UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2026

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 as Specified in Its Charter)

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

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

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

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

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

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

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

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

Large Accelerate Filer ☐ Accelerated Filer ☒ Non-accelerated Filer ☐

Smaller Reporting Company ☐ Emerging Growth Company ☐

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As of August 3, 2026, the registrant had 21,220,965 shares of common stock, $1.00 par value per share, issued and outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COLONY BANKCORP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

(dollars in thousands, except per share data)	June 30, 2026 *(Unaudited)*	December 31, 2025 *(Audited)*
ASSETS		
Cash and due from banks	$ 25,257	$ 27,307
Interest-bearing deposits in banks and federal funds sold	134,362	230,333
Cash and cash equivalents	159,619	257,640
Investment securities available-for-sale, at fair value (amortized cost $400,194 and $412,395 respectively)	370,821	383,817
Investment securities held-to-maturity, at amortized cost (fair value $331,123 and $354,290, respectively)	365,251	386,618
Other investments	17,864	19,176
Loans held for sale	24,218	78,990
Loans, net of unearned income	2,464,834	2,381,224
Allowance for credit losses	(22,034)	(23,014)
Loans, net	2,442,800	2,358,210
Premises and equipment	37,139	37,045
Other real estate owned	1,829	1,048
Goodwill	63,047	63,873
Other intangible assets	6,971	7,851
Bank-owned life insurance	68,693	68,457
Deferred income taxes, net	17,986	19,582
Other assets	51,345	53,094
Total assets	$ 3,627,583	$ 3,735,401
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits		
Noninterest-bearing	$ 464,062	$ 526,803
Interest-bearing	2,508,114	2,540,718
Total deposits	2,972,176	3,067,521
Federal Home Loan Bank advances	169,989	194,972
Other borrowings	63,179	63,132
Other liabilities	32,273	33,856
Total liabilities	3,237,617	3,359,481
Stockholders' equity:		
Preferred stock, no par value; 10,000,000 shares authorized, none issued or outstanding as of June 30, 2026 and December 31, 2025, respectively	—	—
Common stock, par value $1.00 per share; 50,000,000 shares authorized, 21,158,353 and 21,251,695 shares issued and outstanding as of June 30, 2026 and December 31, 2025, respectively	21,158	21,252
Paid-in capital	227,246	228,577
Retained earnings	174,558	160,584
Accumulated other comprehensive loss, net of tax	(32,996)	(34,493)
Total stockholders' equity	389,966	375,920
Total liabilities and stockholders' equity	$ 3,627,583	$ 3,735,401

See accompanying notes to consolidated financial statements (unaudited).

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

(dollars in thousands, except per share data)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Interest income				
Loans, including fees	$ 39,114	$ 30,361	$ 77,088	$ 58,337
Investment securities	4,837	5,148	9,760	10,375
Deposits with other banks and short term investments	1,830	1,326	3,823	3,648
Total interest income	45,781	36,835	90,671	72,360
Interest expense				
Deposits	13,237	11,632	26,051	23,405
Federal Home Loan Bank advances	1,784	1,889	3,769	3,762
Other borrowings	891	929	1,779	1,856
Total interest expense	15,912	14,450	31,599	29,023
Net interest income	29,869	22,385	59,072	43,337
Provision for credit losses	1,900	450	3,650	1,950
Net interest income after provision for credit losses	27,969	21,935	55,422	41,387
Noninterest income				
Service charges on deposits	2,561	2,219	5,122	4,391
Mortgage fee income	2,141	1,984	4,076	3,563
Gain on sales of SBA loans	506	1,550	1,468	2,585
Other SBA income	692	595	1,406	1,251
Loss on sales of securities	(186)	—	(186)	—
Interchange fees	2,400	2,073	4,586	4,011
BOLI income	1,217	423	1,694	819
Insurance commissions	922	766	1,766	1,235
Other	1,905	488	2,919	1,287
Total noninterest income	12,158	10,098	22,851	19,142
Noninterest expense				
Salaries and employee benefits	15,539	12,865	31,462	24,770
Occupancy and equipment	2,109	1,683	4,066	3,263
Acquisition related expenses	943	—	2,580	—
Information technology expense	2,902	2,592	5,675	5,069
Professional fees	939	742	2,059	1,490
Advertising and public relations	982	942	2,088	1,747
Communications	235	188	460	393
Other	2,782	2,992	5,716	5,493
Total noninterest expense	26,431	22,004	54,106	42,225
Income before income taxes	13,696	10,029	24,167	18,304
Income taxes	2,839	2,051	5,106	3,713
Net income	$ 10,857	$ 7,978	$ 19,061	$ 14,591
Earnings per common share:				
Basic	$ 0.51	$ 0.46	$ 0.90	$ 0.83
Diluted	0.51	0.46	0.90	0.83
Dividends declared per share	0.1200	0.1150	0.2400	0.2300
Weighted average common shares outstanding:				
Basic	21,160,128	17,448,945	21,191,011	17,478,836
Diluted	21,160,128	17,448,945	21,191,011	17,478,836

See accompanying notes to consolidated financial statements (unaudited).

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

(dollars in thousands)	Three Months Ended		Six Months Ended	
	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Net income	$ 10,857	$ 7,978	$ 19,061	$ 14,591
Other comprehensive income:				
Net unrealized gains (losses) on securities arising during the period	110	1,393	(479)	6,280
Tax effect	(24)	(355)	104	(1,599)
Reclassification adjustment for amortization of unrealized holding losses from the transfer of securities from available-for-sale to held-to-maturity	845	1,084	1,751	2,226
Tax effect	(183)	(276)	(379)	(567)
Realized losses on sales of securities included in net income	186	—	186	—
Tax effect	(40)	—	(40)	—
Unrealized gains (losses) on derivative instruments designated as cash flow hedges	268	(63)	535	(422)
Tax effect	(58)	16	(116)	107
Realized gains on derivative instruments recognized in net income	(42)	(77)	(83)	(156)
Tax effect	9	20	18	40
Total other comprehensive income	1,071	1,742	1,497	5,909
Comprehensive income	$ 11,928	$ 9,720	$ 20,558	$ 20,500

See accompanying notes to consolidated financial statements (unaudited).

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

(dollars in thousands, except per share data)	Common Stock		Paid-In	Retained	Accumulated Other Comprehensive	
Three Months Ended	**Shares**	**Amount**	**Capital**	**Earnings**	**Income (Loss)**	**Total**
Balance, March 31, 2026	21,162,104	$ 21,162	$ 227,071	$ 166,237	$ (34,067)	$ 380,403
Other comprehensive income	—	—	—	—	1,071	1,071
Dividends on common shares ($0.1200 per share)	—	—	—	(2,536)	—	(2,536)
Issuance of restricted stock, net of forfeitures	(3,751)	(4)	4	—	—	—
Stock-based compensation expense, net	—	—	171	—	—	171
Net income	—	—	—	10,857	—	10,857
Balance, June 30, 2026	21,158,353	$ 21,158	$ 227,246	$ 174,558	$ (32,996)	$ 389,966
Balance, March 31, 2025	17,481,709	$ 17,482	$ 167,876	$ 144,967	$ (43,400)	$ 286,925
Other comprehensive income	—	—	—	—	1,742	1,742
Dividends on common shares ($0.1150 per share)	—	—	—	(2,007)	—	(2,007)
Issuance of restricted stock, net of forfeitures	(2,990)	(3)	3	—	—	—
Repurchase and retirement of shares	(62,017)	(62)	(897)	—	—	(959)
Stock-based compensation expense, net	—	—	178	—	—	178
Net income	—	—	—	7,978	—	7,978
Balance, June 30, 2025	17,416,702	$ 17,417	$ 167,160	$ 150,938	$ (41,658)	$ 293,857

(dollars in thousands, except per share data)	Common Stock		Paid-In	Retained	Accumulated Other Comprehensive	
Six Months Ended	**Shares**	**Amount**	**Capital**	**Earnings**	**Income (Loss)**	**Total**
Balance, December 31, 2025	21,251,695	$ 21,252	$ 228,577	$ 160,584	$ (34,493)	$ 375,920
Other comprehensive income	—	—	—	—	1,497	1,497
Dividends on common shares ($0.2400 per share)	—	—	—	(5,087)	—	(5,087)
Issuance of restricted stock, net of forfeitures	(2,962)	(3)	3	—	—	—
Tax withholding related to vesting of restricted stock	(1,271)	(2)	(21)	—	—	(23)
Repurchase and retirement of shares	(89,109)	(89)	(1,677)	—	—	(1,766)
Stock-based compensation expense	—	—	364	—	—	364
Net income	—	—	—	19,061	—	19,061
Balance, June 30, 2026	21,158,353	$ 21,158	$ 227,246	$ 174,558	$ (32,996)	$ 389,966
Balance, December 31, 2024	17,519,884	$ 17,520	$ 168,353	$ 140,369	$ (47,567)	$ 278,675
Other comprehensive income	—	—	—	—	5,909	5,909
Dividends on common shares ($0.2300 per share)	—	—	—	(4,022)	—	(4,022)
Issuance of restricted stock, net of forfeitures	1,890	2	(2)	—	—	—
Tax withholding related to vesting of restricted stock	(4,748)	(5)	(72)	—	—	(77)
Repurchase and retirement of shares	(100,324)	(100)	(1,489)	—	—	(1,589)
Stock-based compensation expense	—	—	370	—	—	370
Net income	—	—	—	14,591	—	14,591
Balance, June 30, 2025	17,416,702	$ 17,417	$ 167,160	$ 150,938	$ (41,658)	$ 293,857

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

(dollars in thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Operating Activities		
Net income	$ 19,061	$ 14,591
Adjustments reconciling net income to net cash provided by operating activities:		
Provision for credit losses	3,650	1,950
Depreciation, amortization, and accretion	6,074	3,556
Equity method investment income	(29)	(195)
Stock-based compensation expense	364	370
Net change in servicing asset	96	289
Loss on sales of securities	186	—
Gain on sales of SBA loans	(1,468)	(2,585)
Loss on sales of other real estate owned and repossessions	41	136
Gain on sales of premises & equipment	(13)	—
Originations of loans held for sale	(110,091)	(130,990)
Proceeds from sales of loans held for sale	144,657	151,198
Change in bank-owned life insurance	(995)	(841)
Deferred tax expense	788	470
Change in other assets	1,776	(5,846)
Change in other liabilities	(729)	1,685
Net cash provided by operating activities	63,368	33,788
Investing Activities		
Purchases of investment securities, available-for-sale	(12,722)	(28,210)
Proceeds from maturities, calls, and paydowns of investment securities, available-for-sale	22,767	27,129
Proceeds from sales of investment securities, available-for-sale	1,632	—
Proceeds from maturities, calls and paydowns of securities, held-to-maturity	18,584	21,532
Proceeds from sales of investment securities, held-to-maturity	3,485	—
Change in loans, net	(69,563)	(153,101)
Purchase of premises and equipment	(1,374)	(431)
Proceeds from sales of premises and equipment	35	—
Proceeds from insurance related to fire at bank branch	—	803
Proceeds from sales of other real estate owned and repossessions	888	540
Proceeds from bank-owned life insurance	759	—
Redemption of Federal Home Loan Bank Stock	1,121	(38)
Redemption of equity securities	220	—
Cash paid - Insurance acquisition	—	(3,500)
Net cash used in investing activities	(34,168)	(135,276)
Financing Activities		
Change in noninterest-bearing customer deposits	(62,741)	(27,498)
Change in interest-bearing customer deposits	(32,604)	15,785
Dividends paid for common stock	(5,087)	(4,022)
Repayments on Federal Home Loan Bank advances	(125,000)	(100,000)
Proceeds from Federal Home Loan Bank advances	100,000	100,000
Repurchase and retirement of shares	(1,766)	(1,589)
Tax withholding related to vesting of restricted stock	(23)	(77)
Net cash used in financing activities	(127,221)	(17,401)
Net decrease in cash and cash equivalents	(98,021)	(118,889)
Cash and cash equivalents at beginning of period	257,640	231,034
Cash and cash equivalents at end of period	$ 159,619	$ 112,145

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

(dollars in thousands)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest	$ 31,655	$ 28,654
Cash paid during the period for income taxes	2,515	2,020
Noncash Investing and Financing Activities		
Transfers to other real estate	1,506	810
Adjustments to goodwill	(826)	—

See accompanying notes to consolidated financial statements (unaudited).

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(1) Summary of Significant Accounting Policies

Presentation

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

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

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

The results of operations for the three and six months ended June 30, 2026 are not necessarily indicative of the results which may be expected for the year ending December 31, 2026. These statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2025 ("2025 Form 10-K").

Nature of Operations

Colony Bank provides a full range of banking solutions for personal and business customers. In addition to traditional banking services, the Bank provides specialized solutions including mortgage lending, government guaranteed lending, consumer insurance, wealth management, credit cards and merchant services. The Bank conducts its business through full-service banking centers and loan production offices located throughout Georgia, Alabama and Florida. The Bank is headquartered in Fitzgerald, Georgia with locations in the Georgia cities of Albany, Ashburn, Athens, Atlanta, Augusta, Broxton, Cedartown, Centerville, Chickamauga, Columbus, Cordele, Covington, Douglas, Eastman, Fayetteville, Fitzgerald, Greensboro, LaGrange, Leesburg, Macon, Manchester, Monroe, Moultrie, Quitman, Rochelle, Rockmart, Savannah, Statesboro, Sylvester, Thomaston, Thomasville, Tifton, Valdosta and Warner Robins. The Bank also operates locations in Birmingham, Alabama, and Jacksonville, Santa Rosa Beach and Tallahassee, Florida.

Use of Estimates

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

Reclassifications

In certain instances, amounts reported in prior years' consolidated financial statements have been reclassified to conform to statement presentations selected for 2026. Such reclassifications have not materially affected previously reported stockholders' equity or net income.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

Concentrations of Credit Risk

Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk. At June 30, 2026, approximately 83% of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. Management continues to monitor these concentrations and has considered these concentrations in its allowance for credit loss analysis.

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

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

Allowance for Credit Losses ("ACL") – Loans

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

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

Management determines the ACL balance using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit behaviors along with model judgments provide the basis for the estimation of expected credit losses. Adjustments to modeled loss estimates may be made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in economic conditions, property values, or other relevant factors. 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-

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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

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

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

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

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

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

Derivatives

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

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

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

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

Changes in Accounting Principles

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 still evaluating the impact of these additional disclosure requirements.

(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) **June 30, 2026**	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities Available-for-Sale:				
U.S. treasury securities	$ 4,841	$ —	$ (46)	$ 4,795
U.S. agency securities	3,051	—	(135)	2,916
Asset backed securities	13,422	9	(160)	13,271
State, county & municipal securities	117,631	3	(11,000)	106,634
Corporate debt securities	42,551	111	(2,992)	39,670
Mortgage-backed securities	218,698	156	(15,319)	203,535
Total	$ 400,194	$ 279	$ (29,652)	$ 370,821

June 30, 2026	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities Held-to-Maturity:				
U.S. treasury securities	$ 53,888	$ —	$ (1,244)	$ 52,644
U.S. agency securities	8,876	—	(741)	8,135
State, county & municipal securities	137,787	68	(12,275)	125,580
Mortgage-backed securities	164,700	—	(19,936)	144,764
Total	$ 365,251	$ 68	$ (34,196)	$ 331,123

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December 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
U.S. treasury securities	$ 5,570	$ 12	$ —	$ 5,582
U.S. agency securities	3,304	—	(108)	3,196
Asset backed securities	14,622	6	(145)	14,483
State, county & municipal securities	118,204	58	(11,032)	107,230
Corporate debt securities	52,660	336	(4,189)	48,807
Mortgage-backed securities	218,035	525	(14,041)	204,519
Total	$ 412,395	$ 937	$ (29,515)	$ 383,817

December 31, 2025	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Held-to-Maturity:				
U.S. treasury securities	$ 65,408	$ —	$ (958)	$ 64,450
U.S. agency securities	8,991	—	(682)	8,309
State, county & municipal securities	137,591	76	(11,675)	125,992
Mortgage-backed securities	174,628	—	(19,089)	155,539
Total	$ 386,618	$ 76	$ (32,404)	$ 354,290

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 June 30, 2026 and December 31, 2025, accrued interest receivable for available-for-sale and held-to-maturity securities totaled $2.2 million and $2.3 million, and $1.6 million and $1.7 million, respectively, and is included in the "Other assets" line item on the Company's consolidated balance sheet.

The amortized cost and fair value of investment securities as of June 30, 2026, 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	$ 504	$ 502	$ 4,873	$ 4,825
Due after one year through five years	43,342	41,262	60,217	58,579
Due after five years through ten years	89,236	80,498	78,438	71,567
Due after ten years	48,414	45,024	57,023	51,388
	$ 181,496	$ 167,286	$ 200,551	$ 186,359
Mortgage-backed securities	218,698	203,535	164,700	144,764
	$ 400,194	$ 370,821	$ 365,251	$ 331,123

For both the three and six month periods ended June 30, 2026, the Company had proceeds from the sale of investment securities of $5.1 million, which resulted in gross realized losses of $186,000. These sales included the sale of one held-to-maturity security which had a maturity date within the next three months which met the exception guidance under ASC 320-10-25-14(a). Therefore, the sales do not impact our ability to hold the remaining investment securities, and we are not in a position to be required to sell any remaining securities at this time. The purpose of the sales was to restructure underperforming assets and reinvest in assets with higher yields. The Company had no sales of investment securities for the three and six month periods ended June 30, 2025.

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Investment securities having a carrying value of approximately $357.6 million and $397.2 million were pledged to secure public deposits and for other purposes as of June 30, 2026 and December 31, 2025, respectively.

Information pertaining to available-for-sale securities with gross unrealized losses at June 30, 2026 and December 31, 2025 aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

	Less Than 12 Months		12 Months or Greater		Total	
(dollars in thousands) **June 30, 2026**	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. treasury securities	$ 4,795	$ (46)	$ —	$ —	$ 4,795	$ (46)
U.S. agency securities	1,119	(9)	1,797	(126)	2,916	(135)
Asset backed securities	3,155	(2)	7,006	(158)	10,161	(160)
State, county & municipal securities	10,251	(392)	95,598	(10,608)	105,849	(11,000)
Corporate debt securities	1,517	(132)	31,431	(2,860)	32,948	(2,992)
Mortgage-backed securities	67,335	(791)	119,801	(14,528)	187,136	(15,319)
	$ 88,172	$ (1,372)	$ 255,633	$ (28,280)	$ 343,805	$ (29,652)
December 31, 2025						
U.S. treasury securities	—	—	—	—	—	—
U.S. agency securities	1,182	(2)	2,014	(106)	3,196	(108)
Asset backed securities	5,001	(8)	8,265	(137)	13,266	(145)
State, county & municipal securities	5,219	(545)	94,080	(10,487)	99,299	(11,032)
Corporate debt securities	3,955	(45)	34,550	(4,144)	38,505	(4,189)
Mortgage-backed securities	27,089	(134)	125,920	(13,907)	153,009	(14,041)
	$ 42,446	$ (734)	$ 264,829	$ (28,781)	$ 307,275	$ (29,515)

Information pertaining to held-to-maturity securities with gross unrealized losses at June 30, 2026 and December 31, 2025 aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

	Less Than 12 Months		12 Months or Greater		Total	
(dollars in thousands) **June 30, 2026**	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
U.S. treasury securities	$ —	$ —	$ 52,644	$ (1,244)	$ 52,644	$ (1,244)
U.S. agency securities	—	—	8,135	(741)	8,135	(741)
State, county & municipal securities	3,953	(46)	108,628	(12,229)	112,581	(12,275)
Mortgage-backed securities	—	—	144,764	(19,936)	144,764	(19,936)
	$ 3,953	$ (46)	$ 314,171	$ (34,150)	$ 318,124	$ (34,196)
December 31, 2025						
U.S. treasury securities	$ —	$ —	$ 64,450	$ (958)	$ 64,450	$ (958)
U.S. agency securities	—	—	8,309	(682)	8,309	(682)
State, county & municipal securities	441	(3)	116,706	(11,672)	117,147	(11,675)
Mortgage-backed securities	—	—	155,539	(19,089)	155,539	(19,089)
	$ 441	$ (3)	$ 345,004	$ (32,401)	$ 345,445	$ (32,404)

Management evaluates available-for-sale securities in an unrealized loss position at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation to determine if credit-related impairment exists. Management first evaluates whether they intend to sell or more likely than not will be required to sell an impaired security before recovering its amortized cost basis. If either criteria is met, the entire amount of unrealized loss is

recognized in earnings with a corresponding adjustment to the security's amortized cost basis. If either of the above criteria is not met, management evaluates whether the decline in fair value is attributable to credit or resulted from other factors. The Company does not intend to sell these investment securities in an unrealized loss position as of June 30, 2026, and it is more likely than not that the Company will not be required to sell these securities prior to recovery or maturity. Based on management's review, the Company's available-for-sale securities have no expected credit losses and no related allowance for credit losses has been established.

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

At June 30, 2026, there were 276 available-for-sale securities and 138 held-to-maturity securities that had unrealized losses. These securities are guaranteed by either the U.S. Government, other governments or U.S. corporations. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying securities were purchased. As management has the ability and intent 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.

As part of the Company's calculated credit losses, the allowance for credit losses on investment securities was determined to be de minimis due to the high credit quality of the portfolio, which includes securities issued or guaranteed by the U.S. treasury and U.S. government agencies and high quality municipalities. Therefore, no allowance for credit losses was recorded as of June 30, 2026. See Note 1 for additional details on the allowance for credit losses as it relates to the securities portfolio.

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(3) Loans

The following table presents the composition of loans, segregated by class of loans, as of June 30, 2026 and December 31, 2025.

(dollars in thousands)	June 30, 2026	December 31, 2025
Construction, land & land development	$ 285,508	$ 302,512
Other commercial real estate	1,272,574	1,249,720
Total commercial real estate	1,558,082	1,552,232
Residential real estate	499,015	459,549
Commercial, financial & agricultural	230,364	218,532
Consumer and other	177,373	150,911
Total loans	$ 2,464,834	$ 2,381,224

Included in the above table are government guaranteed loans totaling $80.9 million at June 30, 2026 and $84.9 million at December 31, 2025. The following table presents the composition of government guaranteed loans segregated by class of loans for each respective period.

(dollars in thousands)	June 30, 2026	December 31, 2025
Construction, land & land development	$ 198	$ 2,277
Other commercial real estate	44,326	43,251
Total commercial real estate	44,524	45,528
Residential real estate	9,896	10,050
Commercial, financial & agricultural	26,444	29,350
Total loans	$ 80,864	$ 84,928

The Company elected to exclude accrued interest receivable from the amortized cost basis of loans disclosed throughout this note. As of June 30, 2026 and December 31, 2025, accrued interest receivable for loans totaled $10.5 million and $11.4 million, respectively, and is included in the "Other assets" line item on the Company's consolidated balance sheet.

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

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

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

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

collateral of unquestioned value that fully secures the loans. Loans in this category fall into the "pass" classification.

- Grades 4 and 5 - Loans assigned these "pass" risk grades are made to borrowers with acceptable credit quality and risk. The risk ranges from loans with no significant weaknesses in repayment capacity and collateral protection to acceptable loans with one or more risk factors considered to be more than average. These loans are also included in the "pass" classification.
- Grade 6 - This grade includes "special mention" loans on management's watch list and is intended to be used on a temporary basis for pass grade loans where risk-modifying action is intended in the short-term.
- Grades 7 and 8 - These grades include "substandard" loans in accordance with regulatory guidelines. This category includes borrowers with well-defined weaknesses that jeopardize the payment of the debt in accordance with the agreed terms. Loans considered to be impaired are assigned grade 8, and these loans often have assigned loss allocations as part of the allowance for credit losses. Generally, loans on which interest accrual has been stopped would be included in this grade range.
- Grades 9 and 10 - These grades correspond to regulatory classification definitions of "doubtful" and "loss," respectively. In practice, any loan with these grades would be for a very short period of time, and generally the Company has no loans with these assigned grades. Management manages the Company's problem loans in such a way that uncollectible loans or uncollectible portions of loans are charged off immediately with any residual, collectible amounts assigned a risk grade of 7 or 8.

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

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

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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 June 30, 2026 and December 31, 2025. 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 June 30, 2026 or December 31, 2025.

	Term Loans Amortized Cost Basis by Origination Year								
(dollars in thousands)	**2026**	**2025**	**2024**	**2023**	**2022**	**Prior**	**Revolvers**	**Revolvers converted to term loans**	**Total**
June 30, 2026									
Construction, land & land development									
Risk rating									
Pass	$ 80,889	$ 142,174	$ 26,646	$ 2,993	$ 8,132	$ 7,773	$ 10,024	$ 526	$ 279,157
Special Mention	1,693	2,484	815	—	594	384	—	—	5,970
Substandard	84	44	38	116	83	16	—	—	381
Total Construction, land & land development	82,666	144,702	27,499	3,109	8,809	8,173	10,024	526	285,508
Current period gross write offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other commercial real estate									
Risk rating									
Pass	80,314	253,184	116,714	95,796	340,429	308,808	17,709	1,596	1,214,550
Special Mention	3,330	2,356	10,734	4,706	3,615	12,890	—	526	38,157
Substandard	884	4,467	3,722	4,284	2,871	3,536	—	103	19,867
Total Other commercial real estate	84,528	260,007	131,170	104,786	346,915	325,234	17,709	2,225	1,272,574
Current period gross write offs	—	475	—	475	—	—	—	—	950
Residential real estate									
Risk rating									
Pass	52,304	61,785	44,993	63,054	108,882	110,824	45,875	774	488,491
Special Mention	—	366	92	—	—	4,030	167	—	4,655
Substandard	217	33	522	2,739	1,291	901	166	—	5,869
Total Residential real estate	52,521	62,184	45,607	65,793	110,173	115,755	46,208	774	499,015
Current period gross write offs	—	—	—	—	45	5	—	—	50
Commercial, financial & agricultural									
Risk rating									
Pass	23,191	39,678	21,472	24,095	20,219	18,272	71,288	709	218,924
Special Mention	—	—	—	75	107	—	4,091	—	4,273
Substandard	180	130	2,434	2,870	1,175	93	285	—	7,167
Total Commercial, financial & agricultural	23,371	39,808	23,906	27,040	21,501	18,365	75,664	709	230,364
Current period gross write offs	—	279	533	605	8	1	—	—	1,426
Consumer and other									
Risk rating									
Pass	53,772	68,236	28,826	24,422	737	171	849	17	177,030
Special Mention	—	—	—	—	—	—	—	—	—
Substandard	—	33	77	233	—	—	—	—	343
Total Consumer and other	53,772	68,269	28,903	24,655	737	171	849	17	177,373
Current period gross write offs	99	383	675	154	25	—	—	—	1,336
Total Loans									
Risk rating									
Pass	290,470	565,057	238,651	210,360	478,399	445,848	145,745	3,622	2,378,152
Special Mention	5,023	5,206	11,641	4,781	4,316	17,304	4,258	526	53,055
Substandard	1,365	4,707	6,793	10,242	5,420	4,546	451	103	33,627
Total Loans	$ 296,858	$ 574,970	$ 257,085	$ 225,383	$ 488,135	$ 467,698	$ 150,454	$ 4,251	$ 2,464,834
Total current period gross write offs	$ 99	$ 1,137	$ 1,208	$ 1,234	$ 78	$ 6	$ —	$ —	$ 3,762

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(dollars in thousands)	Term Loans Amortized Cost Basis by Origination Year 2025	2024	2023	2022	2021	Prior	Revolvers	Revolvers converted to term loans	Total
December 31, 2025									
Construction, land & land development									
Risk rating									
Pass	$ 190,131	$ 63,730	$ 8,065	$ 12,914	$ 8,517	$ 1,440	$ 110	$ —	$ 284,907
Special Mention	16,167	—	—	—	—	—	—	—	16,167
Substandard	54	122	1,132	92	—	38	—	—	1,438
Total Construction, land & land development	206,352	63,852	9,197	13,006	8,517	1,478	110	—	302,512
Current period gross write offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other commercial real estate									
Risk rating									
Pass	235,989	121,779	113,731	351,954	191,620	177,904	15,173	1,498	1,209,648
Special Mention	6,452	—	4,680	3,110	—	2,441	—	518	17,201
Substandard	5,135	6,327	4,117	3,036	799	2,638	616	203	22,871
Total Other commercial real estate	247,576	128,106	122,528	358,100	192,419	182,983	15,789	2,219	1,249,720
Current period gross write offs	—	—	206	278	5	20	—	—	509
Residential real estate									
Risk rating									
Pass	21,212	62,992	79,928	121,472	58,367	72,633	30,633	799	448,036
Special Mention	777	94	247	—	1,283	2,803	195	—	5,399
Substandard	566	52	2,534	1,674	261	1,027	—	—	6,114
Total Residential real estate	22,555	63,138	82,709	123,146	59,911	76,463	30,828	799	459,549
Current period gross write offs	—	—	—	140	—	43	—	—	183
Commercial, financial & agricultural									
Risk rating									
Pass	46,062	26,351	32,121	26,463	6,811	16,282	48,395	849	203,334
Special Mention	1,666	—	95	132	—	—	3,448	—	5,341
Substandard	123	2,291	3,277	1,571	2,173	136	286	—	9,857
Total Commercial, financial & agricultural	47,851	28,642	35,493	28,166	8,984	16,418	52,129	849	218,532
Current period gross write offs	178	597	1,206	915	433	60	—	—	3,389
Consumer and other									
Risk rating									
Pass	83,905	35,690	28,544	1,272	150	408	589	22	150,580
Special Mention	—	131	—	—	—	—	—	—	131
Substandard	—	114	86	—	—	—	—	—	200
Total Consumer and other	83,905	35,935	28,630	1,272	150	408	589	22	150,911
Current period gross write offs	244	1,071	274	17	—	12	—	—	1,618
Total Loans									
Risk rating									
Pass	577,299	310,542	262,389	514,075	265,465	268,667	94,900	3,168	2,296,505
Special Mention	25,062	225	5,022	3,242	1,283	5,244	3,643	518	44,239
Substandard	5,878	8,906	11,146	6,373	3,233	3,839	902	203	40,480
Total Loans	$ 608,239	$ 319,673	$ 278,557	$ 523,690	$ 269,981	$ 277,750	$ 99,445	$ 3,889	$ 2,381,224
Total current period gross write offs	$ 422	$ 1,668	$ 1,686	$ 1,350	$ 438	$ 135	$ —	$ —	$ 5,699

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 review at various times throughout the year as part of the Company's ongoing loan review process. Loans with an assigned risk grade of 7, 8, 9, 10 or 99 and an outstanding balance of $500,000 or more are reassessed on a quarterly basis. During this reassessment process individual reserves may be identified and placed against certain loans which are not considered impaired.

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

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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 or not 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 $10.0 million and $7.2 million, net of related credit losses, in collateral-dependent loans at June 30, 2026 and December 31, 2025, respectively.

There were no significant changes in the extent to which collateral secures our collateral-dependent loans during the three and six month periods ended June 30, 2026 and June 30, 2025.

The following table presents an age analysis of past due loans and nonaccrual loans, segregated by class of loans, as of June 30, 2026 and December 31, 2025:

(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
June 30, 2026						
Construction, land & land development	$ 35	$ —	$ 35	$ 260	$ 285,213	$ 285,508
Other commercial real estate	1,085	—	1,085	7,225	1,264,264	1,272,574
Total commercial real estate	1,120	—	1,120	7,485	1,549,477	1,558,082
Residential real estate	1,166	—	1,166	5,316	492,533	499,015
Commercial, financial & agricultural	1,127	—	1,127	5,768	223,469	230,364
Consumer and other	569	71	640	343	176,390	177,373
Total Loans	$ 3,982	$ 71	$ 4,053	$ 18,912	$ 2,441,869	$ 2,464,834
December 31, 2025						
Construction, land & land development	$ 269	$ —	$ 269	$ 1,132	$ 301,111	$ 302,512
Other commercial real estate	4,183	—	4,183	9,663	1,235,874	1,249,720
Total commercial real estate	4,452	—	4,452	10,795	1,536,985	1,552,232
Residential real estate	3,558	—	3,558	4,501	451,490	459,549
Commercial, financial & agricultural	925	—	925	7,883	209,724	218,532
Consumer and other	915	95	1,010	201	149,700	150,911
Total Loans	$ 9,850	$ 95	$ 9,945	$ 23,380	$ 2,347,899	$ 2,381,224

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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

	June 30, 2026		
(dollars in thousands)	Nonaccrual Loans with No Related ACL	Nonaccrual Loans with a Related ACL	Total Nonaccrual Loans
Construction, land & land development	$ —	$ 260	$ 260
Other commercial real estate	5,792	1,433	7,225
Total commercial real estate	5,792	1,693	7,485
Residential real estate	1,807	3,509	5,316
Commercial, financial & agricultural	2,227	3,541	5,768
Consumer and other	—	343	343
Total Loans	$ 9,826	$ 9,086	$ 18,912

	December 31, 2025		
(dollars in thousands)	Nonaccrual Loans with No Related ACL	Nonaccrual Loans with a Related ACL	Total Nonaccrual Loans
Construction, land & land development	$ —	$ 1,132	$ 1,132
Other commercial real estate	8,231	1,432	9,663
Total commercial real estate	8,231	2,564	10,795
Residential real estate	1,807	2,694	4,501
Commercial, financial & agricultural	4,296	3,587	7,883
Consumer and other	—	201	201
Total Loans	$ 14,334	$ 9,046	$ 23,380

As of June 30, 2026 and June 30, 2025, the Company had no loans in the process of foreclosure.

Interest income recorded on nonaccrual loans during the three months ended June 30, 2026 and 2025 was $413,000 and $145,000, respectively. Interest income recorded on nonaccrual loans during the six months ended June 30, 2026 and 2025 was $654,000 and $379,000, respectively.

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

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

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

COLONY BANKCORP, INC. AND SUBSIDIARIES

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There were no loans modified due to a financial difficulty under the above terms during the three and six month periods ended June 30, 2026 and June 30, 2025.

There were no loans that subsequently defaulted during the three and six month periods ended June 30, 2026. The Company had no loans that subsequently defaulted during the three month period ended June 30, 2025 and one commercial, financial & agricultural loan that subsequently defaulted during the six month period ended June 30, 2025 due to late payments. This loan had been given a payment delay as well as a term extension.

(4) Allowance for Credit Losses

The ACL for loans represents management's estimate of life of loan credit losses in the portfolio as of the end of the period. The ACL related to unfunded commitments is included in other liabilities in the consolidated balance sheet. The following tables present the balance sheet activity in the ACL by portfolio segment for loans for the three and six month periods ended June 30, 2026 and June 30, 2025.

(dollars in thousands)	Balance March 31, 2026	Charge-Offs	Recoveries	Provision for credit losses on loans	Balance, June 30, 2026
Three Months Ended June 30, 2026					
Construction, land & land development	$ 2,252	$ —	$ 25	$ (275)	$ 2,002
Other commercial real estate	6,309	(475)	—	2,068	7,902
Total commercial real estate	8,561	(475)	25	1,793	9,904
Residential real estate	5,475	—	18	(863)	4,630
Commercial, financial & agricultural	4,112	(685)	62	622	4,111
Consumer and other	3,557	(817)	91	558	3,389
Total allowance for credit losses on loans	$ 21,705	$ (1,977)	$ 196	$ 2,110	$ 22,034

(dollars in thousands)	Balance March 31, 2025	Charge-Offs	Recoveries	Provision for credit losses on loans	Balance, June 30, 2025
Three Months Ended June 30, 2025					
Construction, land & land development	$ 1,078	$ —	$ —	$ 453	$ 1,531
Other commercial real estate	6,515	(46)	5	(1,046)	5,428
Total commercial real estate	7,593	(46)	5	(593)	6,959
Residential real estate	5,753	(181)	88	(208)	5,452
Commercial, financial & agricultural	3,545	(652)	8	159	3,060
Consumer and other	3,106	(278)	7	847	3,682
Total allowance for credit losses on loans	$ 19,997	$ (1,157)	$ 108	$ 205	$ 19,153

(dollars in thousands)	Balance December 31, 2025	Charge-Offs	Recoveries	Adjustment on acquired loans	Provision for credit losses on loans	Balance, June 30, 2026
Six Months Ended June 30, 2026						
Construction, land & land development	$ 2,474	$ —	$ 26	$ —	$ (498)	2,002
Other commercial real estate	7,715	(950)	—	(1,092)	2,229	7,902
Total commercial real estate	10,189	(950)	26	(1,092)	1,731	9,904
Residential real estate	5,488	(50)	19	(8)	(819)	4,630
Commercial, financial & agricultural	3,894	(1,426)	104	—	1,539	4,111
Consumer and other	3,443	(1,336)	123	—	1,159	3,389
Total allowance for credit losses on loans	$ 23,014	$ (3,762)	$ 272	$ (1,100)	$ 3,610	$ 22,034

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(dollars in thousands)	Balance December 31, 2024	Charge-Offs	Recoveries	Provision for credit losses on loans	Balance, June 30, 2025
Six Months Ended June 30, 2025					
Construction, land & land development	$ 1,306	$ —	$ 1	$ 224	$ 1,531
Other commercial real estate	6,459	(226)	10	(815)	5,428
Total commercial real estate	7,765	(226)	11	(591)	6,959
Residential real estate	5,502	(182)	128	4	5,452
Commercial, financial & agricultural	2,904	(914)	63	1,007	3,060
Consumer and other	2,809	(554)	19	1,408	3,682
Total allowance for loan losses	$ 18,980	$ (1,876)	$ 221	$ 1,828	$ 19,153

Within the one-year measurement period allowed under ASC 805, the Company recorded a measurement period adjustment in Q1 2026 related to a Purchased Financial Asset with Credit Deterioration (PCD) acquired in a recent business combination. The adjustment was triggered by an updated, independent third-party appraisal for the collateral securing the loan, which provided better information about conditions that existed at the acquisition date. This appraisal reflected a $1.1 million increase in collateral value, which reduced the required Allowance for Credit Losses (ACL). In accordance with ASC 805-10-25-15, the credit for the reduction in the ACL was recognized by a corresponding decrease in Goodwill, net of deferred tax effects, as ASC 326-20-30-13 requires that measurement period adjustments to a PCD asset's ACL be applied against its amortized cost basis (Goodwill) rather than through the Provision for Credit Losses in the income statement.

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 June 30, 2026, 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 year. 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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The following table presents the balance and activity in the allowance for credit losses for unfunded commitments for the three and six month periods ended June 30, 2026 and June 30, 2025.

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands)	**2026**	**2025**	**2026**	**2025**
Beginning balance	$ 1,200	$ 690	$ 950	$ 813
Provision for (recovery of) unfunded commitments	(210)	245	40	122
Ending balance	$ 990	$ 935	$ 990	$ 935

(5) Derivatives

As part of its asset liability management activities, the Company may enter into interest rate swaps to help manage its interest rate risk position and mitigate exposure to the variability of future cash flows or other forecasted transactions. The Company entered into two interest rate swaps during the second quarter of 2023, to hedge the variability of cash flows due to changes in the benchmark Secured Overnight Financing Rate ("SOFR") interest rate risk for its short-term funding over the term of these cash flow hedges. The Company entered into two additional interest rate swaps during the third quarter of 2024, one of which was designated as a cash flow hedge and the other a fair value hedge. 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 remaining notional amount totaling $10.0 million and a maturity date in six months. 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 Company had derivatives of $327,000 recorded in "Other assets" on the Company's balance sheet at June 30, 2026, which represents $106,000 in cash flow hedges and $221,000 in fair value hedges. There were no derivatives recorded in "Other liabilities" on the Company's balance sheet at June 30, 2026.

Gains were recorded on the swap transactions, which totaled $42,000 and $77,000 for the three months ended June 30, 2026 and 2025, respectively and $83,000 and $156,000 for the six months ended June 30, 2026 and 2025, 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.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The following table presents the amounts recorded in the consolidated statements of income and the consolidated statements of comprehensive income relating to the interest rate swaps for the three and six month periods ended June 30, 2026 and 2025.

(dollars in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2026	2025	2026	2025
Cash flow hedging relationships				
Amount of gain(loss) recognized in OCI, net of tax	$ 177	$ (104)	$ 354	$ (431)
Amount of gain reclassified from OCI to interest expense, net of tax	33	57	65	116
Fair value hedging relationships				
Amount of gain(loss) recognized in OCI, net of tax	155	(175)	364	(533)
Amount recognized in interest income, net of tax	5	76	10	146

(6) Borrowings

The following table presents information regarding the Company's outstanding borrowings at June 30, 2026 and December 31, 2025:

(dollars in thousands)	June 30, 2026	December 31, 2025
Federal Home Loan Bank advances	$ 169,989	$ 194,972
Other borrowings	63,179	63,132
	$ 233,168	$ 258,104

Advances from the Federal Home Loan Bank ("FHLB") have maturities ranging from 2026 to 2029 and interest rates ranging from 3.69% to 4.73%. As collateral on the outstanding FHLB advances, the Company has provided a blanket lien on its portfolio of qualifying residential first mortgage loans, commercial real estate loans, farmland loans, multifamily loans and HELOC loans. At June 30, 2026, the lendable collateral value of those loans pledged is $259.6 million. At June 30, 2026, the Company had remaining credit availability from the FHLB of $941.5 million. The Company may be required to pledge additional qualifying collateral in order to utilize the full amount of the remaining credit line.

The Company's debentures issued in connection with trust preferred securities are recorded as other borrowings on the consolidated balance sheets, but, subject to certain limitations, qualify as Tier 1 capital for regulatory capital purposes. At June 30, 2026 and December 31, 2025, $24.2 million of debentures underlying trust preferred securities were outstanding. The proceeds from the offerings were used to fund certain acquisitions, pay off holding company debt and inject capital into the bank subsidiary. The debentures underlying the trust preferred securities require quarterly interest payments.

The Company also has fixed-to-floating rate subordinated notes which are due 2032 (the "Notes"). The Notes bear a fixed rate of 5.25% for the first five years and reset quarterly thereafter to the then current three-month SOFR, as published by the Federal Reserve Bank of New York, plus 265 basis points for the five-year floating term. The Company is entitled to redeem the Notes, in whole or in part, on any interest payment date on or after May 20, 2027, or at any time, in whole but not in part, upon certain other specified events. At June 30, 2026 and December 31, 2025, $39.0 million and $38.9 million, respectively, of the Notes, net of debt issuance costs were outstanding. The Notes are recorded as other borrowings on the consolidated balance sheets and, subject to certain limitations, qualify as Tier 2 capital for regulatory capital purposes.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The aggregate stated maturities, net of offering costs, of other borrowed money at June 30, 2026 are as follows:

(dollars in thousands) Year	Amount
2026	$ 59,989
2027	15,000
2028	65,000
2029	30,000
2030	—
2031 and After	63,179
	$ 233,168

The Company also has available federal funds lines of credit with various financial institutions totaling $143.0 million, with no outstanding balance at June 30, 2026.

The Company has the ability to borrow funds from the Federal Reserve Bank ("FRB") of Atlanta utilizing the discount window. The discount window is an instrument of monetary policy that allows eligible institutions to borrow money from the FRB on a short-term basis to meet temporary liquidity shortages caused by internal or external disruptions. At June 30, 2026, the Company had $134.4 million borrowing capacity available under this arrangement, with no outstanding balances. The Company would be required to pledge certain available-for-sale investment securities as collateral under this agreement.

(7) Earnings Per Share

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

The following table presents earnings per share for the three and six month periods ended June 30, 2026 and 2025.

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollars in thousands, except per share data)	2026	2025	2026	2025
Numerator				
Net income available to common stockholders	$ 10,857	$ 7,978	$ 19,061	$ 14,591
Denominator				
Weighted average number of common shares outstanding for basic earnings per common share	21,160,128	17,448,945	21,191,011	17,478,836
Weighted average number of common shares outstanding for diluted earnings per common share	21,160,128	17,448,945	21,191,011	17,478,836
Earnings per share - basic	$ 0.51	$ 0.46	$ 0.90	$ 0.83
Earnings per share – diluted	$ 0.51	$ 0.46	$ 0.90	$ 0.83

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(8) Commitments and Contingencies

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

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

At June 30, 2026 and December 31, 2025 the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
(dollars in thousands)	June 30, 2026	December 31, 2025
Loan commitments	$ 444,624	$ 334,149
Letters of credit	6,957	6,158

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

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

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

Legal Contingencies. In the ordinary course of business, there are various legal proceedings pending against the Company and the Bank. As of June 30, 2026, the aggregate liabilities, if any, arising from such proceedings would not, in the opinion of management, have a material adverse effect on the Company's consolidated financial position.

COLONY BANKCORP, INC. AND SUBSIDIARIES

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Wire Fraud Incident and Insurance Recovery Contingency: In March 2025, the Company was the target of a wire fraud incident. Upon discovery, the Company promptly implemented enhanced internal controls and notified law enforcement and regulatory authorities. After an investigation, it was determined that the incident did not impact any customer accounts or compromise any customer data. The Company maintains insurance coverage for such incidents through both commercial insurance and through a captive insurance company that covers losses and deductibles. Based on discussions in the third quarter of 2025 with the Company's attorneys and insurance carriers and review of applicable insurance policies, it was determined that $1.25 million would not be recoverable and therefore was recognized as an expense in the Company's financial statements during the third quarter of 2025. As of June 30, 2026, the insurance claim was fully resolved and there are no more expected losses.

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

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

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

- Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

- Level 3 inputs to the valuation methodology are unobservable and represent the Company's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

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

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

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

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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

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

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

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

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

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

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

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

COLONY BANKCORP, INC. AND SUBSIDIARIES

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The carrying amount, estimated fair values, and placement in the fair value hierarchy of the Company's financial instruments as of June 30, 2026 and December 31, 2025 are as follows:

		Fair Value Measurements			
(dollars in thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
June 30, 2026					
Assets					
Cash and short-term investments	$ 159,619	$ 159,619	$ 159,619	$ —	$ —
Investment securities available-for-sale	370,821	370,821	—	364,176	6,645
Investment securities held-to-maturity	365,251	331,123	—	331,123	—
Other investments	17,864	17,864	—	17,864	—
Loans held for sale	24,218	24,218	—	24,218	—
Loans, net	2,464,834	2,372,217	—	—	2,372,217
Derivative assets	327	327	—	327	—
Liabilities					
Deposits	2,972,176	2,968,363	—	2,968,363	—
Federal Home Loan Bank advances	169,989	170,492	—	170,492	—
Other borrowings	63,179	56,698	—	56,698	—

		Fair Value Measurements			
(dollars in thousands)	Carrying Value	Estimated Fair Value	Level 1	Level 2	Level 3
December 31, 2025					
Assets					
Cash and short-term investments	$ 257,640	$ 257,640	$ 257,640	$ —	$ —
Investment securities available-for-sale	383,817	383,817	—	377,302	6,515
Investment securities held-to-maturity	386,618	354,290	—	354,290	—
Other investments	19,176	19,176	—	19,176	—
Loans held for sale	78,990	78,990	—	78,990	—
Loans, net	2,358,210	2,274,712	—	—	2,274,712
Liabilities					
Deposits	3,067,521	3,065,312	—	3,065,312	—
Federal Home Loan Bank advances	194,972	193,998	—	193,998	—
Other borrowings	63,132	55,692	—	55,692	—
Derivative liabilities	636	636	—	636	—

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

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

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

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

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

Equity Securities - Equity securities with readily determinable fair values are recorded at fair value on a recurring basis. Fair value measurement for equity securities is estimated using quoted prices of securities with similar characteristics and therefore are classified within level 2 of the valuation hierarchy.

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

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

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

Assets and Liabilities Measured at Fair Value on a Recurring and Nonrecurring Basis – The following tables present the recorded amount of the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of June 30, 2026 and December 31, 2025, aggregated by the level in the fair value hierarchy within which those measurements fall. The tables below include collateral dependent impaired loans and other real estate properties at June 30, 2026 and December 31, 2025. Those collateral dependent impaired loans and other real estate properties are shown net of the related specific reserves and valuation allowances.

		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
June 30, 2026				
Recurring				
Investment securities available-for-sale				
U.S. treasury securities	$ 4,795	$ —	$ 4,795	$ —
U.S. agency securities	2,916	—	2,916	—
Asset backed securities	13,271	—	13,271	—
State, county & municipal securities	106,634	—	106,634	—
Corporate debt securities	39,670	—	33,025	6,645
Mortgage-backed securities	203,535	—	203,535	—
Total investment securities available-for-sale	370,821	—	364,176	6,645
Loans held for sale	24,218	—	24,218	—
Derivative assets	327		327	
Total recurring assets	$ 395,366	$ —	$ 388,721	$ 6,645
Collateral dependent loans	$ 9,973	$ —	$ —	$ 9,973
Other real estate owned	1,829	—	—	1,829
Total nonrecurring assets	$ 11,802	$ —	$ —	$ 11,802

		Fair Value Measurements at Reporting Date Using		
(dollars in thousands)	Total Fair Value	(Level 1)	(Level 2)	(Level 3)
December 31, 2025				
Recurring				
Investment securities available-for-sale				
U.S. treasury securities	$ 5,582	$ —	$ 5,582	$ —
U.S. agency securities	3,196	—	3,196	—
Asset backed securities	14,483	—	14,483	—
State, county & municipal securities	107,230	—	107,230	—
Corporate debt securities	48,807	—	42,292	6,515
Mortgage-backed securities	204,519	—	204,519	—
Total investment securities available-for-sale	383,817	—	377,302	6,515
Loans held for sale	78,990	—	78,990	—
Total recurring assets	$ 462,807	$ —	$ 456,292	$ 6,515
Derivative liabilities	$ 636	$ —	$ 636	$ —
Total recurring liabilities	$ 636	$ —	$ 636	$ —
Nonrecurring				
Collateral dependent loans	$ 7,194	$ —	$ —	$ 7,194
Other real estate owned	1,048	—	—	1,048
Total nonrecurring assets	$ 8,242	$ —	$ —	$ 8,242

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The following table presents quantitative information about the significant unobservable inputs used in the fair value measurements for assets in level 3 of the fair value hierarchy measured on a nonrecurring basis at June 30, 2026 and December 31, 2025. This table is comprised of collateral dependent impaired loans and other real estate owned:

(dollars in thousands)	June 30, 2026	Valuation Techniques	Unobservable Inputs	Discount rate
Collateral dependent loans	$ 9,973	Appraised Value	Discounts to reflect estimated costs to sell	10 %
Other real estate owned	1,829	Appraised Value/Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	10 %

(dollars in thousands)	December 31, 2025	Valuation Techniques	Unobservable Inputs	Discount rate
Collateral dependent loans	$ 7,194	Appraised Value	Discounts to reflect estimated costs to sell	10 %
Other real estate owned	1,048	Appraised Value/Comparable Sales	Discounts to reflect current market conditions and estimated costs to sell	10 %

The following table presents quantitative information about recurring level 3 fair value measurements as of June 30, 2026 and December 31, 2025.

	As of June 30, 2026			
(dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Avg)
Available-for-sale securities	$ 6,645	Discounted Cash Flow	Discount Rate or Yield	N/A

	As of December 31, 2025			
(dollars in thousands)	Fair Value	Valuation Techniques	Unobservable Inputs	Range (Weighted Avg)
Available-for-sale securities	$ 6,515	Discounted Cash Flow	Discount Rate or Yield	N/A

The table below presents a reconciliation and statement of income classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the three and six months ended June 30, 2026 and June 30, 2025.

	Available-for-sale securities			
	Three Months Ended		Six Months Ended	
(dollars in thousands)	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Balance, Beginning	$ 6,724	$ 9,108	$ 6,515	$ 8,921
Additions/Accretion	10	—	19	—
Redemptions/Payments	(400)	(2,365)	(400)	(2,380)
Fair value adjustments	311	68	511	270
Balance, Ending	$ 6,645	$ 6,811	$ 6,645	$ 6,811

The Company's policy is to recognize transfers in and transfers out of levels 1, 2 and 3 as of the end of a reporting period. There were no transfers between levels for the three and six months ended June 30, 2026 and 2025.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(10) Segment Information

ASC Topic 820 - 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 assessed based on income before income taxes, and indirect expenses (including management fees) are allocated based on various internal factors for each segment. Transactions among segments are made at fair value. The following tables present information reported internally for performance assessment for the three and six months ended June 30, 2026 and 2025:

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Three Months Ended June 30, 2026				
Net Interest Income	$ 28,435	$ 78	$ 1,356	$ 29,869
Provision for Credit Losses	801	—	1,099	1,900
Net Interest Income after Provision for Credit Losses	27,634	78	257	27,969
Mortgage Fee Income	(41)	2,182	—	2,141
Gain on Sales of SBA Loans	—	—	506	506
Other SBA income	—	—	692	692
Other (1)	8,818	—	1	8,819
Total Noninterest Income	8,777	2,182	1,199	12,158
Salaries and Employee Benefits	12,061	2,092	1,386	15,539
Other (2)	11,274	(264)	(118)	10,892
Total Noninterest Expense	23,335	1,828	1,268	26,431
Income Taxes	2,703	95	41	2,839
Net Income	$ 10,373	$ 337	$ 147	$ 10,857

(1) Includes service charges on deposits, interchange fees, BOLI income, insurance commissions and other noninterest income.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(2) Includes occupancy and equipment, acquisition related expenses, information technology expenses, professional fees, advertising and public relations, communications and other noninterest expenses.

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Three Months Ended June 30, 2025				
Net Interest Income	$ 21,319	$ 44	$ 1,022	$ 22,385
Provision for Credit Losses	(330)	—	780	450
Net Interest Income after Provision for Credit Losses	21,649	44	242	21,935
Mortgage Fee Income	—	1,984	—	1,984
Gain on Sales of SBA Loans	—	—	1,550	1,550
Other SBA income	—	—	595	595
Other (1)	5,969	—	—	5,969
Total Noninterest Income	5,969	1,984	2,145	10,098
Salaries and Employee Benefits	9,619	1,764	1,482	12,865
Other (2)	8,650	(54)	543	9,139
Total Noninterest Expense	18,269	1,710	2,025	22,004
Income Taxes	1,908	69	74	2,051
Net Income	$ 7,441	$ 249	$ 288	$ 7,978

(1) Includes service charges on deposits, interchange fees, BOLI income, insurance commissions and other noninterest income.
(2) Includes occupancy and equipment, information technology expenses, professional fees, advertising and public relations, communications and other noninterest expenses.

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Six Months Ended June 30, 2026				
Net Interest Income	$ 56,658	$ 116	$ 2,298	$ 59,072
Provision for Credit Losses	1,581	—	2,069	3,650
Net Interest Income after Provision for Credit Losses	55,077	116	229	55,422
Mortgage Fee Income	8	4,068	—	4,076
Gain on Sale of SBA Loans	—	—	1,468	1,468
Other SBA income	—	—	1,406	1,406
Other (1)	15,901	—	—	15,901
Total Noninterest Income	15,909	4,068	2,874	22,851
Salaries and Employee Benefits	24,804	3,896	2,762	31,462
Other (2)	22,952	(366)	58	22,644
Total Noninterest Expense	47,756	3,530	2,820	54,106
Income Taxes	4,897	147	62	5,106
Net Income	$ 18,333	$ 507	$ 221	$ 19,061
Total Assets at June 30, 2026	$ 3,521,331	$ 15,077	$ 91,175	$ 3,627,583
Full time employees June 30, 2026	441	53	34	528

(1) Includes service charges on deposits, interchange fees, BOLI income, insurance commissions and other noninterest income.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

(2) Includes occupancy and equipment, acquisition related expenses, information technology expenses, professional fees, advertising and public relations, communications and other noninterest expenses.

(dollars in thousands)	Bank	Mortgage Banking	Small Business Specialty Lending Division	Totals
Six Months Ended June 30, 2025				
Net Interest Income	$ 41,308	$ 97	$ 1,932	$ 43,337
Provision for Credit Losses	891	—	1,059	1,950
Net Interest Income after Provision for Credit Losses	40,417	97	873	41,387
Mortgage Fee Income	—	3,563	—	3,563
Gain on Sale of SBA Loans	—	—	2,585	2,585
Other SBA income	—	—	1,251	1,251
Other (1)	11,743	—	—	11,743
Total Noninterest Income	11,743	3,563	3,836	19,142
Salaries and Employee Benefits	18,507	3,218	3,045	24,770
Other (2)	16,552	93	810	17,455
Total Noninterest Expense	35,059	3,311	3,855	42,225
Income Taxes	3,459	79	175	3,713
Net Income	$ 13,642	$ 270	$ 679	$ 14,591
Total Assets at June 30, 2025	$ 3,010,416	$ 14,296	$ 90,905	$ 3,115,617
Full time employees June 30, 2025	390	43	34	467

(1) Includes service charges on deposits, interchange fees, BOLI income, insurance commissions and other noninterest income.

(2) Includes occupancy and equipment, information technology expenses, professional fees, advertising and public relations, communications and other noninterest expenses.

(11) Regulatory Capital Matters

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

As of June 30, 2026, the Company and the Bank were categorized as well-capitalized under the regulatory framework for prompt corrective action in effect at such time. To be categorized as well-capitalized, the Company and the Bank must have exceeded the well-capitalized guideline ratios in effect at the time, as set forth in the tables below, and have met certain other requirements. Management believes that the Company and the Bank exceeded all well-capitalized requirements at June 30, 2026, and there have been no conditions or events since quarter-end that would change the status of well-capitalized.

COLONY BANKCORP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Unaudited)

The following tables summarize regulatory capital information as of June 30, 2026 and December 31, 2025 on a consolidated basis and for the subsidiary, as defined. Regulatory capital ratios for June 30, 2026 and December 31, 2025 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 June 30, 2026						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 432,970	16.18 %	$ 214,077	8.00 %	$ 267,596	10.00 %
Colony Bank	384,234	14.42	213,167	8.00	266,459	10.00
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	370,996	13.87	160,489	6.00	213,985	8.00
Colony Bank	361,210	13.56	159,827	6.00	213,103	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	346,767	12.96	120,405	4.50	173,919	6.50
Colony Bank	361,210	13.56	119,871	4.50	173,146	6.50
Tier 1 Capital to Average Assets						
Consolidated	370,996	10.20	145,489	4.00	181,861	5.00
Colony Bank	361,210	9.97	144,919	4.00	181,148	5.00

	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, 2025						
Total Capital to Risk-Weighted Assets						
Consolidated	$ 418,386	15.95 %	$ 209,849	8.00 %	$ 262,311	10.00 %
Colony Bank	378,421	14.48	209,072	8.00	261,340	10.00
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	356,702	13.60	157,369	6.00	209,825	8.00
Colony Bank	355,640	13.61	156,785	6.00	209,046	8.00
Common Equity Tier 1 Capital to Risk-Weighted Assets						
Consolidated	332,473	12.67	118,084	4.50	170,566	6.50
Colony Bank	355,640	13.61	117,589	4.50	169,850	6.50
Tier 1 Capital to Average Assets						
Consolidated	356,702	10.78	132,357	4.00	165,446	5.00
Colony Bank	355,640	10.78	131,963	4.00	164,954	5.00

(12) Subsequent Events

Dividend

On July 22, 2026, the Board of Directors declared a quarterly cash dividend of $0.12 per share, to be paid on its common stock on August 19, 2026, to shareholders of record as of the close of business on August 5, 2026.

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

The purpose of this discussion and analysis is to focus on significant changes in the financial condition of Colony Bankcorp, Inc. and our wholly owned subsidiary, Colony Bank, from December 31, 2025 through June 30, 2026 and on our results of operations for the three and six months ended June 30, 2026 and 2025. This discussion and analysis should be read in conjunction with our audited consolidated financial statements and notes thereto in the Company's 2025 Form 10-K, and information presented elsewhere in this Quarterly Report on Form 10-Q, particularly the unaudited consolidated financial statements and related notes appearing in Item 1.

Forward-looking Statements

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

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

- the impact of current and future economic and market conditions generally (including seasonality) and in the financial services industry, nationally and within the Company's primary market areas, including the effects of continued inflationary pressures, changes in interest rates, tariffs or trade wars (including reduced consumer spending, supply chain issues, and adverse impacts to credit quality), a sustained increase in commodity prices, slowdowns in economic growth or recession, and the potential for high unemployment rates, as well as the financial stress on borrowers and changes to customer and client behavior and credit risk as a result of the foregoing;

- the potential 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 the increased regulatory scrutiny), our ability to effectively manage our liquidity risk and any growth plans and the availability of capital and funding;

- governmental monetary and fiscal policies, including interest rate policies of the FRB, as well as risks related to legislative, tax and regulatory change, including those that impact the value of the U.S. Dollar in relation to the currencies of other advanced and emerging market countries, the money supply and inflation;

- the risk of continued changes in interest rates on 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;

- interest rate risks (including the impact of interest rates on macroeconomic conditions, customer and client behavior, and on our net interest income), sensitivities, and the shape of the yield curve, and its impact on our financial projections and models;

- prolonged periods of inflation and their effects on our business, profitability, and our stock price;

- changes in borrower credit risks and payment behaviors, including the ability for borrowers under deferred payment programs to return to making full payments;

- changes in the availability and cost of credit and capital in the financial markets;

- changes in the prices, values and sales volumes of residential and commercial real estate, especially as they relate to the value of collateral supporting the Company's loans;

- the concentration of our business within our geographic areas of operation in Georgia, Alabama, Florida and neighboring markets;

- the credit risks of lending activities, including our ability to estimate credit losses and the allowance for credit losses, as well as the effects of changes in the level of, and trends in, loan delinquencies and write-offs;

- the risk that our asset quality may deteriorate or that our allowance for credit losses may prove to be inadequate or may be negatively affected by credit risk exposures;

- 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;

- the effects of competition (including the inability to grow, or attrition of, deposits, customers and employees) from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, non-bank financial technology providers, securities brokerage firms, insurance companies, private credit funds, money market and other mutual funds and other financial institutions;

- our ability to realize the expected benefits from our strategic initiatives or other operational and executive goals in the time period expected, which could negatively affect our future profitability;

- the risks related to the Proposed Merger, without limitation: (a) the risk that the cost savings and any revenue synergies from the Proposed Merger is less than or different from expectations, (b) disruption from the Proposed Merger with customer, supplier, or employee relationships, (c) the occurrence of any event, change, or other circumstances that could give rise to the termination of the Agreement and Plan of Merger by and between the Company and First Reliance, (d) the failure to obtain necessary regulatory approvals for the Proposed Merger, (e) the failure to obtain the approval of the Company's and First Reliance 's shareholders in connection with the Proposed Merger, (f) the possibility that the costs, fees, expenses and charges related to the Proposed Merger may be greater than anticipated, including as a result of unexpected or unknown factors, events, or liabilities, (g) the failure of the conditions to the Proposed Merger to be satisfied, (h) the risks related to the integration of the combined businesses, including the risk that the integration will be materially delayed or will be more costly or difficult than expected, (i) the diversion of management time on merger-related issues, (j) the ability of the Company to effectively manage the larger and more complex operations of the combined company following the Proposed Merger, (k) the risks associated with the Company's pursuit of future acquisitions, (l) the risk of expansion into new geographic or product markets, (m) reputational risk and the reaction of the parties' customers to the Proposed Merger, (n) the Company's ability to successfully execute its various business strategies, including its ability to execute on potential acquisition opportunities, (o) the risk of potential litigation or regulatory action related to the Proposed Merger, and (p) general competitive, economic, political, and market conditions;

- risks relating to bank acquisitions, including the recent acquisition of TC Bancshares, including, without limitation; the diversion of management's time on issues related to the integration; unexpected transaction costs, including the costs of integrating operations; the risks that the businesses will not be integrated successfully or that such integration may be more difficult, time-consuming or costly than expected; the potential failure to fully or timely realize expected revenues and revenue synergies, including as the result of revenues following acquisitions being lower than expected; the risk of deposit and customer attrition; regulatory enforcement and litigation risk; any changes in deposit mix; unexpected operating and other costs, which may differ or change from expectations; the risks of customer and employee loss and business disruptions, including, without limitation, as the result of difficulties in maintaining relationships with employees; increased competitive pressures and solicitations of customers by competitors; as well as the difficulties and risks inherent with entering new markets;

- the risk that we may not be able to identify suitable bank and non-bank acquisition opportunities as part of our growth strategy and even if we are able to identify attractive acquisition opportunities, we may not be able to complete such transactions on favorable terms or realize the anticipated benefits from such acquisitions;

- the Company's ability to comply with any regulatory requirements and the risk that the regulatory environment may not be conducive to or may prohibit or delay 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;

- risks related to our implementation of new lines of business, new products and services, new technologies, and expansion of our existing business opportunities;

- 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 attract sufficient loans that meet prudent credit standards;

- our ability to successfully execute our business strategy to achieve profitable growth;

- our ability to manage our growth;
- our ability to increase our operating efficiency;
- the impact on the valuation of the Company's investments due to market volatility or counterparty payment risk, as well as the effect of a decline in stock market prices;
- inability of the risk management framework to manage risks associated with our business;
- our ability to maintain expenses in line with current projections;
- statutory and regulatory dividend restrictions;
- 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;
- restrictions or limitations on access to funds from historical and alternative sources of liquidity could adversely affect our overall liquidity, which could restrict our ability to make payments on our obligations and our ability to support asset growth and sustain our operations and the operations of the Bank;
- our ability to maintain adequate internal controls over financial reporting;
- our dependence on our management team and our ability to motivate and retain our management team;
- our ability to attract and retain qualified employees;
- our ability to identify and address potential cybersecurity risks, which may be exacerbated by recent developments in generative artificial intelligence, including brute force attacks (i.e., credential stuffing), ransomware or other malware, "denial-of-service" attacks, "hacking" and identity theft, a failure of which could disrupt our business and result in the disclosure of and/or misuse or misappropriation of confidential or proprietary information, disruption or damage to our systems, increased costs, losses, or adverse effects to our reputation;
- risks and costs related to the development and use of artificial intelligence in our industry and generally;
- 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;
- our ability to oversee the performance of third-party service providers that provide material services to our business;
- failure to keep pace with technological change or difficulties when implementing new technologies;
- changes in technology or products that may be more difficult, costly, or less effective than anticipated;

- fraudulent and negligent acts by our clients, employees or vendors, which we may not be able to prevent, detect or mitigate;
- increased credit losses or impairment of goodwill and other intangibles;
- potential or actual claims, damages, penalties, fines, costs, unexpected outcomes, and reputational damage resulting from new, existing, pending, or future litigation, regulatory proceedings and enforcement actions;
- negative publicity and the impact on our reputation; including the speed and scale at which information can spread through social media or digital channels, which could amplify adverse market or customer reactions;
- changes in accounting policies, rules and practices;
- the impact of recent and future legislative and regulatory changes;
- uncertainties surrounding geopolitical events, trade policy, taxation policy, and monetary policy, which continue to impact the outlook for future economic growth, including the U.S. continuing to impose tariffs and consideration of responsive actions by the impacted nations and/or the expansion of import fees and tariffs among a larger group of nations, which may bring greater ambiguity to the outlook for future economic growth;
- the effects of war, regime change, civil unrest, or other conflicts, acts of terrorism, natural disasters, health emergencies, epidemics or pandemics, or other catastrophic events that may affect general economic conditions and/or increase costs;
- risks related to the development and execution of corporate strategies and initiatives, which could impact the Company's reputation, stakeholder relationships, or expose the Company to legal, regulatory, or compliance challenges;
- action or inaction by the federal government, including as a result of any prolonged government shutdown (including a partial shutdown) or government intervention in the U.S. financial system and those related to credit card interest rates;
- a deterioration of the credit rating for U.S. long-term sovereign debt, actions that the U.S. government may take to avoid exceeding the debt ceiling, and uncertainties surrounding the debt ceiling and the federal budget; and
- other risks and factors identified in our 2025 Form 10-K, this Quarterly Report on Form 10-Q for the period ended June 30, 2026, and in any of the Company's other reports filed with the U.S. Securities and Exchange Commission and available on its website at www.sec.gov.

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

Proposed Acquisition of First Reliance Bancshares, Inc. and First Reliance Bank

The Company and First Reliance Bancshares, Inc. (OTCQX: FSRL) ("First Reliance"), the holding company for First Reliance Bank, on June 24, 2026, jointly announced the signing of an Agreement and Plan of Merger under which the Company has agreed to acquire 100% of the common stock and preferred stock of First Reliance in a combined stock-and-cash transaction valued at approximately $163 million. Upon completion of the transaction, the combined organization is expected to have approximately $5 billion in total assets, $3.2 billion in total loans and $4 billion in total deposits. The transaction is expected to be immediately accretive to the Company's earnings per share, excluding transaction costs.

The Agreement and Plan of Merger has been approved by the Boards of Directors of the Company and First Reliance. The closing of the transaction, which is expected to occur in the fourth quarter of 2026, is subject to customary conditions, including regulatory approval and approval by the shareholders of the Company and First Reliance.

Under the terms of the Agreement and Plan of Merger, each First Reliance shareholder will have the right to elect to receive either $19.75 in cash or 0.94 shares of the Company's common stock in exchange for each share of First Reliance stock, subject to customary proration and allocation procedures such that approximately 20% of First Reliance stock will be converted to cash consideration and the remaining 80% of First Reliance stock will be converted to Company common stock.

Overview

The following discussion and analysis presents the more significant factors affecting the Company's financial condition as of June 30, 2026 and December 31, 2025, and results of operations for the three and six month periods ended June 30, 2026 and 2025. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements, notes thereto and other financial information appearing elsewhere in this report.

At June 30, 2026, the Company had total consolidated assets of $3.6 billion, total loans, net of $2.5 billion, total deposits of $3.0 billion, and stockholders' equity of $390.0 million. The Company reported net income of $10.9 million, or $0.51 per diluted share, for the three months ended June 30, 2026 and $19.1 million, or $0.90 per diluted share, for the six months ended June 30, 2026 compared to net income of $8.0 million, or $0.46 per diluted share, for the three months ended June 30, 2025 and $14.6 million, or $0.83 per diluted share, for the six months ended June 30, 2025. The increases in net income for the three and six month periods ended June 30, 2026 compared to the three and six month periods ended June 30, 2025 were a result of increases in interest income on loans and increases in noninterest income, partially offset by an increase in interest expense and an increase in noninterest expense as well as the impact from the acquisition of TC Bancshares in December 2025.

Net interest income on a tax equivalent basis was $30.0 million for the second quarter of 2026 compared to $22.6 million for the second quarter of 2025, an increase of $7.4 million. Net interest income on a tax equivalent basis for the six months ended June 30, 2026 was $59.4 million, compared to $43.7 million for the six months ended June 30, 2025, an increase of $15.7 million. These increases are the result of an increase in income on interest earning assets slightly offset with an increase in expense on interest bearing liabilities. Income on interest earning assets increased $8.9 million to $45.9 million for the second quarter of 2026 compared to the respective period in 2025. Expense on interest bearing liabilities increased $1.5 million to $15.9 million for the second quarter of 2026 compared to the respective period in 2025. Income on interest earning assets increased $18.2 million to $91.0 million for the first six months of 2026 compared to the respective period in 2025. Expense on interest bearing liabilities increased $2.6 million to $31.6 million for the first six months of 2026 compared to the respective period in 2025.

Provision for credit losses for the three and six months ended June 30, 2026 was $1.9 million and $3.7 million, which represents $2.1 million and $3.6 million in provision for credit losses on loans and $210,000 in release and $40,000 in provision for credit losses on unfunded commitments, respectively. This is compared to $450,000 and $2.0 million for the three and six months ended June 30, 2025, which represents $205,000 and $1.8 million in provision for credit losses on loans and $245,000 and $122,000 in provision for credit losses on unfunded commitments, respectively. For the second quarter of 2026, there were net charge-offs of $1.8 million compared to $1.0 million for the same period in 2025. Net charge-offs for the first six months of 2026 were $3.5 million compared to $1.7 million for the same period in 2025. Colony's allowance for credit losses on loans was $22.0 million, or 0.89% of total loans at June 30, 2026, compared to $23.0 million, or 0.97% of total loans, at December 31, 2025. The increase in net charge-offs was primarily due to SBA loans in the Small Business Specialty Lending (" SBSL") portfolio as well as increases in commercial, financial & agricultural and consumer loans. At June 30, 2026 and December 31, 2025, nonperforming assets were $20.9 million and $24.7 million, or 0.58% and 0.66% of total assets, respectively.

Noninterest income of $12.2 million for the second quarter of 2026 represents an increase of $2.1 million, or 20.4%, from the second quarter of 2025. Noninterest income of $22.9 million for the six months ended June 30, 2026 represents an increase of $3.7 million, or 19.4% from the six months ended June 30, 2025. These increases are a result of increases in service charges on deposits, mortgage fee income, insurance commissions, interchange fees, and income from Colony Financial Advisors, which is included in other noninterest income. See "Table 3 - Noninterest Income" for more detail and discussion on the primary drivers to the increase in noninterest income.

For the three months ended June 30, 2026, noninterest expense was $26.4 million, an increase of $4.4 million, or 20.1%, from the same period in 2025. For the six months ended June 30, 2026, noninterest expense was $54.1 million, an increase of $11.9 million, or 28.1%, from the same period in 2025. Increases in noninterest expense for both periods were a result of increases in salaries and employee benefits, occupancy and equipment, acquisition related expenses, information technology expenses, and professional fees. See "Table 4 - Noninterest Expense" for more detail and discussion on the primary drivers to the increase in noninterest expense.

Critical Accounting Policies

Our accounting and reporting policies are in accordance with GAAP and conform to general practices within the banking industry. We have identified certain of its accounting policies as "critical accounting policies," consisting of those related to business combinations, allowance for credit losses and income taxes. In determining which accounting policies are critical in nature, we have identified the policies that require significant judgment or involve complex estimates. It is management's practice to discuss critical accounting policies with the Board of Directors' Audit Committee on a periodic basis, including the development, selection, implementation and disclosure of the critical accounting policies. The application of these policies has a significant impact on the Company's unaudited interim consolidated financial statements. Our financial results could differ significantly if different judgments or estimates are used in the application of these policies. All accounting policies described in Note 1 of our consolidated financial statements as of December 31, 2025, which are included in the Company's 2025 Form 10-K should be reviewed for a greater understanding of how we record and report our financial performance. Other than our methodology for estimating allowance for credit losses (mentioned below), there have been no significant changes to the Significant Accounting Policies as described in Note 1 of the Notes to Consolidated Financial Statements for the year ended December 31, 2025, which are included in the Company's 2025 Form 10-K.

Allowance for Credit Losses

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

The 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.

Liquidity sources and capital ratios

The Company's uninsured deposits represented 32.45% of total Bank deposits at June 30, 2026 compared to 31.65% of total Bank deposits at December 31, 2025. Adjusted uninsured deposits (which excludes deposits collateralized by public funds and internal accounts) represented 20.66% of total Bank deposits at June 30, 2026 compared to 18.62% of total Bank deposits at December 31, 2025. The Company continues to maintain strong liquidity with available sources of funding of approximately $1.8 billion at June 30, 2026. Furthermore, the Company's capital remains strong with common equity Tier 1 and total capital ratios of 13.0% and 16.2%, respectively, as of June 30, 2026.

Results of Operations

We reported net income and diluted earnings per share of $10.9 million and $0.51, respectively, for the second quarter of 2026. This compares to net income and diluted earnings per share of $8.0 million and $0.46, respectively, for the same period in 2025. We reported net income and diluted earnings per share of $19.1 million and $0.90, respectively, for the first six months of 2026. This compares to net income and diluted earnings per share of $14.6 million and $0.83, respectively, for the same period in 2025.

Net Interest Income

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

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

Fully taxable equivalent net interest income for the three months ended June 30, 2026 compared to June 30, 2025, was $30.0 million and $22.6 million, respectively. Fully taxable equivalent net interest income for the six months ended June 30, 2026 compared to June 30, 2025, was $59.4 million and $43.7 million, respectively. These increases for both periods can be seen in increases in rates and volume on loans as well as decreases in rates paid on deposits and other borrowings. The net interest margin for the three months ended June 30, 2026 compared to 2025, was 3.52% and 3.12%, respectively. For the six months ended June 30, 2026 compared to June 30, 2025, the net interest margin was 3.50% and 3.02%, respectively. These increases for each respective period are the result of a combination of increased earnings asset yields through loan growth, repricing, and accretion income on acquired loans, which was partially accelerated due to prepayments of acquired loans during the quarter. Additionally, a reduction in the overall cost of funds contributed to the increase in net interest margin when compared to the same periods in 2025.

The following tables indicate the relationship between interest income and interest expense and the average amounts of assets and liabilities for the periods indicated. As shown in the tables below, both average assets and average liabilities increased for the three months ended June 30, 2026 compared to the same period in 2025. The increase in average assets was primarily driven by the increase in loans of $472.7 million and deposits in banks of $88.1 million, which was partially offset by decreases in investment securities of $51.5 million. The increase in average liabilities was primarily attributed to an increase in interest-bearing deposits of $410.5 million, which was partially offset by a decrease of $13.6 million in Federal Home Loan Bank advances. For the six months ended June 30, 2026 compared to the same period in 2025, both average assets and average liabilities increased. The increase in average assets was primarily driven by the increase in loans of $501.4 million and deposits in banks of $50.0 million, which was partially offset by decreases in investment securities of $46.4 million. The increase in average liabilities was primarily attributed to an increase in interest-bearing deposits of $398.7 million, which was partially offset by a decrease of $1.9 million in Federal Home Loan Bank advances. The increases for the above periods were also impacted by the TC Bancshares acquisition in December 2025. The net interest spread, as well as the net interest margin, will continue to be impacted by future changes in short-term and long-term interest rate levels, as well as the impact from the competitive environment.

The yield on total interest-bearing liabilities decreased from 2.42% in the second quarter of 2025 to 2.29% in the second quarter of 2026. The yield on total interest-bearing liabilities decreased from 2.44% in the first six months of 2025 to 2.28% in the first six months of 2026. These decreases were primarily due to decreases in the federal funds interest rate of 75 basis points during the fourth quarter of 2025, along with the addition of deposits from the TC Bancshares merger in December 2025.

Table 1 - Average Balance Sheet and Net Interest Analysis

	Three Months Ended June 30,					
	2026			2025		
(dollars in thousands)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets						
Interest-earning assets:						
Loans held for sale	$ 20,802	$ 367	7.08 %	$ 22,495	$ 325	5.79 %
Loans, net of unearned income[1]	2,432,676	38,800	6.40	1,960,025	30,139	6.17
Investment securities, taxable	646,072	4,452	2.76	698,416	4,759	2.73
Investment securities, tax-exempt[2]	93,939	487	2.08	93,082	492	2.12
Deposits in banks and short term investments	222,877	1,830	3.29	134,807	1,326	3.95
Total interest-earning assets	3,416,366	45,936	5.39 %	2,908,825	37,041	5.11 %
Noninterest-earning assets	268,672			229,300		
Total assets	$ 3,685,038			$ 3,138,125		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	$ 1,711,126	6,166	1.45 %	$ 1,529,608	6,310	1.65 %
Other time	844,296	7,071	3.36	615,303	5,322	3.47
Total interest-bearing deposits	2,555,422	13,237	2.08	2,144,911	11,632	2.18
Federal Home Loan Bank advances	171,374	1,784	4.18	185,000	1,889	4.10
Other borrowings	63,165	891	5.66	63,072	929	5.91
Total other interest-bearing liabilities	234,539	2,675	4.57	248,072	2,818	4.56
Total interest-bearing liabilities	2,789,961	15,912	2.29 %	2,392,983	14,450	2.42 %
Noninterest-bearing liabilities:						
Demand deposits	475,839			441,709		
Other liabilities	34,724			16,108		
Stockholders' equity	384,514			287,325		
Total noninterest-bearing liabilities and stockholders' equity	895,077			745,142		
Total liabilities and stockholders' equity	$ 3,685,038			$ 3,138,125		
Interest rate spread			3.10 %			2.69 %
Net interest income		$ 30,024			$ 22,591	
Net interest margin			3.52 %			3.12 %

1. The average balance of loans includes the average balance of nonaccrual loans. Income on such loans is recognized and recorded on a cash basis. Taxable-equivalent adjustments totaling $53,000 and $102,000 for the three months ended June 30, 2026 and 2025, respectively, are calculated using the statutory federal tax rate and are included in income and fees on loans. Accretion income of $1.1 million and $17,000 for the three months ended June 30, 2026 and 2025, respectively, are also included in income and fees on loans.

2. Taxable-equivalent adjustments totaling $102,000 and $103,000 for the three months ended June 30, 2026 and 2025, respectively, are calculated using the statutory federal tax rate and are included in tax-exempt interest on investment securities.

	Six Months Ended June 30,					
	2026			2025		
(dollars in thousands)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets						
Interest-earning assets:						
Loans held for sale	$ 21,330	$ 821	7.76 %	$ 22,872	$ 653	5.76 %
Loans, net of unearned income[3]	2,416,413	76,368	6.37	1,915,001	57,854	6.09
Investment securities, taxable	657,385	8,989	2.76	704,322	9,595	2.75
Investment securities, tax-exempt[4]	94,262	976	2.09	93,727	986	2.12
Deposits in banks and short term investments	231,613	3,823	3.33	181,651	3,648	4.05
Total interest-earning assets	3,421,003	90,977	5.36 %	2,917,573	72,736	5.03 %
Noninterest-earning assets	270,810			226,120		
Total assets	$ 3,691,813			$ 3,143,693		
Liabilities and stockholders' equity						
Interest-bearing liabilities:						
Interest-earning demand and savings	$ 1,718,339	12,117	1.42 %	$ 1,539,504	12,779	1.67 %
Other time	828,501	13,934	3.39	608,648	10,627	3.52
Total interest-bearing deposits	2,546,840	26,051	2.06	2,148,152	23,406	2.20
Federal Home Loan Bank advances	183,122	3,769	4.15	185,000	3,762	4.10
Other borrowings	63,153	1,779	5.68	63,060	1,856	5.94
Total other interest-bearing liabilities	246,275	5,548	4.54	248,060	5,618	4.57
Total interest-bearing liabilities	2,793,115	31,599	2.28 %	2,396,212	29,024	2.44 %
Noninterest-bearing liabilities:						
Demand deposits	481,537			448,457		
Other liabilities	35,100			16,062		
Stockholders' equity	382,061			282,962		
Total noninterest-bearing liabilities and stockholders' equity	898,698			747,481		
Total liabilities and stockholders' equity	$ 3,691,813			$ 3,143,693		
Interest rate spread			3.08 %			2.59 %
Net interest income		$ 59,378			$ 43,712	
Net interest margin			3.50 %			3.02 %

3. The average balance of loans includes the average balance of nonaccrual loans. Income on such loans is recognized and recorded on a cash basis. Taxable-equivalent adjustments totaling $101,000 and $170,000 for the six months ended June 30, 2026 and 2025, respectively, are calculated using the statutory federal tax rate and are included in income and fees on loans. Accretion income of $2.4 million and $36,000 for the six months ended June 30, 2026 and 2025, respectively, are also included in income and fees on loans.

4. Taxable-equivalent adjustments totaling $205,000 and $207,000 for the six months ended June 30, 2026 and 2025, respectively, are calculated using the statutory federal tax rate and are included in tax-exempt interest on investment securities.

The following table presents the effect of net interest income for changes in the average outstanding volume amounts of interest-earning assets and interest-bearing liabilities and the rates earned and paid on these assets and liabilities for the three and six month periods ended June 30, 2026 compared to the three and six month periods ended June 30, 2025.

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

	Three Months Ended June 30, 2026 Compared to Three Months Ended June 30, 2025 Increase (Decrease) Due to Changes in			Six Months Ended June 30, 2026 Compared to Six Months Ended June 30, 2025 Increase (Decrease) Due to Changes in		
(dollars in thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest-earning assets:						
Loans held for sale	$ (3,183)	$ 3,225	$ 42	$ (2,971)	$ 3,139	$ 168
Loans, net of unearned fees	3,966	4,695	8,661	7,880	10,634	18,514
Investment securities, taxable	(28,513)	28,206	(307)	(12,064)	11,458	(606)
Investment securities, tax-exempt	1,395	(1,400)	(5)	898	(908)	(10)
Deposits in banks and short term investments	110,365	(109,861)	504	76,929	(76,754)	175
Total interest-earning assets (FTE)	84,030	(75,135)	8,895	70,672	(52,431)	18,241
Interest-bearing liabilities:						
Interest-bearing demand and savings deposits	237,166	(237,310)	(144)	252,344	(253,006)	(662)
Time deposits	133,394	(131,645)	1,749	146,800	(143,493)	3,307
Federal Home Loan Bank advances	(13,720)	13,615	(105)	(3,116)	3,123	7
Other borrowings	185	(223)	(38)	185	(262)	(77)
Total interest-bearing liabilities	357,025	(355,563)	1,462	396,213	(393,638)	2,575
Increase (decrease) in net interest income (FTE)	$ (272,995)	$ 280,428	$ 7,433	$ (325,541)	$ 341,207	$ 15,666

Provision for Credit Losses

The provision for credit losses recorded in each period is based on the amount required such that the total allowance for credit losses reflects the appropriate balance, in the estimation of management, sufficient to cover expected credit losses over the expected life of a loan exposure and unfunded commitments where the likelihood is that funding will occur. Provision for credit losses for the three and six months ended June 30, 2026 was $1.9 million and $3.7 million, respectively, compared to $450,000 and $2.0 million, respectively, for the same period in 2025. The provision for credit losses for the three and six months ended June 30, 2026 includes $2.1 million and $3.6 million, respectively, in credit losses on loans and a release of $210,000 and provision of $40,000 in credit losses on unfunded commitments. The provision for credit losses for the three and six months ended June 30, 2025 includes $205,000 and $1.8 million in credit losses on loans and $245,000 and $122,000 in credit losses on unfunded commitments. See the section captioned “Loans and Allowance for Credit Losses” elsewhere in this discussion for further analysis of the provision for credit losses.

Noninterest Income

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

Table 3 - Noninterest Income

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(dollars in thousands)	2026	2025	Amount	Percent	2026	2025	Amount	Percent
Service charges on deposits	$ 2,561	$ 2,219	$ 342	15.42 %	$ 5,122	$ 4,391	$ 731	16.65 %
Mortgage fee income	2,141	1,984	157	7.89	4,076	3,563	513	14.39
Gain on sales of SBA loans	506	1,550	(1,044)	(67.38)	1,468	2,585	(1,117)	(43.21)
Other SBA income	692	595	97	16.30	1,406	1,251	155	12.39
Loss on sales of securities	(186)	—	(186)	—	(186)	—	(186)	—
Interchange fees	2,400	2,073	327	15.78	4,586	4,011	575	14.34
BOLI income	1,217	423	794	187.65	1,694	819	875	106.84
Insurance commissions	922	766	156	20.34	1,766	1,235	531	42.99
Other	1,905	488	1,417	290.32	2,919	1,287	1,632	126.80
Total noninterest income	$ 12,158	$ 10,098	$ 2,060	20.40 %	$ 22,851	$ 19,142	$ 3,709	19.38 %

Noninterest income increased for the three and six month periods ended June 30, 2026 as compared to the same periods in 2025. These increases were primarily a result of increases in service charges on deposits, mortgage fee income, insurance commissions, interchange fees and other noninterest income partially offset by a decrease in gain on sales of SBA loans.

Service charges on deposits. For the three and six months ended June 30, 2026, service charges on deposits increased compared to the same periods ended June 30, 2025. These increases were related to increases in deposit account fees implemented during the last half of 2025 as well as the impact of the TC Bancshares acquisition.

Mortgage Fee Income. For the three and six months ended June 30, 2026, mortgage fee income increased compared to the same periods ended June 30, 2025. These increases in mortgage fee income was the result of higher mortgage production in the second quarter and the first six months of 2026 compared to the prior respective periods in 2025.

Gain on sales of SBA loans. For the three and six months ended June 30, 2026, net realized gains on the sale of the guaranteed portion of SBA loans decreased as compared to the same periods ended June 30, 2025. These decreases were related to decreased loan production and sales in the second quarter and the first six months of 2026 in the SBSL division.

Other SBA income. For the three and six months ended June 30, 2026, other SBA income increased slightly as compared to the same periods ended June 30, 2025, primarily related to an increase in servicing fee income.

BOLI income. For the three and six months ended June 30, 2026, BOLI income increased when compared to the same periods ended June 30, 2025. These increases were primarily the result of a tax-free gain received on a BOLI claim in the second quarter of 2026 along with normal fluctuations in cash surrender value as well as the addition of BOLI policies from the TC Bancshares acquisition.

Interchange fees. For the three and six months ended June 30, 2026, interchange fee income was higher than the same periods ended June 30, 2025. These increases in interchange fees are the result of customer use of our card programs and fluctuating purchasing habits between periods.

Insurance commissions. For the three and six months ended June 30, 2026, insurance commissions increased compared to the same periods ended June 30, 2025. These variances are volume driven by activity in the Company's insurance division and were also impacted by the acquisition of the Ellerbee Insurance Agency in the second quarter of 2025.

Other noninterest income. For the three and six months ended June 30, 2026, other noninterest income increased as compared to the same periods ended June 30, 2025. The increases in other noninterest income was primarily attributable to increases in wealth advisory and merchant services as well as income received from a fintech distribution, partially offset by a decrease in equity investment market valuation gains.

Noninterest Expense

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

Table 4 - Noninterest Expense

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
(dollars in thousands)	2026	2025	Amount	Percent	2026	2025	Amount	Percent
Salaries and employee benefits	$ 15,539	$ 12,865	$ 2,674	20.79 %	$ 31,462	$ 24,770	$ 6,692	27.02 %
Occupancy and equipment	2,109	1,683	426	25.33	4,066	3,263	803	24.62
Acquisition related expenses	943	—	943	100.00	2,580	—	2,580	100.00
Information technology expenses	2,902	2,592	310	11.95	5,675	5,069	606	11.96
Professional fees	939	742	197	26.54	2,059	1,490	569	38.19
Advertising and public relations	982	942	40	4.29	2,088	1,747	341	19.54
Communications	235	188	47	25.26	460	393	67	17.04
Other	2,782	2,992	(210)	(7.03)	5,716	5,493	223	4.06
Total noninterest expense	$ 26,431	$ 22,004	$ 4,427	20.12 %	$ 54,106	$ 42,225	$ 11,881	28.14 %

Noninterest expense increased for the three and six months ended June 30, 2026 compared to the same periods in 2025.

Salaries and employee benefits. Salaries and employee benefits for the three and six months ended June 30, 2026 increased as compared to the same periods ended June 30, 2025. These increases were primarily due to increases in salaries and employee benefits expenses attributed to the additional employees from the TC Bancshares acquisition in December 2025 along with increases in commissions paid in 2026 related to SBSL and Colony Financial Advisors.

Occupancy and equipment. Occupancy and equipment expenses increased for the three and six months ended June 30, 2026 compared to the same periods ended June 30, 2025. Increases for both periods occurred in utilities and lease expenses primarily due to the impact of the above listed acquisition in 2025 as well as increases in repairs and maintenance.

Acquisition related expenses. Acquisition related expenses increased for the three and six months ended June 30, 2026 compared to the same periods ended June 30, 2025 and consists primarily of professional fees, information technology expenses, advertising, and costs associated with a lease buyout, all attributable to the merger with TC Bancshares. In addition, the Company recorded professional fees during June 2026 related to the recently announced proposed acquisition of First Reliance.

Information technology expenses. Information technology expenses increased for the three and six months ended June 30, 2026 compared to the same periods ended June 30, 2025. These increases relate primarily to increases in software, data processing and ATM expenses, which were all impacted by the above listed acquisition of TC Bancshares in 2025.

Professional fees. Professional fees increased for the three and six months ended June 30, 2026 compared to the same periods ended June 30, 2025. These increases relate to increases in legal and consulting fees impacted by the TC Bancshares acquisition.

Advertising and public relations. Advertising and public relations expenses increased for the three and six months ended June 30, 2026 compared to the same periods ended June 30, 2025. These increases were related to increases in subscriptions, marketing and advertising, which were all impacted by the TC Bancshares acquisition.

Communications. Communications expense increased for the three and six months ended June 30, 2026 compared to the same periods ended June 30, 2025. The change is related to fluctuations in data circuit fees.

Other noninterest expense. Other noninterest expense decreased for the three months ended June 30, 2026 as compared to the three months ended June 30, 2025. This decrease was primarily due to a decrease in the valuation of the SBSL servicing asset along with a decrease in other losses. Other noninterest expense increased for the six months ended June 30, 2026 as compared to the six months ended June 30, 2025. This increase was primarily related to increases in travel, meals and entertainment, insurance, postage and stationery and supplies, all impacted by the above listed acquisition of TC Bancshares in 2025.

Income Tax Expense

Income tax expense for the three and six months ended June 30, 2026 was $2.8 million and $5.1 million, respectively, compared to $2.1 million and $3.7 million, respectively, for the same periods in 2025. The Company's effective tax rate for the three and six months ended June 30, 2026 was 20.7% and 21.1%, respectively, compared to 20.5% and 20.3%, respectively, for the three and six months ended June 30, 2025. The largest driver of the difference is the tax-exempt income primarily from BOLI and tax-exempt interest as well as the impact related to the acquisition of TC Bancshares in the fourth quarter of 2025.

Balance Sheet Review

Total assets were $3.6 billion at June 30, 2026 and $3.7 billion at December 31, 2025.

Loans and Allowance for Credit Losses

At June 30, 2026, gross loans outstanding (excluding loans held for sale) were $2.46 billion, an increase of $83.6 million, or 3.51%, compared to $2.38 billion at December 31, 2025.

At June 30, 2026, approximately 63.2% of our loans were secured by commercial real estate. Our construction, land & land development loans have decreased slightly since December 31, 2025 while all other categories of loans experienced increases. We continue to maintain loan growth at disciplined pricing levels which has contributed to an improved net interest margin.

The following table presents a summary of the loan portfolio as of June 30, 2026 and December 31, 2025.

Table 5 - Loans Outstanding

(dollars in thousands)	June 30, 2026	December 31, 2025
Construction, land & land development	$ 285,508	$ 302,512
Other commercial real estate	1,272,574	1,249,720
Total commercial real estate	1,558,082	1,552,232
Residential real estate	499,015	459,549
Commercial, financial & agricultural	230,364	218,532
Consumer and other	177,373	150,911
Total loans	$ 2,464,834	$ 2,381,224

Loans totaled $2.46 billion at June 30, 2026, an increase of 3.5% from $2.38 billion at December 31, 2025, which was primarily attributable to organic loan growth. The majority of the Company's loan portfolio is comprised of real estate loans. Commercial and residential real estate loans which is primarily for 1-4 family residential properties, nonfarm nonresidential properties and real estate construction loans made up 83.5% and 84.5% of total loans at June 30, 2026 and December 31, 2025, respectively. Commercial, financial and agricultural loans represent 9.3% of total loans at June 30, 2026 and 9.2% at December 31, 2025. Consumer and other loans increased to 7.2% of total loans at June 30, 2026 from 6.3% at December 31, 2025.

The following table presents total loans as of June 30, 2026 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	$ 228,403	$ 24,452	$ 24,802	$ 7,851	$ 285,508
Other commercial real estate	416,921	546,032	304,983	4,638	1,272,574
Total commercial real estate	645,324	570,484	329,785	12,489	1,558,082
Residential real estate	131,251	176,776	79,686	111,302	499,015
Commercial, financial & agricultural	146,342	49,581	34,441	—	230,364
Consumer and other	10,201	52,181	54,883	60,108	177,373
Total loans, net of unearned fees	$ 933,118	$ 849,022	$ 498,795	$ 183,899	$ 2,464,834

The following table presents the maturity distribution of the Company's loans at June 30, 2026 split between loans that have fixed interest rates or loans with 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 Year, but within Five Years	After Five Years, but within Fifteen Years	After Fifteen Years	Total
Loans with fixed interest rates:					
Construction, land & land development	$ 6,370	$ 23,732	$ 4,933	$ 7,851	$ 42,886
Other commercial real estate	118,977	508,535	258,046	4,638	890,196
Total commercial real estate	125,347	532,267	262,979	12,489	933,082
Residential real estate	11,831	59,297	19,290	111,302	201,720
Commercial, financial & agricultural	24,074	46,989	26,102	—	97,165
Consumer and other	9,636	52,181	54,883	60,108	176,808
Total loans with fixed interest rates, net of unearned fees	170,888	690,734	363,254	183,899	1,408,775
Loans with floating interest rates:					
Construction, land & land development	222,033	720	19,869	—	242,622
Other commercial real estate	297,944	37,497	46,937	—	382,378
Total commercial real estate	519,977	38,217	66,806	—	625,000
Residential real estate	119,420	117,479	60,396	—	297,295
Commercial, financial & agricultural	122,268	2,592	8,339	—	133,199
Consumer and other	565	—	—	—	565
Total loans with floating interest rates, net of unearned fees	762,230	158,288	135,541	—	1,056,059
Total loans, net of unearned fees	$ 933,118	$ 849,022	$ 498,795	$ 183,899	$ 2,464,834

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

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

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

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

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

The allowance for credit losses on loans was $22.0 million at June 30, 2026 compared to $19.2 million at June 30, 2025, an increase of $2.8 million, or 15.0%. The allowance for credit losses on loans as a percentage of loans was 0.89% and 0.96% at June 30, 2026 and 2025, respectively. The provision for credit losses was $1.9 million compared to $450,000 for the three months ended June 30, 2026 and June 30, 2025, respectively. The provision for credit losses for the three months ended June 30, 2026 includes $2.1 million in credit losses on loans and a release of $210,000 in credit losses on unfunded commitments. The provision for credit losses for the three months ended June 30, 2025 includes $205,000 in credit losses on loans and $245,000 in credit losses on unfunded commitments. The provision for credit losses was $3.7 million compared to $2.0 million for the six months ended June 30, 2026 compared to the same period in 2025. The provision for credit losses for the six months ended June 30, 2026 includes $3.6 million in credit losses on loans and $40,000 in credit losses on unfunded commitments. The provision for credit losses for the six months ended June 30, 2025 includes $1.8 million in credit losses on loans and $122,000 in credit losses on unfunded commitments. For the three and six month periods ended June 30, 2026, we experienced increases in net charge-offs primarily related to SBA loans in our SBSL portfolio along with increases in commercial, financial & agricultural and consumer loans. Accordingly, the amount of provision expense recorded in each period was the amount required such that the total allowance for credit losses reflected the appropriate balance, in the estimation of management, that was sufficient to cover expected credit losses on loans over the expected life of a loan exposure and unfunded commitments where the likelihood is that funding will occur.

Additional information about the Company's allowance for credit losses is provided in Note 4 to our consolidated financial statements as of June 30, 2026, included elsewhere in this Quarterly Report on Form 10-Q.

The following table presents an analysis of the allowance for credit losses on loans as of June 30, 2026 and June 30, 2025:

Table 6 - Analysis of Allowance for Credit Losses on Loans

	June 30, 2026		June 30, 2025	
(dollars in thousands)	Reserve	%*	Reserve	%*
Construction, land & land development	$ 2,002	11.6 %	$ 1,531	11.9 %
Other commercial real estate	7,902	51.6 %	5,428	53.1 %
Residential real estate	4,630	20.2 %	5,452	17.9 %
Commercial, financial & agricultural	4,111	9.4 %	3,060	10.7 %
Consumer and other	3,389	7.2 %	3,682	6.4 %
	$ 22,034	100 %	$ 19,153	100 %

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

The following table presents a summary of allowance for credit loss for the three and six months ended June 30, 2026 and 2025.

Table 7 - Summary of Allowance for Credit Losses on Loans

	Three Months Ended		Six Months Ended	
(dollars in thousands)	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Allowance for credit losses on loans - beginning balance	$ 21,705	$ 19,997	$ 23,014	$ 18,980
Adjustment on acquired loans	—	—	(1,100)	—
Charge-offs:				
Other commercial real estate	475	46	950	226
Residential real estate	—	181	50	182
Commercial, financial & agricultural	685	652	1,426	914
Consumer and other	817	278	1,336	554
Total charge-offs	1,977	1,157	3,762	1,876
Recoveries:				
Construction, land & land development	25	—	26	1
Other commercial real estate	—	5	—	10
Residential real estate	18	88	19	128
Commercial, financial & agricultural	62	8	104	63
Consumer and other	91	7	123	19
Total recoveries	196	108	272	221
Net charge-offs	1,781	1,049	3,490	1,655
Provision for credit losses on loans	2,110	205	3,610	1,828
Allowance for credit losses on loans- ending balance	$ 22,034	$ 19,153	$ 22,034	$ 19,153
Net charge-offs to average loans (annualized)	0.29 %	0.21 %	0.29 %	0.17 %
Allowance for credit losses on loans to total loans	0.89	0.96	0.89	0.96
Allowance to nonaccrual loans	116.51	180.96	116.51	180.96
Allowance to nonperforming loans	116.07	179.15	116.07	179.15

Management believes the allowance for credit losses for loans is adequate to provide for losses expected in the loan portfolio as of June 30, 2026.

Nonperforming Assets

Asset quality experienced improvement during the first six months of 2026. 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 $18.9 million at June 30, 2026, a decrease of $4.5 million, or 19.1%, from $23.4 million at December 31, 2025. There were five loans contractually past due 90 days or more and still accruing totaling $71,000 at June 30, 2026, compared to eight loans totaling $95,000 at December 31, 2025. There was $129,000 in repossessed personal property at June 30, 2026, and $190,000 at December 31, 2025. OREO totaled $1.8 million at June 30, 2026, compared to $1.0 million at December 31, 2025, which primarily represents the addition of seven properties totaling $1.7 million and the sale of three properties which totaled $681,000. As of June 30, 2026, total nonperforming assets as a percent of total assets decreased to 0.58% compared with 0.66% at December 31, 2025. The decrease in nonperforming assets was primarily the result of decreases in all loan segments except residential real estate loans and consumer loans, partially offset by repayments, payoffs and charged off loans.

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

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

Nonperforming assets at June 30, 2026 and December 31, 2025 were as follows:

Table 8 - Nonperforming Assets

(dollars in thousands)	June 30, 2026	December 31, 2025
Nonaccrual loans	$ 18,912	$ 23,380
Loans past due 90 days and accruing	71	95
Total nonperforming loans	18,983	23,475
Other real estate owned	1,829	1,048
Repossessed assets	129	190
Total nonperforming assets	$ 20,941	$ 24,713
Nonperforming loans by loan segment		
Construction, land & land development	$ 260	$ 1,132
Commercial real estate	7,225	9,663
Residential real estate	5,316	4,501
Commercial, financial & agricultural	5,768	7,883
Consumer & other	414	296
Total nonperforming loans	$ 18,983	$ 23,475
Nonperforming assets as a percentage of:		
Total loans, OREO and foreclosed assets	0.85 %	1.04 %
Total assets	0.58 %	0.66 %
Nonaccrual loans as a percentage of total loans	0.77 %	0.98 %
Nonperforming loans as a percentage of total loans	0.77 %	0.99 %

The Company had no loans modified due to financial difficulty during the three and six month periods ended June 30, 2026. See Note 3 - Loans, included elsewhere in this Quarterly Report on Form 10-Q for additional details on loan modifications.

Deposits

Deposits at June 30, 2026 and December 31, 2025 were as follows:

Table 9 - Deposits

(dollars in thousands)	June 30, 2026	December 31, 2025
Noninterest-bearing demand	$ 464,062	$ 526,803
Interest-bearing demand	900,546	932,262
Savings and money market	779,890	787,811
Time, $250,000 and over	264,968	239,175
Other time	562,710	581,470
Total deposits	$ 2,972,176	$ 3,067,521

Total deposits decreased $95.3 million to $2.97 billion at June 30, 2026 from $3.07 billion at December 31, 2025. As of June 30, 2026, 15.6% of total deposits were comprised of noninterest-bearing accounts and 84.4% were comprised of interest-bearing deposit accounts, compared to 17.2% and 82.8% as of December 31, 2025, respectively. The overall decrease in our deposits was primarily due to seasonality in customer deposit balances that is normal for this time of year.

We had $123.5 million in brokered deposits at June 30, 2026 and $131.9 million at December 31, 2025. We use brokered deposits, subject to certain limitations and requirements, as a source of funding to support our asset growth and augment the deposits generated from our branch network, which are our principal source of funding. Our level of brokered deposits varies from time to time depending on competitive interest rate conditions and other factors, and tends to increase as a percentage of total deposits when the brokered deposits are less costly than issuing internet certificates of deposit or borrowing from the FHLB.

The Company's estimated uninsured deposits were $975.4 million at June 30, 2026, or 32.45% of total Bank deposits, compared to $980.0 million at December 31, 2025, or 31.65% of total Bank deposits. Adjusted uninsured deposits estimate (which excludes deposits collateralized by public funds and internal accounts) were $621.0 million at June 30, 2026, or 20.66% of total Bank deposits, compared to $576.5 million at December 31, 2025, or 18.62% of total Bank deposits. Adjusted uninsured deposits represent a small percentage of our overall deposits, which increases the stability of our deposit base and lowers our overall funding risk.

The following table presents average deposits outstanding, and the average rate paid on deposits by the Company at June 30, 2026 and June 30, 2025.

(dollars in thousands)	June 30, 2026		June 30, 2025	
Noninterest-bearing demand deposits	$ 481,537	—	$ 448,457	—
Interest-bearing demand and savings deposits	1,718,339	1.42 %	1,539,504	1.67 %
Time deposits	828,501	3.39	608,648	3.52
Total deposits	$ 3,028,377	1.73 %	$ 2,596,609	1.82 %

The following table presents the maturities of the Company's time deposits as of June 30, 2026.

(dollars in thousands)	Time Deposits $250,000 or Greater	Time Deposits Less than $250,000	Total
Months to Maturity			
3 months or less	$ 86,829	$ 225,585	$ 312,414
Over 3 months through 6 months	79,536	163,649	243,185
Over 6 months through 12 months	93,513	124,665	218,178
Over 12 months	5,090	48,811	53,901
	$ 264,968	$ 562,710	$ 827,678

Off-Balance Sheet Arrangements

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

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

See Note 8 to our consolidated financial statements as of June 30, 2026, included elsewhere in this Form 10-Q, for a table setting forth the financial instruments that were outstanding whose contract amounts represent credit risk and more information regarding our off-balance sheet arrangements as of June 30, 2026 and December 31, 2025.

Liquidity

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

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

To manage long-term liquidity, the Bank may utilize long-term FHLB advances, subordinated debt issuances, or the sale of investment securities to support structural balance sheet growth and satisfy extended funding requirements.

To plan for contingent sources of funding not satisfied by both local and out-of-market deposit balances, the Company and the Bank have established multiple borrowing sources to augment their funds management. The Company has borrowing capacity through membership in the FHLB program. The Bank has also established overnight borrowing for federal funds purchased through various correspondent banks. There were no outstanding balances of federal funds purchased at June 30, 2026 and December 31, 2025, respectively.

Cash and cash equivalents at June 30, 2026 and December 31, 2025 were $159.6 million and $257.6 million, respectively. Cash and cash equivalents have decreased since year end 2025, partially due to increases in loans and decreases in deposits. Management believes the various funding sources discussed above are adequate to meet the Company's liquidity needs without any material adverse impact on our operating results.

Liquidity management involves the matching of cash flow requirements of customers and the ability of the Company to manage those requirements. These requirements of customers include, but are not limited to, deposits being withdrawn or providing assurance to borrowers that sufficient funds are available to meet their credit needs. We strive to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-bearing liabilities so that the balance we have in short-term assets at any given time will adequately cover any reasonably anticipated need for funds. Additionally, we maintain relationships with correspondent banks, which could provide funds on short notice, if needed. We have also invested in FHLB stock for the purpose of establishing credit lines with the FHLB. At June 30, 2026 and December 31, 2025, we had $170.0 million and $190.0 million, respectively, of outstanding advances from the FHLB. Based on the values of loans pledged as collateral, we had $941.5 million and $747.0 million of additional borrowing availability with the FHLB at June 30, 2026 and December 31, 2025, respectively.

Other sources of liquidity include availability from the Federal Reserve Discount Window of $134.4 million of which there was no outstanding balance at June 30, 2026. The Company also had unencumbered securities of $375.4 million, $118.5 million in FRB Reserves and $39.7 million in other cash and due from banks as of June 30, 2026. Unencumbered investment securities provide the ability to either be pledged as collateral with borrowing sources or sold and converted to cash.

The Company's material cash requirements consist primarily of unfunded loan commitments, trust preferred securities payments and dividends to shareholders. We believe our current cash and cash equivalents, expected cash flows from operations and existing liquidity will be sufficient to meet these requirements. However, external financing from our funding sources mentioned above may be utilized if necessary.

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

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.

Capital Resources

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

The table below summarizes the capital requirements applicable to the Company and the Bank in order to be considered "well-capitalized" from a regulatory perspective, as well as the Company's and the Bank's capital ratios as of June 30, 2026 and December 31, 2025. The Company and the Bank exceeded all regulatory capital requirements and was considered to be "well-capitalized" as of June 30, 2026 and December 31, 2025. There have been no conditions or events since June 30, 2026 that management believes would change this classification.

Table 10 - Capital Ratio Requirements

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

Table 11 - Capital Ratios

Company	**June 30, 2026**	**December 31, 2025**
CET1 risk-based capital ratio	12.96 %	12.67 %
Tier 1 risk-based capital ratio	13.87	13.60
Total risk-based capital ratio	16.18	15.95
Leverage ratio	10.20	10.78
Colony Bank		
CET1 risk-based capital ratio	13.56 %	13.61 %
Tier 1 risk-based capital ratio	13.56	13.61
Total risk-based capital ratio	14.42	14.48
Leverage ratio	9.97	10.78

ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

Table 12 - Interest Sensitivity

	Increase (Decrease) in Net Interest Income from Base Scenario at	
	June 30, 2026	December 31, 2025
Changes in rates		
200 basis point increase	6.32 %	8.10 %
100 basis point increase	3.18	4.33
100 basis point decrease	0.54	(0.63)
200 basis point decrease	0.70	(1.72)

See Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," of the Company's 2025 Form 10-K for additional disclosures related to market and interest rate risk.

There are no material changes during the period covered by this Report to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk" previously disclosed in the Company's 2025 Form 10-K.

ITEM 4 – CONTROLS AND PROCEDURES

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

During the quarter ended June 30, 2026, there were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

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

ITEM 1A – RISK FACTORS

In addition to the other information set forth in this Quarterly Report, you should carefully consider the factors discussed in "Part I - Item IA - Risk Factors" of the Company's 2025 Form 10-K, which could materially affect its business, financial position, results of operations, cash flows, or future results. Please be aware that these risks may change over time and other risks may prove to be important in the future. New risks may emerge at any time, and we cannot predict such risks or estimate the extent to which they may affect our business, financial condition or results of operations, or the trading price of our securities.

There are no material changes during the period covered by this Report to the risk factors previously disclosed in the Company's 2025 Form 10-K.

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

(a) There were no unregistered shares of the Company's common stock sold during the three-month period ended June 30, 2026.

(b) Not applicable.

(c) The Company had no repurchases of its common stock during the second quarter of 2026.

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 – MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 – OTHER INFORMATION

Pursuant to Item 408(a) of Regulation S-K, none of the Company's directors or executive officers adopted, terminated or modified a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement during the three months ended June 30, 2026.

ITEM 6 – EXHIBITS

2.1	Agreement and Plan of Merger, dated June 24, 2026, by and between Colony Bankcorp, Inc. and First Reliance Bancshares, Inc. - filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on June 24, 2026 and incorporated herein by reference.
2.2	Agreement and Plan of Merger, dated July 23, 2025, by and between Colony Bankcorp, Inc. and TC Bancshares, Inc. - filed as Exhibit 2.1 to the Company's Current Report on Form 8-K, filed with the Commission on July 23, 2025 and incorporated herein by reference.
3.1	Articles of Incorporation, As Amended -filed as Exhibit 99.1 to the Company's Quarterly Report on Form 10-Q, 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 Company's Quarterly Report on Form 10-Q, 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 Company's Current Report on Form 8-K, filed with the Commission on September 18, 2020 and incorporated herein by reference.
31.1	Certificate of Chief Executive Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial Officer Pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets as of June 30, 2026 and December 31, 2025; (ii) Condensed Consolidated Statements of Income for the Three and Six months ended June 30, 2026 and 2025; (iii) Condensed Consolidated Statements of Comprehensive Income for the Three and Six months ended June 30, 2026 and 2025; (iv) Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three and Six months ended June 30, 2026 and 2025; (v) Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2026 and 2025; and (vi) Notes to Unaudited Condensed Consolidated Financial Statements*
104	The cover page from Colony Bankcorp, Inc.'s Quarterly Report on Form 10-Q for the three and six months ended June 30, 2026 (formatted in Inline XBRL and included in Exhibit 101)

SIGNATURES

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

Colony Bankcorp, Inc.

Date: August 5, 2026

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

Date: August 5, 2026

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