furthermore, we would have to make principal and interest payments on our indebtedness, which could reduce our profitability or result in net losses on a consolidated basis even if the Bank were profitable.

Item 1B

Unresolved Staff Comments

None.

Item 1C

Cybersecurity Risk Management and Strategy

Cybersecurity is an important aspect of Colony's business operations and the execution of our strategic plans, including growth initiatives. We maintain a comprehensive cyber risk management program aimed at identifying, assessing, mitigating, managing, and responding to cybersecurity threats. This program is incorporated into our enterprise risk management framework, covering both our internal information technology systems and customer-facing products and services.

Colony has implemented a formal risk management process to address cyber-related risks, encompassing identification, assessment, monitoring, consultation, communication, and review of cyber-related risks which is designed in accordance with regulatory guidance, industry standards and best practices for cybersecurity and information technology. Annually, our information security standards undergo external audits against applicable System and Organizational Controls (SOC). Our program undergoes periodic evaluations utilizing the Federal Financial Institutions Examination Council's (FFIEC) Cybersecurity Assessment Tool to gauge our cybersecurity readiness, ensure alignment with associated risks, identify potential areas for improvement or enhancement in our risk management practices and controls, and guide our risk management strategies..

Our information security program incorporates a diverse range of technologies aimed at safeguarding our operations and proprietary information. We have an established Business Continuity/Disaster Recovery program that undergoes regular updates and testing to ensure the protection of our networks, data, systems, and facilities against attacks or unauthorized access. Furthermore, we maintain an Incident Response program outlining Colony's protocols, procedures, and roles for addressing cybersecurity incidents. This program undergoes regular testing via tabletop exercises, which often yield valuable insights and lead to subsequent enhancements in our Incident Response protocols.

We believe Colony's employees play a vital role in the Company's cybersecurity defenses. Employees at all levels and in all lines of business and support functions participate in training programs on cybersecurity and social engineering to mitigate risk. Exercises to test the effectiveness of Colony's training program are conducted on a regular basis.

Third-party cyber advisors play an important role in Colony's cybersecurity framework, and we have established partnerships with leading cybersecurity entities and organizations to harness external technology and expertise as needed. We regularly enlist third-parties to conduct periodic reviews and assessments of our information security program, as well as annual penetration tests on our network. Additionally, we maintain cyber coverage through our insurance carrier to mitigate risks associated with cybersecurity incidents, subject to customary terms and exclusions. Additionally, we exercise cybersecurity due diligence and oversight over critical third-party relationships and vendors ensuring that those with access to personal, confidential, or proprietary information adhere to cybersecurity practices consistent with applicable legal standards and industry best practices

Colony remains committed to investing in the development and improvement of our security processes and controls, as well as maintaining our technology infrastructure. These processes include a comprehensive plan for notifying, informing, consulting, analyzing, and communicating any risks or incidents to a range of internal stakeholders, including executive management and the Board, as well as external stakeholders such as regulators, affected individuals, and the investment community, as deemed necessary and appropriate based on the circumstances.

Colony's business relies on the availability, security, reliability, and confidentiality of our information systems, networks, and data. Any disruption or compromise of these systems or data due to a cybersecurity incident or threat could materially impact our business strategy, financial condition, or results of operation. While the Company has encountered, and will continue to encounter, cyber incidents in the normal course of business, to date, the Company has not experienced a cybersecurity incident that has materially impacted our business strategy, financial condition, or results of operation. Despite our ongoing efforts to continually strengthen our cybersecurity program, there can be no assurance that our cybersecurity risk management processes and measures described will be fully implemented, complied with, or effective in safeguarding our systems and information. We face risks from certain cybersecurity threats that, if realized, could reasonably be expected to materially affect our business

strategy, financial condition, or results of operation. See “Part I - Item 1A. Risk Factors – Risks Related to our Business” of this Report.

Cybersecurity Governance

Colony’s Information Security Officer ("ISO"), reports to Colony’s Chief Risk Officer. Our ISO has eleven years of information security experience specific to the financial services industry which includes cybersecurity risk management. The ISO holds relevant certifications and completes annual training. The ISO is responsible for assessing and managing Colony’s cyber risk management program and strategy, informing executive management regarding the prevention, detection, mitigation, and remediation of cybersecurity incidents, and supervising such enterprise-wide efforts.

Our Board is actively engaged in the oversight of Colony’s information security risk management and cybersecurity programs and has delegated primary oversight of cybersecurity to its Technology and Risk Management Committees. The Technology Committee receives quarterly and as needed updates from the Company’s ISO on the Company’s information security and cyber risk strategy, cyber defense initiatives, cyber event preparedness, and cybersecurity risk assessments. As a part of these quarterly updates, the ISO updates the Technology Committee on the development of any new or emerging cyber risks or threats and the appropriate mitigation actions. The Technology Committee routinely provides a report of their activities to the full Board.

Item 2

Properties

The principal properties of the Company consist of the properties of the Bank. The Company's headquarters is located at 115 South Grant Street, Fitzgerald, Georgia 31750. The Bank currently operates thirty-four locations in Georgia, one in Birmingham, Alabama and one in Tallahassee, Florida. The Bank owns all of the banking offices occupied except for six which are leased. In addition, the Company owns the corporate operation offices located in Fitzgerald, Georgia and Warner Robins Georgia. We believe that our banking offices are in good condition and are suitable and adequate to our needs.

Item 3

Legal Proceedings

The Company and its subsidiary may become parties to various legal proceedings arising from the normal course of business. As of December 31, 2024, there are no material pending legal proceedings to which Colony or its subsidiary are a party or of which any of its or its subsidiaries' assets or properties are subject. However, one or more unfavorable outcomes in any legal action against us could have a material adverse effect for the period in which they are resolved. In addition, regardless of their merits or their ultimate outcomes, such matters are costly, divert management’s attention and may materially adversely affect our reputation, even if resolved in our favor.

Item 4

Mine Safety Disclosures

Not applicable.

Part II

Item 5

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

Market Information and Holders of Record

On November 18, 2024, Colony Bankcorp, Inc. moved to trading on the New York Stock Exchange, remaining under the symbol "CBAN". From April 2, 1998 until November 15, 2024, Colony stock was traded on the NASDAQ Global Market. Prior to April 2, 1998, there was no public market for the common stock of the Company.

As of March 12, 2025, there were 17,520,136 shares of our common stock outstanding held by 931 holders of record.

Dividends

During 2024, the Company paid $7.9 million in cash dividends on its common stock. During 2023, the Company paid $7.7 million in cash dividends on its common stock. We have no obligation to pay dividends and we may change our dividend policy at any time without notice to our shareholders. Any future determination to pay dividends to holders of our common stock will depend on our results of operations, financial condition, capital requirements, banking regulations, contractual restrictions and any other factors that our board of directors may deem relevant.

As a Georgia corporation, the Company is subject to certain restrictions on dividends under the Georgia Business Corporation Code. We are also subject to certain restrictions on the payment of cash dividends as a result of banking laws, regulations and policies. See "Item 1 – Business – Supervision and Regulation – Regulation of the Company – Payment of Dividends."

Issuer Purchase of Equity Securities

On October 20, 2022, the Board of Directors of the Company authorized a stock buyback program, under which the Company could repurchase up to $12 million of its outstanding common stock. The initial buyback program began on October 20, 2022 and expired on December 31, 2023. On March 22, 2024, the Board of Directors of the Company authorized the extension of the initial buyback program until the end of 2024 and then again on December 18, 2024, authorized another extension of the program until the end of 2025. Repurchases under this program may be made from time to time through open market purchases, privately negotiated transactions or such other manners as will comply with applicable laws and regulations. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, market conditions and other corporate liquidity requirements and priorities. The buyback program does not obligate the Company to purchase any particular number of shares and there is no guarantee as to the exact number of shares that will be repurchased by the Company. As of December 31, 2024, the Company had repurchased a total of 171,481 shares for a total of $2,249,000 since the start of the program in 2022, leaving $9,751,000 available to repurchase. The table below sets forth information regarding repurchases of our common stock during the fourth quarter of 2024.

(dollars in thousands, except per share data)	Total Number of Shares Repurchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 1, 2024 to October 31, 2024	16,662	$ 15.27	16,662	$ 10,036
November 1, 2024 to November 30, 2024	18,338	15.52	18,338	9,751
December 1, 2024 to December 31, 2024	—	—	—	—
Total	35,000	$ 15.40	35,000	$ 9,751

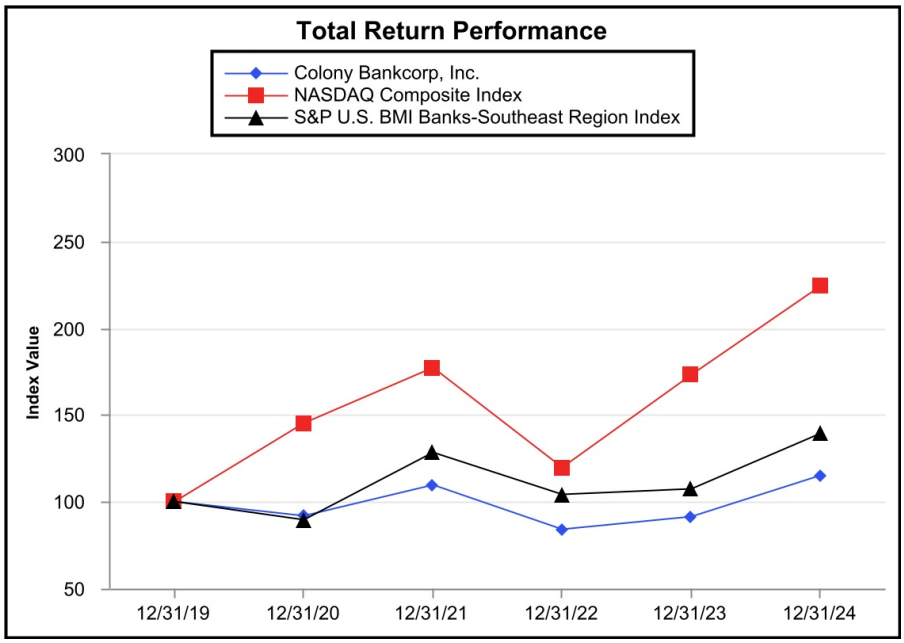
Securities Authorized for Issuance Under Equity Compensation Plans

See the information included under Part III, Item 12, which is incorporated in response to this item by reference, for information with respect to shares of common stock that are authorized for issuance under the Company's equity compensation plans as of December 31, 2024.

Performance Graph

The performance graph below compares the cumulative total shareholder return on the Company's Common Stock with the cumulative total return on the equity securities of companies included in the NASDAQ Composite Index and the S&P U.S. BMI Banks-Southeast Region Index, measured at the last trading day of each year shown. The graph assumes an investment of $100 on December 31, 2019 through December 31, 2024, and assumes the reinvestment of dividends, if any. The performance graph represents past performance and should not be considered to be an indication of future performance.

Colony Bankcorp, Inc.



	Period Ending					
Index	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**	**12/31/23**	**12/31/24**
Colony Bankcorp, Inc.	100.00	91.71	109.57	83.78	91.50	115.02
NASDAQ Composite Index	100.00	144.92	177.06	119.45	172.77	223.87
S&P U.S. BMI Banks - Southeast Region Index	100.00	89.66	128.06	104.16	107.45	139.40

Source: S&P Global Market Intelligence

Item 6

Reserved.

Item 7

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis contains forward-looking statements that involve risk, uncertainties and, assumptions. Certain risks, uncertainties and other factors, including but not limited to those set forth under "Cautionary Note Regarding Forward-Looking Statements," "Risk Factors," and elsewhere in this Annual Report on Form 10-K, may cause actual results to differ materially from those projected in the forward-looking statements. We assume no obligation to update any of these forward-looking statements.

The Company

Colony Bankcorp, Inc. is a bank holding company headquartered in Fitzgerald, Georgia that provides, through its wholly-owned subsidiary Colony Bank (collectively referred to as the Company), a broad array of products and services throughout north, central, south and coastal Georgia markets, Birmingham, Alabama and Tallahassee, Florida. The Company offers commercial and consumer banking services as well as specialized solutions including mortgage, government guaranteed lending, consumer insurance, wealth management and merchant services.

Recent Developments

The Company paid dividends to its shareholders throughout 2024 and 2023 on a quarterly basis. In 2024, we had a quarterly dividend of $0.1125 per share of common stock and in 2023, we had a quarterly dividend of $0.1100 per share of common stock.

On January 1, 2023, the Company adopted ASC Topic 326 which replaced the incurred loss approach for measuring credit losses with an expected loss model, referred to the current expected credit loss ("CECL") model. CECL applies to financial assets subject to credit losses and measured at amortized cost and certain off-balance-sheet credit exposures, which include, but are not limited to, loans, leases, held-to-maturity securities, loan commitments and financial guarantees. The adoption of this guidance resulted in a decrease of the allowance for credit losses on loans of $53,000, the creation of an allowance for unfunded commitments of $1.7 million and a reduction of retained earnings of $1.2 million, net of the increase in deferred tax assets of $410,000 as of December 31, 2023.

Going forward, the impact of utilizing the CECL approach to calculate the allowance for credit losses will be significantly influenced by the composition, characteristics and quality of our loan portfolio, as well as the prevailing economic conditions and forecasts utilized. Material changes to these and other relevant factors may result in greater volatility to the provision for credit losses, and therefore, greater volatility to our reported earnings. See Notes 1 and 4, included elsewhere in this Form 10-K, for additional information on the allowance for credit losses and the allowance for unfunded commitments.

In June 2023 and August, September and October 2024, the Company entered into a total of five derivative instruments, specifically 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. Three of the interest rate swaps are designated as cash flow hedges of certain variable rate liabilities and two are designated as fair value hedges of certain fixed rate assets. Gains and losses are recorded on the swap transactions as a component of interest expense in the consolidated statements of income. Amounts reported in accumulated OCI related to swaps are reclassified to interest income or expense as interest payments are made on the Bank's fixed rate assets and variable rate liabilities. For additional discussion of the Company's derivative instruments, see "Note 10 - Derivatives".

Reconciliation and Management Explanation of Non-GAAP Financial Measures

Our accounting and reporting policies conform to generally accepted accounting principles (GAAP) in the United States and prevailing practices in the banking industry. However, certain non-GAAP measures are used by management to supplement the evaluation of our performance. These include the fully-taxable equivalent measures: tax-equivalent net interest income, tax-equivalent net interest margin and tax-equivalent net interest spread, which include the effects of taxable-equivalent adjustments using a statutory federal income tax rate of 21% to increase tax-exempt interest income to a tax-equivalent basis for the years ended December 31, 2024 and 2023. Tax-equivalent adjustments are reported to the Average Balances with Average Yields and Rates table under Rate/Volume Analysis in the tables that follow. Management believes that non-GAAP financial measures provide additional useful information that allows investors to evaluate the ongoing performance of the company and provide meaningful comparisons to its peers. Management believes these non-GAAP financial measures also enhance investors' ability to compare period-to-period financial results and allow investors and company management to view our operating results excluding the impact of items that are not reflective of the underlying operating performance.

Tax-equivalent net interest income, net interest margin and net interest spread.

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

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

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

Non-GAAP Performance Measures Reconciliation

(dollars in thousands, except per share data)	Years Ended December 31, 2024	2023
Operating noninterest income reconciliation		
Noninterest income (GAAP)	$ 39,375	$ 35,634
Gain on sales of bank premises	—	(361)
Writedown of bank premises	197	—
Loss on sales of securities	1,835	—
Operating noninterest income	$ 41,407	$ 35,273
Operating noninterest expense reconciliation		
Noninterest expense (GAAP)	$ 82,834	$ 83,065
Severance costs	(288)	(1,286)
Acquisition-related expenses	—	(161)
Operating noninterest expense	$ 82,546	$ 81,618
Operating net income reconciliation		
Net income (GAAP)	$ 23,868	$ 21,747
Severance costs	288	1,286
Acquisition-related expenses	—	161
Gain on sales of bank premises	—	(361)
Writedown of bank premises	197	—
Loss on sales of securities	1,835	—
Income tax benefit	(470)	(196)
Operating net income	$ 25,718	$ 22,637
Weighted average diluted shares	17,557,743	17,578,294
Adjusted earnings per diluted share	$ 1.46	$ 1.29
Operating return on average assets reconciliation		
Return on average assets (GAAP)	0.78 %	0.72 %
Severance costs	0.01	0.04
Acquisition-related expenses	—	0.01
Gain on sales of bank premises	—	(0.01)
Writedown of bank premises	0.01	—
Loss on sales of securities	0.06	—
Tax effect of adjustment items	(0.02)	(0.01)
Operating return on average assets	0.84 %	0.75 %
Operating return on average equity reconciliation		
Return on average equity (GAAP)	9.00 %	9.10 %
Severance costs	0.11	0.54
Acquisition-related expenses	—	0.07
Gain on sales of bank premises	—	(0.15)
Writedown of bank premises	0.07	—
Loss on sales of securities	0.69	—
Tax effect of adjustment items	(0.18)	(0.08)
Operating return on average equity	9.69 %	9.48 %
Tangible book value per common share reconciliation		
Book value per common share (GAAP)	$ 15.91	$ 14.51
Effect of goodwill and other intangibles	(2.96)	(3.02)
Tangible book value per common share	$ 12.95	$ 11.49
Tangible equity to tangible assets reconciliation		
Equity to assets (GAAP)	8.96 %	8.35 %
Effect of goodwill and other intangibles	(1.54)	(1.62)
Tangible equity to tangible assets	7.42 %	6.73 %

Operating efficiency ratio calculation		
Efficiency ratio (GAAP)	71.75 %	72.94 %
Severance costs	(0.25)	(1.13)
Acquisition-related expenses	—	(0.14)
Gain on sales of bank premises	—	0.32
Writedown of bank premises	(0.17)	—
Loss on sales of securities	(1.56)	—
Operating efficiency ratio	69.77 %	71.99 %
Operating net noninterest expense[(1)] to average assets calculation		
Net noninterest expense to average assets	1.43 %	1.57 %
Severance costs	(0.01)	(0.04)
Acquisition-related expenses	—	(0.01)
Gain on sales of bank premises	—	0.01
Writedown of bank premises	(0.01)%	— %
Loss on sales of securities	(0.06)%	— %
Operating net noninterest expense to average assets	1.35 %	1.53 %
Pre-provision net revenue		
Net interest income before provision for credit losses	$ 76,076	$ 78,244
Noninterest income	39,375	35,634
Total income	115,451	113,878
Noninterest expense	82,834	83,065
Pre-provision net revenue	$ 32,617	$ 30,813

[(1)] Net noninterest expense is defined as noninterest expense less noninterest income.

Critical Accounting Policies and Estimates

The consolidated financial statements of Colony are prepared in conformity with U.S. generally accepted accounting principles ("GAAP") and follow general practices within the industry in which it operates. This preparation requires management to make estimates, assumptions and judgments that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates, assumptions and judgments are based on information available as of the date of the consolidated financial statements; accordingly, as this information changes, actual results could differ from the estimates, assumptions and judgments reflected in the consolidated financial statements. Certain policies inherently have a greater reliance on the use of estimates, assumptions and judgments and, as such, have a greater possibility of producing results that could be materially different than originally reported. Estimates that are particularly susceptible to significant change include the valuation of loan acquisition transactions, as well as the determination of the allowance for credit losses and income taxes and, therefore, are critical accounting policies. In addition to the discussion that follows, the accounting policies related to these estimates are further described in Note 1, "Summary of Significant Accounting Policies," in the Notes to Consolidated Financial Statements, under Part II, Item 8.

Reserve 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 the borrower.

The reserve for credit losses consists of the allowance for credit losses ("ACL") and the allowance for unfunded commitments. As a result of our January 1, 2023 adoption of ASU No. 2016-13, and its related amendments, our methodology for estimating the reserve for credit losses changed significantly from prior years. The standard replaced the "incurred loss" approach 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.

Income Taxes

The assessment of income tax assets and liabilities involves the use of estimates, assumptions, interpretation, and judgment concerning certain accounting pronouncements and federal and state tax codes. There can be no assurance that future events, such as court decisions or positions of federal and state taxing authorities, will not differ from management's current assessment, the impact of which could be significant to the consolidated results of operations and reported earnings.

Colony files a consolidated federal income tax return and a combined state income tax return (both of which include Colony and its wholly owned subsidiaries). Accordingly, amounts equal to tax benefits of those companies having taxable federal losses or credits are reimbursed by the companies that incur federal tax liabilities. Amounts provided for income tax expense are based on income reported for financial statement purposes and do not necessarily represent amounts currently payable under tax laws. Deferred income tax assets and liabilities are computed quarterly for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax law rates applicable to the periods in which the differences are expected to affect taxable income. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through provision for income tax expense. Valuation allowances are established when it is more likely than not that a portion of the full amount of the deferred tax asset will not be realized. In assessing the ability to realize deferred tax assets, management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies. Colony may also recognize a liability for unrecognized tax benefits from uncertainty in income taxes. Unrecognized tax benefits represent the differences between a tax position taken or expected to be taken in a tax return and the benefit recognized and measured in the financial statements. Penalties related to unrecognized tax benefits are classified as income tax expense.

Overview

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

Taxable-equivalent adjustments are the result of increasing income from tax-free loans and investments by an amount equal to the taxes that would be paid if the income were fully taxable based on a 21% federal tax rate for 2024 and 2023, thus making tax-exempt yields comparable to taxable asset yields.

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

Results of Operations

The Company's results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since market forces and economic conditions beyond the control of the Company determine interest rates, the ability to generate net interest income is dependent upon the Company's ability to obtain an adequate spread between the rate earned on interest-earning assets and the rate paid on interest-bearing liabilities. Thus, the key performance for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average interest-earning assets. Net income available to common shareholders totaled $23.9 million, or $1.36 per diluted shares in 2024, compared to $21.7 million, or $1.24 per diluted shares in 2023.

Net Interest Income

Net interest income is the difference between interest income on earning assets, such as loans and securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest income is the Company's largest component of income, representing 65.9% of total income during 2024 and 68.7% of total income during 2023.

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

The Company's loan portfolio is significantly affected by changes in the prime interest rate. The prime interest rate, which is the rate offered on loans to borrowers with strong credit, was 7.50% as of December 31, 2024 and 8.50% as of December 31, 2023. The Federal Reserve Board sets general market rates of interest, including the deposit and loan rates offered by many financial institutions. During 2024, the prime interest rate decreased 1.00%. During 2023, the prime interest rate increased 1.00%.

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

Rate/Volume Analysis

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

(dollars in thousands)	Changes from 2023 to 2024 [a] Volume	Rate	Total
Interest income			
Loans, net of unearned fees	$ 2,708	$ 9,724	$ 12,432
Investment securities, taxable	(1,382)	(736)	(2,118)
Investment securities, exempt	(149)	(137)	(286)
Deposits in banks and short-term investments	1,563	688	2,251
Total interest income	2,740	9,539	12,279
Interest expense			
Interest-bearing demand and savings deposits	844	10,616	11,460
Time deposits	(507)	3,589	3,082
Federal funds purchased	(147)	—	(147)
FHLB advances	668	(220)	448
Other borrowings	(463)	112	(351)
Total interest expense	395	14,097	14,492
Net interest income	$ 2,345	$ (4,558)	$ (2,213)

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

The Company maintains about 21.74% of its loan portfolio in adjustable rate loans that reprice with prime rate changes, while a little over half of its other loans mature within 5 years. The liabilities to fund assets are primarily in non-maturing core deposits and short-term certificates of deposit that mature within one year. During 2024, Federal Reserve rates decreased 100 basis points. During 2023, Federal Reserve rates increased 100 basis points. We have seen the net interest margin decrease to 2.72% for 2024, compared to 2.83% for 2023 primarily due to the rates on interest bearing liabilities continuing to outpace the rates on interest earning assets.

Taxable-equivalent net interest income for 2024 decreased by $2.2 million or 2.8%, compared to 2023, primarily due to increases in loan volume and rates, offset by increases in deposit rates and increases in borrowings to fund loan growth. The average volume of interest-earning assets during 2024 increased $36.8 million compared to 2023, primarily related to increases in loans and deposits in banks and short-term investments. The total yield on interest-earning assets increased year over year with increases in loan and deposits in banks and short-term investments volume, partially offset by decreases in investment securities balances along with increased rates on loan and deposits in banks.

The average volume of loans increased $50.3 million in 2024 compared to 2023, which primarily reflects organic loan growth in the first half of 2024. The average yield on loans increased by 51 basis points in 2024 compared to 2023, primarily due to the increased loan volume in addition to the previous year's increase in rates. The average volume of interest-bearing deposits increased $58.1 million in 2024 compared to 2023. Average savings and interest-bearing demand deposits increased $74.1 million offset by a decrease in average time deposits of $16.0 million in 2024 compared to 2023.

Accordingly, the ratio of average interest-bearing deposits to total average deposits was 81.81% in 2024 and 79.47% in 2023. For 2024, this deposit mix, combined with an increase in interest rates, had the effect of increasing the average cost of total deposits by 66 basis points in 2024 compared to 2023. This was partially offset by a decrease of 13 basis points in other interest-bearing liabilities in 2024 compared to 2023 due to 2024 borrowings being at lower interest rates.

The Company’s net interest spread, which represents the difference between the average rate earned on interest-earning assets and the average rate paid on interest-bearing liabilities, decreased to 2.23% in 2024 from 2.42% in 2023 and was also a result of deposit rate increases and an increase in borrowings, partially offset by increases in loan volume and rates. The net interest spread, as well as the net interest margin, will be impacted by future changes in short-term and long-term interest rate levels, as well as the impact from the competitive environment. A discussion of the effects of changing interest rates on net interest income is set forth in "Market Risk and Interest Rate Sensitivity" included elsewhere in this report.

AVERAGE BALANCE SHEETS

(dollars in thousands)	2024 Average Balances	2024 Income/ Expense	2024 Yields/ Rates	2023 Average Balances	2023 Income/ Expense	2023 Yields/ Rates
Assets						
Loans, net of unearned fees [1]	$ 1,900,386	$ 111,904	5.89 %	$ 1,850,043	$ 99,472	5.38 %
Investment securities, taxable	720,986	19,270	2.67	770,707	21,388	2.78
Investment securities, tax-exempt [2]	99,350	2,158	2.17	105,797	2,444	2.31
Deposits in banks and short-term investments	106,381	4,592	4.32	63,806	2,341	3.67
Total interest-earning assets	2,827,103	137,924	4.88 %	2,790,353	125,645	4.50 %
Total noninterest-earning assets	221,607			226,198		
Total assets	$ 3,048,710			$ 3,016,551		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Savings and interest-bearing demand deposits	$ 1,464,315	27,293	1.86 %	$ 1,390,247	15,833	1.14 %
Time deposits	603,080	22,714	3.77	619,083	19,632	3.17
Total interest-bearing deposits	2,067,395	50,007	2.42	2,009,330	35,465	1.76
Federal funds purchased	4	—	5.94	2,783	147	5.29
FHLB advances	176,421	7,211	4.09	160,548	6,763	4.21
Other borrowings	63,186	3,947	6.25	70,807	4,298	6.07
Total other interest-bearing liabilities	239,611	11,158	4.66	234,138	11,208	4.79
Total interest-bearing liabilities	2,307,006	61,165	2.65 %	2,243,468	46,673	2.08 %
Noninterest-bearing demand deposits	459,822			519,225		
Other liabilities	16,607			14,947		
Stockholders' equity	265,275			238,911		
Total liabilities and stockholders' equity	$ 3,048,710			$ 3,016,551		
Interest rate spread			2.23 %			2.42 %
Net interest income		$ 76,759			$ 78,972	
Net interest margin			2.72 %			2.83 %

(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 $229,000 and $216,000 for the years ended December 31, 2024 and 2023, respectively, are calculated using the statutory federal tax rate and are included in income and fees on loans. Accretion income of $47,000 and $165,000 for the years ended December 31, 2024 and 2023 are also included in income and fees on loans.

(2) Taxable-equivalent adjustments totaling $453,000 and $513,000 for the years ended December 31, 2024 and 2023, respectively, are calculated using the statutory federal tax rate and are included in tax-exempt interest on investment securities.

Provision for Credit Losses

Provision for credit losses totaled $3.1 million in 2024 compared to $3.6 million in 2023. 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, 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. The provision for credit losses for the years ended December 31, 2024 and 2023 includes $3.6 million and $3.9 million, respectively, in credit losses on loans and $562,000 and $286,000, respectively, in release of credit losses on unfunded commitments. See the section captioned “Allowance for Credit Losses” elsewhere in this discussion for further analysis of the provision for credit losses. The decrease in provision for credit losses for the year ended December 31, 2024 compared to 2023 is related to the change in our loan balances year over year. See the sections captioned “Loans" and "Allowance for Credit Losses” elsewhere in this discussion for further analysis of the provision for credit losses. Net charge-offs for the year ended December 31, 2024 were $3.0 million compared to $1.6 million for the same period in 2023. As of December 31, 2024, Colony’s allowance for credit losses was $19.0 million, or 1.03% of total loans, compared to $18.4 million, or 0.98% of total loans, at December 31, 2023. At December 31, 2024 and 2023,

nonperforming assets were $11.3 million and $10.7 million, or 0.36% and 0.35% of total assets, respectively, with credit quality in the overall loan portfolio remaining strong.

Noninterest Income

The components of noninterest income were as follows:

(dollars in thousands)	2024	2023	$ Variance	% Variance
Service charges on deposit accounts	$ 9,365	$ 8,735	$ 630	7.21 %
Mortgage fee income	6,048	6,131	(83)	(1.35)
Gain on sales of SBA loans	9,242	5,063	4,179	82.55
Loss on sales of securities	(1,835)	—	(1,835)	—
Interchange fees	8,299	8,460	(161)	(1.91)
BOLI income	1,725	1,396	329	23.58
Insurance commissions	1,789	1,873	(84)	(4.48)
Other	4,742	3,976	766	19.28
Total	$ 39,375	$ 35,634	$ 3,741	10.50 %

Noninterest income in 2024 increased $3.7 million, or 10.50% from 2023. The Company's increases were primarily seen in service charges on deposit accounts, gains on sales of SBA loans, BOLI income and other noninterest income, which included increases in equity investment income and income on wealth advisory and merchant services. These increases were offset by losses on sales of investment securities and decreases in mortgage fee income, interchange fees and insurance commissions. The increase in service charges on deposit accounts can be attributed to our ability to continue to grow deposits, particularly lower cost transactional deposit accounts despite the challenging rate environment. The increase of $4.2 million in gain on sales of SBA loans is due to the sale of 451 loans in 2024 compared to 81 loans in 2023. The increase of $766,000 in other noninterest income was attributable to equity investment market valuation gains of $270,000 in 2024 compared to $156,000 in 2023, an increase of $235,000 in wealth advisory and merchant services along with increases in SBA servicing and other related fee income of $671,000, offset by a decrease in sales of assets of $446,000. The decrease in mortgage fee income was a result of lower mortgage production year over year and interchange fees decreased due to fluctuations in the buying habits of consumers. Investment securities were sold in 2024 for the purpose of restructuring underperforming assets in order to reinvest at higher yields and resulted in losses of $1.8 million. There were no sales of investment securities in 2023.

Noninterest Expense

The components of noninterest expense were as follows:

(dollars in thousands)	2024	2023	$ Variance	% Variance
Salaries and employee benefits	$ 49,767	$ 49,233	$ 534	1.09 %
Occupancy and equipment	6,149	6,283	(134)	(2.13)
Information technology	8,978	8,553	425	4.97
Professional Fees	2,825	3,097	(272)	(8.77)
Advertising and public relations	4,009	3,486	523	15.01
Communications	865	947	(82)	(8.64)
Other	10,241	11,466	(1,225)	(10.69)
Total	$ 82,834	$ 83,065	$ (231)	(0.28)%

Noninterest expense in 2024 decreased slightly by $231,000, or 0.28% from 2023. The Company's decreases were seen in occupancy and equipment, professional fees, communications and other noninterest expense. These decreases were offset by increases in salaries and employee benefits, information technology, and advertising and public relations. The decrease in occupancy and equipment expenses can be seen in decreases in repair and maintenance expense as well as rental and lease expenses. The decrease in professional fees is the result of lower accounting, legal and consulting fees in 2024 compared to 2023. The decrease in other noninterest expense of $1.2 million is the result of decreases in the FDIC assessment, amortization of intangibles, stationery and supplies and other deposit related losses. An increase was seen in salaries and employee benefits which was primarily attributable to increased bonus and commission expenses. The increase in information technology expense

was related to increased software expenses and advertising and public relations saw increases in advertising and contribution expenses during 2024.

Sources and Uses of Funds

The following table illustrates, during the years presented, the mix of the Company's funding sources and the assets in which those funds are invested as a percentage of the Company's average total assets for the period indicated. Average assets totaled $3.05 billion in 2024 compared to $3.02 billion in 2023.

(dollars in thousands)	2024		2023	
Sources of Funds:				
Noninterest-bearing deposits	$ 459,822	15.08 %	$ 519,225	17.21 %
Interest-bearing deposits	2,067,395	67.81	2,009,330	66.61
FHLB advances	176,421	5.79	160,548	5.32
Federal funds purchased	4	0.00	2,783	0.09
Other borrowings	63,186	2.07	70,807	2.35
Other noninterest-bearing liabilities	16,607	0.55	14,947	0.50
Equity capital	265,275	8.70	238,911	7.92
Total	$ 3,048,710	100.00 %	$ 3,016,551	100.00 %
Uses of Funds:				
Loans held for sale and loans	$ 1,900,386	62.34 %	$ 1,850,043	61.33 %
Investment securities	820,336	26.90	876,504	29.05
Deposits in banks and short term investments	106,381	3.49	63,806	2.12
Other noninterest-bearing assets	221,607	7.27	226,198	7.50
Total	$ 3,048,710	100.00 %	$ 3,016,551	100.00 %

Deposits continue to be the Company's primary source of funding. Over the comparable periods, interest-bearing deposits continues to be the largest component of the Company's mix of deposits. Average interest-bearing deposits totaled 81.8% in 2024 compared to 79.5% of total average deposits in 2023.

The Company primarily invests funds in loans and securities. Loans continue to be the largest component of the Company's mix of invested assets.

Loans

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

(dollars in thousands)	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020
Construction, land & land development	$ 205,046	$ 247,146	$ 229,435	$ 165,446	$ 121,093
Other commercial real estate	990,648	974,375	975,447	787,392	520,391
Total commercial real estate	1,195,694	1,221,521	1,204,882	952,838	641,484
Residential real estate	344,167	356,234	290,054	212,527	183,021
Commercial, financial & agricultural	213,910	242,756	223,923	154,048	213,380
Consumer and other	89,209	62,959	18,247	18,564	21,618
Total loans, net of unearned fees	1,842,980	1,883,470	1,737,106	1,337,977	1,059,503
Allowance for credit losses on loans	(18,980)	(18,371)	(16,128)	(12,910)	(12,127)
Loans, net	$ 1,824,000	$ 1,865,099	$ 1,720,978	$ 1,325,067	$ 1,047,376

Maturity and Repricing Opportunity

The following table presents total loans as of December 31, 2024 according to maturity distribution and/or repricing opportunity on adjustable rate loans.

(dollars in thousands)	One year or less	After one year through five years	After five years through fifteen years	After fifteen years	Total
Construction, land & land development	$ 128,831	$ 54,123	$ 17,486	$ 4,606	$ 205,046
Other commercial real estate	158,819	504,847	324,156	2,826	990,648
Total commercial real estate	287,650	558,970	341,642	7,432	1,195,694
Residential real estate	48,734	95,137	130,208	70,088	344,167
Commercial, financial & agricultural	97,149	83,542	23,127	10,092	213,910
Consumer and other	5,749	35,613	23,075	24,772	89,209
Total loans, net of unearned fees	439,282	773,262	518,052	112,384	1,842,980

Overview. Loans totaled $1.8 billion at December 31, 2024, a decrease of 2.1% from $1.9 billion at December 31, 2023. The majority of the Company's loan portfolio is comprised of real estate loans. Commercial and residential real estate which is primarily 1-4 family residential properties, nonfarm nonresidential properties and real estate construction loans made up 83.6% and 83.8% of total loans at December 31, 2024 and December 31, 2023, respectively. Commercial, financial and agriculture loans represents 11.6% of the loans at December 31, 2024 and 2023. Consumer and other loans increased to 4.8% of total loans at December 31, 2024 from 3.3% at December 31, 2023.

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

Commercial purpose, commercial real estate, and agricultural loans are underwritten similarly to how other loans are underwritten throughout the Company. The properties securing the Company's commercial real estate portfolio are diverse in terms of type and geographic location. In addition, the Company restricts any single loan to a $20 million transaction amount, unless approved by the Director Loan Committee ("DLC"). This diversity helps reduce the Company's exposure to adverse economic events that affect any single market or industry. Management monitors and evaluates commercial real estate loans monthly based on collateral, geography, and risk grade criteria. The Company also utilizes information provided by third-party agencies to provide additional insight and guidance about economic conditions and trends affecting the markets it serves.

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

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

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

For additional discussion of our loan portfolio and deposit accounts, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Loans" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Deposits."

Commercial, financial & agricultural. Commercial, financial and agricultural loans at December 31, 2024 decreased by $28.8 million, or 11.9% to $213.9 million from December 31, 2023 at $242.8 million. This decrease was related to loan payoffs during 2024 of a small number of larger commercial and industrial loans. The Company's commercial, financial and agricultural loans are a diverse group of loans to small, medium and large businesses. The purpose of these loans varies from supporting seasonal working capital needs to term financing of equipment. These agricultural lines typically reduce in size at year end as crops are sold. While some short-term loans may be made on an unsecured basis, most are secured by the assets being financed with collateral margins that are consistent with the Company's loan policy guidelines.

Construction, land & land development. Construction, land and land development loans decreased by $42.1 million, or 17.0%, at December 31, 2024 to $205.0 million from $247.1 million at December 31, 2023. This decrease was partially due to interest rates remaining at higher levels throughout the first nine months of 2024 resulting in a decrease in consumer residential construction loans.

Other commercial real estate. Other commercial real estate loans increased by $16.3 million, or 1.7%, at December 31, 2024 to $990.6 million from $974.4 million at December 31, 2023. This increase was primarily attributable to increases in owner occupied commercial real estate and farmland loans partially offset by decreases in non-owner occupied commercial real estate and multifamily loans. Also, the increase was impacted by the current lending environment, rate environment, and the Company's lending appetite. At December 31, 2024, the Company's other commercial real estate loans were comprised of 58.7% of non-owner occupied loans and 41.3% of owner occupied loans.

The Company's non-owner occupied portfolio is well diversified as can be seen in the table below as of December 31, 2024.

(dollars in thousands)	December 31, 2024
Multifamily	$ 70,437
Hotel/Motel	51,887
Retail	154,418
Office	76,391
Industrial & Warehouse	70,669
Other Specialty	142,707
Government guaranteed SBSL	15,155
Total	**$ 581,664**

Residential Real Estate Loans. Residential real estate loans decreased by $12.1 million or 3.4%, at December 31, 2024 to $344.2 million from $356.2 million at December 31, 2023. This decrease was attributable to a decline in portfolio 1-4 family residential real estate loans. Residential real estate loans consist of revolving, open-end and closed-end loans as well as those secured by closed-end first and junior liens.

Consumer and other. Consumer and other loans include loans to individuals for personal and household purposes, including secured and unsecured installment loans and revolving lines of credit. Consumer and other loans at December 31, 2024 increased $26.3 million or 41.7% to $89.2 million from $63.0 million at December 31, 2023. This increase was primarily attributable to increases in the Company's marine and RV lending division as well as an increase in Upstart loans, consumer loans to individuals with no or limited credit history.

Industry concentrations. As of December 31, 2024 and 2023, the Company had one industry, identified as Lessors of Non-Residential real estate, where the concentrations of loans was in excess of 10% of total loans, as segregated by Standard Industrial Classification code ("SIC code"). The SIC code is a federally designed standard industrial numbering system used by the Company to categorize loans by the borrower's type of business. The Company has established industry-specific guidelines with respect to maximum loans permitted for each industry with which the Company does business.

Collateral concentrations. Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk. At December 31, 2024, approximately 83.6% of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor these concentrations and has considered these concentrations in its allowance for credit loss analysis. In recent years, we have seen real estate values stabilizing in our markets. The stabilization of rates has resulted in a decrease in the number of loans being classified as impaired over the past several years.

Large credit relationships. The Company currently operates 34 locations in north, central, south and coastal Georgia and also expanded its presence in 2023 into Birmingham, Alabama as well as Tallahassee and the Florida panhandle. As a result, the Company originates and maintains large credit relationships with several commercial customers in the ordinary course of business. The required approval of loans (new or renewal) is based on the total credit exposure of a borrower, the type of loan, combined with whether or not there are any material policy exceptions on the loan. For non-owner occupied commercial real estate loans, the DLC approves loans $18 million or greater with material exceptions and loans $26 million or greater without exceptions. For other loans that are not commercial real estate, the DLC approves loans $21 million or greater with material exceptions and loans $30 million or greater with no exceptions. At December 31, 2024, our largest 20 relationships consisted of loans and loan commitments, where the total committed balance was $304.5 million with $286.1 million outstanding. At December 31, 2023, our largest 20 relationships had total committed balance of $354.1 million with $266.7 million outstanding.

Maturities and sensitivities of loans to changes in interest rates. The following table presents the maturity distribution of the Company's loans at December 31, 2024. The table also presents the portion of loans that have fixed interest rates or variable interest rates that fluctuate over the life of the loans in accordance with changes in an interest rate index such as the prime rate.

(dollars in thousands)	Due in One Year or Less	After One, but within Five Years	After Five Years, but within Fifteen Years	After Fifteen Years	Total
Loans with fixed interest rates:					
Construction, land & land development	$ 104,641	$ 47,151	$ 14,229	$ 4,606	$ 170,627
Other commercial real estate	76,890	480,200	315,239	2,826	875,155
Total commercial real estate	181,531	527,351	329,468	7,432	1,045,782
Residential real estate	8,107	58,159	26,425	70,070	162,761
Commercial, financial & agricultural	39,923	71,806	23,127	10,092	144,948
Consumer and other	5,315	35,594	23,075	24,772	88,756
Total loans with fixed interest rates, net of unearned fees	234,876	692,910	402,095	112,366	1,442,247
Loans with floating interest rates:					
Construction, land & land development	24,190	6,972	3,257	—	34,419
Other commercial real estate	81,929	24,647	8,917	—	115,493
Total commercial real estate	106,119	31,619	12,174	—	149,912
Residential real estate	40,627	36,978	103,783	18	181,406
Commercial, financial & agricultural	57,226	11,736	—	—	68,962
Consumer and other	434	19	—	—	453
Total loans with floating interest rates, net of unearned fees	204,406	80,352	115,957	18	400,733
Total loans, net of unearned fees	$ 439,282	$ 773,262	$ 518,052	$ 112,384	$ 1,842,980

The Company may renew loans at maturity when requested by a customer whose financial strength appears to support such renewal or when such renewal appears to be in the Company's best interest. In such instances, the Company generally requires

payment of accrued interest and may adjust the rate of interest, require a principal reduction or modify other terms of the loan at the time of renewal.

Nonperforming Assets and Potential Problem Loans

Asset quality experienced a slight decrease during the year ended December 31, 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 $10.7 million at December 31, 2024, an increase of $821,000, or 8.3%, from $9.8 million at December 31, 2023. There were six loans contractually past due 90 days or more and still accruing totaling $152,000 at December 31, 2024 and two loans totaling $370,000 at December 31, 2023. At December 31, 2024, OREO totaled $202,000, a decrease of $246,000, or 54.9%, compared with $448,000 at December 31, 2023. The change in OREO is primarily the result of five properties added to other real estate totaling $1.2 million offset by $1.4 million from the sale of six OREO properties. At the end of the year ended December 31, 2024, total nonperforming assets as a percentage of total assets increased to 0.36% compared with 0.35% at December 31, 2023. The increase in nonperforming assets was primarily the result of increases in commercial, financial & agricultural loans as well as SBSL government guaranteed loans in various call codes, partially offset by repayments, payoffs and charged off loans.

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

(dollars in thousands)	2024	2023	2022
Loans accounted for on nonaccrual	$ 10,660	$ 9,839	$ 5,706
Loans accruing past due 90 days or more	152	370	—
Other real estate foreclosed	202	448	651
Repossessed assets	328	—	—
Total nonperforming assets	$ 11,342	$ 10,657	$ 6,357
Nonperforming loans by segment			
Construction, land & land development	$ —	$ 85	$ 149
Other commercial real estate	4,833	4,219	1,509
Residential real estate	1,204	3,911	2,686
Commercial, financial & agricultural	4,559	1,956	1,341
Consumer and other	216	38	21
Total nonperforming loans	$ 10,812	$ 10,209	$ 5,706
Nonperforming assets as a percentage of:			
Total loans, other real estate and foreclosed assets	0.62 %	0.57 %	0.37 %
Total assets	0.36 %	0.35 %	0.22 %
Nonperforming loans as a percentage of:			
Total loans	0.59 %	0.55 %	0.33 %
Supplemental data:			
Accruing past due loans:			
30-89 days past due	$ 8,361	$ 6,069	$ 1,793
90 or more days past due	152	370	—
Total accruing past due loans	$ 8,513	$ 6,439	$ 1,793
Allowance for credit losses	$ 18,980	$ 18,371	$ 16,128
Allowance for credit losses as a percentage of:			
Total loans	1.03 %	0.98 %	0.93 %
Nonperforming loans	175.55	179.95	282.65

Nonperforming assets include nonaccrual loans, loans past due 90 days or more, foreclosed real estate, repossessed assets and nonaccrual securities. Nonperforming assets at December 31, 2024 increased 6.4% from December 31, 2023, as a result of the increase in nonaccrual loans and repossessed assets, offset by decreases in loans accruing past due 90 days or more and other real estate owned property.

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

The Company had nine loans modified due to financial difficulty during the year ended December 31, 2024. See Note 3. Loans, for additional details on loan modifications.

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

Allowance for Credit Losses

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 is based on management's evaluation of the size and composition of the loan portfolio, the level of non-performing and past due loans, historical trends of charged-off loans and recoveries, prevailing economic conditions and other factors management deems appropriate. The Company's management has established an allowance for 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.

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

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

(dollars in thousands)	December 31, 2024		December 31, 2023		December 31, 2022		December 31, 2021		December 31, 2020	
	Reserve	%[1]	Reserve	%[1]	Reserve	%[1]	Reserve	%[1]	Reserve	%[1]
Construction, land & land development	$ 1,306	11.1 %	$ 2,204	13.1 %	$ 1,959	13.2 %	$ 1,127	12.4 %	$1,013	11.4 %
Other commercial real estate	6,459	53.8	7,064	51.7	8,886	56.1	7,691	58.8	6,880	49.1
Residential real estate	5,502	18.7	5,105	18.9	2,354	16.7	1,805	15.9	2,278	17.3
Commercial, financial & agricultural	2,904	11.6	2,110	12.9	2,709	12.9	1,083	11.5	1,713	20.1
Consumer and other	2,809	4.8	1,888	3.4	220	1.1	1,204	1.4	243	2.1
	$ 18,980	100.0 %	$ 18,371	100.0 %	$ 16,128	100.0 %	$ 12,910	100.0 %	$ 12,127	100.0 %

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

The following table presents an analysis of the Company's allowance for credit losses on loans for the periods indicated.

(dollars in thousands)	2024	2023	2022	2021	2020
Allowance for credit losses on loans at beginning of year	$ 18,371	$ 16,128	$ 12,910	$ 12,127	$ 6,863
Adoption of ASU 2016-13	—	(53)	—	—	—
Charge-offs					
Construction, land & land development	—	—	—	—	4
Other commercial real estate	20	69	58	568	226
Residential real estate	427	771	48	3	206
Commercial, financial & agricultural	2,467	1,069	314	274	242
Consumer and other	604	35	60	68	1,103
Total charge-offs	3,518	1,944	480	913	1,781
Recoveries					
Construction, land & land development	16	10	25	466	45
Other commercial real estate	57	42	85	118	153
Residential real estate	256	79	50	274	142
Commercial, financial & agricultural	161	201	139	91	43
Consumer and other	25	22	29	47	104
Total recoveries	515	354	328	996	487
Net charge-offs/(recoveries)	3,003	1,590	152	(83)	1,294
Provision for credit losses on loans	3,612	3,886	3,370	700	6,558
Allowance for credit losses on loans at end of year	$ 18,980	$ 18,371	$ 16,128	$ 12,910	$ 12,127
Ratio of net charge-offs/(recoveries) to average loans	0.16 %	0.09 %	0.01 %	(0.01)%	0.12 %

The allowance for credit losses on loans increased from $18.4 million or 0.98% of total loans at December 31, 2023 to $19.0 million, or 1.03% of total loans at December 31, 2024. The provision for credit losses on loans reflects loan quality trends, including the level of net charge-offs or recoveries, among other factors. The primary reason for the increase year over year was due to the increase in charge-offs. These charge-offs represent a small number of loans and circumstances, and management has no concern that there are systemic issues across the portfolio.

The amount of provision expense recorded in 2024 and 2023 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.

Investment Portfolio

The following table presents carrying values of investment securities available-for-sale held by the Company as of December 31, 2024, 2023 and 2022.

(dollars in thousands)	**2024**	**2023**	**2022**
U.S. treasury securities	$ 3,173	$ 498	$ 1,622
U.S. agency securities	2,755	4,139	4,585
Asset backed securities	17,824	24,630	29,988
State, county and municipal securities	95,637	109,036	104,756
Corporate debt securities	47,782	47,390	49,585
Mortgage-backed securities	198,878	221,689	242,017
Total debt securities	$ 366,049	$ 407,382	$ 432,553

The following table presents investment securities held-to-maturity, carried at cost by the Company as of December 31, 2024, 2023 and 2022.

(dollars in thousands)	**2024**	**2023**	**2022**
U.S. treasury securities	$ 91,004	$ 93,306	$ 91,615
U.S. agency securities	16,151	16,282	16,409
State, county and municipal securities	137,190	136,685	136,138
Mortgage-backed securities	185,732	202,758	221,696
Total debt securities	$ 430,077	$ 449,031	$ 465,858

The following table represents expected maturities and weighted-average yields of investment securities held by the Company as of December 31, 2024 (mortgage-backed securities are based on the average life at the projected speed, while State and Political Subdivisions reflect anticipated calls being exercised).

Available-for-Sale	Within 1 Year		After 1 Year But Within 5 Years		After 5 Years But Within 10 Years		After 10 Years	
(dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. treasury securities	$ 3,173	4.32 %	$ —	— %	$ —	— %	$ —	— %
U.S. agency securities	—	—	—	—	1,335	2.57	1,420	2.93
Asset backed securities	—	—	—	—	2,454	5.39	15,370	5.86
State, county and municipal securities	—	—	12,827	1.83	39,617	2.12	43,193	1.47
Corporate debt securities	1,980	4.05	7,795	4.96	36,511	4.35	1,496	10.39
Mortgage-backed securities	10,694	5.00	25,486	3.37	8,402	3.22	154,296	3.02
Total debt securities	$ 15,847	4.75 %	$ 46,108	3.21 %	$ 88,319	3.24 %	$ 215,775	2.96 %

Held-to-Maturity	Within 1 Year		After 1 Year But Within 5 Years		After 5 Years But Within 10 Years		After 10 Years	
(dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. treasury securities	$ 26,714	1.03 %	$ 64,290	1.07 %	$ —	— %	$ —	— %
U.S. agency securities	6,933	1.13	3,393	1.32	5,825	1.55	—	—
State, county and municipal securities	—	—	4,193	1.20	65,362	1.97	67,635	1.77
Mortgage-backed securities	—	—	33,395	1.63	27,891	1.61	124,446	1.85
Total debt securities	$ 33,647	1.05 %	$ 105,271	1.26 %	$ 99,078	1.84 %	$ 192,081	1.82 %

Securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available-for-sale when they might be sold before maturity. Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. The Company had both held-to-maturity and available-for-sale securities in the investment portfolio at December 31, 2024. Management also evaluates its securities portfolio for any credit-related losses on a quarterly basis. The Company did not identify any credit-related losses in its held-to-maturity or available-for-sale portfolios at December 31, 2024.

At December 31, 2024, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of the Company's stockholders' equity.

The average yield of the securities portfolio was 2.61% in 2024 and 2.72% in 2023. The decrease in the average yield from 2023 to 2024 was primarily attributed to the decrease in average balances of investment securities related to paydowns and the sales of investments securities during 2024.

Deposits

The following table presents the average amount outstanding and the average rate paid on deposits by the Company for the years 2024, 2023, and 2022.

	2024		2023		2022	
(dollars in thousands)	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest-bearing demand deposits	$ 459,822	—	$ 519,225	—	$ 564,322	—
Interest-bearing demand and savings deposits	1,464,315	1.86 %	1,390,247	1.14 %	1,439,234	0.21 %
Time deposits	603,080	3.77 %	619,083	3.17 %	370,375	0.76 %
Total deposits	$ 2,527,217	1.98 %	$ 2,528,555	1.40 %	$ 2,373,931	0.25 %

The following table presents the maturities of the Company's time deposits as of December 31, 2024.

(dollars in thousands)	Time Deposits $250,000 or Greater	Time Deposits Less than $250,000	Total
Months to Maturity			
3 months or less	$ 54,557	$ 150,421	$ 204,978
Over 3 months through 6 months	65,693	106,569	172,262
Over 6 months through 12 months	59,308	131,128	190,436
Over 12 months	5,618	30,980	36,598
	$ 185,176	$ 419,098	$ 604,274

Average deposits decreased $1.3 million in 2024 compared to 2023. The decrease in 2024 included decreases of $16.0 million, or 2.6% in time deposits and $59.4 million, or 11.4% in noninterest-bearing deposits, which were partially offset by an increase in interest-bearing demand and savings deposits of $74.1 million, or 5.3%. The increase in our overall deposits is due primarily to the Company's ability to attract interest-bearing demand and savings deposits despite the challenging interest rate environment.

As of December 31, 2023 and 2022, $857.6 million and $777.8 million, respectively, of our deposit portfolio was uninsured. The uninsured amounts are estimated based on the methodologies and assumptions used for the Bank's regulatory reporting requirements.

The Company supplements deposit sources with brokered deposits. As of December 31, 2024, the Company had $59.5 million, or 2.32% of total deposits, in brokered certificates of deposit attracted by external third parties. Additional information is provided in the Notes to Consolidated Financial Statements for Deposits.

Off-Balance-Sheet Arrangements and Contractual Obligations

In the ordinary course of business, our Bank has granted commitments to extend credit to approved customers. Generally, these commitments to extend credit have been granted on a temporary basis for seasonal or inventory requirements or for construction period financing and have been approved within the Bank's credit guidelines. Our Bank has also granted commitments to approved customers for financial standby letters of credit. These commitments are recorded in the financial statements when funds are disbursed or the financial instruments become payable. The Bank uses the same credit policies for these off-balance-sheet commitments as it does for financial instruments that are recorded in the consolidated financial statements. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitment amounts expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The following table summarizes commitments and contractual obligations outstanding at December 31, 2024.

(dollars in thousands)	Payments Due by Period				
	Total	**Less Than 1 Year**	**1 – 3 Years**	**3 – 5 Years**	**More Than 5 Years**
Contractual Obligations:					
Borrowings	$ 248,039	$ 50,000	$ 40,000	$ 95,000	$ 63,039
Operating lease liabilities	1,393	636	685	72	—
Time Deposits	604,274	567,675	31,294	5,076	229
	$ 853,706	$ 618,311	$ 71,979	$ 100,148	$ 63,268
Other Commitments:					
Loan commitments	$ 329,924	$ 198,639	$ 44,417	$ 21,915	$ 64,953
Standby letters of credit	5,947	5,489	458	—	—
	335,871	204,128	44,875	21,915	64,953
Total Contractual Obligations and Other Commitments	$ 1,189,577	$ 822,439	$ 116,854	$ 122,063	$ 128,221

Loan Commitments. The Company enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of the Company's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. The Company minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for credit losses. Loan commitments outstanding at December 31, 2024 are included in the preceding table.

Standby Letters of Credit. Letters of credit are written conditional commitments issued by the Company to guarantee the performance of a customer to a third party. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, the Company would be entitled to seek recovery from the customer. The Company's policies generally require that standby letters of credit arrangements contain security and debt covenants similar to those contained in loan agreements. Standby letters of credit outstanding at December 31, 2024 are included in the preceding table.

Capital Requirements

The Bank and the Company are each 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. For more information, see "Item 1. Business – Supervision and Regulation – Regulation of the Company – Capital Requirements."

At December 31, 2024, shareholders' equity totaled $278.7 million compared to $254.9 million at December 31, 2023. In addition to net income of $23.9 million, another significant change in shareholders' equity during 2024 included $7.9 million of dividends declared on common stock. The accumulated other comprehensive loss component of stockholders' equity totaled $47.6 million at December 31, 2024 compared to $55.6 million at December 31, 2023. This fluctuation was mostly related to the after-tax effect of changes in the fair value of securities available-for-sale. Under regulatory requirements, the unrealized gain or loss on securities available for sale does not increase or reduce regulatory capital and is not included in the calculation of risk-based capital and leverage ratios. Regulatory agencies for banks and bank holding companies utilize capital guidelines designed to measure Tier 1 and total capital and take into consideration the risk inherent in both on-balance sheet and off-balance sheet items.

Tier 1 capital consists of common stock and qualifying preferred securities less goodwill, intangibles and disallowed deferred tax assets. Tier 2 capital consists of certain convertible, subordinated and other qualifying debt and the allowance for credit losses up to 1.25% of risk-weighted assets. The Company's Tier 2 capital consists of subordinated notes and the allowance for credit losses.

Using the capital requirements presently in effect, the Tier 1 ratio as of December 31, 2024 was 14.26% and total Tier 1 and 2 risk-based capital was 17.10%. Both of these measures compare favorably with the regulatory minimum of 6.0% for Tier 1 and 8% for total risk-based capital. The Company's common equity Tier 1 ratio as of December 31, 2024 was 13.08%, which exceeds the regulatory minimum of 4.50%. The Company's Tier 1 leverage ratio as of December 31, 2024 was 9.50%, which exceeds the required ratio standard of 4.0%.

For the year ended December 31, 2024, average capital was $265.3 million representing 8.7% of average assets for the year. This compares to average capital of $238.9 million, representing 7.9% of average assets for 2023.

For the years ended December 31, 2024 and 2023, the Company did not have any material commitments for capital expenditures.

The Company granted 74,358 and 55,210 restricted shares of common stock for the years ended December 31, 2024 and 2023, respectively. All restricted shares vest over a three year period.

A cash dividend of $7.9 million and $7.7 million was paid for the year ended December 31, 2024 and 2023, respectively.

Liquidity

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

Cash and cash equivalents at December 31, 2024 and 2023 were $231.0 million and $83.3 million, respectively. The increase in cash and cash equivalents was partially due to sales and paydowns of investment securities, paydowns and maturities of loans, as well as increases in deposits and other borrowings. Management believes the various funding sources discussed above are adequate to meet the Company's liquidity needs in these unsettled times without any material adverse impact on our operating results.

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

The investment portfolio provides a ready means to raise cash if liquidity needs arise. As of December 31, 2024, the available-for-sale bond portfolio totaled $366.0 million. At December 31, 2023, the available-for-sale bond portfolio totaled $407.4 million. This decrease is primarily attributable to sales along with maturities, calls and paydowns on the portfolio during 2024. Only marketable investment grade bonds are purchased. Although approximately 56.7% of the Bank's bond portfolio is encumbered as pledges to secure various public funds deposits, repurchase agreements, and for other purposes, management can restructure and free up investment securities for sale if required to meet liquidity needs.

Management continually monitors the relationship of loans to deposits as it primarily determines the Company's liquidity posture. Colony had ratios of loans to deposits of 71.8% as of December 31, 2024 and 74.0% as of December 31, 2023. Management employs alternative funding sources when deposit balances will not meet loan demands. The ratios of loans to all funding sources (excluding Subordinated Debentures) at December 31, 2024 and December 31, 2023 were 66.9% and 69.3%, respectively. Management continues to emphasize programs to generate local core deposits as our Company's primary funding sources. The stability of the Banks' core deposit base is an important factor in Colony's liquidity position. A heavy percentage of the deposit base is comprised of accounts of individuals and small businesses with comprehensive banking relationships and limited volatility. At December 31, 2024 and December 31, 2023, the Bank had $185.2 million and $167.7 million,

respectively, in certificates of deposit of $250,000 or more. These larger deposits represented 7.2% and 6.6% of total deposits as of December 31, 2024 and 2023, respectively. Management seeks to monitor and control the use of these larger certificates, which tend to be more volatile in nature, to ensure an adequate supply of funds as needed. Relative interest costs to attract local core relationships are compared to market rates of interest on various external deposit sources to help minimize the Company's overall cost of funds.

The Company supplemented deposit sources with brokered deposits. As of December 31, 2024, the Company had $59.5 million or 2.32% of total deposits in brokered deposits. Additional information is provided in the Notes to the Consolidated Financial Statements regarding these brokered deposits. Additionally, the Company uses external deposit listing services to obtain out-of-market certificates of deposit at competitive interest rates when funding is needed. The deposits obtained from listing services are often referred to as wholesale or internet CDs.

To plan for contingent sources of funding not satisfied by both local and out-of-market deposit balances, Colony and its subsidiary have established multiple borrowing sources to augment their funds management. The Company has borrowing capacity through membership of the Federal Home Loan Bank program. The Bank has also established overnight borrowing for Federal Funds Purchased through various correspondent banks. Management believes the various funding sources discussed above are adequate to meet the Company's liquidity needs in the future without any material adverse impact on operating results. At December 31, 2024 and 2023, we had $185.0 million and $175.0 million, respectively, of outstanding advances from the FHLB. Based on the values of loans pledged as collateral, we had $578.7 million and $596.2 million of additional borrowing availability with the FHLB at December 31, 2024 and 2023, respectively.

Other sources of liquidity include overnight borrowings from the Federal Reserve Discount Window. The Company also has unencumbered investment securities which provide the ability to either be pledged as collateral with borrowing sources or sold and converted to cash.

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

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

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

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

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

Impact of Inflation and Changing Prices

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

Regulatory and Economic Policies

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

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

Recently Issued Accounting Pronouncements

See Note 1 - Summary of Significant Accounting Policies included in the Notes to the Consolidated Financial Statements.

Market Risk and Interest Rate Sensitivity

Our financial performance is impacted by, among other factors, interest rate risk and credit risk. We utilize derivatives to help manage our interest rate risk position and mitigate exposure to the variability of future cash flows or other forecasted transactions. We mitigate our credit risk through reliance on an extensive loan review process and our allowance for credit losses.

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

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

Our exposure to interest rate risk is reviewed at least quarterly by our Board of Directors and by our Risk Management Committee. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net portfolio value in the event of assumed changes in interest rates. In order to reduce the exposure to interest rate fluctuations, we

have implemented strategies to more closely match our balance sheet composition. The Company has engaged Stifel to run a quarterly asset/liability model for interest rate risk analysis. We are generally focusing our investment activities on securities with terms or average lives in the 3 ½ - 5 ½ year range.

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

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

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

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

Colony has modeled its baseline net interest income forecast assuming a flat interest rate environment with the federal funds rate at the Federal Reserve's targeted range of 4.25% and the prime rate of 7.50% at December 31, 2024. Colony has modeled the impact of a gradual increase in short-term rates of 100 and 200 basis points and a decline of 100 and 200 basis points to determine the sensitivity of net interest income for the next twelve months. As illustrated in the table below, the net interest income sensitivity model indicates that, compared with a net interest income forecast assuming stable rates, net interest income is projected to increase by 3.03% and 5.66% if interest rates increased by 100 and 200 basis points, respectively. Net interest income is projected to decline by 1.80% and 3.77% if interest rates decreased by 100 and 200 basis points. These changes were within Colony's policy limit of a maximum 15% negative change.

Twelve Month Net Interest Income Sensitivity

Change in Short-term Interest Rates (in basis points)	Estimated Change in Net Interest Income as of December 31,	
	2024	**2023**
+200	5.66%	0.97%
+100	3.03%	0.54%
Flat	—%	—%
-100	(1.80)%	2.03%
-200	(3.77)%	2.24%

The measured interest rate sensitivity indicates an asset sensitive position over the next year, which could serve to improve net interest income in a rising interest rate environment. The actual realized change in net interest income would depend on several factors, some of which could serve to reduce or eliminate the asset sensitivity noted above. These factors include a higher than projected level of deposit customer migration to higher cost deposits, such as certificates of deposit, which would increase total interest expense and serve to reduce the realized level of asset sensitivity. Another factor which could impact the realized interest rate sensitivity in a rising rate environment is the repricing behavior of interest-bearing non-maturity deposits.

Assumptions for repricing are expressed as a beta relative to the change in the prime rate. For instance, a 25% beta would correspond to a deposit rate that would increase 0.25% for every 1% increase in the prime rate. Projected betas for interest bearing non-maturity deposit repricing are a key component of determining the Company's interest rate risk position. Should realized betas be higher than projected betas, the expected benefit from higher interest rates would be reduced.

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

Item 7A

Quantitative and Qualitative Disclosures About Market Risk

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

Item 8

Financial Statements and Supplemental Data

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Colony Bankcorp is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) promulgated under the Securities Exchange Act of 1934 as a process designed by, or under the supervision of, the company's principal executive and principal financial officers and affected by the company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

Management has assessed the effectiveness of the internal control over financial reporting as of December 31, 2024. In making this assessment, we used the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management also conducted an assessment of requirements pertaining to Section 112 of the Federal Deposit Insurance Corporation Improvement Act. This section relates to management's evaluation of internal control over financial reporting, including controls over the preparation of financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C) and in compliance with laws and regulations. Our evaluation included a review of the documentation of controls, evaluations of the design of the internal control system and tests of the effectiveness of internal controls.

Based on our assessment, management concluded that as of December 31, 2024, Colony Bankcorp, Inc.'s internal control over financial reporting is effective based on those criteria.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2024 has been audited by Mauldin and Jenkins, LLC, an independent registered public accounting firm, as stated in their report which appears herein.

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

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

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Colony Bankcorp, Inc. and Subsidiaries
Fitzgerald, Georgia

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Colony Bankcorp, Inc. and Subsidiaries (the Company) as of December 31, 2024 and 2023 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2024, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 14, 2025, expressed an unqualified opinion.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the Audit Committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved especially challenging, subjective, or complex judgements. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Allowance for credit losses

Description of the Matter

As described in Note 4 to the Company's consolidated financial statements, the Company has a gross loan portfolio of $1.84 billion and related allowance for credit losses (ACL) of $18.98 million as of December 31, 2024. As described by the Company in Note 1, the Company computes quantitative and qualitative components for the allowance for credit losses. The quantitative component is evaluated on a collective (pool) basis, segregated by class of loans (the quantitative collective ACL). The Company estimated the quantitative collective ACL utilizing a discounted cash flow (DCF) methodology applied to their loan pools segregated by similar risk characteristics. The Company's DCF methodology generates cash flow projections at the loan level wherein payment expectations are adjusted for estimated prepayment speeds, curtailments, time to recovery, probability of default (PD), and loss given default (LGD).

We identified the Company's estimate of the ACL as a critical audit matter. The principal considerations for our determination of the ACL as a critical audit matter related to the subjective and complex auditor judgment involved in the assessment of the quantitative collective ACL due to significant measurement uncertainty and the high degree of subjectivity in the Company's judgments in determining the qualitative factors. Auditing these complex judgments and assumptions by the Company involves especially challenging auditor judgment due to the nature and extent of audit evidence and effort required to address these matters, including the extent of specialized skill or knowledge needed.

The primary procedures we performed to address this critical audit matter included the following:

- We evaluated the Company's ACL methodology for compliance with U.S. generally accepted accounting principles.
- We tested the design and operating effectiveness of controls relating to the Company's determination of the ACL, including controls over development of the quantitative and qualitative factors, reliability and accuracy of data used to calculate and estimate the various components of the ACL and managements validation procedures over the model.
- We evaluated the relevance, and the reasonableness of assumptions related to evaluation of the loan portfolio, current and forecasted economic conditions, and other risk factors used in development of the qualitative factors.
- We tested data used by the Company in developing the qualitative factors by comparing these data points to internally developed and externally reliable sources.
- We assessed the overall trends in credit quality by comparing the overall ACL to those recorded by the Company's peer institutions.
- We reviewed subsequent events and transactions and considered whether they corroborated or contradicted the Company's conclusion.

We have served as the Company's auditor since 2021.

/s/ Mauldin & Jenkins, LLC

Albany, Georgia
March 14, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
Colony Bankcorp, Inc. and Subsidiaries
Fitzgerald, Georgia

Opinion on Internal Control over Financial Reporting

We have audited Colony Bankcorp, Inc. and Subsidiaries (the Company) internal control over financial reporting, as of December 31, 2024, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2024, based on the criteria established in *Internal Control – Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Colony Bankcorp, Inc. and Subsidiaries (the "Company") as of December 31, 2024 and 2023 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements) and our report dated March 14, 2025 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ Mauldin & Jenkins, LLC

Albany, Georgia
March 14, 2025

COLONY BANKCORP, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31
(DOLLARS IN THOUSANDS)

	2024	2023
Assets		
Cash and due from banks	$ 26,045	$ 25,339
Interest-bearing deposits in banks and federal funds sold	204,989	57,983
Cash and cash equivalents	231,034	83,322
Investment securities available-for-sale, at fair value (amortized cost $409,380 and $455,294, respectively)	366,049	407,382
Investment securities held-to-maturity, at amortized cost (fair value $383,020 and $405,576, respectively)	430,077	449,031
Other investments	17,694	16,868
Loans held for sale	39,786	27,958
Loans, net of unearned income	1,842,980	1,883,470
Allowance for credit losses	(18,980)	(18,371)
Loans, net	1,824,000	1,865,099
Premises and equipment	37,831	39,870
Other real estate owned	202	448
Goodwill	48,923	48,923
Other intangible assets	2,975	4,192
Bank-owned life insurance	57,970	56,925
Deferred income taxes, net	21,891	25,405
Other assets	31,350	27,999
Total assets	$ 3,109,782	$ 3,053,422
Liabilities and stockholders' equity		
Deposits:		
Noninterest-bearing	$ 462,283	$ 498,992
Interest-bearing	2,105,660	2,045,798
Total deposits	2,567,943	2,544,790
Federal Home Loan Bank advances	185,000	175,000
Other borrowed money	63,039	63,445
Other liabilities	15,125	15,252
Total liabilities	2,831,107	2,798,487
Commitments and Contingencies (Note 14)		
Stockholders' equity		
Preferred stock, stated value $1,000; 10,000,000 shares authorized, 0 shares issued and outstanding as of December 31, 2024 and 2023	—	—
Common stock, par value $1; 50,000,000 shares authorized, 17,519,884 and 17,564,182 shares issued and outstanding as of December 31, 2024 and 2023, respectively	17,520	17,564
Paid-in capital	168,353	168,614
Retained earnings	140,369	124,400
Accumulated other comprehensive loss, net of tax	(47,567)	(55,643)
Total stockholders' equity	278,675	254,935
Total liabilities and stockholders' equity	$ 3,109,782	$ 3,053,422

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

COLONY BANKCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	2024	2023
Interest income		
Loans, including fees	$ 111,675	$ 99,256
Investment securities	20,974	23,319
Deposits with other banks and short term investments	4,592	2,341
Total interest income	137,241	124,916
Interest expense		
Deposits	50,007	35,464
Federal funds purchased	—	147
Federal Home Loan Bank advances	7,211	6,763
Other borrowings	3,947	4,298
Total interest expense	61,165	46,672
Net interest income	76,076	78,244
Provision for credit losses	3,050	3,600
Net interest income after provision for credit losses	73,026	74,644
Noninterest income		
Service charges on deposits	9,365	8,735
Mortgage fee income	6,048	6,131
Gain on sales of SBA loans	9,242	5,063
Loss on sales of securities	(1,835)	—
Interchange fees	8,299	8,460
BOLI income	1,725	1,396
Insurance commissions	1,789	1,873
Other	4,742	3,976
Total noninterest income	39,375	35,634
Noninterest expense		
Salaries and employee benefits	49,767	49,233
Occupancy and equipment	6,149	6,283
Information technology expense	8,978	8,553
Professional fees	2,825	3,097
Advertising and public relations	4,009	3,486
Communications	865	947
Other	10,241	11,466
Total noninterest expense	82,834	83,065
Income before income taxes	29,567	27,213
Income taxes	5,699	5,466
Net income	$ 23,868	$ 21,747
Net income per share of common stock		
Basic	$ 1.36	$ 1.24
Diluted	$ 1.36	$ 1.24
Cash dividends declared per share of common stock	$ 0.45	$ 0.44
Weighted average shares outstanding, basic	17,557,743	17,578,294
Weighted average shares outstanding, diluted	17,557,743	17,578,294

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

COLONY BANKCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31
(DOLLARS IN THOUSANDS)

	2024	2023
Net income	$ 23,868	$ 21,747
Other comprehensive income:		
Net unrealized gains on investment securities arising during the period	3,296	9,183
Tax effect	(840)	(1,929)
Reclassification adjustment for amortization of unrealized holding losses from the transfer of securities from available-for-sale to held-to-maturity	5,041	4,897
Tax effect	(1,284)	(1,028)
Realized losses on sales of securities included in net income	1,835	—
Tax effect	(467)	—
Unrealized gains (losses) on derivative instruments designated as cash flow hedges	1,364	(64)
Tax effect	(347)	14
Realized gains on derivative instruments recognized in net income	(700)	(349)
Tax effect	178	73
Total other comprehensive income	8,076	10,797
Comprehensive income	$ 31,944	$ 32,544

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

COLONY BANKCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023
(DOLLARS IN THOUSANDS)

	Preferred Stock		Common Stock		Paid-in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total
	Shares	Amount	Shares	Amount				
Balance, December 31, 2022	—	$ —	17,598,123	$ 17,598	$ 167,537	$ 111,573	$ (66,440)	230,268
Other comprehensive income	—	—	—	—	—	—	10,797	10,797
Cumulative change in accounting principle for ASU 2016-13, net of tax[1]	—	—	—	—	—	(1,198)	—	(1,198)
Dividends on common shares	—	—	—	—	—	(7,722)	—	(7,722)
Issuance of restricted stock, net of forfeitures	—	—	32,351	32	(32)	—	—	—
Tax withholding related to vesting of restricted stock	—	—	(24,811)	(25)	(227)	—	—	(252)
Repurchase of shares	—	—	(41,481)	(41)	(365)	—	—	(406)
Stock-based compensation expense, net	—	—	—	—	1,701	—	—	1,701
Net income	—	—	—	—	—	21,747	—	21,747
Balance, December 31, 2023	—	$ —	17,564,182	$ 17,564	$ 168,614	$ 124,400	$ (55,643)	254,935
Other comprehensive income	—	—	—	—	—	—	8,076	8,076
Dividends on common shares	—	—	—	—	—	(7,899)	—	(7,899)
Issuance of restricted stock, net of forfeitures	—	—	69,597	70	(70)	—	—	—
Tax withholding related to vesting of restricted stock	—	—	(23,895)	(24)	(272)	—	—	(296)
Repurchase of shares	—	—	(90,000)	(90)	(1,215)	—	—	(1,305)
Stock-based compensation expense, net	—	—	—	—	1,296	—	—	1,296
Net income	—	—	—	—	—	23,868	—	23,868
Balance, December 31, 2024	—	$ —	17,519,884	$ 17,520	$ 168,353	$ 140,369	$ (47,567)	$ 278,675

[1] *Represents the impact of the adoption of Accounting Standards Update ("ASU") No. 216-13: CECL*

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

COLONY BANKCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31
(DOLLARS IN THOUSANDS)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 23,868	$ 21,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,050	3,600
Depreciation, amortization and accretion	8,130	8,702
Stock-based compensation expense	1,296	1,701
Loss on sales of securities	1,835	—
Net change in servicing asset	(1,456)	(416)
(Gain) loss on sales of other real estate	(169)	70
Loss (gain) on sales of premises & equipment	5	(93)
Gain on sales of bank owned buildings and land	—	(361)
Writedown of bank premises	197	—
Change in bank owned life insurance	(1,726)	(1,421)
Equity method investment loss	(270)	(169)
Deferred tax (benefit) expense	755	(485)
Gain on sales of SBA loans	(9,242)	(5,063)
Origination of loans held for sale	(301,632)	(257,753)
Proceeds from sales of loans held for sale	299,046	252,601
Change in other assets	(1,895)	(3,163)
Change in other liabilities	1,609	1,486
Net cash provided by operating activities	23,401	20,983
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investment securities available-for-sale	(56,616)	(3,917)
Proceeds from maturities, calls, and paydowns of investment securities available-for-sale	69,180	36,711
Proceeds from sales of investment securities available-for-sale	29,890	—
Proceeds from maturities, calls, and paydowns of investment securities held-to-maturity	17,376	19,567
Proceeds from sales of investment securities held-to-maturity	3,971	—
Net change in loans	36,966	(148,601)
Purchase of premises and equipment	(1,080)	(3,618)
Proceeds from sales of other real estate	1,269	412
Redemption of other investments	—	800
Proceeds from bank owned life insurance	681	—
Purchase of Federal Home Loan Bank stock	(556)	(3,706)
Proceeds from sales of bank owned buildings and land	—	3,167
Proceeds from sales of premises and equipment	77	433
Net cash provided by (used in) investing activities	101,158	(98,752)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in noninterest-bearing customer deposits	(36,709)	(70,178)
Change in interest-bearing customer deposits	59,862	123,971
Dividends paid on common stock	(7,899)	(7,722)
Proceeds from Federal Home Loan Bank advances	270,000	785,000
Repayments of Federal Home Loan Bank advances	(260,000)	(735,000)
Proceeds from other borrowings	20,000	450,000
Repayments on other borrowings	(20,000)	(465,000)
Redemption of subordinated debt	(500)	—
Repurchase of shares	(1,305)	(406)
Cash paid for tax withholding related to vesting of restricted stock	(296)	(252)
Net cash provided by financing activities	23,153	80,413
Net increase in cash and cash equivalents	147,712	2,644
Cash and cash equivalents at beginning of period	83,322	80,678
Cash and cash equivalents at end of period	$ 231,034	$ 83,322

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest	$ 61,754	$ 44,855
Cash paid during the period for income taxes	4,717	5,209
NONCASH INVESTING AND FINANCING ACTIVITIES		
Transfers to other real estate	854	3,083

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Colony Bankcorp, Inc. and subsidiaries (the "Company") is a financial holding company headquartered in Fitzgerald, Georgia, whose primary business is presently conducted by Colony Bank, its wholly owned banking subsidiary (the "Bank"). The Company operates locations throughout Georgia and expanded its presence in 2023 to serve Birmingham, Alabama, as well as Tallahassee and the Florida Panhandle. Through the Bank, the Company offers a broad range of banking solutions for personal and business customers. In addition to traditional banking services, the Bank provides specialized solutions including mortgage, government guaranteed lending, wealth management, and merchant services. The Company also provides an option for its customers to purchase insurance services including vehicle, home, renters and life insurance. Additionally, Colony Risk Management, Inc. is a subsidiary of the Company and is located in Las Vegas, Nevada. It is a captive insurance subsidiary which insures various liability and property damage policies for the Company and its related subsidiaries. Colony Risk Management is regulated by the State of Nevada Division of Insurance. The Company is subject to the regulations of certain state and federal agencies and are periodically examined by those regulatory agencies.

Basis of Presentation and Accounting Estimates

The consolidated financial statements include the accounts of Colony Bankcorp, Inc. and its wholly owned subsidiaries, Colony Bank and Colony Risk Management. All significant intercompany transactions and balances have been eliminated in consolidation.

In preparing the consolidated financial statements in conformity with generally accepted accounting principles in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Transfer of Financial Assets

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

Cash and Cash Equivalents

For purposes of reporting cash flow, cash and cash equivalents include cash on hand, cash items in process of collection, amounts due from banks, interest-bearing deposits in banks and federal funds sold.

Investment Securities

The Company classifies its debt securities in one of three categories: (i) trading, (ii) held-to-maturity or (iii) available-for-sale. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities for which the Company has the ability and intent to hold until maturity. All other debt securities are classified as available-for-sale. As of the periods ended December 31, 2024 and 2023, debt securities were classified as either held-to-maturity or available-for-sale.

Available-for-sale securities are carried at fair value. Unrealized holding gains and losses, net of the related deferred tax effect, on available-for-sale securities are excluded from earnings and are reported in other comprehensive income as a separate component of shareholders' equity until realized. Held-to-maturity securities are carried at amortized cost. Transfers of securities between categories are recorded at fair value at the date of transfer. Unrealized holding gains or losses associated with transfers of securities from held-to-maturity to available-for-sale are recorded as a separate component of shareholders' equity. These unrealized holding gains or losses are amortized into income over the remaining life of the security as an adjustment to the yield in a manner consistent with the amortization or accretion of the original purchase premium or discount on the associated security.

The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the expected life of the securities. Realized gains and losses, determined on the basis of the cost of specific securities sold, are included in earnings on the trade date. The Company has made a policy election to exclude accrued interest from the amortized cost basis of debt securities and report accrued interest in other assets in the consolidated balance sheets. A debt security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to debt securities reversed against interest income for the years ended December 31, 2024 and 2023.

The Company evaluates available-for-sale securities in an unrealized loss position to determine if credit-related losses exists. The Company first evaluates whether it intends to sell or more likely than not will be required to sell a security with losses 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, the Company evaluates whether the decline in fair value is attributable to credit or resulted from other factors. If credit-related losses exists, the Company recognizes an allowance for credit losses ("ACL"), limited to the amount by which the fair value is less than the amortized cost basis. Any loss not recognized through an ACL is recognized in other comprehensive income, net of tax, as a non credit-related loss. As of December 31, 2024 and 2023, the Company had $366.0 million and $407.4 million available-for-sale securities, respectively, with no related allowance for credit losses.

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 collectability 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. As of December 31, 2024 and 2023, the Company had $430.1 million and $449.0 million held-to-maturity securities, respectively, with no related allowance for credit losses.

Other Investments

Other investments include managed investment funds which are carried at their fair value and unrealized gains or losses are recorded through earnings as a component of noninterest income.

Federal Home Loan Bank (“FHLB”) and First National Bankers Bank ("FNBB") stock are also included in other investments. These investments do not have a readily determinable market value due to restrictions placed on transferability and therefore are carried at cost.

These other investments are periodically evaluated for credit-related impairment based on ultimate recovery of par value or cost basis. Both cash and stock dividends are reported as income.

Loans Held for Sale

Mortgage and SBA loans held for sale are carried at the lower of aggregate cost or estimated fair value, as determined by outstanding commitments from third party investors in the secondary market. Adjustments to reflect unrealized gains and losses resulting from changes in fair value of mortgage loans held for sale and realized gains and losses upon ultimate sale of the mortgage loans held for sale are classified as mortgage fee income in the consolidated statements of income. Adjustments to reflect unrealized gains and losses resulting from changes in fair value of SBA loans held for sale and realized gains and losses upon ultimate sale of the SBA loans held for sale are classified as gain on sale of SBA loans in the consolidated statements of income.

Servicing Rights

When mortgage and SBA loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in mortgage banking activity or gain on sale of SBA loans accordingly. Fair value is based on market prices for comparable servicing contracts, when available or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. All classes of servicing assets are subsequently measured using the amortization method which requires servicing rights to be amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Servicing fee income, which is reported on the income statement in mortgage banking activity for serviced mortgage loans and other noninterest income for all other serviced loans, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned. The amortization of servicing rights is netted against loan servicing fee income.

Servicing rights are evaluated for impairment based upon the fair value of the rights as compared to carrying amount. Impairment is determined by stratifying rights into strata based on predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized for a particular stratum through a valuation allowance, to the extent that fair value is less than the carrying amount. If the Company later determines that all or a portion of the impairment no longer exists for a particular stratum, a reduction of the valuation allowance may be recorded as an increase to income. Changes in valuation allowances related to servicing rights are reported in mortgage banking activity and other noninterest income on the income statement.

The Company's servicing rights are a result of SBA loans that are sold with servicing retained and are recorded at fair value and follow the amortization method. As of December 31, 2024 and 2023, the Company had $3.8 million and $2.3 million in servicing rights, respectively, and no related valuation allowance.

Loans

Loans are reported at their outstanding principal balances less unearned income, net of deferred fees and origination costs. Interest income is accrued on the outstanding principal balance. For all classes of loans, the accrual of interest on loans is discontinued when, in management's opinion, the borrower may be unable to make payments as they become due, unless the loan is well secured and in the process of collection. Generally, loans are placed on nonaccrual status if principal or interest payments become 90 days past due. Loans may be placed on nonaccrual status regardless of whether such loans are considered past due. All interest accrued, but not collected for loans that are placed on nonaccrual or charged off, is reversed against interest income. Interest income on nonaccrual loans is applied against principal until the loans are returned to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

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. The Company estimates the quantitative collective ACL utilizing a discounted cash flow (DCF) methodology applied to our loan pools segregated by similar risk characteristics. The Company's DCF methodology generates cash flow projections at the loan level wherein payment expectations are adjusted for estimated prepayment speeds, curtailments, time to recovery, probability of default (PD), and loss given default (LGD). The modeling of expected prepayment speeds and curtailment rates are based on historical internal data and consider current conditions and reasonable and supportable forecasts of future economic conditions. The Company uses regression analysis of historical internal and peer loss data to determine suitable macroeconomic variables to utilize when modeling lifetime PD and LGD. This analysis also determines how expected PD and LGD will react to forecasted levels of the macroeconomic variables over a reasonable and supportable forecast period. At the end of the four-quarter reasonable and supportable forecast period, the Company reverts to a historical loss rate on a straight-line basis over eight quarters. For loans that have elevated risk characteristics when compared to the collectively pooled loans, they are evaluated on an individual basis.

The qualitative component is comprised of measurements used to quantify the risks within each of these loans classes and are subjectively selected by management but measured by objective measurements period over period. The data for each measurement is obtained from internal and external sources. These adjustments are based upon quarterly trend assessments in certain economic factors as well as loan segment specific risks that cannot be addressed in the quantitative methods.

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.

Premises and Equipment

Land is carried at cost. Other premises and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. In general, estimated lives for buildings are up to 40 years, furniture and equipment useful lives range from five to 10 years and the lives of software and computer related equipment range from three to five years. Leasehold improvements are amortized over the life of the related lease, or the related assets, whichever is shorter. Expenditures for major improvements of the Company’s premises and equipment are capitalized and depreciated over their estimated useful lives. Minor repairs, maintenance and improvements are charged to operations as incurred. When assets are sold or disposed of, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reflected in earnings.

Leases

The Company has entered into various operating leases for certain branch locations, ATM locations, loan production offices, and corporate support services locations. Generally, these leases have initial lease terms of 6 years or less. Many of the leases have one or more lease renewal options. The exercise of lease renewal options is at the Company's sole discretion and is considered on a case-by-case basis. Certain of our lease agreements contain early termination options. If renewal options or early termination options are determined by management to be reasonably certain, then they are included in the calculation of the operating right-of-use assets or operating lease liabilities. Certain of our lease agreements provide for periodic adjustments to rental payments for inflation. At the commencement date of the lease, the Company recognizes a lease liability at the present value of the lease payments not yet paid, discounted using the discount rate for the lease or the Company’s incremental borrowing rate. As the majority of the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate at the commencement date in determining the present value of lease payments. The incremental borrowing rate is based on the term of the lease. At the commencement date, the company also recognizes a right-of-use asset measured at (i) the initial measurement of the lease liability; (ii) any lease payments made to the lessor at or before the commencement date less any lease incentives received; and (iii) any initial direct costs incurred by the lessee. Leases with an initial term of 12 months or less are not recorded on the balance sheet. For these short-term leases, lease expense is recognized on a straight-line basis over the lease term. At December 31, 2024, the Company had no leases classified as finance leases.

Goodwill and Intangible Assets

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

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

companies during 2021. The customer intangible assets were also initially recognized based on independent valuations performed as of the acquisition date and are being amortized by the straight-line method over 10 years.

Cash Value of Bank Owned Life Insurance

The Company has purchased life insurance policies on certain officers. The life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement.

Other Real Estate

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

Derivatives

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

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

The Company formally documents the relationship between derivatives and hedged items, as well as the risk management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value or 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 fair values or cash flows of the hedged items. The Company discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value or 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 noninterest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. 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.

Income Taxes

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

Deferred tax assets and liabilities are recognized based on future tax consequences attributable to differences arising from the financial statement carrying values of assets and liabilities and their tax basis. The differences relate primarily to depreciable assets (use of different depreciation methods for financial statement and income tax purposes) and allowance for credit losses

(use of the allowance method for financial statement purposes and the direct write-off method for tax purposes). In the event of changes in the tax laws, deferred tax assets and liabilities are adjusted in the period of the enactment of those changes, with effects included in the income tax provision. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company and its subsidiary file a consolidated federal income tax return. The subsidiary pays its proportional share of federal income taxes to the Company based on its taxable income.

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

The Company believes that its income tax filing positions taken or expected to be taken on its tax returns will more likely than not be sustained upon audit by the taxing authorities and does not anticipate any adjustments that will result in a material adverse impact on the Company's financial condition, results of operations, or cash flow. Therefore, no reserves for uncertain income tax positions have been recorded.

Revenue Recognition

The Company's contracts with customers generally do not contain terms that require significant judgment to determine the amount of revenue to recognize. The Company's' policies for recognizing noninterest income that falls within the scope of ASC Topic 606, and include service charges on deposits, interchange fees, and insurance revenue (included with other noninterest income).

Service charges on deposits include both account maintenance fees and overdraft fees and revenue from safe deposit box rental fees and lockbox services and ATM fees. Revenue is recognized for these services either over time, corresponding with deposit accounts' monthly cycle, or at a point in time for transaction-related services and fees. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to clients' accounts. Safe deposits and lockbox service fees are recognized over time, on a monthly basis, as the Company's' performance obligation for services is satisfied. ATM fees are transaction-based fees recognized at the time the transaction is executed as that is the point at which the Company satisfies the performance obligation.

Interchange fees include debit card interchange fees. Debit card interchange fees are earned from debit card holder transactions conducted through various payment networks. Interchange fees from debit card holders transactions represent a percentage of the underlying transaction amount and are recognized daily, concurrently with the transaction processing services provided to the debit cardholder.

Insurance commissions represents income received on insurance products sold. The commissions are recognized as revenue when the client executes an insurance policy with the insurance carrier. In some cases, the company receives payment of trailing commissions each year when the client pays its annual premium.

Other income includes SBA servicing and other related fee income, income from wealth advisory and merchant services, dividends on FHLB stock, other deposit related fees as well as gains or losses on sales of assets and other real estate.

Earnings per Share

Basic earnings per share are computed by dividing net income allocated to common shareholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per common share are computed by dividing net income allocated to common shareholders by the sum of the weighted-average number of shares of common stock outstanding and the effect of the issuance of potential common shares that are dilutive. Potential common shares consist of restricted shares for the years ended December 31, 2024 and 2023, and are determined using the treasury stock method. The Company has determined that its outstanding non-vested stock awards are participating securities, and all dividends on these awards are paid similar to other dividends.

Comprehensive Income

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

Fair Value Measures

Fair values of assets and liabilities are estimated using relevant market information and other assumptions, as more fully disclosed in Note 16. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Operating Segments

The Company has three reportable segments, the Banking Division, the Retail Mortgage Division and the Small Business Specialty Lending Division. The Banking Division derives its revenues from the delivery of full service financial services to include commercial loans, consumer loans and deposit accounts. The Retail Mortgage Division derives its revenues from the origination, sales and servicing of one-to-four family residential mortgage loans. The Small Business Specialty Lending Division derives its revenues from origination, sales and servicing of SBA and USDA government guaranteed loans.

The Banking, Retail Mortgage and Small Business Specialty Lending Divisions are managed as separate business units because of the different products and services they provide. The Company's Chief Operating Decision Maker, our Chief Executive Officer, evaluates performance and allocates resources based on profit or loss from operations. The Company has applied the aggregation criterion set forth in ASC Topic 280 - Segment Reporting, to the results of its operations. There are no material intersegment sales or transfers.

Reclassifications

Certain amounts, previously reported, have been reclassified to state all periods on a comparable basis and had no effect on stockholders' equity or net income.

Accounting Standards Updates

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 adopted the new disclosure requirements for the annual period beginning on January 1, 2024 and will adopt for interim periods beginning on January 1, 2025. The adoption of this standard did not have a material impact on the Company's financial statements.

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.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement (Topic 220): Disaggregation of Income Statement Expenses* ("ASU 2024-03"). This ASU was issued to improve the disclosures over expenses and address requests from investors for more detailed information about the types of expenses in commonly presented expense captions. The ASU addresses investors' requests for more disaggregated expense information to better understand an entity's performance, better assess the entity's prospects for future cash flows, and compare an entity's performance over time and with that of other entities. This ASU requires disclosure in the notes to the financial statements of specified information about certain costs and expenses. Retrospective application in all periods is permitted. The Company will adopt the new disclosure requirements for the annual period beginning on January 1, 2027, and interim periods starting on January 1, 2028. The Company is currently evaluation the impact of the incremental expense information that will be required to be disclosed as well as the impact to the Form 10-K.

NOTE 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)

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
U.S. treasury securities	$ 3,173	$ —	$ —	$ 3,173
U.S. agency securities	3,001	—	(246)	2,755
Asset backed securities	17,925	17	(118)	17,824
State, county & municipal securities	110,952	—	(15,315)	95,637
Corporate debt securities	53,324	1	(5,543)	47,782
Mortgage-backed securities	221,005	207	(22,334)	198,878
Total	$ 409,380	$ 225	$ (43,556)	$ 366,049

December 31, 2024	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held-to-Maturity:				
U.S. treasury securities	$ 91,004	$ —	$ (2,828)	$ 88,176
U.S. agency securities	16,151	—	(1,263)	14,888
State, county & municipal securities	137,190	—	(15,915)	121,275
Mortgage-backed securities	185,732	—	(27,051)	158,681
Total	$ 430,077	$ —	$ (47,057)	$ 383,020

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 December 31, 2024 and December 31, 2023, accrued interest receivable for available-for-sale and held-to-maturity securities totaled $2.3 million and $2.4 million, and $1.8 million and $1.9 million, respectively, and is included in the "other assets" line item on the Company's consolidated balance sheet.

The Company had no transfers of securities from available-for-sale to held-to-maturity during the periods ended December 31, 2024 and December 31, 2023, respectively.

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

	Less Than 12 Months		12 Months or More		Total	
(dollars in thousands)	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
December 31, 2024						
U.S. agency securities	—	—	2,755	(246)	2,755	(246)
Asset backed securities	3,715	(8)	8,269	(110)	11,984	(118)
State, county & municipal securities	2,829	(294)	92,808	(15,021)	95,637	(15,315)
Corporate debt securities	4,434	(720)	42,847	(4,823)	47,281	(5,543)
Mortgage-backed securities	21,278	(430)	160,343	(21,904)	181,621	(22,334)
Total debt securities	$ 32,256	$ (1,452)	$ 307,022	$ (42,104)	$ 339,278	$ (43,556)
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)
Total debt securities	$ 14,596	$ (367)	$ 387,424	$ (47,603)	$ 402,020	$ (47,970)

Information pertaining to held-to-maturity securities with gross unrealized losses at December 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 summarized as follows:

	Less Than 12 Months		12 Months or Greater		Total	
(dollars in thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2024						
U.S. treasury securities	$ —	$ —	$ 88,176	$ (2,828)	$ 88,176	$ (2,828)
U.S. agency securities	—	—	14,888	(1,263)	14,888	(1,263)
State, county & municipal securities	18,751	(374)	102,524	(15,541)	121,275	(15,915)
Mortgage-backed securities	—	—	158,681	(27,051)	158,681	(27,051)
	$ 18,751	$ (374)	$ 364,269	$ (46,683)	$ 383,020	$ (47,057)
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 losses exists. Management first evaluates whether they intend to sell or more likely than not will be required to sell a security wtih losses 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 December 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 collectability 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 December 31, 2024, there are 237 available-for-sale securities and 156 held-to-maturity securities that have unrealized losses from the Company's amortized cost basis. These securities are guaranteed by either the U.S. Government, other governments or U.S. corporations. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are due to reasons of credit quality.

The amortized cost and fair value of investment securities as of December 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	$ 5,173	$ 5,153	$ 33,647	$ 33,401
Due after one year through five years	22,330	20,622	71,876	68,754
Due after five years through ten years	92,606	79,917	71,187	62,678
Due after ten years	68,266	61,479	67,635	59,506
	$ 188,375	$ 167,171	$ 244,345	$ 224,339
Mortgage-backed securities	221,005	198,878	185,732	158,681
	$ 409,380	$ 366,049	$ 430,077	$ 383,020

Proceeds from the sales of investment securities totaled $33.9 million for the year ended December 31, 2024, and resulted in gross realized losses of $1.8 million. The purpose of these sales in 2024 was to restructure underperforming assets and reinvest at higher yields. The sales do not impact our ability to hold the remaining available-for-sale securities, and we are not in a position to be required to sell any remaining securities at this time. The Company had no sales of investment securities in 2023.

Investment securities having a carrying value totaling $451.5 million and $429.9 million as of December 31, 2024 and 2023, respectively, were pledged to secure public deposits and for other purposes.

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 December 31, 2024 or 2023. See Note 1 for additional details on the allowance for credit losses as it relates to the securities portfolio.

NOTE 3. LOANS

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

(dollars in thousands)	December 31, 2024	December 31, 2023
Construction, land & land development	$ 205,046	$ 247,146
Other commercial real estate	990,648	974,375
Total commercial real estate	1,195,694	1,221,521
Residential real estate	344,167	356,234
Commercial, financial & agricultural	213,910	242,756
Consumer and other	89,209	62,959
Total loans	$ 1,842,980	$ 1,883,470

Included in the above table are government guaranteed loans totaling $81.6 million at December 31, 2024 and $68.6 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)	December 31, 2024	December 31, 2023
Construction, land & land development	$ 2,317	$ 2,344
Other commercial real estate	41,471	31,940
Total commercial real estate	43,788	34,284
Residential real estate	9,348	8,019
Commercial, financial & agricultural	28,500	26,334
Total loans	$ 81,636	$ 68,637

The Company elected to exclude accrued interest receivable from the amortized cost basis of loans disclosed throughout this note. As of December 31, 2024 and 2023, respectively, accrued interest receivable for loans totaled $9.0 million and $8.8 million 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. These loans are generally smaller loan amounts spread across many individual borrowers to help minimize risk.

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

The Company uses a risk grading matrix to assign a risk grade to each of its loans. For commercial loans over $500,000, loans are graded on a scale of 1 to 10. A description of the general characteristics of the grades is as follows:

- Grades 1, 2 and 3 - 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 the “pass” classification.

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

- Grades 7 and 8 - These grades includes “substandard” loans in accordance with regulatory guidelines. This category includes borrowers with well-defined weaknesses that jeopardize the payment of the debt in accordance with the agreed terms. Loans considered to be impaired are assigned grade 8, and these loans often have assigned loss allocations as part of the allowance for 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.

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

* Grade 98 - Loans assigned this risk grade indicates a "pass" credit.

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

The following tables present the loan portfolio segregated by class of loans and the risk category of term loans by vintage year, which is the year of origination or most recent renewal, as of December 31, 2024 and 2023. Those loans with a risk grade of 1, 2, 3, 4, 5 and 98 have been combined in the pass line for presentation purposes. Loans with a risk grade of 7, 8 and 99 have been combined in the substandard line. There were no loans with a risk rating of "doubtful" or "loss" at December 31, 2024 and 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**
December 31, 2024									
Construction, land & land development									
Risk rating									
Pass	$ 98,269	$ 47,378	$ 25,930	$ 23,193	$ 1,979	$ 5,379	$ 53	$ —	$ 202,181
Special Mention	—	2,088	—	—	411	—	281	—	2,780
Substandard	—	—	—	—	—	85	—	—	85
Total Construction, land & land development	98,269	49,466	25,930	23,193	2,390	5,464	334	—	205,046
Current period gross write offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other commercial real estate									
Risk rating									
Pass	55,169	85,172	343,123	180,568	76,905	194,444	21,341	1,849	958,571
Special Mention	850	1,999	4,288	173	2,344	7,376	610	1,069	18,709
Substandard	4,114	2,586	2,875	459	352	2,419	563	—	13,368
Total Other commercial real estate	60,133	89,757	350,286	181,200	79,601	204,239	22,514	2,918	990,648
Current period gross write offs	—	—	—	—	—	20	—	—	20

Residential real estate									
Risk rating									
Pass	16,675	76,074	112,784	45,111	18,978	44,892	23,222	926	338,662
Special Mention	—	1,672	374	—	—	1,989	204	—	4,239
Substandard	—	—	442	270	28	526	—	—	1,266
Total Residential real estate	16,675	77,746	113,600	45,381	19,006	47,407	23,426	926	344,167
Current period gross write offs	—	—	400	18	—	9	—	—	427
Commercial, financial & agricultural									
Risk rating									
Pass	44,380	46,610	33,124	12,322	8,662	16,143	43,051	742	205,034
Special Mention	—	622	2,136	12	—	—	700	—	3,470
Substandard	105	1,612	858	1,904	271	218	433	5	5,406
Total Commercial, financial & agricultural	44,485	48,844	36,118	14,238	8,933	16,361	44,184	747	213,910
Current period gross write offs	138	588	659	986	28	68	—	—	2,467
Consumer and other									
Risk rating									
Pass	53,500	30,186	2,312	857	530	1,291	456	13	89,145
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	49	—	12	1	2	—	—	—	64
Total Consumer and other	53,549	30,186	2,324	858	532	1,291	456	13	89,209
Current period gross write offs	84	392	81	1	5	41	—	—	604
Total Loans									
Risk rating									
Pass	267,993	285,420	517,273	262,051	107,054	262,149	88,123	3,530	1,793,593
Special Mention	850	6,381	6,798	185	2,755	9,365	1,795	1,069	29,198
Substandard	4,268	4,198	4,187	2,634	653	3,248	996	5	20,189
Total Loans	$ 273,111	$ 295,999	$ 528,258	$ 264,870	$ 110,462	$ 274,762	$ 90,914	$ 4,604	$ 1,842,980
Total current period gross write offs	$ 222	$ 980	$ 1,140	$ 1,005	$ 33	$ 138	$ —	$ —	$ 3,518

	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 the inception of the loan and is based on the financial strength of the borrower and the type of collateral. Loan risk grades are subject to reassessment at various times throughout the year as part of the Company's ongoing loan review process. Loans with an assigned risk grade of 7, 8, 9, 10 or 99 and an outstanding balance of $500,000 or more are reassessed on a quarterly basis. During this reassessment process individual reserves may be identified and placed against certain loans which are not considered impaired. In assessing the overall economic condition of the markets in which it operates, the Company monitors the unemployment rates for its major service areas. The unemployment rates are reviewed on a quarterly basis as part of the allowance for credit loss determination.

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

Loans are classified as collateral-dependent when the borrower is experiencing financial difficulty, and we expect repayment to be provided substantially through the operation or sale of collateral. Our commercial loans have collateral that is comprised of real estate and business assets. Our consumer loans have collateral that is substantially comprised of residential real estate. The Company had $3.1 million and $1.4 million in collateral-dependent loans at December 31, 2024 and 2023, respectively. There were no significant changes in the extent to which collateral secures our collateral-dependent loans during the periods ended December 31, 2024 and 2023.

The following table represents an age analysis of past due loans and nonaccrual loans, segregated by class of loans, as of December 31, 2024 and 2023.

	Accruing Loans					
(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
December 31, 2024						
Construction, land & land development	$ 544	$ —	$ 544	$ —	$ 204,502	$ 205,046
Other commercial real estate	2,441	—	2,441	4,833	983,374	990,648
Total commercial real estate	2,985	—	2,985	4,833	1,187,876	1,195,694
Residential real estate	3,689	—	3,689	1,204	339,274	344,167
Commercial, financial & agricultural	1,348	—	1,348	4,559	208,003	213,910
Consumer and other	339	152	491	64	88,654	89,209
Total loans	$ 8,361	$ 152	$ 8,513	$ 10,660	$ 1,823,807	$ 1,842,980

	Accruing Loans					
(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
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 table is a summary of the Company's nonaccrual loans by major categories for the periods indicated.

(dollars in thousands)	Nonaccrual Loans with No Related ACL	Nonaccrual Loans with a Related ACL	Total Nonaccrual Loans
December 31, 2024			
Construction, land & land development	$ —	$ —	$ —
Other commercial real estate	1,482	3,351	4,833
Total commercial real estate	1,482	3,351	4,833
Residential real estate	—	1,204	1,204
Commercial, financial & agricultural	—	4,559	4,559
Consumer and other	—	64	64
Total loans	$ 1,482	$ 9,178	$ 10,660

(dollars in thousands)	Nonaccrual Loans with No Related ACL	Nonaccrual Loans with a Related ACL	Total Nonaccrual Loans
December 31, 2023			
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

As of December 31, 2024 and 2023, there were no loans in process of foreclosure.

Interest income recorded on nonaccrual loans during the year ended December 31, 2024 was $511,000, and reflects interest income recorded on nonaccrual loans prior to them being placed on nonaccrual status. Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $3.8 million for the year ended December 31, 2024.

Interest income recorded on nonaccrual loans during the year ended December 31, 2023 was $430,000, and reflects interest income recorded on nonaccrual loans prior to them being placed on nonaccrual status. Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $3.1 million for the year ended December 31, 2023.

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

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

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

The following tables present loans modified due to a financial difficulty under the above terms during the twelve month periods ended December 31, 2024 and 2023.

	December 31, 2024			
(dollars in thousands)	**Term Extension**	**Payment Delay**	**Term Extension and Payment Delay**	**Total***
Construction, land & land development	$ —	$ 85	$ —	$ 85
Commercial real estate	355	—	145	500
Commercial, financial & agricultural	—	353	578	931
Total Loans	$ 355	$ 438	$ 723	$ 1,516

*less than .01% of total class of receivable

There were a total of nine loans in the above categories for the year ended December 31, 2024. There was one construction, land & land development loan which had been given a payment delay. The commercial real estate loans consist of three loans, all three with a term extension of one year and one of these loans also given a payment delay. There were five commercial, financial & agricultural loans, one of which had been given a payment delay only and four with both a payment delay and term extensions, one loan for three years, one loan for five years and two loans for ten years.

	December 31, 2023		
(dollars in thousands)	**Term Extension**	**Term Extension and Payment Delay**	**Total***
Residential real estate	$ 12	$ —	$ 12
Commercial, financial & agricultural	—	10	10
Total Loans	$ 12	$ 10	$ 22

*less than .01% of total class of receivable

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There was one loan in each of the above categories for the year ended December 31, 2023. The residential real estate loan had a term extension of two years. The commercial, financial & agricultural loan had a term extension of two years and was given a payment delay.

The Company had three loans that subsequently defaulted during the year ended December 31, 2024. These loans were commercial, financial & agricultural loans to one borrower that had been given a payment delay on each loan. The Company repossessed collateral of $300,000 and charged off the remaining balance on the loans of $810,000 in the fourth quarter of 2024. There were no loans that subsequently defaulted during the year ended December 31, 2023.

NOTE 4. ALLOWANCE FOR CREDIT LOSSES

As previously mentioned in Note 1, since the adoption of ASC 326 on January 1, 2023, 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 years ended December 31, 2024 and 2023.

(dollars in thousands)	Balance, December 31, 2023	Charge-offs	Recoveries	Provision for credit losses on loans	Balance, December 31, 2024
Year ended December 31, 2024					
Construction, land & land development	$ 2,204	$ —	$ 16	$ (914)	$ 1,306
Other commercial real estate	7,064	(20)	57	(642)	6,459
Total commercial real estate	9,268	(20)	73	(1,556)	7,765
Residential real estate	5,105	(427)	256	568	5,502
Commercial, financial & agricultural	2,110	(2,467)	161	3,100	2,904
Consumer and other	1,888	(604)	25	1,500	2,809
Total allowance for credit losses on loans	$ 18,371	$ (3,518)	$ 515	$ 3,612	$ 18,980

(dollars in thousands)	Balance, December 31, 2022	Adoption of ASU 2016-13	Charge-offs	Recoveries	Provision for credit losses on loans	Balance, December 31, 2023
Year ended December 31, 2023						
Construction, land & land development	$ 1,959	$ 148	$ —	$ 10	$ 87	$ 2,204
Other commercial real estate	8,886	(630)	(69)	42	(1,165)	7,064
Total commercial real estate	10,845	(482)	(69)	52	(1,078)	9,268
Residential real estate	2,354	1,053	(771)	79	2,390	5,105
Commercial, financial & agricultural	2,709	(690)	(1,069)	201	959	2,110
Consumer and other	220	66	(35)	22	1,615	1,888
Total allowance for credit losses on loans	$ 16,128	$ (53)	$ (1,944)	$ 354	$ 3,886	$ 18,371

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 December 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, 8, 9, 10 or 99 and an outstanding balance of $500,000 or more, regardless of the loans impairment classification.

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

The following table presents the balance and activity in the allowance for credit losses for unfunded commitments for the years ended December 31, 2024 and 2023.

(dollars in thousands)	December 31, 2024	December 31, 2023
Beginning balance	$ 1,375	$ —
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13	—	1,661
Provision for (recovery of) unfunded commitments	(562)	(286)
Ending balance	**$ 813**	**$ 1,375**

NOTE 5. PREMISES AND EQUIPMENT

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

(dollars in thousands)	2024	2023
Land	$ 11,314	$ 11,559
Building	38,410	38,567
Furniture, fixtures and equipment	21,203	20,670
Leasehold improvements	1,392	1,384
Construction in progress	1	182
Total cost	72,320	72,362
Accumulated depreciation	(34,489)	(32,492)
Total premises and equipment	$ 37,831	$ 39,870

Depreciation charged to operations totaled $2.5 million in 2024 and $2.4 million in 2023. Construction in progress consists of leasehold improvements to one of the Company's bank branches. Costs to complete this project is expected not to exceed $2,000.

NOTE 6. OTHER REAL ESTATE OWNED

The following is a summary of the activity in other real estate owned during the years ended December 31, 2024 and 2023:

(dollars in thousands)	2024	2023
Balance, Beginning of year	$ 448	$ 651
Loans transferred to other real estate	474	482
Sales proceeds	(1,269)	(3,477)
Transfer from premises and equipment	380	2,601
Net gain on sales	169	191
Ending balance	$ 202	$ 448

NOTE 7. GOODWILL AND INTANGIBLE ASSETS

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

	2024		2023	
(dollars in thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Core deposit intangible	$ 7,685	$ 6,203	$ 7,685	$ 5,211
Customer relationship intangible	2,250	757	2,250	532
Total	9,935	6,960	9,935	5,743
Unamortizable intangible assets:				
Goodwill	$ 48,923		$ 48,923	

Amortization expense related to the intangible assets was $1.2 million and $1.5 million at December 31, 2024 and 2023, respectively. The estimated future amortization expense for intangible assets remaining as of December 31, 2024 is as follows:

(dollars in thousands)	Amount
2025	$ 962
2026	658
2027	453
2028	309
2029	225
Thereafter	368
Total	$ 2,975

NOTE 8. INCOME TAXES

The income tax expense in the consolidated statements of income for the years ended December 31, 2024 and 2023 are as follows:

(dollars in thousands)	2024	2023
Current federal expense	$ 4,808	$ 5,837
Deferred federal expense	759	(430)
Federal income tax expense	5,567	5,407
Current state expense	136	115
Deferred state expense	(4)	(56)
State income tax expense	132	59
Provision for income taxes	$ 5,699	$ 5,466

The Company's income tax expense differs from amounts computed by applying the federal statutory rates to income before income taxes. A reconciliation of the differences for the years ended December 31, 2024 and 2023 is as follows:

(dollars in thousands)	2024	2023
Tax at federal income tax rate	$ 6,209	$ 5,715
Change resulting from:		
State taxes	104	47
Tax-exempt interest	(128)	(238)
Income in cash value of bank owned life insurance	(362)	(293)
Tax-exempt insurance premiums	(218)	(192)
Other	94	427
Provision for income taxes	$ 5,699	$ 5,466

The components of deferred income taxes for the years ended December 31, 2024 and 2023 are as follows:

(dollars in thousands)	2024	2023
Deferred Tax Assets		
Allowance for credit losses	$ 4,751	$ 4,675
Lease liability	330	465
Net operating loss carryforwards	1,276	2,223
Tax credit carryforwards	688	469
Deferred compensation	233	278
Unrealized loss on securities available for sale	16,443	18,903
Restricted stock	178	251
Investment in partnerships	39	186
Unrealized loss on hedging investments	—	111
Nonaccrual interest	694	521
Allowance for unfunded commitments	203	350
Other	103	113
Gross deferred tax assets	24,938	28,545
Deferred Tax Liabilities		
Premises and equipment	659	559
Right of use lease asset	307	402
Purchase accounting adjustments	1,773	1,831
Core deposit intangible	120	348
Unrealized gain on hedging investments	188	—
Gross deferred tax liabilities	3,047	3,140
Net deferred tax assets	$ 21,891	$ 25,405

NOTE 9. DEPOSITS

The aggregate amount of overdrawn deposit accounts reclassified as loan balances totaled $692,000 and $662,000 as of December 31, 2024 and 2023, respectively.

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

(dollars in thousands)	2024	2023
Interest-bearing demand	$ 813,783	$ 759,299
Savings and money market deposits	687,603	660,311
Time, $250,000 and over	185,176	167,680
Other time	419,098	458,508
Total interest-bearing deposits	$ 2,105,660	$ 2,045,798

We had $59.5 million and $93.6 million in brokered deposits at December 31, 2024 and 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 aggregate amount of jumbo certificates of deposit, each with a minimum denomination of $250,000 was $185.2 million and $167.7 million as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, the scheduled maturities of certificates of deposit are as follows:

(dollars in thousands)

Year Ending December 31	Amount
2025	$ 567,675
2026	23,620
2027	7,674
2028	3,340
2029	1,736
Thereafter	229
Total time deposits	$ 604,274

NOTE 10. DERIVATIVES

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

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

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

On August 30, 2024, the Company entered into an interest rate swap with a notional amount totaling $25.4 million with maturity dates ranging from three to 3.5 years. This swap was designated as a fair value hedge of certain fixed rate assets. On September 6, 2024, the Company entered into an interest rate swap with a notional amount totaling $30.0 million with maturity dates ranging from one to two years. This swap was designated as a cash flow hedge of certain variable rate liabilities. On October 17, 2024, the Company entered into an interest rate swap with a notional amount totaling $25.0 million with a maturity date of three years. This swap was designated as a fair value hedge of certain fixed rate assets.

The derivatives recorded in "Other assets" on the Company's balance sheet at December 31, 2024, have a total value of $784,000, with $274,000 representing cash flow hedges and $510,000 representing fair value hedges. The derivatives recorded in "Other liabilities" at December 31, 2024, have a total value of $47,000, all related to cash flow hedges.

Gains were recorded on the swap transactions, which totaled $700,000 and $349,000 for the years ended December 31, 2024 and 2023, respectively, as a component of interest expense in the consolidated statements of income. Amounts reported in accumulated OCI related to swaps are reclassified to interest income or expense as interest payments are made on the Bank's fixed rate assets and variable rate liabilities.

The following table presents the amounts recorded in the consolidated statements of income and the consolidated statements of comprehensive income relating to the interest rate swaps for the years ended December 31, 2024 and 2023.

(dollars in thousands)	**Year ended December 31, 2024**	**Year ended December 31, 2023**
Cash flow hedging relationships		
Amount of gain(loss) recognized in OCI, net of tax	$ 495	$ (326)
Amount of gain reclassified from OCI to interest expense, net of tax	522	276
Fair value hedging relationships		
Amount of gain(loss) recognized in OCI, net of tax	380	—
Amount recognized in interest income, net of tax	118	—

The following table presents the carrying amount and associated cumulative basis adjustment related to the application of hedge accounting that is included in the carrying amount of the hedged assets/(liabilities) in fair value hedging relationships.

(dollars in thousands)	**Year ended December 31, 2024**	**Year ended December 31, 2023**
Carrying amount of assets/(liabilities)	$ 60,537	$ —
Hedge accounting basis adjustment	(510)	—

NOTE 11. BORROWINGS

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

Description	Maturity Date	Amount	Interest Rate
(dollars in thousands)			
FHLB Advances	December 22, 2027	$ 15,000	4.00%
FHLB Advances	January 28, 2028	20,000	3.87%
FHLB Advances	February 15, 2028	20,000	3.83%
FHLB Advances	April 5, 2028	25,000	3.69%
FHLB Advances	April 6, 2026	25,000	3.90%
FHLB Advances	May 2, 2029	30,000	4.73%
FHLB Advances	March 25, 2025	25,000	4.46%
FHLB Advances	March 26, 2025	25,000	4.46%
Subordinated notes	May 20, 2032	38,810	5.25%
Subordinated debentures	(1)	24,229	(1)
Total borrowings		$ 248,039	

(1) See individual maturity dates and interest rates in table below.

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

Description	Maturity Date	Amount	Interest Rate
(dollars in thousands)			
FHLB Advances	December 22, 2027	$ 15,000	4.00%
FHLB Advances	January 28, 2028	20,000	3.87%
FHLB Advances	February 15, 2028	20,000	3.83%
FHLB Advances	April 5, 2028	25,000	3.69%
FHLB Advances	April 6, 2026	25,000	3.90%
FHLB Advances	September 30, 2024	20,000	5.57%
FHLB Advances	March 25, 2024	25,000	5.51%
FHLB Advances	March 26, 2024	25,000	5.51%
Subordinated notes	May 20, 2032	39,216	5.25%
Subordinated debentures	(1)	24,229	(1)
Total borrowings		$ 238,445	

(1) See individual maturity dates and interest rates in table below.

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, as well as U.S. Treasury and Agency securities. At December 31, 2024 and 2023, the lendable collateral value of those loans and securities pledged was $204.5 million and $235.2 million, respectively. At December 31, 2024, the Company had remaining credit availability from the FHLB of $578.7 million. At December 31, 2023, the Company had remaining credit availability from the FHLB of $596.2 million. The Company may be required to pledge additional qualifying collateral in order to utilize the full amount of the remaining credit line.

At December 31, 2024 and 2023, the Company also has available federal funds lines of credit with various financial institutions totaling $64.5 million, of which there were none outstanding at December 31, 2024 and 2023.

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. The Company had borrowing capacity available under this arrangement, with none outstanding at December 31, 2024 and 2023. The Company could be required to pledge certain available-for-sale investment securities as collateral under this agreement.

The Company had the ability in 2023 to participate in the FRB Term Funding Program, a form of one-year emergency funding, with an available line of $100.0 million. The Company would have been required to purchase Treasury securities or other debt obligations. The Company did not utilize this source of funding during the year ended December 31, 2023.

On May 20, 2022, the Company completed a private placement of $39.5 million in fixed-to-floating rate subordinated notes 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 December 31, 2024, $38.8 million 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.

Subordinated Debentures (Trust Preferred Securities)

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

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

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

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

The Company is not in default of any outstanding Trust Preferred Securities as of December 31, 2024.

The following table presents the information regarding the Company's subordinated debentures at December 31, 2024 and 2023. All subordinated debentures are at benchmark rates based on SOFR plus a spread adjustment plus a margin at December 31, 2024.

Description	Date	Amount	Added Margin	Total Interest Rate	Maturity	5-Year Call Option
(dollars in thousands)						
Colony Bankcorp Statutory Trust III	June 16, 2004	$ 4,640	2.68%	7.29 %	June 17, 2034	June 17, 2009
Colony Bankcorp Capital Trust I	April 13, 2006	5,155	1.50%	6.09 %	June 30, 2036	April 13, 2011
Colony Bankcorp Capital Trust II	March 12, 2007	9,279	1.65%	6.24 %	March 30, 2037	March 12, 2012
Colony Bankcorp Capital Trust III	September 14, 2007	5,155	1.40%	6.25 %	October 30, 2037	September 14, 2012
Total		$ 24,229				

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

NOTE 12. LEASES

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. On January 1, 2019, the Company adopted ASU No. 2016-2 and all subsequent ASUs that modified this topic (collectively referred to as "Topic 842"). For the Company, Topic 842 primarily affected the accounting treatment for operating lease agreements in which the Company is the lessee.

Substantially all of the leases in which the Company is the lessee are comprised of real estate for branches and office space with terms extending through 2028. All of our leases are classified as operating leases, and therefore, were previously not recognized on the Company's consolidated balance sheet. With the adoption of Topic 842, operating lease arrangements are required to be recognized on the consolidated balance sheet as a right-of-use ("ROU") asset and a corresponding lease liability.

The following table represents the consolidated balance sheet classification of the Company's ROU assets and liabilities. The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the consolidated balance sheet.

(dollars in thousands)	Classification	December 31, 2024	December 31, 2023
Assets			
Operating lease right-of-use assets	Other assets	$ 1,225	$ 1,579
Liabilities			
Operating lease liabilities	Other liabilities	$ 1,319	$ 1,829

The calculated amount of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments and lease incentive payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If at lease inception the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. For operating leases existing prior to January 1, 2019, the rate for the remaining lease term as of January 1, 2019 was used.

For the year ended December 31, 2024 and 2023, operating lease cost was $531,000 and $626,000, respectively.

As of December 31, 2024, the weighted average remaining lease term was 2.98 years and the weighted average discount rate was 4.33%.

The following table represents the future maturities of the Company's operating lease liabilities and other lease information.

(dollars in thousands)

Year	Lease Liability
2025	$ 636
2026	388
2027	297
2028	72
Total Lease Payments	$ 1,393
Less: Imputed Interest	(74)
Present Value of Lease Liabilities	$ 1,319

Supplemental Lease Information: *(dollars in thousands)*	December 31, 2024	December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases (cash payments)	$ 659	$ 645
Operating lease right-of-use assets obtained in exchange for leases entered into during the period	76	500

NOTE 13. COMPENSATION PLANS

The Company offers a defined contribution 401(k) Profit Sharing Plan (the "Plan") which covers substantially all employees who meet certain age and service requirements. The Plan allows employees to make voluntary pre-tax salary deferrals to the Plan. The Company, at its discretion, may elect to make an annual contribution to the Plan equal to a percentage of each participating employee's salary. Such discretionary contributions must be approved by the Company's board of directors. Employees are fully vested in the Company contributions after six years of service. In 2024 and 2023, the Company made total contributions of $1.7 million and $1.9 million to the Plan, respectively.

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

Liabilities accrued under the plans totaled $930,000 and $1.1 million as of December 31, 2024 and 2023, respectively. Monthly benefit accruals under the contracts totaled $(32,000) in 2024 and $32,000 in 2023. Payments were $130,000 in 2024 and $140,000 in 2023.

The Company has purchased life insurance policies on the plans' participants and uses the cash flow from these policies to partially fund the plan. There was no fee income recognized in 2024 and 2023.

The Company awards restricted shares of the Company's common stock to various bank employees with a grant price equal to the market price of the Company's common stock on the grant date. The restricted shares vest in equal installments over three years, subject to continued service through each applicable vesting date, or earlier upon the occurrence of a change in control. With the restricted stock, there will be no cash consideration to the Company for the shares. The employees will have the right to vote all shares subject to such grant and receive all dividends with respect to such shares, whether or not the shares have vested.

The following table presents the outstanding balance for restricted stock awards as of December 31, 2024 and 2023.

	Quantity	Weighted-Average Grant Date Fair Value
Outstanding at December 31, 2022	246,866	$ 16.92
Granted	55,210	9.67
Vested	(103,224)	17.12
Forfeited	(22,859)	16.29
Outstanding at December 31, 2023	175,993	14.67
Granted	74,358	12.16
Vested	(101,032)	15.86
Forfeited	(4,761)	15.06
Outstanding at December 31, 2024	144,558	$ 12.53

Compensation expense for restricted stock is based on the market price of the Company stock at the time of the grant and amortized on a straight-line basis over the vesting period. Compensation expense recognized for the years ended December 31, 2024 and 2023 was $1.3 million and $1.7 million, respectively. Total compensation expense unrecognized for the restricted shares granted for the year ended December 31, 2024 was $1.1 million, which is expected to be recognized over a weighted average period of 2.0 years.

NOTE 14. COMMITMENTS AND CONTINGENCIES

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

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

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

	Contract Amount	
	2024	**2023**
(dollars in thousands)		
Commitments to extend credit	$ 329,924	$ 362,878
Standby letters of credit	5,947	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 Colony and its subsidiaries. The aggregate liabilities, if any, arising from such proceedings would not, in the opinion of management, have a material adverse effect on Colony's consolidated financial position.

NOTE 15. RELATED PARTY TRANSACTIONS

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

(dollars in thousands)	**2024**	**2023**
Balance, Beginning	$ 6,107	$ 3,443
New loans	3,250	4,095
Repayments	(3,829)	(1,146)
Transactions due to changes in directors	(1,719)	(285)
Balance, Ending	$ 3,809	$ 6,107

NOTE 16. FAIR VALUE OF FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Generally accepted accounting standards in the U.S. require disclosure of fair value information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair value of Colony Bancorp, Inc. and subsidiaries 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 Level 1.

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

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

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

Loans, 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. 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 1. The fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities and is classified as Level 2.

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 are as follows:

(dollars in thousands)	Carrying Amount	Estimated Fair Value	Level 1	Level 2	Level 3
December 31, 2024					
Assets					
Cash and short-term investments	$ 231,034	$ 231,034	$ 231,034	$ —	$ —
Investment securities available for sale	366,049	366,049	—	357,128	8,921
Investment securities held to maturity	430,077	383,020	—	383,020	—
Other investments	17,694	17,694	—	17,694	—
Loans held for sale	39,786	39,786	—	39,786	—
Loans, net	1,824,000	1,703,487	—	—	1,703,487
Derivative assets	784	784	—	784	—
Liabilities					
Deposits	2,567,943	2,564,143	—	2,564,143	—
Federal Home Loan Bank advances	185,000	186,468	—	186,468	—
Other borrowed money	63,039	52,057	—	52,057	—
Derivative liabilities	47	47	—	47	—
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, at cost	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 borrowed money	63,445	51,056	—	51,056	—
Derivative liabilities	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 Impaired Loans - Impaired loans are those loans which the Company has measured impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the expected proceeds. These assets are included as level 3 fair values, based upon the lowest level of input that is significant to the fair value measurements.

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

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

(dollars in thousands)	Total Fair Value	Fair Value Measurements at Reporting Date Using (Level 1)	(Level 2)	(Level 3)
December 31, 2024				
Recurring				
Investment securities available-for-sale				
U.S. treasury securities	$ 3,173	$ —	$ 3,173	$ —
U.S. agency securities	2,755	—	2,755	—
Asset backed securities	17,824	—	17,824	—
State, county & municipal securities	95,637	—	95,637	—
Corporate debt securities	47,782	—	41,234	6,548
Mortgage-backed securities	198,878	—	196,505	2,373
Total investment securities available-for-sale	366,049	—	357,128	8,921
Loans held for sale	39,786	—	39,786	—
Derivative assets	784	—	784	—
Total recurring assets	$ 406,619	$ —	$ 397,698	$ 8,921
Derivative liabilities	$ 47	$ —	$ 1,054	$ —
Total recurring liabilities	$ 47	$ —	$ 1,054	$ —
Nonrecurring				
Collateral dependent loans	$ 3,075	$ —	$ —	$ 3,075
Other real estate owned	202	—	—	202
Total nonrecurring assets	$ 3,277	$ —	$ —	$ 3,277

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

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

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

(dollars in thousands)	December 31, 2024	Valuation Techniques	Unobservable Inputs	Discount rate
Collateral dependent loans	$ 3,075	Appraised Value	Discounts to reflect estimated costs to sell	10 %
Other Real Estate	$ 202	Appraised Value/ Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	10 %

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

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

	December 31, 2024			
(dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Avg)
Available for sale securities	$ 8,921	Discounted Cash Flow	Discount Rate or Yield	N/A

	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
Other investments	$ —	Discounted Cash Flow	Discount Rate or Yield	N/A

The following table presents a reconciliation and statement of income classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended December 31, 2024 and 2023:

	Available for sale securities		Other Investments	
(dollars in thousands)	**2024**	**2023**	**2024**	**2023**
Beginning balance	$ 10,814	$ 15,596	$ —	$ 790
Additions	2,588	—	—	—
Redemptions	(3,831)	(2,733)	—	(800)
Total unrealized/realized gains (losses) included in earnings	1,701	(270)	—	10
Transfers between levels	(2,351)	(1,779)	—	—
Ending balance	$ 8,921	$ 10,814	$ —	$ —

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 period ended December 31, 2024 and $1.8 million in transfers for the period ended December 31, 2023.

NOTE 17. REGULATORY CAPITAL MARKETS

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

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. As of December 31, 2024, the interim final Basel III rules (Basel III) require the Company to also maintain minimum amounts and ratios of common equity Tier 1 capital to risk weighted assets. These amounts and ratios as defined in regulations are presented hereafter. Management believes, as of December 31, 2024, the Company meets all capital adequacy requirements to which it is subject under the regulatory framework for prompt corrective action. In the opinion of management, there are no conditions or events since prior notification of capital adequacy from the regulators that have changed the institution's category.

The Basel III rules also require the Company to maintain a capital conservation buffer comprised of common equity Tier 1 capital. The capital conservation buffer is 2.5 percent of risk-weighted assets.

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

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
(dollars in thousands)	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
As of December 31, 2024						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 352,495	17.10 %	$ 164,910	8.00 %	$ 206,137	10.00 %
Colony Bank	314,266	15.29	164,430	8.00	205,537	10.00
Tier I Capital to Risk-Weighted Assets						
Consolidated	293,893	14.26	123,658	6.00	164,877	8.00
Colony Bank	294,474	14.33	123,297	6.00	164,396	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	269,664	13.08	92,774	4.50	134,007	6.50
Colony Bank	294,474	14.33	92,473	4.50	133,572	6.50
Tier I Capital to Average Assets						
Consolidated	293,893	9.50	123,744	4.00	154,681	5.00
Colony Bank	294,474	9.55	123,340	4.00	154,175	5.00
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 I 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 I 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

NOTE 18. FINANCIAL INFORMATION OF COLONY BANKCORP, INC. (PARENT ONLY)

The parent company's balance sheets as of December 31, 2024 and 2023 and the related statements of operations and comprehensive income (loss) and cash flows for each of the years in the two-year period then ended are as follows:

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

	2024	2023
ASSETS		
Cash	$ 28,692	$ 29,057
Investment in subsidiaries	305,918	283,968
Other	7,297	6,413
Total Assets	$ 341,907	$ 319,438
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Other	$ 193	$ 1,058
Subordinated notes	38,810	39,216
Subordinated debentures	24,229	24,229
Total Liabilities	63,232	64,503
Stockholders' Equity		
Common stock, par value $1.00 per share; 50,000,000 shares authorized, 17,519,884 and 17,564,182 shares issued and outstanding as of December 31, 2024 and 2023, respectively	17,520	17,564
Paid-in capital	168,353	168,614
Retained earnings	140,369	124,400
Accumulated other comprehensive loss, net of tax	(47,567)	(55,643)
Total Stockholder's Equity	278,675	254,935
Total Liabilities and Stockholders' Equity	$ 341,907	$ 319,438

COLONY BANKCORP, INC. (PARENT ONLY)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31
(DOLLARS IN THOUSANDS)

	2024	2023
Income		
Interest on deposits with banks	$ 4	$ 3
Dividends from subsidiaries	13,217	1,055
Other	204	138
Total income	13,425	1,196
Expenses		
Interest	3,937	3,920
Salaries and employee benefits	461	457
Other	183	254
Total expenses	4,581	4,631
Income (loss) before income taxes and equity in undistributed earnings of subsidiaries	8,844	(3,435)
Income tax benefit	1,150	680
Income (loss) before equity in undistributed earnings of subsidiaries	9,994	(2,755)
Equity in undistributed earnings of subsidiaries	13,874	24,502
Net income	$ 23,868	$ 21,747

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 23,868	$ 21,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation expense	1,296	1,701
Equity in undistributed earnings of subsidiaries	(13,874)	(24,502)
Amortization of debt issuance costs	94	93
Change in interest payable	(7)	14
Other	(1,742)	(1,977)
Net cash provided by (used in) operating activities	9,635	(2,924)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of subordinated debt	(500)	—
Cash paid for tax withholding related to vesting of restricted stock	(296)	(252)
Repurchase of shares	(1,305)	(406)
Dividends paid on common stock	(7,899)	(7,722)
Net cash used in financing activities	(10,000)	(8,380)
Net decrease in cash and cash equivalents	(365)	(11,304)
Cash and cash equivalents at beginning of period	29,057	40,361
Cash and cash equivalents at end of period	$ 28,692	$ 29,057

NOTE 19. EARNINGS PER SHARE

The following table presents earnings per share for the years ended December 31, 2024 and 2023:

(dollars in thousands, except per share amounts)	2024	2023
Numerator		
Net income available to common stockholders	$ 23,868	$ 21,747
Denominator		
Weighted average number of common shares outstanding for basic earnings per common share	17,557,743	17,578,294
Weighted average number of common shares outstanding for diluted earnings per common share	17,557,743	17,578,294
Earnings per share - basic	$ 1.36	$ 1.24
Earnings per share - diluted	$ 1.36	$ 1.24

NOTE 20. SEGMENT INFORMATION

ASC Topic 280 - Segment Reporting identifies operating segments as components of an enterprise which are evaluated regularly by the Company's Chief Operating Decision Maker, our Chief Executive Officer, in deciding how to allocate resources and assess performance. The Company has applied the aggregation criterion set forth in this codification to the results of its operations. The Company's operating segments include banking, mortgage banking and small business specialty lending division. The reportable segments are determined by the products and services offered, and internal reporting. The Bank segment derives its revenues from the delivery of full-service financial services, including retail and commercial banking services and deposit accounts. The Mortgage Banking segment derives its revenues from the origination and sales of residential mortgage loans held for sale. The Small Business Specialty Lending Division segment derives its revenue from the origination, sales and servicing of Small Business Administration loans and other government guaranteed loans. Segment performance is evaluated using net interest income and noninterest income. Income taxes are allocated based on income before income taxes, and indirect expenses (includes management fees) are allocated based on various internal factors for each segment. Transactions among segments are made at fair value. The following tables present information reported internally for performance assessment as of December 31, 2024 and 2023:

	December 31, 2024			
(dollars in thousands)	**Bank**	**Mortgage**	**Small Business Specialty Lending Division**	**Totals**
Net Interest Income	$ 71,112	$ 210	$ 4,754	$ 76,076
Provision for Credit Losses	1,558	—	1,492	3,050
Net Interest Income after Provision for Credit Losses	69,554	210	3,262	73,026
Mortgage Fee Income	70	5,978	—	6,048
Gain on Sale of SBA Loans	—	—	9,242	9,242
Other	21,642 (1)	—	2,443 (2)	24,085
Total Noninterest Income	21,712	5,978	11,685	39,375
Salaries and Employee Benefits	37,026	5,731	7,010	49,767
Other (3)	31,929	45	1,093	33,067
Total Noninterest Expense	68,955	5,776	8,103	82,834
Income Taxes	4,170	102	1,427	5,699
Net income	$ 18,141	$ 310	$ 5,417	$ 23,868
Total assets	$ 2,985,856	$ 17,970	$ 105,956	$ 3,109,782
Full Time Employees	376	45	34	455

(1) includes service charges on deposits, loss on sales of securities, interchange fees, BOLI income, insurance commissions and other noninterest income
(2) represents SBA loan related fee income
(3) includes occupancy and equipment, information technology expense, professional fees, advertising and public relations, communications and other noninterest expenses

(dollars in thousands)	December 31, 2023			
	Bank	**Mortgage Banking**	**Small Business Specialty Lending Division**	**Totals**
Net Interest Income	$ 75,464	$ 109	$ 2,671	$ 78,244
Provision for Credit Losses	2,225	—	1,375	3,600
Net Interest Income after Provision for Credit Losses	73,239	109	1,296	74,644
Mortgage Fee Income	(89)	6,220	—	6,131
Gain on Sale of SBA Loans	—	—	5,063	5,063
Other	22,665 [4]	3	1,772 [5]	24,440
Noninterest Income	22,576	6,223	6,835	35,634
Salaries and Employee Benefits	36,273	7,005	5,955	49,233
Other [6]	32,461	(79)	1,450	33,832
Noninterest Expenses	68,734	6,926	7,405	83,065
Income Taxes	5,454	(117)	129	5,466
Net income/(loss)	$ 21,627	$ (477)	$ 597	$ 21,747
Total assets	$ 2,956,121	$ 7,890	$ 89,411	$ 3,053,422
Full Time Employees	378	42	33	453

[4] includes service charges on deposits, interchange fees, BOLI income, insurance commissions and other noninterest income
[5] represents SBA loan related fee income
[6] includes occupancy and equipment, information technology expense, professional fees, advertising and public relations, communications and other noninterest expenses

Item 9

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A

Controls and Procedures

The Company's Chief Executive Officer and Acting Chief Financial Officer has evaluated the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report, as required by paragraph (b) of Rules 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, such officer has 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 Acting Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

During the year ended December 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.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2024 is included in Part II, Item 8 of this Report under the heading "Management's Report on Internal Control Over Financial Reporting."
Our independent auditors have issued an audit report on management's assessment of internal controls over financial reporting. This report is included in Part II, Item 8 of this Report under the heading "Report of Independent Registered Public Accounting Firm."

Changes in Internal Controls

-

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

Item 9B

Other Information

During the fourth quarter of 2024, none of our other executive officers or directors adopted Rule 10b5-1 trading plans and none of our directors or executive officers terminated a Rule 10b5-1 trading plan or adopted or terminated a non-Rule 10b5-1 trading arrangement (as defined in Item 408(c) of Regulation S-K).

Item 9C

Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

Part III

Item 10

Directors and Executive Officers and Corporate Governance

Code of Ethics

Colony Bankcorp, Inc. has adopted a Code of Ethics that applies to the Company's principal executive officer and principal accounting and financial officer. A copy of the Code of Ethics will be provided to any person without charge, upon written request mailed to T. Heath Fountain, Colony Bankcorp, Inc., 115 S. Grant Street, Fitzgerald, Georgia 31750, and can also be found on our website at www.colonybank.com. We will post any amendments to the Code of Ethics and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE on our website.

The Company has adopted insider trading policies and procedures governing the purchase, sale, and/or other dispositions of the Company's securities by directors, officers and employees, or the Company itself, that are reasonably designed to promote compliance with insider trading laws, rules and regulations, and any listing standards applicable to the Company. A copy of the Company's Insider Trading Policy has been filed as Exhibit 19 to this Annual Report on Form 10-K.

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

Item 11

Executive Compensation

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

Item 12

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

EQUITY COMPENSATION PLAN INFORMATION

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

Item 13

Certain Relationships and Related Transactions and Director Independence

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

Item 14

Principal Accounting Fees and Services

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

The Independent Registered Public Accounting Firm is Mauldin & Jenkins, LLC (Public Company Accounting Oversight Board Firm ID 669) located in Albany, Georgia for the years ended December 31, 2024 and 2023.

Item 15

Exhibits, Financial Statement Schedules

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

The consolidated financial statements of Colony Bankcorp, Inc. and subsidiaries are filed as part of this report.

Report of Independent Registered Accounting Firm

Consolidated Balance Sheets - December 31, 2024 and 2023

Consolidated Statements of Income – Years ended December 31, 2024 and 2023

Consolidated Statements of Comprehensive Income – Years ended December 31, 2024 and 2023

Consolidated Statements of Changes in |Stockholders' Equity– Years ended December 31, 2024 and 2023

Consolidated Statements of Cash Flows –Years ended December 31, 2024 and 2023

Notes to Consolidated Financial Statements

Financial Statements Schedules:

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

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

Exhibit Index

3.1	Articles of Incorporation, as amended -filed as Exhibit99.1 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 -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. 0-12436), filed with the Commission on September 18, 2020 and incorporated herein by reference.
4.1	Description of Securities
4.2	Form of 5.25% Fixed to Floating Rate Subordinated Note due 2032 -filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K (File No. 0-12436), filed with the Commission on May 23, 2022 and incorporated herein by reference.
10.1	Deferred Compensation Plan and Sample Director Agreement† -filed as Exhibit 10(a) to the Registrant's Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.
10.2	Profit-Sharing Plan Dated January 1, 1979† -filed as Exhibit 10(b) to the Registrant's Registration Statement on Form 10 (File No. 0-18486), filed with the Commission on April 25, 1990 and incorporated herein by reference.
10.3	1999 Restricted Stock Grant Plan and Restricted Stock Grant Agreement† -filed as Exhibit 10.C to the Registrant's Annual Report on Form 10-K405 (File 000-12436), filed with the Commission on March 30, 2001 and incorporated herein by reference.
10.4	2004 Restricted Stock Grant Plan and Restricted Stock Grant Agreement† -filed as Exhibit C to the Registrant's Definitive Proxy Statement for Annual Meeting of Stockholders held on April 27, 2004, filed with the Commission on March 3, 2004 (File No. 000-12436) and incorporated herein by reference.
10.5	Restricted Stock Award Between T. Heath Fountain and Colony Bankcorp, Inc.†

		-filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-8 (File No. 333-226984), filed with the Commission on August 23, 2018 and incorporated herein by reference.
	10.6	Employment Agreement, Dated July 22, 2024, Between Colony Bankcorp, Inc., Colony Bank, and T. Heath Fountain.†
		-filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on July 24, 2024 and incorporated herein by reference.
	10.7	Retention Agreement, Dated January 15, 2019, Between Colony Bank and Kimberly C. Dockery†
		-filed as Exhibit 99.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 17, 2019 and incorporated herein by reference.
	10.8	Separation and Release Agreement, Dated January 25, 2023, Between Colony Bank and Andrew Borrmann†
		-filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on January 26, 2023 and incorporated herein by reference.
	10.9	Employment Agreement, dated as of September 9, 2022, between Colony Bankcorp, Inc. and Max Edward Hoyle†
		-filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q (File No. 000-12436), filed with the Commission on November 10, 2022 and incorporated herein by reference.
	10.10	Employment Agreement, dated as of September 13, 2024, between Colony Bank and R. Dallis Copeland, Jr.†
		-filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 000-12436), filed with the Commission on September 14, 2024 and incorporated herein by reference.
	10.11	Form of Note Purchase Agreement, dated as of May 20, 2022, by and among Colony Bankcorp, Inc. and the purchasers named therein.
		- filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 0-12436), filed with the Commission on May 23, 2022 and incorporated herein by reference.
	19	Insider Trading Policy
	21	Subsidiaries of the Company
	23.1	Consent of Mauldin & Jenkins, LLC
	31.1	Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
	31.2	Certificate of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
	32.1	Certificate of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
	97	Colony Bankcorp, Inc. Compensation Recovery Policy, filed as Exhibit 97 to the Registrant's Annual Report on Form 10-K (file No. 000-12436) filed with the Commission on March 14, 2024
101.INS		XBRL Instance Document
101.SCH		XBRL Schema Document
101.CAL		XBRL Calculation Linkbase Document
101.DEF		XBRL Definition Linkbase Document
101.PRE		XBRL Label Linkbase Document
101.LAB		XBRL Presentation Linkbase Document
	104	Cover Page Interactive Data File (formatted as inline XBRL and included in Exhibit 101)

† Represents a management contract or a compensatory plan or arrangement.

(b) Exhibits

The response to this portion of Item 15 is submitted under item (a)(3) above.

(c) Financial Statement Schedules

None.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

COLONY BANKCORP, INC.

/s/ T. Heath Fountain

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

March 14, 2025

Date

/s/ Derek Shelnutt

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

March 14, 2025

Date

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

/s/ T. Heath Fountain	March 14, 2025
T. Heath Fountain, /Director/Chief Executive Officer	Date
/s/ Mark H. Massee	March 14, 2025
Mark H. Massee, Director	Date
/s/ Meagan M. Mowry	March 14, 2025
Meagan M. Mowry, Director	Date
/s/ Scott Lowell Downing	March 14, 2025
Scott Lowell Downing, Director	Date
/s/ Matthew D. Reed	March 14, 2025
Matthew D. Reed, Director	Date
/s/ Edward P. Loomis	March 14, 2025
Edward P. Loomis, Director	Date
/s/ Brian D. Schmitt	March 14, 2025
Brian Schmitt, Director	Date
/s/ Audrey D. Hollingsworth	March 14, 2025
Audrey D. Hollingsworth, Director	Date