COLONY BANKCORP INC
Form 10-K
March 10, 2015

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

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(Fee Required)
For the Fiscal Year Ended December 31, 2014

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
(No Fee Required)
For the Transition Period from _____________to ______________

Commission File Number 000-12436

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

Georgia	58-1492391
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

115 South Grant Street	31750
Fitzgerald, Georgia	(Zip Code)
(Address of Principal Executive Offices)	

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

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

Large Accelerated Filer		Accelerated Filer
Nonaccelerated Filer	(Do not check if a smaller reporting company)	Smaller Reporting Company

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

State the aggregate market value of the voting and non-voting common equity held by nonaffiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of June 30, 2014: $38,656,770 based on stock price of $6.31.

Indicate the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: 8,439,258 shares of $1.00 par value common stock as of March 10, 2015.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information required by Part III of this Annual Report are incorporated by reference from the Registrant's definitive Proxy Statement for the 2013 annual meeting of shareholders to be filed with Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report.

TABLE OF CONTENTS

Table of Contents

Forward-Looking Statements and Factors that Could Affect Future Results

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

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

- Local and regional economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact.

- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.

- The effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board.

- Inflation, interest rate, market and monetary fluctuations.

- Political instability.

- Acts of war or terrorism.

- The timely development and acceptance of new products and services and perceived overall value of these products and services by users.

- Changes in consumer spending, borrowings and savings habits.

- Technological changes.

- Acquisitions and integration of acquired businesses.

- The ability to increase market share and control expenses.

Table of Contents

Forward-Looking Statements and Factors that Could Affect Future Results (Continued)

- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiary must comply.

- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters.

- Changes in the Company's organization, compensation and benefit plans.

- The costs and effects of litigation and of unexpected or adverse outcomes in such litigation.

- Greater than expected costs or difficulties related to the integration of new lines of business.

- The Company's success at managing the risks involved in the foregoing items.

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

Readers should carefully review all disclosures we file from time to time with the Securities and Exchange Commission (SEC).

Table of Contents

Part I

Item 1

Business

COLONY BANKCORP, INC.

General

Colony Bankcorp, Inc. (the "Company" or "Colony") is a Georgia business corporation which was incorporated on November 8, 1982. The Company was organized for the purpose of operating as a bank holding company under the Federal Bank Holding Company Act of 1956, as amended, and the bank holding company laws of Georgia (Georgia Laws 1976, p. 168, et. seq.). On July 22, 1983, the Company, after obtaining the requisite regulatory approvals, acquired 100 percent of the issued and outstanding common stock of Colony Bank (formerly Colony Bank of Fitzgerald and The Bank of Fitzgerald), Fitzgerald, Georgia, through the merger of the Bank with a subsidiary of the Company which was created for the purpose of organizing the Bank into a one-bank holding company. Since that time, Colony Bank has operated as a wholly-owned subsidiary of the Company. Our business is conducted primarily through our wholly-owned subsidiary, which provides a broad range of banking services to its retail and commercial customers. The company headquarters are located at 115 South Grant Street, Fitzgerald, Georgia 31750, its telephone number is 229-426-6000 and its Internet address is http://www.colonybank.com. We operate twenty-nine domestic banking offices and one corporate operations office and, at December 31, 2014, we had approximately $1.15 billion in total assets, $746.1 million in total loans, $979.3 million in total deposits and $99.0 million in stockholder's equity. Deposits are insured, up to applicable limits, by the Federal Deposit Insurance Corporation.

The Parent Company

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

Colony Bank - Banking Services

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

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

- 5 -

Table of Contents
Part I (Continued)
Item 1 (Continued)

Subordinated Debentures (Trust Preferred Securities)

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

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

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

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

Corporate Restructuring and Business Combinations

On April 30, 1984, after acquiring the requisite regulatory approvals, the Company acquired 100 percent of the issued and outstanding stock of Colony Bank Wilcox (formerly Community Bank of Wilcox and Pitts Banking Company), Pitts, Wilcox County, Georgia. As part of the transaction, Colony issued an additional 17,872 shares of its $10.00 par value common stock, all of which was exchanged with the holders of shares of common stock of Pitts Banking Company for 100 percent of the 250 issued and outstanding shares of common stock of Pitts Banking Company. Since the date of acquisition, Colony Bank Wilcox operated as a wholly-owned subsidiary of the Company until it was merged into Colony Bank effective August 1, 2008.

On November 1, 1984, after obtaining the requisite regulatory approvals, the Company acquired 100 percent of the issued and outstanding common stock of Colony Bank Ashburn (formerly Ashburn Bank), Ashburn, Turner County, Georgia, for a combination of cash and interest-bearing promissory notes. Since the date of acquisition, Colony Bank Ashburn operated as a wholly-owned subsidiary of the Company until it was merged into Colony Bank effective August 1, 2008.

On September 30, 1985, after obtaining the requisite regulatory approvals, the Company acquired 100 percent of the issued and outstanding common stock of Colony Bank of Dodge County, (formerly The Bank of Dodge County), Chester, Dodge County, Georgia. The stock was acquired in exchange for the issuance of 3,500 shares of common stock of Colony. Since the date of acquisition, Colony Bank of Dodge County operated as a wholly-owned subsidiary of the Company until it was merged into Colony Bank effective August 1, 2008.

Table of Contents
Part I (Continued)
Item 1 (Continued)

On July 31, 1991, after obtaining the requisite regulatory approvals, the Company acquired 100 percent of the issued and outstanding common stock of Colony Bank Worth, (formerly Worth Federal Savings and Loan Association and Bank of Worth), Sylvester, Worth County, Georgia. The stock was acquired in exchange for cash and the issuance of 7,661 shares of common stock of Colony for an aggregate purchase price of approximately $718,000. Since the date of acquisition, Colony Bank Worth operated as a wholly-owned subsidiary of the Company until it was merged into Colony Bank effective August 1, 2008.

On November 8, 1996, Colony organized Colony Management Services, Inc. to provide support services to each subsidiary. Services provided include loan and compliance review, internal audit and data processing. Colony Management Services, Inc. operated as a wholly-owned subsidiary of the Company until it was merged into Colony Bank effective August 1, 2008.

On November 30, 1996, after obtaining the requisite regulatory approvals, the Company acquired 100 percent of the issued and outstanding common stock of Colony Bank Southeast (formerly Broxton State Bank), Broxton, Coffee County, Georgia in a business combination accounted for as a pooling of interests. Broxton State Bank became a wholly-owned subsidiary of the Company through the exchange of 157,735 shares of the Company's common stock for all of the outstanding stock of Broxton State Bank. Since the date of acquisition, Colony Bank Southeast operated as a wholly-owned subsidiary of the Company until it was merged into Colony Bank effective August 1, 2008.

On March 2, 2000, Colony Bank Ashburn purchased the capital stock of Colony Mortgage Corp (formerly Georgia First Mortgage Company) in a business combination accounted for as a purchase. The purchase price of $346,725 was the fair value of the net assets of Georgia First Mortgage Company at the date of purchase. Colony Mortgage Corp is primarily engaged in residential real estate mortgage lending in the state of Georgia. Colony Mortgage Corp operated as a subsidiary of Colony Bank effective with the August 1, 2008 merger until October 1, 2012 when the corporation was dissolved.

On March 29, 2002, after obtaining the requisite regulatory approvals, the Company acquired 100 percent of the issued and outstanding stock of Colony Bank Quitman, FSB, (formerly Quitman Federal Saving Bank), Quitman, Brooks County, Georgia. Quitman Federal Savings Bank became a wholly-owned subsidiary of the Company through the exchange of 367,093 shares of the Company's common stock and cash for an aggregate acquisition price of $7,446,163. Since the date of acquisition, Colony Bank Quitman, FSB operated as a wholly-owned subsidiary of the Company until it was merged into Colony Bank effective August 1, 2008.

On March 19, 2004, Colony Bank Ashburn purchased Flag Bank - Thomaston office in a business combination accounted for as a purchase. Since the date of acquisition, the Thomaston office operated as an office of Colony Bank Ashburn until August 1, 2008 when it became an office of Colony Bank.

On August 1, 2008, the Company effected a merger of its seven banking subsidiaries and its one nonbank subsidiary into one surviving bank subsidiary, Colony Bank (formerly Colony Bank of Fitzgerald).

Table of Contents
Part I (Continued)
Item 1 (Continued)

Markets and Competition

The banking industry in general is highly competitive. Our market areas of central, south and coastal Georgia have experienced good economic and population growth the past several years, however the current downturn in the housing and real estate market that began in late 2007 along with recessionary fears has proven to be quite challenging - not only for Colony but the entire banking industry. In our markets, we face competitive pressures in attracting deposits and making loans from larger regional banks and smaller community banks, thrift institutions, credit unions, consumer finance companies, mortgage bankers, brokerage firms and insurance companies. The principal factors in competing for deposits and loans include interest rates, fee structures, range of products and services offered and convenience of office and ATM locations. The banking industry is also experiencing increased competition for deposits from less traditional sources such as money market and mutual funds. In addition, intense market demands, economic concerns, volatile interest rates and customer awareness of product and services have forced banks to be more competitive - often resulting in margin compression and a decrease in operating efficiency.

In response to competitive issues, the Company merged all of its operations into one operating subsidiary, Colony Bank, effective August 1, 2008. This consolidation effort enabled the Company to align products, pricing and marketing efforts while re-allocating resources to support management's future growth strategies.

Correspondents

Colony Bank has correspondent relationships with the following banks: Federal Reserve Bank in Atlanta, Georgia; SunTrust Bank in Atlanta, Georgia; FTN Financial in Memphis, Tennessee, CenterState Bank in Lake Wales, Florida and Federal Home Loan Bank in Atlanta, Georgia. The correspondent relationships facilitate the transactions of business by means of loans, collections, investment services, lines of credit and exchange services. As compensation for these services, the Bank maintains balances with its correspondents in noninterest-bearing accounts and pays some service charges.

Employees

On December 31, 2014, the Company had a total of 311 full-time and 9 part-time employees. We consider our relationship with our employees to be satisfactory.

The Company has a noncontributory profit-sharing plan covering all employees subject to certain minimum age and service requirements. The Company reinstated contributions in 2014. In addition, the Company maintains a comprehensive employee benefit program providing, among other benefits, hospitalization, major medical, life insurance and disability insurance. Management considers these benefits to be competitive with those offered by other financial institutions in our market area. Colony's employees are not represented by any collective bargaining group.

Table of Contents
Part I (Continued)
Item 1 (Continued)

SUPERVISION AND REGULATION
BANK HOLDING COMPANY REGULATION

General

Colony is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (BHCA). We are extensively regulated under federal and state law. Generally, these laws and regulations are intended to protect our depositors, not necessarily our shareholders or our creditors. As a bank holding company registered with the Federal Reserve under the BHCA and the Georgia Department of Banking and Finance ("the Georgia Department") under the Financial Institutions Code of Georgia, we are subject to supervision, examination and reporting by the Federal Reserve and the Georgia Department. Our activities are limited to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries, or engaging in any other activity that the Federal Reserve determines to be so closely related to banking, or managing or controlling banks, as to be a proper incident to these activities.

Colony is required to file with the Federal Reserve and the Georgia Department periodic reports and any additional information as they may require. The Federal Reserve and Georgia Department will also regularly examine the Company. The Federal Deposit Insurance Corporation ("FDIC") and Georgia Department also examine the Bank.

The following is a summary of certain provisions of certain laws that affect the regulation of bank holding companies and banks. The discussion is qualified in its entirety by reference to applicable laws and regulations. Changes in such laws and regulations may have a material effect on our business and prospects.

Activity Limitations

The BHCA requires prior Federal Reserve approval for, among other things:

- the acquisition by a bank holding company of direct or indirect ownership or control of more than 5 percent of the voting shares or substantially all of the assets of any bank, or

- a merger or consolidation of a bank holding company with another bank holding company.

Similar requirements are imposed by the Georgia Department.

A bank holding company may acquire direct or indirect ownership or control of voting shares of any company that is engaged directly or indirectly in banking, or managing or controlling banks, or performing services for its authorized subsidiaries. A bank holding company may also engage in or acquire an interest in a company that engages in activities that the Federal Reserve has determined by regulation or order to be so closely related to banking as to be a proper incident to these activities. The Federal Reserve normally requires some form of notice or application to engage in or acquire companies engaged in such activities. Under the BHCA, Colony will generally be prohibited from engaging in or acquiring direct or indirect control of more than 5 percent of the voting shares of any company engaged in activities other than those referred to above.

The BHCA permits a bank holding company located in one state to lawfully acquire a bank located in any other state, subject to deposit percentage, aging requirements and other restrictions. The Riegle-Neal Interstate Banking and Branching Efficiency Act also generally provides that national and state chartered banks may, subject to applicable state law, branch interstate through acquisitions of banks in other states.

- 9 -

Table of Contents
Part I (Continued)
Item 1 (Continued)

In November 1999, Congress enacted the Gramm-Leach-Bliley Act, which made substantial revisions to the statutory restrictions separating banking activities from other financial activities. Under the Gramm-Leach-Bliley Act, bank holding companies that are well capitalized, well managed and meet other conditions can elect to become “financial holding companies.” As financial holding companies, they and their subsidiaries are permitted to acquire or engage in activities that were not previously allowed bank holding companies, such as insurance underwriting, securities underwriting and distribution, travel agency activities, broad insurance agency activities, merchant banking and other activities that the Federal Reserve determines to be financial in nature or complementary to these activities. Financial holding companies continue to be subject to the overall oversight and supervision of the Federal Reserve, but the Gramm-Leach-Bliley Act applies the concept of functional regulation to the activities conducted by subsidiaries. For example, insurance activities would be subject to supervision and regulation by state insurance authorities. While Colony has not elected to become a financial holding company in order to exercise the broader activity powers provided by the Gramm-Leach-Bliley Act, it may elect to do so in the future.

Limitations on Acquisitions of Bank Holding Companies

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

Source of Strength Doctrine

In accordance with Federal Reserve Board policy, the holding company is expected to act as a source of financial and managerial strength to the Bank. Under this policy, the holding company is expected to commit resources to support its bank subsidiary, including at times when the holding company may not be in a financial position to provide it. As discussed below, the holding company could be required to guarantee the capital plan of the Bank if it becomes undercapitalized for purposes of banking regulations. Any capital loans by a bank holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. The BHC Act provides that, in the event of a bank holding company’s bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a bank subsidiary will be assumed by the bankruptcy trustee and entitled to priority of payment.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”) has added additional guidance regarding the source of strength doctrine and has directed the regulatory agencies to promulgate new regulations to increase the capital requirements for bank holding companies to a level that matches those of banking institutions.

Table of Contents
Part I (Continued)
Item 1 (Continued)

Sale of TARP Securities

On January 9, 2009, the Company, pursuant to the TARP CPP, issued and sold to the Treasury, for an aggregate cash purchase price of $28 million, (i) 28,000 shares (the "Preferred Shares") of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, having a liquidation preference of $1,000 per share, and (ii) a ten-year warrant (the "Warrant") to purchase up to 500,000 shares of our common stock, par value $1.00 per share, at an exercise price of $8.40 per share. On January 29, 2013, the Company's 28,000 shares of Cumulative Perpetual Preferred Stock, Series A was sold by the Treasury to the public through a modified dutch auction. This auction was part of the Treasury's ongoing efforts to wind down its remaining TARP bank investments. On June 5, 2013, the Company's Warrant for 500,000 shares of common stock was also sold by the Treasury to the public through an auction. Neither the sale of the Preferred Stock nor the sale of the Warrant to new investors resulted in any accounting entries and neither transaction had an impact of the Company's capital position.

Cumulative dividends on the Preferred Shares accrued at a rate of 5 percent per annum for the first five years from initial issuance and accrue at a rate of 9 percent per annum thereafter. The Preferred Shares continue to have no maturity date and rank senior to the Company's Common Stock. The Preferred Shares continue to be redeemable at the option of the Company at 100 percent of their liquidation preference, plus any accrued and unpaid dividends.

Capital; Dividends; Source of Strength

The Federal Reserve imposes certain capital requirements on bank holding companies under the Bank Holding Company Act, including a minimum leverage ratio and a minimum ratio of "qualifying" capital to risk-weighted assets. These requirements are described below under "Capital Regulations." Subject to its capital requirements and certain other restrictions, we are able to borrow money to make a capital contribution to Colony Bank, and such loans may be repaid from dividends paid from Colony Bank to us.

The ability of Colony Bank to pay dividends, however, will be subject to regulatory restrictions that are described below under "Dividends." We are also able to raise capital for contributions to Colony Bank by issuing securities without having to receive regulatory approval, subject to compliance with federal and state securities laws.

In accordance with Federal Reserve policy, which has been codified by the Dodd-Frank Act, we are expected to act as a source of financial strength to Colony Bank and to commit resources to support Colony Bank in circumstances in which we might not otherwise do so. In furtherance of this policy, the Federal Reserve may require a financial holding company to terminate any activity or relinquish control of a nonbank subsidiary (other than a nonbank subsidiary of a bank) upon the Federal Reserve's determination that such activity or control constitutes a serious risk to the financial soundness or stability of any subsidiary depository institution of the bank holding company. Further, federal bank regulatory authorities have additional discretion to require a financial holding company to divest itself of any bank or nonbank subsidiary if the agency determines that divestiture may aid the depository institution's financial condition.

Table of Contents
Part I (Continued)
Item 1 (Continued)

BANK REGULATION

General

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

BUSINESS

Recent Developments

The Bank operated under a Memorandum of Understanding ("MOU") from November 23, 2010 until October 1, 2013 when the MOU was lifted by regulatory agencies and replaced with a Board Resolution (BR) to ensure that the Bank's overall condition remains satisfactory. The BR was lifted by regulatory agencies effective October 22, 2014 and there are currently no agreements in place with regulatory agencies.

Prior to October 22, 2014, the BR required the Bank to develop, implement, and maintain various processes to improve the Bank's risk management of its loan portfolio, reduce adversely classified assets in accordance with certain timeframes, limit the extension of additional credit to borrowers with adversely classified loans subject to certain exceptions, adopt a written plan to properly monitor and reduce the Bank's commercial real estate concentration, continue to maintain the Bank's loan loss provision and review its adequacy at least quarterly, and formulate and implement a written plan to improve and maintain earnings to be forwarded for review by the Georgia Department and FDIC. The Bank was also required to obtain approval before any cash dividends can be paid.

Table of Contents
Part I (Continued)
Item 1 (Continued)

Transactions with Affiliates and Insiders

The Company is a legal entity separate and distinct from the Bank. Various legal limitations restrict the Bank from lending or otherwise supplying funds to the Company and other nonbank subsidiaries of the Company, all of which are deemed to be “affiliates” of the Bank for the purposes of these restrictions. The Company and the Bank are subject to Section 23A of the Federal Reserve Act. Section 23A defines “covered transactions,” which include extensions of credit, and limits a bank’s covered transactions with any affiliate to 10 percent of such bank’s capital and surplus and with all affiliates to 20 percent of such bank’s capital and surplus. All covered and exempt transactions between a bank and its affiliates must be on terms and conditions consistent with safe and sound banking practices, and banks and their subsidiaries are prohibited from purchasing low-quality assets from the bank’s affiliates. Finally, Section 23 A requires that all of a bank’s extensions of credit to an affiliate be appropriately secured by acceptable collateral, generally United States government or agency securities. The Company and the Bank are also subject to Section 23B of the Federal Reserve Act, which generally limits covered and other transactions between a bank and its affiliates to terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the bank as prevailing at the time for transactions with unaffiliated companies. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”) enhances the requirements for certain transactions with affiliates under Section 23A and 23B, including an expansion of the definition of “covered transactions” and increasing the amount of time for which collateral requirements regarding covered transactions must be maintained. The Bank is also subject to restrictions on extensions of credit to its executive officers, directors, principal shareholders and their related interests. These extensions of credit (1) must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with third parties, and (2) must not involve more than the normal risk of repayment or present other unfavorable features. Effective July 21, 2011, an insured depository institution is prohibited from engaging in asset purchases or sales transactions with its officers, directors or principal shareholders unless on market terms and, if the transaction represents greater than 10 percent of the capital and surplus of the bank, it has been approved by a majority of the disinterested directors.

Dividends

The Company is a legal entity separate and distinct from the Bank. The principal source of the Company’s cash flow, including cash flow to pay dividends to its stockholders, is dividends that the Bank pays to it. Statutory and regulatory limitations apply to the Bank’s payment of dividends to the Company as well as to the Company’s payment of dividends to its stockholders. While the Bank operated under a Board Resolution until October 22, 2014 when the Board Resolution was lifted, the Bank was required to obtain approval from the Georgia Department of Revenue and the FDIC before any dividends could be paid. The Bank was granted approval by these regulators on November 15, 2014 to pay a dividend of $12 million to the Company.

As of December 31, 2014, the Company has obtained approval from its regulators to declare and pay scheduled dividend payments on its equity securities and interest on its junior subordinated debentures in each instance where it has sought such approval, except for the requests to pay (i) the dividend payment on the TARP preferred stock due on February 15, 2012 and (ii) the interest payments on its four series of junior subordinated debentures due on March 19, 2012, March 30, 2012, April 2, 2012 and April 30, 2012, respectively, all of which were denied by the regulators because of a lack of funds at the Company to make such payments. With approval of the $12 million dividend, the Company was able to reinstate payments on its Preferred Stock dividends and the interest due on its junior subordinated debentures. As of December 31, 2014, the Company is current on all scheduled payments.

Table of Contents
Part I (Continued)
Item 1 (Continued)

As of December 31, 2014, the Bank had sought regulatory approval three times to declare and pay a cash dividend to the Company. On one occasion, in the first quarter of 2012, the Bank’s request was denied. On the second occasion, in the fourth quarter of 2012, the Bank’s request was approved. The Bank therefore declared and paid a cash dividend to the Company in the first quarter of 2013. On the third occasion, in the fourth quarter of 2014, the Bank’s request was approved. The Bank therefore declared and paid a cash dividend to the Company in the fourth quarter of 2014.

The Company used the dividend proceeds for general corporate purposes and payment of dividends on its Preferred Stock and payment of interest on its junior subordinated debentures. The Bank does not have to seek regulatory approval for dividends to the Company as long as the dividend payment does not exceed one-half of prior year earnings. Any request that exceeds one-half of prior year Bank earnings would require regulatory approval. The Company cannot give any assurances that such future requests will receive approval or whether such approvals will contain similar restrictions that the proceeds therefore may not be used to pay dividends on the Company’s equity securities or interest on its junior subordinated debentures.

A variety of federal and state laws and regulations affect the ability of the Bank and the Company to pay dividends. A depository institution may not pay any dividend if payment would cause it to become undercapitalized or if it already is undercapitalized. The federal banking agencies may prevent the payment of a dividend if they determine that the payment would be an unsafe and unsound banking practice. Moreover, the federal agencies have issued policy statements that provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings. In addition, regulations promulgated by the Georgia Department limit the Bank’s payment of dividends.

Enforcement Policies and Actions

Federal law gives the Federal Reserve and FDIC substantial powers to enforce compliance with laws, rules and regulations. Bank or individuals may be ordered to cease and desist from violations of law or other unsafe or unsound practices. The agencies have the power to impose civil money penalties against individuals or institutions of up to $1,000,000 per day for certain egregious violations. Persons who are affiliated with depository institutions can be removed from any office held in that institution and banned from participating in the affairs of any financial institution. The banking regulators have not hesitated to use the enforcement authorities provided in federal law.

Table of Contents
Part I (Continued)
Item 1 (Continued)

Current Capital Adequacy Requirements

Bank holding companies and banks are currently subject to various regulatory capital requirements administered by state and federal banking agencies that apply until the increased capital requirements of the new capital rules are effective and fully phased-in. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities, and certain off-balance sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting, and other factors. The current risk-based capital guidelines for bank holding companies and banks require capital ratios that vary based on the perceived degree of risk associated with a banking organization's operations for both transactions reported on the balance sheet as assets, such as loans, and those recorded as off-balance sheet items, such as commitments, letters of credit and recourse arrangements. The risk-based capital ratio is determined by classifying assets and certain off-balance sheet financial instruments into weighted categories, with higher levels of capital being required for those categories perceived as representing greater risks and dividing its qualifying capital by its total risk-adjusted assets and off-balance sheet items. Bank holding companies and banks engaged in significant trading activity may also be subject to the market risk capital guidelines and be required to incorporate additional market and interest rate risk components into their risk-based capital standards.

The currently effective risk-based capital guidelines of the regulatory agencies were based upon the 1988 capital accord ("Basel I") of the Basel Committee on Bank Supervision ("Basel Committee"), a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines, which each country's supervisors can use to determine the supervisory policies they apply to their home jurisdiction. In 2004, the Basel Committee proposed a new capital accord ("Basel II") to replace Basel I that provided approaches for setting capital standards for credit risk and capital requirements for operational risk and refining the existing capital requirements for market risk exposures. U.S. banking regulators published a final rule for Basel II implementation for certain banks, but a definitive rule was not issued, and instead the new capital rules to implement Basel III were first proposed in 2010.

Under the current capital requirements, there are three fundamental capital ratios: a total risk-based capital ratio, a Tier 1 risk-based capital ratio, and a Tier 1 leverage ratio. To be deemed "well capitalized" a bank must have a total risk-based capital ratio, a Tier 1 risk-based capital ratio, and a Tier 1 leverage ratio of at least ten percent, six percent, and five percent, respectively. There is currently no Tier 1 leverage requirement for a holding company to be deemed well-capitalized. At December 31, 2014, the respective capital ratios of the Company and the Bank exceeded the minimum percentage requirements to be deemed "well-capitalized" for regulatory purposes.

Table of Contents
Part I (Continued)
Item 1 (Continued)

	December 31, 2014	
	Amount	Percent
Leverage Ratio		
Actual	$127,220	11.18 %
Well-Capitalized Requirement	56,886	5.00
Minimum Required (1)	45,509	4.00
Risk Based Capital:		
Tier 1 Capital		
Actual	127,220	16.78
Well-Capitalized Requirement	37,899	5.00
Minimum Required (1)	30,320	4.00
Total Capital		
Actual	136,022	17.95
Well-Capitalized Requirement	75,799	10.00
Minimum Required (1)	60,639	8.00

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

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

Prompt Corrective Action Provisions

The Federal Deposit Insurance Act requires the federal bank regulatory agencies to take “prompt corrective action” with respect to a depository institution if that institution does not meet certain capital adequacy standards, including requiring the prompt submission of an acceptable capital restoration plan. Depending on the bank’s capital ratios, the agencies’ regulations define five categories in which an insured depository institution will be placed: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized. At each successive lower capital category, an insured bank is subject to more restrictions, including restrictions on the bank’s activities, operational practices or the ability to pay dividends or executive bonuses. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment.

Legislative and Regulatory Developments

The implementation and effect of legislation and regulations enacted since 2008 in response to the U.S. economic downturn and financial industry instability continued in 2014 as modest recovery returned to many institutions in the banking sector. Many institutions, including the Company, have exited Treasury investments under the TARP, and certain provisions of the Dodd-Frank Act are effective and have been fully implemented, including the revisions in the deposit insurance assessment base for FDIC insurance and the permanent increase in coverage to $250,000; the permissibility of paying interest on business checking accounts; the removal of barriers to interstate branching and required disclosure and shareholder advisory votes on executive compensation. Action in 2013 to implement the final Dodd-Frank Act provisions included (i) final new capital rules, (ii) a final rule to implement the so called Volcker Rule restrictions on certain proprietary trading and investment activities and (iii) final rules and increased enforcement action by the CFPB.

The New Capital Rule and Minimum Capital Ratios

In July 2013, the federal bank regulatory agencies adopted final regulations which revised their risk-based and leverage capital requirements for banking organizations to meet requirements of the Dodd-Frank Act and to implement international agreements reached by the Basel Committee on Banking Supervision intended to improve both the quality and quantity of banking organizations' capital ("Basel III"). Although many of the rules contained in these final regulations are applicable only to large, internationally active banks, some of them will apply on a phased-in basis to all banking organizations, including the Company and the Bank.

The following are among the new requirements that will be phased-in beginning January 1, 2015:

- an increase in the minimum Tier 1 capital ratio from 4.00% to 6.00% of risk-weighted assets;

- a new category and a required 4.50% of risk-weighted assets ratio is established for "common equity Tier 1" as a subset of Tier 1 capital limited to common equity;

- a minimum non-risk-based leverage ratio is set at 4.00% eliminating a 3.00% exception for higher rated banks;

- changes in the permitted composition of Tier 1 capital to exclude trust preferred securities, mortgage servicing rights and certain deferred tax assets and include unrealized gains and losses on available for sale debt and equity securities;

- the risk-weights of certain assets for purposes of calculating the risk-based capital ratios are changed for high volatility commercial real estate acquisition, development and construction loans, certain past due non-residential mortgage loans and certain mortgage-backed and other securities exposures;

- an additional "countercyclical capital buffer" is required for larger and more complex institutions; and

- The prompt corrective action standards will change when the new capital rule ratios become effective. Under the new standards, in order to be considered well-capitalized, the Bank would be required to meet the new common equity Tier 1 ratio of 6.5%, an increased Tier 1 ratio of 8% (increased from 6%), a total capital ratio of 10% (unchanged) and a leverage ratio of 5% (unchanged).

Management believes that, as of December 31, 2014, the Company and the Bank would meet all applicable capital requirements under the new capital rules on a fully phased-in basis if such requirements were currently in effect (see "Legislative and Regulatory Developments").

An additional capital conservation buffer of 2.5% of risk weighted assets above the regulatory minimum capital ratios established under the new final capital rule will be phased-in from 2016 to 2019 and must be met to avoid limitations on the ability of the Bank to pay dividends, repurchase shares or pay discretionary bonuses. Including the capital conservation buffer of 2.5%, the new final capital rule would result in the following minimum ratios: (i) a Tier 1 capital ratio of 8.5%, (ii) a common equity Tier 1 capital ratio of 7.0%, and (iii) a total capital ratio of 10.5%. The new capital conservation buffer requirement would be phased-in beginning in January 2016 at 0.625% of risk-weighted assets and would increase each year until fully implemented in January 2019. While the new final capital rule sets higher regulatory capital standards for the Company and the Bank, bank regulators may also continue their past policies of expecting banks to maintain additional capital beyond the new minimum requirements. The implementation of the new capital rules or more stringent requirements to maintain higher levels of capital or to maintain higher levels of liquid assets could adversely affect the Company's net income and return on equity, restrict the ability to pay dividends or executive bonuses and require the raising of additional capital.

Final Volcker Rule

In December 2013, the federal bank regulatory agencies adopted final rules that implement a part of the Dodd-Frank Act commonly referred to as the "Volcker Rule." Under these rules and subject to certain exceptions, banking entities, including the Company and the Bank, will be restricted from engaging in activities that are considered proprietary trading and from sponsoring or investing in certain entities, including hedge or private equity funds that are considered "covered funds." These rules became effective on April 1, 2014. Certain collateralized debt obligations ("CDO") securities backed by trust preferred securities were initially defined as covered funds subject to the investment prohibitions of the final rule. Action taken by the Federal Reserve in January 2014 exempted many such securities to address the concern that many community banks holding such CDO securities may have been required to recognize losses on those securities.

Table of Contents
Part I (Continued)
Item 1 (Continued)

CFPB Actions

The Dodd-Frank Act provided for the creation of the CFPB as an independent entity within the Federal Reserve with broad rulemaking, supervisory and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans, credit cards, and other consumer loans. The CFPB's functions include investigating consumer complaints, conducting market research, rulemaking, supervising and examining bank consumer transactions, and enforcing rules related to consumer financial products and services. CFPB regulations and guidance apply to all financial institutions and banks with $10 billion or more in assets and are subject to examination by the CFPB. Banks with less than $10 billion in assets, including the Bank, will continue to be examined for compliance by their primary federal banking agency. Significant recent CFPB developments that may affect the Bank's operations and compliance costs include:

- the issuance of final rules for residential mortgage lending, which became effective January 10, 2014, including definitions for "qualified mortgages" and detailed standards by which lenders must satisfy themselves of the borrower's ability to repay the loan and revised forms of disclosure under the Truth in Lending Act and the Real Estate Settlement Procedures Act;

- the issuance of a policy report on arbitration clauses which could result in the restriction or prohibition of lenders including arbitration clauses in consumer financial services contracts;

- actions taken to regulate and supervise credit bureaus and debt collections; and

- positions taken by the CFPB on fair lending, including applying the disparate impact theory in auto financing, which could make it harder for lenders to charge different rates or apply different terms to loans to different customers.

Bank Holding Company Regulation

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

- require periodic reports and such additional information as the Federal Reserve may require bank holding companies to meet or exceed minimum capital requirements (see "Legislative and Regulatory Developments" and "Current Capital Adequacy Requirements");

- require that bank holding companies serve as a source of financial and managerial strength to subsidiary banks and commit resources as necessary to support each subsidiary bank. The source-of-strength doctrine most directly affects bank holding companies where a bank holding company's subsidiary bank fails to maintain adequate capital levels. In such a situation, the subsidiary bank will be required by the Bank's federal regulator to take "prompt corrective action" (see "Prompt Corrective Action Provisions");

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

Table of Contents

Part I (Continued)
Item 1 (Continued)

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

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

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

- require prior approval of acquisitions and mergers with other banks or bank holding companies and consider certain competitive, management, financial, and anti-money laundering compliance impact on the U.S.

Other Restrictions on the Company's Activities

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

Sarbanes-Oxley Act

The Company is subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, including, among other things, required executive certification of financial presentations, requirements for board audit committees and their members, and disclosure of controls and procedures and internal control over financial reporting.

Regulation of the Bank

As a Georgia-chartered commercial bank whose deposits are insured by the FDIC, the Bank is subject to regulation, supervision, and regular examination by the Georgia Department of Banking and Finance and by the FDIC as a nonmember state bank, as the Bank's primary Federal regulator. Specific federal and state laws and regulations which are applicable to banks regulate, among other things, the scope of their business, their investments, their reserves against deposits, the timing of the availability of deposited funds, their activities relating to dividends, investments, loans, the nature and amount of and collateral for certain loans, servicing and foreclosing on loans, borrowings, capital requirements, certain check-clearing activities, branching, and mergers and acquisitions.

Enforcement Authority

The federal and Georgia regulatory structures give the bank regulatory agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. The regulatory agencies have adopted guidelines to assist in identifying and addressing potential safety and soundness concerns before an institution's capital becomes impaired. The guidelines establish operational and managerial standards generally relating to: (1) internal controls, information systems, and internal audit systems; (2) loan documentation; (3) credit underwriting; (4) interest-rate exposure; (5) asset growth and asset quality; and (6) compensation, fees, and benefits. Further, the regulatory agencies have adopted safety and soundness guidelines for asset quality and for evaluating and monitoring earnings to ensure that earnings are sufficient for the maintenance of adequate capital and reserves. If, as a result of an examination, the DBF or the FDIC should determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the Bank's operations are unsatisfactory or that the Bank or its management is violating or has violated any law or regulation, the DBF and the FDIC, and separately the FDIC as insurer of the Bank's deposits, have residual authority to:

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

Deposit Insurance

The FDIC is an independent federal agency that insures deposits through the Deposit Insurance Fund (the "DIF") up to prescribed statutory limits of federally insured banks and savings institutions and safeguards the safety and soundness of the banking and savings industries. The amount of FDIC assessments paid by each DIF member institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors. The FDIC may terminate a depository institution's deposit insurance upon a finding that the institution's financial condition is unsafe or unsound or that the institution has engaged in unsafe or unsound practices that pose a risk to the DIF or that may prejudice the interest of the Bank's depositors. The termination of deposit insurance for a bank would also result in the revocation of the Bank's charter by the DBF. The Bank's FDIC insurance expense totaled $966 thousand for 2014. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures or if the FDIC otherwise determines, we may be required to pay even higher FDIC premiums. Any future increases in FDIC insurance premiums may have a material and adverse effect on our earnings and could have a material adverse effect on the value of, or market for, our common stock.

Dividends

It is the Federal Reserve's policy that bank holding companies should generally pay dividends on common stock only out of income available over the past year, and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition. It is also the Federal Reserve's policy that bank holding companies should not maintain dividend levels that undermine their ability to be a source of strength to its banking subsidiaries. The Federal Reserve has also discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

The Bank is a legal entity that is separate and distinct from the Company. The Company is dependent on the performance of the Bank for funds which may be received as dividends from the Bank for use in the operation of the Company and the ability of the Company to pay dividends to shareholders. Subject to the regulatory restrictions which currently further restrict the ability of the Bank to declare and pay dividends under applicable Georgia law, future cash dividends by the Bank will depend upon management's assessment of future capital requirements, contractual restrictions and other factors. When effective, the new minimum capital rule may restrict dividends by the Bank if the additional capital conservation buffer is not achieved.

Operations and Consumer Compliance Laws

The Bank must comply with numerous federal and state anti-money laundering and consumer protection and privacy statutes and implementing regulations, including the USA Patriot Act of 2001, GLBA, the Bank Secrecy Act, the Foreign Account Tax Compliance Act (effective 2013), the CRA, the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act, and various federal and state privacy protection laws. Noncompliance with these laws could subject the Bank to lawsuits and could also result in administrative penalties, including, fines and reimbursements. The Bank and the Company are also subject to federal and state laws prohibiting unfair or fraudulent business practices, untrue or misleading advertising and unfair competition.

Table of Contents
Part I (Continued)
Item 1 (Continued)

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

The Dodd-Frank Act provided for the creation of the CFPB as an independent entity within the Federal Reserve. The CFPB is a new regulatory agency for United States banks. The CFPB has broad rulemaking, supervisory, and enforcement authority over consumer financial products and services, including deposit products, residential mortgages, home-equity loans, credit cards, and other consumer loans. The CFPB's functions include investigating consumer complaints, conducting market research, rulemaking, supervising and examining banks consumer transactions, and enforcing rules related to consumer financial products and services. Pursuant to the Dodd-Frank Act, banks (such as the Bank) with less than $10 billion in assets will continue to be examined for compliance with the consumer laws and the regulations of the CFPB by their primary federal banking agency.

The CFPB has adopted revisions to Regulation Z, which implements the Truth in Lending Act ("TILA"). The revisions took effect on January 10, 2014 and apply to all consumer mortgages (except home equity lines of credit, timeshare plans, reverse mortgages, or temporary loans). The revisions mandate specific underwriting criteria for home loans in order for creditors to make a reasonable, good faith determination of a consumer's ability to repay and establish certain protections from liability under this requirement for "qualified mortgages" meeting certain standards. In particular, it will prevent banks from making "no doc" and "low doc" home loans, as the rules require that banks determine a consumer's ability to pay based in part on verified and documented information. Because we do not originate "no doc" or "low doc" loans, we do not believe this regulation will have a significant effect on our operations.

Iran Sanctions Related Disclosure

Under the Iran Threat Reduction and Syrian Human Rights Act of 2012, which added Section 13(r) to the Securities Exchange Act of 1934, as amended, we are required to include certain disclosures in our periodic reports if we or any of our "affiliates" knowingly engaged in certain specified activities during the period covered by this Annual Report on Form 10-K. Because the SEC defines the term "affiliate" broadly, it includes any entity controlled by us as well as any person or entity that controls us or is under common control with us. We do not believe we and our consolidated subsidiaries have knowingly engaged in any transaction or dealing reportable under Section 13(r) of the Exchange Act during fiscal year 2014.

Table of Contents
Part I (Continued)
Item 1 (Continued)

Anti-Money Laundering and the USA Patriot Act

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the “USA Patriot Act”) substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The United States Treasury Department has issued and, in some cases, proposed a number of regulations that apply various requirements of the USA Patriot Act to financial institutions such as the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Certain of those regulations impose specific due diligence requirements on financial institutions that maintain correspondent or private banking relationships with non-U.S. financial institutions or persons. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the Company.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Legislative and Regulatory Initiatives

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

Table of Contents
Item 1A

Risk Factors

Not Applicable.

Item 1B

Unresolved Staff Comments

Not Applicable.

Item 2

Properties

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

Item 3

Legal Proceedings

The Company and its subsidiary may become parties to various legal proceedings arising from the normal course of business. As of December 31, 2014, there are no material pending legal proceedings to which Colony or its subsidiary are a party or of which any of its property is the subject.

Item 4

Mine Safety Disclosures

Not Applicable.

Table of Contents
Part II
Item 5

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

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

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

Year Ended December 31, 2014	High	Low	Close
Fourth Quarter	8.00	6.30	7.88
Third Quarter	7.13	6.00	6.70
Second Quarter	6.31	5.45	6.31
First Quarter	6.50	5.90	6.13
Year Ended December 31, 2013			
Fourth Quarter	6.40	5.81	6.10
Third Quarter	7.47	5.85	5.85
Second Quarter	7.50	5.21	6.81
First Quarter	5.95	3.55	5.45

No cash dividends were paid on its common stock in 2013 or 2014. The Company’s board of directors suspended the payment of dividends in the third quarter of 2009. For a description of the restrictions and limitations on the Company’s ability to pay dividends, please see “Dividends” on Page 18.

As of December 31, 2014, the Company had approximately 1,898 common stockholders of record.

On March 30, 2010, Colony Bankcorp, Inc. accepted the subscriptions of several investors in a private placement offering to accredited investors under an exemption from registration contained in Section 4(2) of the Securities Act of 1933 and Rule 506 of Regulation D under the Securities Act. The Company offered a maximum of 1,216,545 shares of its common stock at a price of $4.11-$4.50 per share. The price for non-affiliates was determined using a twenty day average trading price as quoted on NASDAQ Stock Market immediately prior to the beginning of the offering. All of the shares were purchased for a total of $5.08 million, less offering expenses of approximately $20,000. The offering was closed March 30, 2010.

Issuer Purchase of Equity Securities

The Company purchased no shares of the Company’s common stock during the quarter ended December 31, 2014.

Table of Contents
Part II (Continued)
Item 6

Selected Financial Data

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in Thousands, except per share data)				
Selected Balance Sheet Data					
Total Assets	$1,146,898	$1,148,551	$1,139,397	$1,195,376	$1,275,658
Total Loans, Net of Unearned Interest and Fees	745,733	750,857	746,816	716,264	813,189
Total Deposits	979,303	987,529	979,685	999,985	1,059,124
Investment Securities	274,624	263,295	268,342	303,937	303,886
Federal Home Loan Bank Stock	2,831	3,164	3,364	5,398	6,064
Stockholders’ Equity	99,027	89,954	95,759	96,613	92,959
Selected Income Statement Data					
Interest Income	44,762	45,186	47,289	51,793	58,738
Interest Expense	6,799	7,497	11,016	16,806	21,523
Net Interest Income	37,963	37,689	36,273	34,987	37,215
Provision for Loan Losses	1,308	4,485	6,785	8,250	13,350
Other Income	9,125	8,377	9,733	9,951	10,006
Other Expense	34,980	34,617	35,379	33,051	33,856
Income (Loss) Before Tax	10,800	6,964	3,842	3,637	15
Income Tax Expense (Benefit)	3,268	2,335	1,201	1,104	(459)
Net Income (Loss)	7,532	4,629	2,641	2,533	474
Preferred Stock Dividends	2,689	1,509	1,435	1,400	1,400
Net Income (Loss) Available to Common Stockholders	$4,843	$3,120	$1,206	$1,133	$(926)
Weighted Average Common Shares Outstanding	8,439	8,439	8,439	8,439	8,149
Shares Outstanding	8,439	8,439	8,439	8,439	8,443
Intangible Assets	$152	$188	$224	$259	$295
Dividends Declared	-	-	-	-	-
Average Assets	1,128,052	1,118,071	1,139,814	1,205,891	1,269,607
Average Stockholders’ Equity	94,751	93,358	96,541	94,737	94,452
Net Charge-Offs	4,312	5,416	9,698	20,880	16,471
Reserve for Loan Losses	8,802	11,806	12,737	15,650	28,280
OREO	10,402	15,502	15,941	20,445	20,208
Nonperforming Loans	18,341	24,118	29,855	38,837	28,921
Nonperforming Assets	28,743	39,620	46,162	59,708	49,262
Average Interest-Earning Assets	1,057,608	1,048,185	1,066,333	1,132,523	1,199,216
Noninterest-Bearing Deposits	128,340	115,261	123,967	94,269	102,959

Table of Contents
Part II (Continued)
Item 6 (Continued)

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in Thousands, except per share data)				
Per Share Data:					
Net Income (Loss) Per Common Share (Diluted)	$0.57	$0.37	$0.14	$0.13	$(0.11)
Common Book Value Per Share	8.42	7.34	8.05	8.17	7.75
Tangible Common Book Value Per Share	8.40	7.32	8.02	8.14	7.72
Dividends Per Common Share	0.00	0.00	0.00	0.00	0.00
Profitability Ratios:					
Net Income (Loss) to Average Assets	0.43 %	0.28 %	0.11 %	0.09 %	(0.07)%
Net Income (Loss) to Average Stockholders' Equity	5.11	3.34	1.25	1.20	(0.98)
Net Interest Margin	3.60	3.61	3.41	3.11	3.12
Loan Quality Ratios:					
Net Charge-Offs to Total Loans	0.58	0.72	1.30	2.92	2.03
Reserve for Loan Losses to Total Loans and OREO	1.16	1.54	1.67	2.12	3.39
Nonperforming Assets to Total Loans and OREO	3.80	5.17	6.05	8.10	5.91
Reserve for Loan Losses to Nonperforming Loans	47.99	48.95	42.66	40.30	97.78
Reserve for Loan Losses to Total Nonperforming Assets	30.62	29.80	27.59	26.21	57.41
Liquidity Ratios:					
Loans to Total Deposits (2)	76.15	76.03	76.23	71.63	76.78
Loans to Average Earning Assets (2)	70.51	71.63	70.04	63.24	67.81
Noninterest-Bearing Deposits to Total Deposits	13.11	11.67	12.65	9.43	9.72
Capital Adequacy Ratios:					
Common Stockholders' Equity to Total Assets	6.20	5.39	5.96	5.77	5.13
Total Stockholders' Equity to Total Assets	8.63	7.83	8.40	8.08	7.29
Dividend Payout Ratio	0.00	0.00	0.00	0.00	NM (1)

(1) Not meaningful due to net loss recorded.
(2) Total loans, net of unearned interest and fees.

Table of Contents
Part II (Continued)
Item 7

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

Forward-Looking Statements and Factors that Could Affect Future Results

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

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

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

Table of Contents
Part II (Continued)
Item 7 (Continued)

- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company and its subsidiaries must comply.

- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters.

- Changes in the Company's organization, compensation and benefit plans.

- The costs and effects of litigation and of unexpected or adverse outcomes in such litigation.

- Greater than expected costs or difficulties related to the integration of new lines of business.

- The Company's success at managing the risks involved in the foregoing items.

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

The Company

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

Application of Critical Accounting Policies and Accounting Estimates

The accounting and reporting policies of the Company are in accordance with accounting principles generally accepted in the United States of America and conform to general practices within the banking industry. The Company's financial position and results of operations are affected by management's application of accounting policies, including judgments made to arrive at the carrying value of assets and liabilities and amounts reported for revenues, expenses and related disclosures. Different assumptions in the application of these policies could result in material changes in the Company's financial position and/or results of operations. Critical accounting policies are those policies that management believes are the most important to the portrayal of the Company's financial condition and results of operations, and they require management to make estimates that are difficult and subjective or complete.

Allowance for Loan Losses - The allowance for loan losses provides coverage for probable losses inherent in the Company's loan portfolio. Management evaluates the adequacy of the allowance for loan losses quarterly based on changes, if any, in underwriting activities, the loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, regulatory guidance and economic factors. This evaluation is inherently subjective, as it requires the use of significant management estimates. Many factors can affect management's estimates of specific and expected losses, including volatility of default probabilities, collateral values, rating migrations, loss severity and economic and political conditions. The allowance is increased through provisions charged to operating earnings and reduced by net charge-offs.

Table of Contents
Part II (Continued)
Item 7 (Continued)

The Company determines the amount of the allowance based on relative risk characteristics of the loan portfolio. The allowance recorded for loans is based on reviews of individual credit relationships and historical loss experience. The allowance for losses relating to impaired loans is based on the loan's observable market price, the discounted cash flows using the loan's effective interest rate, or the value of collateral for collateral dependent loans.

Regardless of the extent of the Company's analysis of customer performance, portfolio trends or risk management processes, certain inherent but undetected losses are probable within the loan portfolio. This is due to several factors, including inherent delays in obtaining information regarding a customer's financial condition or changes in their unique business conditions, the judgmental nature of individual loan evaluations, collateral assessments and the interpretation of economic trends. Volatility of economic or customer-specific conditions affecting the identification and estimation of losses for larger nonhomogeneous credits and the sensitivity of assumptions utilized to establish allowances for homogeneous groups of loans are among other factors. The Company estimates a range of inherent losses related to the existence of these exposures. The estimates are based upon the Company's evaluation of risk associated with the commercial and consumer levels and the estimated impact of the current economic environment.

Other Real Estate Owned and Foreclosed Assets

Other real estate owned (OREO) or other foreclosed assets acquired through loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. The adjustment at the time of foreclosure is recorded through the allowance for loan losses. Due to the subjective nature of establishing the fair value when the asset is acquired, the actual fair value of the other real estate owned or foreclosed asset could differ from the original estimate. If it is determined that fair value declines subsequent to foreclosure, the valuation allowance is adjusted through a charge to noninterest expense. Operating costs associated with the assets after acquisition are also recorded as noninterest expense. Gains and losses on the disposition of other real estate owned and foreclosed assets are netted and recognized in noninterest expense. Management obtains appraisals performed by certified, third-parties within one year of placing a property into OREO. The fair value of the property is then evaluated by management annually going forward, or more often if necessary. Annual evaluations may be performed by certified third parties, or internally by management comparing recent sales of similar properties within the Company's OREO portfolio.

Overview

The following discussion and analysis presents the more significant factors affecting the Company's financial condition as of December 31, 2014 and 2013, and results of operations for each of the years in the three-year period ended December 31, 2014. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements, notes thereto and other financial information appearing elsewhere in this report.

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

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

Table of Contents
Part II (Continued)
Item 7 (Continued)

Results of Operations

The Company's results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since market forces and economic conditions beyond the control of the Company determine interest rates, the ability to generate net interest income is dependent upon the Company's ability to obtain an adequate spread between the rate earned on earning assets and the rate paid on interest-bearing liabilities. Thus, the key performance for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average earning assets. Net income (loss) available to common shareholders totaled $4.84 million, or $0.57 per diluted common share in 2014, compared to $3.12 million, or $0.37 per diluted common share in 2013, and to $1.21 million, or $0.14 per diluted common share in 2012.

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

	2014	2013	$ Variance	% Variance	2013	2012	$ Variance	% Variance
Taxable-equivalent net interest income	$38,080	$37,859	$221	0.58 %	$37,859	$36,417	$1,442	3.96 %
Taxable-equivalent adjustment	117	170	(53)	(31.18)	170	144	26	18.06
Net interest income	37,963	37,689	274	0.73	37,689	36,273	1,416	3.90
Provision for loan losses	1,308	4,485	(3,177)	(70.84)	4,485	6,785	(2,300)	(33.90)
Noninterest income	9,125	8,377	748	8.93	8,377	9,733	(1,356)	(13.93)
Noninterest expense	34,980	34,617	363	1.05	34,617	35,379	(762)	(2.15)
Income before income taxes	$10,800	$6,964	$3,836	55.08	$6,964	$3,842	$3,122	81.26
Income Taxes	3,268	2,335	933	39.96	2,335	1,201	1,134	94.42
Net income	$7,532	$4,629	$2,903	62.71 %	$4,629	$2,641	$1,988	75.27 %
Preferred stock dividends	$2,689	$1,509	$1,180	78.20 %	$1,509	$1,435	$74	5.16 %
Net income available to common shareholders	$4,843	$3,120	$1,723	55.22 %	$3,120	$1,206	$1,914	158.71 %
Net income available to common shareholders:								
Basic	$0.57	$0.37	$0.20	54.05 %	$0.37	$0.14	$0.23	164.29 %
Diluted	$0.57	$0.37	$0.20	54.05 %	$0.37	$0.14	$0.23	164.29 %
Return on average assets (1)	0.43 %	0.28 %	0.15 %	53.57 %	0.28 %	0.11 %	0.17 %	154.55 %

Return on average common equity (1)	5.11 %	3.34 %	1.77 %	52.99 %	3.34 %	1.25 %	2.09 %	167.20 %

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

Table of Contents
Part II (Continued)
Item 7 (Continued)

Net Interest Income

Net interest income is the difference between interest income on earning assets, such as loans and securities, and interest expense on liabilities, such as deposits and borrowings, which are used to fund those assets. Net interest income is the Company's largest source of revenue, representing 80.62 percent of total revenue during 2014 and 81.82 percent during 2013.

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

The Federal Reserve Board influences the general market rates of interest, including the deposit and loan rates offered by many financial institutions. The Company's loan portfolio is significantly affected by changes in the prime interest rate. The prime interest rate, which is the rate offered on loans to borrowers with strong credit is currently 3.25 percent and has been for the past four years. The federal funds rate moves similar to prime rate with interest rates currently at 0.25 percent and has been for the past four years. We anticipate the Federal Reserves interest rate to remain flat the first part of 2015 with a potential increase the latter part of 2015.

The following table presents the changes in taxable-equivalent net interest income and identifies the changes due to differences in the average volume of earning assets and interest-bearing liabilities and the changes due to changes in the average interest rate on those assets and liabilities. The changes in net interest income due to changes in both average volume and average interest rate have been allocated to the average volume change or the average interest rate change in proportion to the absolute amounts of the change in each. The Company's consolidated average balance sheets along with an analysis of taxable-equivalent net interest earnings are presented in the Quantitative and Qualitative Disclosures About Market Risk included elsewhere in this report.

Table of Contents
Part II (Continued)
Item 7 (Continued)

Rate/Volume Analysis

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

	Changes From 2013 to 2014 (a)			Changes From 2012 to 2013 (a)		
	Volume	Rate	Total	Volume	Rate	Total
Interest Income						
Loans, Net-Taxable	$(175)	$(1,484)	$(1,659)	$1,327	$(1,908)	$(581)
Investment Securities						
Taxable	122	1,044	1,166	(145)	(1,263)	(1,408)
Tax-Exempt	(22)	(4)	(26)	(20)	4	(16)
Total Investment Securities	100	1,040	1,140	(165)	(1,259)	(1,424)
Interest-Bearing Deposits in Other Banks	18	(3)	15	(19)	3	(16)
Federal Funds Sold	(6)	(1)	(7)	(60)	-	(60)
Other Interest - Earning Assets	(9)	43	34	(18)	22	4
Total Interest Income	(72)	(405)	(477)	1,065	(3,142)	(2,077)
Interest Expense						
Interest-Bearing Demand and Savings Deposits	100	(37)	63	141	(64)	77
Time Deposits	(263)	(508)	(771)	(892)	(2,101)	(2,993)
Total Interest Expense On Deposits	(163)	(545)	(708)	(751)	(2,165)	(2,916)
Other Interest-Bearing Liabilities						
Federal Funds Purchased and Repurchase Agreements	-	-	-	(136)	(430)	(566)
Subordinated Debentures	-	1	1	-	(37)	(37)
Other Debt	(9)	18	9	-	-	-
Total Interest Expense	(9)	19	10	(887)	(2,632)	(3,519)
Net Interest Income (Loss)	$100	$121	$221	$1,952	$(510)	$1,442

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

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

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

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

Our exposure to interest rate risk is reviewed at least quarterly by our Board of Directors and the ALCO. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net portfolio value in the event of assumed changes in interest rates. In order to reduce the exposure to interest rate fluctuations, we have implemented strategies to more closely match our balance sheet composition. The Company has engaged FTN Financial to run a quarterly asset/liability model for interest rate risk analysis. We are generally focusing our investment activities on securities with terms or average lives in the 2-5 year range.

The Company maintains about 15.6 percent of its loan portfolio in adjustable rate loans that reprice with prime rate changes, while the bulk of its other loans mature within 3 years. The liabilities to fund assets are primarily in short term certificates of deposit that mature within one year. While the Federal Reserve rates have remained unchanged since 2008, we have seen the net interest margin change to 3.60 percent for 2014, compared to 3.61 percent for 2013 and to 3.41 percent for 2012. We have seen our net interest margin reach a low of 3.47 percent for first quarter 2014 to a high of 3.73 percent for third quarter 2014.

Taxable-equivalent net interest income for 2014 increased by $221 thousand, or 0.58 percent, compared to 2013 while taxable-equivalent net interest income for 2013 increased by $1.44 million, or 3.96 percent, compared to 2012. The average volume of earning assets during 2014 increased $9.42 million compared to 2013 while over the same period the net interest margin dropped to 3.60 percent from 3.61 percent. The average volume of earning assets during 2013 decreased $18.15 million compared to 2012 while over the same period the net interest margin increased to 3.61 percent from 3.41 percent. The change in the net interest margin in 2014 and 2013 was primarily driven by reduction in the cost of funds. The increase in average earning assets in 2014 was in securities and interest-bearing deposits. The decline in average earning assets in 2013 affected each category of assets except loans, while the significant decrease was primarily in average investment securities.

The average volume of loans decreased $3.14 million in 2014 compared to 2013, and increased $22.76 million in 2013 compared to 2012. The average yield on loans decreased 20 basis points in 2014 compared to 2013 and decreased 26 basis points in 2013 compared to 2012. The average volume of deposits increased $5.7 million while other borrowings decreased $331 thousand in 2014 compared to 2013. The average volume of deposits decreased $16.38 million while other borrowings decreased $3.41 million in 2013 compared to 2012. Demand deposits made up $5.8 million of the increase in average deposits in 2014 and interest-bearing deposits made up $27.1 million of the decrease in average deposits in 2013.

Table of Contents
Part II (Continued)
Item 7 (Continued)

Accordingly, the ratio of average interest-bearing deposits to total average deposits was 87.6 in 2014, 88.2 percent in 2013 and 89.5 percent in 2012. This deposit mix, combined with a general decrease in interest rates, had the effect of (i) decreasing the average cost of total deposits by 8 basis points in 2014 compared to 2013 and decreasing the average cost of total deposits by 29 basis points in 2013 compared to 2012, and (ii) mitigating a portion of the impact of decreasing yields on earning assets on the Company's net interest income.

The Company's net interest spread, which represents the difference between the average rate earned on earning assets and the average rate paid on interest-bearing liabilities, was 3.49 percent in 2014 compared to 3.50 percent in 2013 and 3.27 percent in 2012. The net interest spread, as well as the net interest margin, will be impacted by future changes in short-term and long-term interest rate levels, as well as the impact from the competitive environment. A discussion of the effects of changing interest rates on net interest income is set forth in Quantitative and Qualitative Disclosures About Interest Rate Sensitivity included elsewhere in this report.

Provision for Loan Losses

The provision for loan losses is determined by management as the amount to be added to the allowance for loan losses after net charge-offs have been deducted to bring the allowance to a level which, in management's best estimate, is necessary to absorb probable losses within the existing loan portfolio. The provision for loan losses totaled $1.31 million in 2014 compared to $4.49 million in 2013 and $6.79 million in 2012. See the section captioned "Allowance for Loan Losses" elsewhere in this discussion for further analysis of the provision for loan losses.

Noninterest Income

The components of noninterest income were as follows:

	2014	2013	$ Variance	% Variance	2013	2012	$ Variance	% Variance
Service Charges on Deposit Accounts	$4,568	$4,691	$(123)	(2.62)%	$4,691	$3,573	$1,118	31.29 %
Other Charges, Commissions and Fees	2,469	1,725	744	43.13	1,725	1,515	210	13.86
Mortgage Fee Income	420	484	(64)	(13.22)	484	400	84	21.00
Securities Gains (Losses)	24	(364)	388	(106.59)	(364)	2,837	(3,201)	(112.83)
Gain on Sale of SBA Loans	-	635	(635)	(100.00)	635	306	329	107.52
Other	1,644	1,206	438	36.32	1,206	1,102	104	9.44
Total	$9,125	$8,377	$748	8.93 %	$8,377	$9,733	$(1,356)	(13.93)%

Mortgage Fee Income. The volume of mortgage loans has been sluggish in 2014 compared to the same period in 2013 which contributed to a slight decrease in mortgage fee income. The increase in 2013 compared to 2012 was due to increased mortgage loan activity due to an initiative to increase mortgage lending opportunities given the low interest rate environment.

Other Charges, Commissions and Fees. Significant amounts impacting the comparable periods was primarily attributed to ATM and debit card interchange fees which increased $701 thousand in 2014 compared to 2013.

- 36 -

Table of Contents
Part II (Continued)
Item 7 (Continued)

Other. Significant amounts impacting the comparable periods was primarily attributed to the income for bank owned life insurance which increased $217 thousand in 2014 compared to 2013.

Noninterest Expense

The components of noninterest expense were as follows:

	2014	2013	$ Variance	% Variance	2013	2012	$ Variance	% Variance
Salaries and Employee Benefits	$17,508	$16,692	$816	4.89 %	$16,692	$15,565	$1,127	7.24 %
Occupancy and Equipment	4,063	3,795	268	7.06	3,795	3,878	(83)	(2.14)
Directors' Fees	392	417	(25)	(6.00)	417	465	(48)	(10.32)
Legal and Professional Fees	786	721	65	9.02	721	1,086	(365)	(33.61)
Foreclosed Property	2,701	3,918	(1,217)	(31.06)	3,918	5,613	(1,695)	(30.20)
FDIC Assessment	966	1,322	(356)	(26.93)	1,322	1,498	(176)	(11.75)
Advertising	652	508	144	28.35	508	423	85	20.09
Software	925	853	72	8.44	853	789	64	8.11
Telephone	736	778	(42)	(5.40)	778	745	33	4.43
ATM/Card Processing	866	641	225	35.10	641	511	130	25.44
Other	5,385	4,972	413	8.31	4,972	4,806	166	3.45
Total	$34,980	$34,617	$363	4.05 %	$34,617	$35,379	$(762)	(2.15)%

Salaries and Employee Benefits. The increase in 2014 is primarily attributable to the Company reinstating their contribution to the profit sharing plan in the amount of $401,497 and the remainder of the increase is due to merit pay increases.

Foreclosed Property. The decrease in foreclosed property and repossession expense for 2014 is primarily attributable to the decrease in the volume of OREO.

Table of Contents
Part II (Continued)
Item 7 (Continued)

Sources and Uses of Funds

The following table illustrates, during the years presented, the mix of the Company's funding sources and the assets in which those funds are invested as a percentage of the Company's average total assets for the period indicated. Average assets totaled $1.13 billion in 2014 compared to $1.12 billion in 2013 and $1.14 billion in 2012.

	2014		2013		2012	
Sources of Funds:						
Deposits:						
Noninterest-Bearing	$118,452	10.5 %	$112,667	10.1 %	$101,896	8.9 %
Interest-Bearing	840,608	74.5 %	840,646	75.2 %	867,794	76.1 %
Federal Funds Purchased and Repurchase Agreements	2	- %	34	- %	-	- %
Subordinated Debentures and Other Borrowed Money	64,229	5.7 %	64,528	5.8 %	67,974	6.0 %
Other Noninterest-Bearing Liabilities	10,010	0.9 %	6,838	0.6 %	5,609	0.5 %
Equity Capital	94,751	8.4 %	93,358	8.3 %	96,541	8.5 %
Total	$1,128,052	100.0%	$1,118,071	100.0%	$1,139,814	100.0%
Uses of Funds:						
Loans (Net of Allowance)	$730,643	64.8 %	$731,280	65.4 %	$706,091	62.0 %
Investment Securities	284,474	25.2 %	275,689	24.7 %	284,261	24.9 %
Federal Funds Sold	12,551	1.1 %	14,969	1.3 %	38,877	3.4 %
Interest-Bearing Deposits	16,193	1.4 %	9,625	0.9 %	17,046	1.5 %
Other Interest-Earning Assets	2,906	0.3 %	3,275	0.3 %	4,277	0.4 %
Other Noninterest-Earning Assets	81,285	7.2 %	83,233	7.4 %	89,262	7.8 %
Total	$1,128,052	100.0%	$1,118,071	100.0%	$1,139,814	100.0%

Deposits continue to be the Company's primary source of funding. Over the comparable periods, the relative mix of deposits continues to be high in interest-bearing deposits. Interest-bearing deposits totaled 87.6 percent of total average deposits in 2014 compared to 88.2 percent 2013 and 89.5 percent in 2012.

The Company primarily invests funds in loans and securities. Loans continue to be the largest component of the Company's mix of invested assets. Loan demand decreased in 2014 as total loans were $746.1 million at December 31, 2014, down 0.68 percent, compared to loans of $751.2 million at December 31, 2013, while total loans at December 31, 2013, up 0.6 percent, compared to loans of $747.1 million at December 31, 2012. See additional discussion regarding the Company's loan portfolio in the section captioned "Loans" on the following page. The majority of funds provided by deposits have been invested in loans.

Table of Contents
Part II (Continued)
Item 7 (Continued)

Loans

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

	2014	2013	2012	2011	2010
Commercial and Agricultural					
Commercial	$50,960	$48,107	$55,684	$48,986	$53,220
Agricultural	16,689	10,666	6,211	8,422	10,552
Real Estate					
Commercial Construction	51,259	52,739	53,808	58,546	72,309
Residential Construction	11,221	6,549	5,852	3,530	4,373
Commercial	332,231	341,783	334,386	315,281	362,878
Residential	203,753	206,258	203,845	193,638	207,472
Farmland	49,951	47,034	49,057	48,225	52,778
Consumer and Other					
Consumer	22,820	25,676	29,778	30,449	33,564
Other	7,210	12,406	8,429	9,244	16,104
	746,094	751,218	747,050	716,321	813,250
Unearned Interest and Fees	(362)	(360)	(234)	(57)	(61)
Allowances for Loan Losses	(8,802)	(11,806)	(12,737)	(15,650)	(28,280)
Loans	$736,930	$739,052	$734,079	$700,614	$784,909

The following table presents total loans as of December 31, 2014 according to maturity distribution and/or repricing opportunity on adjustable rate loans.

Maturity and Repricing Opportunity	
One Year or Less	$338,824
After One Year through Three Years	225,710
After Three Years through Five Years	127,257
Over Five Years	54,303
	$746,094

Overview. Loans totaled $746.1 million at December 31, 2014, down 0.68 percent from December 31, 2013 loans of $751.2 million. The majority of the Company's loan portfolio is comprised of the real estate loans. Commercial and residential real estate which is primarily 1-4 family residential properties and nonfarm nonresidential properties, made up 71.84 percent and 72.95 percent of total loans, real estate construction loans made up 8.37 percent and 7.89 percent while commercial and agricultural loans made up 9.07 percent and 7.82 percent of total loans at December 31, 2014 and December 31, 2013, respectively.

- 39 -

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

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

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

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

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

Commercial and Agricultural. Commercial and agricultural loans at December 31, 2014 increased 15.1 percent to $67.6 million from December 31, 2013 at $58.8 million. The Company's commercial and agricultural loans are a diverse group of loans to small, medium and large businesses. The purpose of these loans varies from supporting seasonal working capital needs to term financing of equipment. While some short-term loans may be made on an unsecured basis, most are secured by the assets being financed with collateral margins that are consistent with the Company's loan policy guidelines.

Table of Contents

Part II (Continued)
Item 7 (Continued)

Industry Concentrations. As of December 31, 2014 and December 31, 2013, there were no concentrations of loans within any single industry in excess of 10 percent of total loans, as segregated by Standard Industrial Classification code ("SIC code"). The SIC code is a federally designed standard industrial numbering system used by the Company to categorize loans by the borrower's type of business.

Collateral Concentrations. Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk, particularly with the current economic downturn in the real estate market. At December 31, 2014, approximately 87 percent of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor these concentrations and has considered these concentrations in its allowance for loan loss analysis.

Large Credit Relationships. The Company is currently in eighteen counties in central, south and coastal Georgia and includes metropolitan markets in Dougherty, Lowndes, Houston, Chatham and Muscogee counties. As a result, the Company originates and maintains large credit relationships with several commercial customers in the ordinary course of business. The Company considers large credit relationships to be those with commitments equal to or in excess of $5.0 million prior to any portion being sold. Large relationships also include loan participations purchased if the credit relationship with the agent is equal to or in excess of $5.0 million. In addition to the Company's normal policies and procedures related to the origination of large credits, the Company's Executive Loan Committee and Director Loan Committee must approve all new and renewed credit facilities which are part of large credit relationships. The following table provides additional information on the Company's large credit relationships outstanding at December 31, 2014 and December 31, 2013.

	December 31, 2014			December 31, 2013		
	Number of Relationships	Period End Balances		Number of Relationships	Period End Balances	
		Committed	Outstanding		Committed	Outstanding
Large Credit Relationships:						
$10 million and greater	-	$-	$ -	1	$10,023	$ 10,023
$5 million to $9.9 million	14	93,931	86,305	11	76,306	69,672

Maturities and Sensitivities of Loans to Changes in Interest Rates. The following table presents the maturity distribution of the Company's loans at December 31, 2014. The table also presents the portion of loans that have fixed interest rates or variable interest rates that fluctuate over the life of the loans in accordance with changes in an interest rate index such as the prime rate.

Due in One Year or Less	After One, but Within	After Three, but Within	After Five Years	Total

		Three Years	Five Years		
Loans with fixed interest rates	$257,277	$210,273	$110,129	$52,347	$630,026
Loans with floating interest rates	81,547	15,437	17,128	1,956	116,068
Total	$338,824	$225,710	$127,257	$54,303	$746,094

Part II (Continued)
Item 7 (Continued)

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

Nonperforming Assets and Potential Problem Loans

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

	2014	2013	2012	2011	2010
Loans Accounted for on Nonaccrual	$18,334	$24,114	$29,851	$38,822	$28,902
Loans Accruing Past Due 90 Days or More	7	4	4	15	19
Other Real Estate Foreclosed	10,402	15,502	15,941	20,445	20,208
Securities Accounted for on Nonaccrual	-	-	366	426	132
Total Nonperforming Assets	$28,743	$39,620	$46,162	$59,708	$49,261
Nonperforming Assets by Segment					
Construction and Land Development	9,655	17,323	23,832	35,467	21,962
1-4 Family Residential	8,237	5,926	7,153	4,589	4,966
Multifamily Residential	173	335	627	744	325
Nonfarm Residential	8,375	12,441	10,421	15,353	18,884
Farmland	1,449	1,629	2,413	676	2,051
Commercial and Consumer	854	1,966	1,716	2,879	1,073
Total Nonperforming Assets	$28,743	$39,620	$46,162	$59,708	$49,261
Nonperforming Assets as a Percentage of:					
Total Loans and Foreclosed Assets	3.80 %	5.17 %	6.05 %	8.10 %	5.91 %
Total Assets	2.51 %	3.45 %	4.05 %	4.99 %	3.86 %
Nonperforming Loans as a Percentage of:					
Total Loans	2.46 %	3.21 %	4.00 %	5.42 %	3.56 %
Supplemental Data:					
Trouble Debt Restructured Loans In Compliance with Modified Terms	$19,229	$20,715	$24,870	$29,839	$26,556
Trouble Debt Restructured Loans Past Due 30-89 Days	757	435	1,377	611	1,048
Accruing Past Due Loans:					
30-89 Days Past Due	9,701	9,366	14,911	7,161	19,740
90 or More Days Past Due	7	4	4	15	19
Total Accruing Past Due Loans	$9,708	$9,370	$14,915	$7,176	$19,759
Allowance for Loan Losses	$8,802	$11,806	$12,737	$15,650	$28,280
ALLL as a Percentage of:					
Total Loans	1.18 %	1.57 %	1.70 %	2.18 %	3.48 %
Nonperforming Loans	47.99 %	48.95 %	42.66 %	40.30 %	97.78 %

Nonperforming assets include nonaccrual loans, loans past due 90 days or more, foreclosed real estate and nonaccrual securities. Nonperforming assets at December 31, 2014 decreased 27.45 percent from December 31, 2013.

Table of Contents
Part II (Continued)
Item 7 (Continued)

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

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

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

Allowance for Loan Losses

The allowance for loan losses represents management’s best estimate of probable losses that have been incurred within the existing portfolio of loans. The allowance for loan losses includes allowance allocations calculated in accordance with current U.S. accounting standards. The level of the allowance reflects management’s continuing evaluation of industry concentrations, specific credit risks, loan loss experience, current loan portfolio quality, present economic, political and regulatory conditions and unidentified losses inherent in the current loan portfolio. Management utilizes its best judgment and information available in determining the allowance for loan losses; however, the determination of this estimate is inherently judgmental. The ultimate adequacy of the allowance may be affected by a variety of factors beyond the Company’s control, including the performance of the Company’s loan portfolio, the economy, changes in interest rates, changes in collateral values and the view of the regulatory authorities toward loan classifications.

The Company’s methodology for determining the allowance for loan losses consists of specific valuation allowances established for probable losses on specific loans and historical valuation allowances, adjusted for qualitative factors, for other loans with similar risk characteristics.

Table of Contents
Part II (Continued)
Item 7 (Continued)

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

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

The allowances established for the remainder of the loan portfolio are based on historical loss factors, adjusted for certain qualitative factors, which are applied to groups of loans with similar risk characteristics. Real estate loans are segregated into thirteen separate groups with the remainder of loans grouped according to risk grade. Most of the Company's charge-offs during the past two years have been real estate dependent loans and we believe the segmentation of real estate loans into these thirteen groups provides more accuracy in determining the allowance for loan losses. The historical loss ratios applied to these groups of loans are updated quarterly based on actual charge-off experience.   The historical loss ratios are further adjusted by qualitative factors including the following: changes in the risk ratings of the loan portfolio, level of net charge-offs of, past due loan ratios, the value of collateral, portfolio loan quality indicators; portfolio growth rates, level of commercial real estate loans, loan concentrations; portfolio policies and procedures, underwriting standards, effectiveness of our loss recognition processes, collection and recovery practices; local economic business conditions; and the experience, ability, and depth of lending management and staff.

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

Table of Contents
Part II (Continued)
Item 7 (Continued)

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

	2014		2013		2012		2011		2010	
	Reserve	%*	Reserve	%*	Reserve	%*	Reserve	%*	Reserve	%*
Commercial and Agricultural										
Commercial	$497	7 %	1,017	6 %	981	7 %	1,071	7 %	4,415	7 %
Agricultural	304	2 %	294	2 %	296	1 %	297	1 %	698	1 %
Real Estate										
Commercial Construction	1,223	7 %	1,782	7 %	1,890	7 %	3,123	8 %	4,126	8 %
Residential Construction	138	1 %	138	1 %	138	1 %	138	1 %	520	1 %
Commercial	3,665	45 %	4,380	46 %	5,163	45 %	6,448	44 %	8,030	45 %
Residential	2,425	27 %	3,278	27 %	3,406	27 %	3,695	27 %	5,942	25 %
Farmland	104	7 %	312	6 %	291	7 %	365	7 %	944	7 %
Consumer and Other										
Consumer	67	3 %	243	3 %	228	4 %	205	4 %	3,074	4 %
Other	379	1 %	362	2 %	344	1 %	308	1 %	531	2 %
	$8,802	100 %	$11,806	100 %	$12,737	100 %	$15,650	100 %	$28,280	100 %

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

Table of Contents
Part II (Continued)
Item 7 (Continued)

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

	2014	2013	2012	2011	2010
Allowance for Loan Losses at Beginning of Year	$11,806	$12,737	$15,650	$28,280	$31,401
Charge-Offs					
Commercial	625	121	653	842	469
Agricultural	-	34	3	455	256
Commercial Construction	1,543	2,071	4,106	6,957	4,648
Residential Construction	-	-	-	1	-
Commercial	1,327	2,873	4,326	12,492	7,459
Residential	1,034	706	961	1,705	2,930
Farmland	233	21	225	60	272
Consumer	342	398	169	223	549
Other	-	4	11	115	1,040
	5,104	6,228	10,454	22,850	17,623
Recoveries					
Commercial	76	56	140	128	80
Agricultural	3	6	-	454	2
Commercial Construction	485	253	209	557	185
Residential Construction	-	-	-	-	-
Commercial	90	298	233	528	142
Residential	31	65	47	149	440
Farmland	20	22	5	1	7
Consumer	72	94	82	145	246
Other	15	18	40	8	50
	792	812	756	1,970	1,152
Net Charge-Offs	4,312	5,416	9,698	20,880	16,471
Provision for Loans Losses	1,308	4,485	6,785	8,250	13,350
Allowance for Loan Losses at End of Year	$8,802	$11,806	$12,737	$15,650	$28,280
Ratio of Net Charge-Offs to Average Loans	0.58 %	0.73 %	1.34 %	2.74 %	1.90 %

The allowance for loan losses decreased from $11.81 million, or 1.57 percent of total loans at December 31, 2013 to $8.80 million, or 1.18 percent of total loans at December 31, 2014. This decrease is consistent with the decrease in the Company's level of nonperforming loans from $24.11 million at December 31, 2013 to $18.34 million at December 31, 2014. The provision for loan losses reflects loan quality trends, including the level of net charge-offs or recoveries, among other factors. Significant changes in the allowance during 2014 was the reduction in the provision for loan losses in 2014 to $1.31 million from $4.49 million in 2013, or a reduction of $3.18 million. Significant changes in the allowance during 2013 was the reduction in the net charge-offs in 2013 to $5.42 million from $9.70 million in 2012. The Company believes that collection efforts have reduced impaired loans and the reduction in net charge-offs runs parallel with the improvement in the substandard assets. As we begin to see stabilization in the economy and the housing and real estate market, we expect continued improvement in our substandard assets, including net charge-offs. There were no charge-offs or recoveries related to foreign loans during any of the periods presented.

Table of Contents
Part II (Continued)
Item 7 (Continued)

Investment Portfolio

The following table presents carrying values of investment securities held by the Company as of December 31, 2014, 2013 and 2012.

	2014	2013	2012
Obligations of States and Political Subdivisions	$3,560	$3,947	$4,046
Corporate Obligations	-	-	1,105
Asset-Backed Securities	-	-	132
Investment Securities	3,560	3,947	5,283
Mortgage-Backed Securities	271,064	259,348	263,059
Total Investment Securities and Mortgage-Backed Securities	$274,624	$263,295	$268,342

The following table represents expected maturities and weighted-average yields of investment securities held by the Company as of December 31, 2014. (Mortgage-backed securities are based on the average life at the projected speed, while State and Political Subdivisions reflect anticipated calls being exercised.)

	Within 1 Year		After 1 Year But Within 5 Years		After 5 Years But Within 10 Years		After 10 Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Mortgage-Backed Securities	$1,957	0.28 %	$180,678	1.65 %	$83,916	1.75 %	$4,513	2.71 %
Obligations of State and Political Subdivisions	747	2.39 %	1,388	3.42 %	1,425	2.47 %	-	- %
Total Investment Portfolio	$2,704	0.86 %	$182,066	1.66 %	$85,341	1.76 %	$4,513	2.71 %

Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income. The Company has 99.9 percent of its portfolio classified as available for sale.

At December 31, 2014, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10 percent of the Company’s stockholders’ equity.

The average yield of the securities portfolio was 1.71 percent in 2014 compared to 1.36 percent in 2013 and 1.82 percent in 2012. The increase in the average yield from 2013 to 2014 was primarily attributed to the adjustment in amortization resulting from the deceleration of prepayment speeds. The decrease in the average yield from 2012 to 2013 primarily resulted from the turnover of the securities portfolio resulting in the investment of new funds at lower rates.

Table of Contents
Part II (Continued)
Item 7 (Continued)

Deposits

The following table presents the average amount outstanding and the average rate paid on deposits by the Company for the years 2014, 2013 and 2012.

	2014 Average Amount	2014 Average Rate	2013 Average Amount	2013 Average Rate	2012 Average Amount	2012 Average Rate
Noninterest-Bearing Demand Deposits	$118,452		$112,667		$101,896	
Interest-Bearing Demand and Savings	394,615	0.35 %	366,974	0.36 %	329,984	0.38 %
Time Deposits	445,993	0.83 %	473,672	0.95 %	537,810	1.39 %
Total Deposits	$959,060	0.53 %	$953,313	0.61 %	$969,690	0.90 %

The following table presents the maturities of the Company's time deposits as of December 31, 2014.

	Time Deposits $100,000 or Greater	Time Deposits Less Than $100,000	Total
Months to Maturity			
3 or Less	$39,442	$52,207	$91,649
Over 3 through 6	32,458	38,813	71,271
Over 6 through 12	68,932	70,733	139,665
Over 12 Months	69,671	55,991	125,662
	$210,503	$217,744	$428,247

Average deposits increased $5.75 million in 2014 compared to 2013 and decreased $16.38 million in 2013 compared to 2012. The increase in 2014 included $27.64 million, or 7.53 percent in interest-bearing demand and savings deposits while, at the same time, noninterest bearing deposits increased $5.79 million, or 5.13 percent and time deposits decreased $27.68 million, or 5.84 percent. The decrease in 2013 included $64.14 million, or 11.93 percent in time deposits while, at the same time, noninterest bearing deposits increased $10.77 million, or 10.57 percent and interest-bearing demand and savings deposits increased $36.99 million, or 11.21 percent. Accordingly, the ratio of average noninterest-bearing deposits to total average deposits was 12.35 in 2014, 11.82 percent in 2013 and 10.51 percent in 2012. The general decrease in market rates in 2014 had the effect of (i) decreasing the average cost of interest-bearing deposits by 8 basis points in 2014 compared to 2013 and (ii) mitigating a portion of the impact of decreasing yields on earning assets in the Company's net interest income in 2014. The general decrease in market rates in 2013 had the effect of (i) decreasing the average cost of interest-bearing deposits by 32 basis points in 2013 compared to 2012 and (ii) mitigating a portion of the impact of decreasing yields on earning assets in the Company's net interest income in 2013.

Total average interest-bearing deposits decreased $38 thousand, or 0.01 percent in 2014 compared to 2013 and decreased $27.1 million, or 3.1 percent in 2013 compared to 2012. This decrease was primarily attributed to the decrease in time deposit accounts.

The Company supplements deposit sources with brokered deposits. As of December 31, 2014, the Company had $26.3 million, or 2.69 percent of total deposits, in brokered certificates of deposit attracted by external third parties. Additional information is provided in the Notes to Consolidated Financial Statements for Deposits.

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

The following table summarizes the Company's contractual obligations and other commitments to make future payments as of December 31, 2014. Payments for borrowings do not include interest. Payments related to leases are based on actual payments specified in the underlying contracts. Loan commitments and standby letters of credit are presented at contractual amounts; however, since many of these commitments are expected to expire unused or only partially used, the total amounts of these commitments do not necessarily reflect future cash requirements.

Payments Due by Period

	1 Year or Less	More than 1 Year but Less Than 3 Years	3 Years or More but Less Than 5 Years	5 Years or More	Total
Contractual Obligations:					
Subordinated Debentures	$-	$-	$-	$24,229	$24,229
Federal Home Loan Bank Advances	-	9,000	28,500	2,500	40,000
Operating Leases	129	113	-	-	242
Deposits with Stated Maturity Dates	302,585	98,219	27,317	126	428,247
	302,714	107,332	55,817	26,855	492,718
Other Commitments:					
Loan Commitments	68,742	-	-	-	68,742
Standby Letters of Credit	1,762	-	-	-	1,762
	70,504	-	-	-	70,504
Total Contractual Obligations and Other Commitments	$373,218	$107,332	$55,817	$26,855	$563,222

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

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

Loan Commitments. The Company enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of the Company's commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. The Company minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for loan losses. Loan commitments outstanding at December 31, 2014 are included in the preceding table.

Standby Letters of Credit. Letters of credit are written conditional commitments issued by the Company to guarantee the performance of a customer to a third party. In the event the customer does not perform in accordance with the terms of the agreement with the third party, the Company would be required to fund the commitment. The maximum potential amount of future payments the Company could be required to make is represented by the contractual amount of the commitment. If the commitment is funded, the Company would be entitled to seek recovery from the customer. The Company's policies generally require that standby letters of credit arrangements contain security and debt covenants similar to those contained in loan agreements. Standby letters of credit outstanding at December 31, 2014 are included in the preceding table.

Capital and Liquidity

At December 31, 2014, shareholders' equity totaled $99.0 million compared to $90.0 million at December 31, 2013. In addition to net income of $7.5 million, other significant changes in shareholders' equity during 2014 included $2.69 million of dividends declared on preferred stock. The accumulated other comprehensive loss component of stockholders' equity totaled $(4.8) million at December 31, 2014 compared to $(9.1) million at December 31, 2013. This fluctuation was mostly related to the after-tax effect of changes in the fair value of securities available for sale. Under regulatory requirements, the unrealized gain or loss on securities available for sale does not increase or reduce regulatory capital and is not included in the calculation of risk-based capital and leverage ratios. Regulatory agencies for banks and bank holding companies utilize capital guidelines designed to measure Tier 1 and total capital and take into consideration the risk inherent in both on-balance sheet and off-balance sheet items. Tier 1 capital consists of common stock and qualifying preferred stockholders' equity less goodwill and disallowed deferred tax assets. Tier 2 capital consists of certain convertible, subordinated and other qualifying debt and the allowance for loan losses up to 1.25 percent of risk-weighted assets. The Company has no Tier 2 capital other than the allowance for loan losses.

Using the capital requirements presently in effect, the Tier 1 ratio as of December 31, 2014 was 16.78 percent and total Tier 1 and 2 risk-based capital was 17.95 percent. Both of these measures compare favorably with the regulatory minimum of 4 percent for Tier 1 and 8 percent for total risk-based capital. The Company's Tier 1 leverage ratio as of December 31, 2014 was 11.18 percent, which exceeds the required ratio standard of 4 percent.

For 2014, average capital was $94.8 million, representing 8.40 percent of average assets for the year. This compares to 8.35 percent for 2013.

The Company did not pay any common stock dividends in 2014 or 2013. The Company suspended dividend payments beginning in the third quarter of 2009.

Table of Contents
Part II (Continued)
Item 7 (Continued)

The Company declared dividends of $2,689 and $1,509 on preferred stock during 2014 and 2013, respectively. On November 17, 2014 the Company reinstated dividend payments on the Preferred Stock and paid $5.5 million of accumulated dividends in arrears to the holders of the Preferred Stock. Additional information is provided in the Notes to the Consolidated Financial Statements for Preferred Stock.

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

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

The investment portfolio provides a ready means to raise cash if liquidity needs arise. As of December 31, 2014, the available for sale bond portfolio totaled $274.6 million. At December 31, 2013, the available for sale bond portfolio totaled $263.3 million. Only marketable investment grade bonds are purchased. Although most of the Banks' bond portfolios are encumbered as pledges to secure various public funds deposits, repurchase agreements, and for other purposes, management can restructure and free up investment securities for sale if required to meet liquidity needs.

Management continually monitors the relationship of loans to deposits as it primarily determines the Company's liquidity posture. Colony had ratios of loans to deposits of 76.2 percent as of December 31, 2014 and 76.1 percent as of December 31, 2013. Management employs alternative funding sources when deposit balances will not meet loan demands. The ratios of loans to all funding sources (excluding Subordinated Debentures) at December 31, 2014 and December 31, 2013 were 73.2 percent and 73.1 percent, respectively. Management continues to emphasize programs to generate local core deposits as our Company's primary funding sources. The stability of the Banks' core deposit base is an important factor in Colony's liquidity position. A heavy percentage of the deposit base is comprised of accounts of individuals and small businesses with comprehensive banking relationships and limited volatility. At December 31, 2014 and December 31, 2013, the Bank had $211 million and $221 million, respectively, in certificates of deposit of $100,000 or more. These larger deposits represented 21.5 percent and 22.3 percent of respective total deposits. Management seeks to monitor and control the use of these larger certificates, which tend to be more volatile in nature, to ensure an adequate supply of funds as needed. Relative interest costs to attract local core relationships are compared to market rates of interest on various external deposit sources to help minimize the Company's overall cost of funds.

Table of Contents
Part II (Continued)
Item 7 (Continued)

The Company supplemented deposit sources with brokered deposits. As of December 31, 2014, the Company had $26.3 million, or 2.69 percent of total deposits, in CDARS. Additional information is provided in the Notes to the Consolidated Financial Statements regarding these brokered deposits. Additionally, the Company uses external deposit listing services to obtain out-of-market certificates of deposit at competitive interest rates when funding is needed. The deposits obtained from listing services are often referred to as wholesale or Internet CDs. As of December 31, 2014, the Company had $21.4 million, or 2.2 percent of total deposits, in internet certificates of deposit obtained through deposit listing services.

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

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

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

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

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

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

Table of Contents
Part II (Continued)
Item 7 (Continued)

Impact of Inflation and Changing Prices

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

Regulatory and Economic Policies

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

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

Recently Issued Accounting Pronouncements

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

Table of Contents
Part II (Continued)
Item 7 (Continued)

Quantitative and Qualitative Disclosures About Market Risk

AVERAGE BALANCE SHEETS

	2014 Average Balances	Income/ Expense	Yields/ Rates	2013 Average Balances	Income/ Expense	Yields/ Rates	2012 Average Balances	Income/ Expense	Yields/ Rates
Assets									
Interest-Earning Assets									
Loans, Net of Unearned Income (1)	$741,484	$39,814	5.37%	$744,627	$41,473	5.57%	$721,872	$42,054	5.83%
Investment Securities									
Taxable	282,056	4,763	1.69	272,818	3,597	1.32	280,959	5,005	1.78
Tax-Exempt (2)	2,418	113	4.67	2,871	139	4.84	3,302	155	4.69
Total Investment Securities	284,474	4,876	1.71	275,689	3,736	1.36	284,261	5,160	1.82
Interest-Bearing Deposits	16,193	42	0.26	9,625	27	0.28	17,046	43	0.25
Federal Funds Sold	12,551	32	0.25	14,969	39	0.26	38,877	99	0.25
Other Interest-Earning Assets	2,906	115	3.96	3,275	81	2.47	4,277	77	1.80
Total Interest-Earning Assets	1,057,608	44,879	4.24	1,048,185	45,356	4.33	1,066,333	47,433	4.45
Noninterest-Earning Assets									
Cash	9,698			19,401			18,474		
Allowance for Loan Losses	(10,841)			(13,347)			(15,781)		
Other Assets	71,587			63,832			70,788		
Total Noninterest-Earning Assets	70,444			69,886			73,481		
Total Assets	$1,128,052			$1,118,071			$1,139,814		
Liabilities and Stockholders' Equity									
Interest-Bearing Liabilities									
Interest-Bearing Demand and Savings	$394,615	$1,398	0.35%	$366,974	$1,335	0.36%	$329,984	$1,258	0.38%
Other Time	445,993	3,715	0.83	473,672	4,486	0.95	537,810	7,479	1.39
Total Interest-Bearing	840,608	5,113	0.61	840,646	5,821	0.69	867,794	8,737	1.01

Deposits									
Other Interest-Bearing Liabilities									
Other Borrowed Money	40,000	1,168	2.92	40,299	1,159	2.88	43,745	1,725	3.94
Subordinated Debentures	24,229	518	2.14	24,229	517	2.13	24,229	554	2.29
Federal Funds Purchased and Repurchase Agreements	2	-	-	34	-	-	-	-	-
Total Other Interest Bearing Liabilities	64,231	1,686	2.62	64,562	1,676	2.6	67,974	2,279	3.35
Total Interest-Bearing Liabilities	904,839	6,799	0.75	905,208	7,497	0.83	935,768	11,016	1.18
Noninterest-Bearing Liabilities and Stockholders' Equity									
Demand Deposits	118,452			112,667			101,896		
Other Liabilities	10,010			6,838			5,609		
Stockholders' Equity	94,751			93,358			96,541		
Total Noninterest-Bearing Liabilities and Stockholders' Equity	223,213			212,863			204,046		
Total Liabilities and Stockholders' Equity	$1,128,052			$1,118,071			$1,139,814		
Interest Rate Spread			3.49%			3.50%			3.27%
Net Interest Income		$38,080			$37,859			$36,417	
Net Interest Margin			3.60%			3.61%			3.41%

(1) The average balance of loans includes the average balance of nonaccrual loans. Income on such loans is recognized and recorded on the cash basis. Taxable equivalent adjustments totaling $79, $123 and $91 for 2014, 2013 and 2012, respectively, are included in interest on loans. The adjustments are based on a federal tax rate of 34 percent.

(2) Taxable-equivalent adjustments totaling $38, $47 and $53 for 2014, 2013 and 2012 respectively, are included in tax-exempt interest on investment securities. The adjustments are based on a federal tax rate of 34 percent with appropriate reductions for the effect of disallowed interest expense incurred in carrying tax-exempt obligations.

Table of Contents
Part II (Continued)
Item 7 (Continued)

Colony Bankcorp, Inc. and Subsidiaries
Interest Rate Sensitivity

The following table is an analysis of the Company's interest rate-sensitivity position at December 31, 2014. The interest-bearing rate-sensitivity gap, which is the difference between interest-earning assets and interest-bearing liabilities by repricing period, is based upon maturity or first repricing opportunity, along with a cumulative interest rate-sensitivity gap. It is important to note that the table indicates a position at a specific point in time and may not be reflective of positions at other times during the year or in subsequent periods. Major changes in the gap position can be, and are, made promptly as market outlooks change.

	Assets and Liabilities Repricing Within					
	3 Months or Less	4 to 12 Months	1 Year	1 to 5 Years	Over 5 Years	Total
EARNING ASSETS:						
Interest-Bearing Deposits	$21,206	$-	$21,206	$-	$-	$21,206
Federal Funds Sold	20,132	-	20,132	-	-	20,132
Investment Securities	501	2,203	2,704	176,052	95,868	274,624
Loans, Net of Unearned Income	172,464	166,179	338,643	352,787	54,303	745,733
Other Interest- Earning Assets	2,830	-	2,830	-	-	2,830
Total Interest-Earning Assets	217,133	168,382	385,515	528,839	150,171	1,064,525
INTEREST-BEARING LIABILITIES:						
Interest-Bearing Demand Deposits (1)	363,502	-	363,502	-	-	363,502
Savings (1)	59,215	-	59,215	-	-	59,215
Time Deposits	91,649	210,936	302,585	125,536	126	428,247
Other Borrowings (2)	5,000	-	5,000	35,000	-	40,000
Subordinated Debentures	24,229	-	24,229	-	-	24,229
Total Interest-Bearing Liabilities	543,595	210,936	754,531	160,536	126	915,193
Interest Rate-Sensitivity Gap	(326,462)	(42,554)	(369,016)	368,303	150,045	$149,332
Cumulative Interest-Sensitivity Gap	$(326,462)	$(369,016)	$(369,016)	$(713)	$149,332	
Interest Rate-Sensitivity Gap as Percentage of Interest-Earning Assets	(30.67)%	(3.99)%	(34.66)%	34.59%	14.10%	
Cumulative Interest Rate-Sensitivity as a Percentage of Interest-Earning Assets	(30.67)%	(34.66)%	(34.66)%	(0.07)%	14.03%	

(1)

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

(2) Other borrowings such as FHLB advances consider the conversion date for repricing purposes and are considered to reprice within 3 months or less.

Table of Contents

Part II (Continued)
Item 7 (Continued)

The foregoing table indicates that we had a one year negative gap of $369 million, or 34.66 percent of total interest-earning assets at December 31, 2014. In theory, this would indicate that at December 31, 2014, $369 million more in liabilities than assets would reprice if there were a change in interest rates over the next 365 days. Thus, if interest rates were to decline, the gap would indicate a resulting increase in net interest margin. However, changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. In addition, the interest rate spread between an asset and our supporting liability can vary significantly while the timing of repricing of both the assets and our supporting liability can remain the same, thus impacting net interest income. This characteristic is referred to as a basis risk and, generally, relates to the repricing characteristics of short-term funding sources such as certificates of deposits.

Gap analysis has certain limitations. Measuring the volume of repricing or maturing assets and liabilities does not always measure the full impact on the portfolio value of equity or net interest income. Gap analysis does not account for rate caps on products; dynamic changes such as increasing prepay speeds as interest rates decrease, basis risk, or the benefit of non-rate funding sources. The majority of our loan portfolio reprices quickly and completely following changes in market rates, while non-term deposit rates in general move slowly and usually incorporate only a fraction of the change in rates. Products categorized as nonrate sensitive, such as our noninterest-bearing demand deposits, in the gap analysis behave like long term fixed rate funding sources. Both of these factors tend to make our actual behavior more asset sensitive than is indicated in the gap analysis. In fact, we experience higher net interest income when rates rise, opposite what is indicated by the gap analysis. Therefore, management uses gap analysis, net interest margin analysis and market value of portfolio equity as our primary interest rate risk management tools.

The Company utilizes FTN Financial Asset/Liability Management Analysis for a more dynamic analysis of balance sheet structure. The Company has established policies for rate shock per basis point (bp) for earnings at risk for net interest income and for equity at risk. The following table shows the policy limits with the rate shock for earnings at risk and equity at risk as of December 31, 2014.

	Rate Shock	Policy Limit	Immediate Shock (-) decrease bp		Immediate Shock (+) increase bp	
Net Interest Income – Earnings at Risk	+/- 100 bp	+/- 10 %	- 1.57	%	-0.29	%
	+/- 200 bp	+/- 15 %	-7.20	%	-0.98	%
	+/- 300 bp	+/- 20 %	-9.17	%	-1.68	%
	+/- 400 bp	+/- 25 %	-9.74	%	-2.46	%
Equity at Risk	+/- 100 bp	+/- 10 %	-5.96	%	6.21	%
	+/- 200 bp	+/- 20 %	-21.60	%	10.50	%
	+/- 300 bp	+/- 30 %	-30.68	%	13.29	%
	+/- 400 bp	+/- 40 %	-30.90	%	21.12	%

Table of Contents
Part II (Continued)
Item 7 (Continued)

The Company has established its one year gap to be 80 percent to 120 percent. The most recent analysis as of December 31, 2014 indicates a one year gap of 0.96 percent. The analysis reflects slight net interest margin compression in both a declining and increasing interest rate environment. Given that interest rates have basically "bottomed-out" with the recent Federal Reserve action, the Company is anticipating interest rates to increase in the future though we believe that interest rates will remain flat most of 2015. The Company is focusing on areas to minimize margin compression in the future by minimizing longer term fixed rate loans, shortening on the yield curve with investments, securing longer term FHLB advances, securing certificates of deposit for longer terms and focusing on reduction of nonperforming assets.

Return on Assets and Stockholder's Equity

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

	Years Ended December 31		
	2014	2013	2012
Return on Average Assets(1)	0.43%	0.28%	0.11%
Return on Average Equity(1)	5.11%	3.34%	1.25%
Equity to Assets	8.63%	7.83%	8.40%
Common Stock Dividends Declared	$0.00	$0.00	$0.00

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

Future Outlook

During the past four years, the financial services industry experienced tremendous adversities as a result of the collapse of the real estate markets across the country. Colony, like most banking companies, has been affected by these economic challenges that started with a rapid stall of real estate sales and development throughout the country. Focus during 2015 will be directed toward addressing and bringing resolution to problem assets.

In response to the elevated risk of residential real estate and land development loans, management has extensively reviewed our loan portfolio with a particular emphasis on our residential and land development real estate exposure. Senior management with experience in problem loan workouts have been identified and assigned responsibility to oversee the workout and resolution of problem loans. The Company will continue to closely monitor our real estate dependent loans throughout the Company and focus on asset quality during this economic downturn.

Revenue enhancement initiatives to improve core non-interest income should be realized during 2015. These initiatives include new product lines and services.

Business
Regulatory Action

The Bank operated under a Memorandum of Understanding (“MOU”) from November 23, 2010 until October 1, 2013 when the MOU was lifted by regulatory agencies and replaced with a Board Resolution (BR) to ensure that the Bank’s overall condition remains satisfactory. The BR was lifted by regulatory agencies effective October 22, 2014 and there are currently no agreements in place with regulatory agencies.

Prior to October 22, 2014, the BR required the Bank to develop, implement, and maintain various processes to improve the Bank’s risk management of its loan portfolio, reduce adversely classified assets in accordance with certain timeframes, limit the extension of additional credit to borrowers with adversely classified loans subject to certain exceptions, adopt a written plan to properly monitor and reduce the Bank’s commercial real estate concentration, continue to maintain the Bank’s loan loss provision and review its adequacy at least quarterly, and formulate and implement a written plan to improve and maintain earnings to be forwarded for review by the Georgia Department and FDIC. The Bank was also required to obtain approval before any cash dividends can be paid.

Table of Contents
Part II (Continued)
Item 7 (Continued)

Item 7A

Quantitative and Qualitative Disclosures about Market Risk

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

Item 8

Financial Statements and Supplemental Data

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

Consolidated Balance Sheets - December 31, 2014 and 2013

Consolidated Statements of Income - Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive Income - Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Stockholders’ Equity - Years Ended December 31, 2014, 2013 and 2012

Consolidated Statements of Cash Flows - Years Ended December 31, 2014, 2013 and 2012

Notes to Consolidated Financial Statements

Table of Contents
Part II (Continued)
Item 8 (Continued)

Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2014 and 2013:

	Three Months Ended			
	December 31	September 30	June 30	March 31
2014	($ in Thousands, Except Per Share Data)			
Interest Income	$11,158	$ 11,400	$11,251	$10,953
Interest Expense	1,655	1,662	1,723	1,759
Net Interest Income	9,503	9,738	9,528	9,194
Provision for Loan Losses	-	500	481	327
Securities Gains	23	-	1	-
Noninterest Income	2,384	2,410	2,245	2,062
Noninterest Expense	9,289	8,534	8,291	8,866
Income Before Income Taxes	2,621	3,114	3,002	2,063
Provision for Income Taxes	643	1,033	986	606
Net Income	$1,978	2,081	2,016	1,457
Preferred Stock Dividends	668	697	681	643
Net Income Available to Common Stockholders	$1,310	$ 1,384	$1,335	$814
Net Income Per Common Share				
Basic	$0.15	$ 0.16	$0.16	$0.10
Diluted	$0.15	$ 0.16	$0.16	$0.10
2013				
Interest Income	$11,466	$ 11,260	$11,296	$11,164
Interest Expense	1,772	1,766	1,841	2,118
Net Interest Income	9,694	9,494	9,455	9,046
Provision for Loan Losses	285	1,500	1,200	1,500
Securities Gains	(362)	-	6	(8)
Noninterest Income	2,380	2,109	2,034	2,218
Noninterest Expense	8,998	8,488	8,739	8,392
Income Before Income Taxes	2,429	1,615	1,556	1,364
Provision for Income Taxes	803	535	570	427
Net Income	1,626	1,080	986	937
Preferred Stock Dividends	385	379	375	370
Net Income Available to Common Stockholders	$1,241	$ 701	$611	$567
Net Income Per Common Share				
Basic	$0.15	$ 0.08	$0.07	$0.07
Diluted	$0.15	$ 0.08	$0.07	$0.07

Item 9

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There was no accounting or disclosure disagreement or reportable event with the current auditors that would have required the filing of a report on Form 8-K.

Table of Contents
Part II (Continued)
Item 9A

Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) or 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), as of the end of the period covered by this report, as required by paragraph (b) of Rules 13a-15 or 15d-15 of the Exchange Act. Based on such evaluation, such officers have concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective.

During the year ended December 31, 2014, there was not any change in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rules 13a-15 or 15d-15 of the Exchange Act that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

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

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

Colony's management assessed the effectiveness of Colony's internal control over financial reporting as of December 31, 2014 based on the criteria for effective internal control over financial reporting established in Internal Control-Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management determined that Colony maintained effective internal control over financial reporting as of December 31, 2014.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. The Company's registered public accounting firm was not required to issue an attestation on its internal controls over financial reporting pursuant to the rules of the SEC that permit the Company to provide only management's report in this Annual Report on Form 10-K.

Colony Bankcorp, Inc.
March 10, 2015

Changes in Internal Controls

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

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

Table of Contents

Part II (Continued)
Item 9B

Other Information

None.

Part III
Item 10

Directors and Executive Officers and Corporate Governance

Code of Ethics

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

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

Item 11

Executive Compensation

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

Table of Contents
Part III (Continued)
Item 12

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

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued Upon Stock Grant, Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved By Security Holders			
2004 Restricted Stock Grant Plan			108,042
			108,042

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

Item 13

Certain Relationships and Related Transactions and Director Independence

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

Item 14

Principal Accounting Fees and Services

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

Table of Contents

Part IV
Item 15

Exhibits, Financial Statement Schedules

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

(1) Financial Statements

(2) Financial Statements Schedules:

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

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

Exhibit Index

3.1 Articles of Incorporation, As Amended

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

3.2 Bylaws, as Amended

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

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

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

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

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

4.1 Instruments Defining the Rights of Security Holders

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

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

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

Table of Contents
Part IV (Continued)
Item 15 (Continued)

4.3 Form of Series A Preferred Stock Certificate

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

10.1 Deferred Compensation Plan and Sample Director Agreement

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

10.2 Profit-Sharing Plan Dated January 1, 1979

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

10.3 1999 Restricted Stock Grant Plan and Restricted Stock Grant Agreement

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

10.4 2004 Restricted Stock Grant Plan and Restricted Stock Grant Agreement

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

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

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

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

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

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

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

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

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

Table of Contents
Part IV (Continued)
Item 15 (Continued)

13	Consolidated Financial Statements of Colony Bankcorp, Inc. as of December 31, 2014 and 2013
21	Subsidiaries of the Company
31.1	Certificate of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certificate of Chief Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certificate of the Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

Table of Contents

SIGNATURES

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

COLONY BANKCORP, INC.

/s/ Edward P. Loomis, Jr.
Edward P. Loomis, Jr.
President/Director/Chief Executive Officer

March 10, 2015
Date

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

March 10, 2015
Date

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

/s/ B. Gene Waldron	March 10, 2015
B. Gene Waldron, Director	Date
/s/ Mark H. Massee	March 10, 2015
Mark H. Massee, Director	Date
/s/ Jonathan W. R. Ross	March 10, 2015
Jonathan W. R. Ross, Director	Date
/s/ Frederick Dwozan	March 10, 2015
M. Frederick Dwozan, Director	Date

Table of Contents

/s/ Davis W. King, Sr.	March 10, 2015
Davis W. King, Sr., Director	Date
/s/ Scott Lowell Downing	March 10, 2015
Scott Lowell Downing, Director	Date