COLONY BANKCORP INC
Form 10-Q
November 12, 2010

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED SEPTEMBER 30, 2010 COMMISSION FILE NUMBER 0-12436

COLONY BANKCORP, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

GEORGIA	58-1492391
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

115 SOUTH GRANT STREET, FITZGERALD, GEORGIA 31750
ADDRESS OF PRINCIPAL EXECUTIVE OFFICES

229/426-6000
REGISTRANT'S TELEPHONE NUMBER INCLUDING AREA CODE

INDICATE BY CHECK MARK WHETHER THE REGISTRANT (1) HAS FILED REPORTS REQUIRED TO BE FILED BY SECTIONS 13 OR 15 (D) OF THE SECURITIES EXCHANGE ACT OF 1934 DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO FILE SUCH REPORTS), AND (2) HAS BEEN SUBJECT TO SUCH FILING REQUIREMENTS FOR THE PAST 90 DAYS.

YES x NO o

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS SUBMITTED ELECTRONICALLY AND POSTED ON ITS CORPORATE WEB SITE, 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 o NO o

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, A NONACCELERATED FILER OR A SMALLER REPORTING COMPANY. SEE

DEFINITIONS OF ACCELERATED FILER, LARGE ACCELERATED FILER AND SMALLER REPORTING COMPANY IN RULE 12b-2 OF THE EXCHANGE ACT. (CHECK ONE)

LARGE ACCELERATED FILER o	ACCELERATED FILER o
NON ACCELERATED FILER o (DO NOT CHECK IF A SMALLER REPORTING COMPANY)	SMALLER REPORTING COMPANY x

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A SHELL COMPANY (AS DEFINED IN RULE 12B-2 OF THE ACT).

YES o NO x

INDICATE THE NUMBER OF SHARES OUTSTANDING OF EACH OF THE REGISTRANT'S CLASSES OF COMMON STOCK, AS OF THE LATEST PRACTICABLE DATE.

CLASS	OUTSTANDING AT NOVEMBER 12, 2010
COMMON STOCK, $1 PAR VALUE	8,444,308

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Forward Looking Statement Disclosure

Statements in this Quarterly Report regarding future events or performance are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 (the PSLRA) and are made pursuant to the safe harbors of the PSLRA. Actual results of Colony Bankcorp, Inc. (the Company) could be quite different from those expressed or implied by the forward-looking statements. Any statements containing the words “could,” “may,” “will,” “should,” “plan,” “believe,” “anticipates,” “estimates,” “predicts,” “expects,” “projections,” “potential,” “continue,” or wo import, constitute “forward-looking statements”, as do any other statements that expressly or implicitly predict future events, results, or performance. Factors that could cause results to differ from results expressed or implied by our forward-looking statements include, among others, risks discussed in the text of this Quarterly Report as well as the following specific items:

- General economic conditions, whether national or regional, that could affect the demand for loans or lead to increased loan losses;

- Competitive factors, including increased competition with community, regional, and national financial institutions, that may lead to pricing pressures that reduce yields the Company achieves on loans and increase rates the Company pays on deposits, loss of the Company’s most valued customers, defection of key employees or groups of employees, or other losses;

- Increasing or decreasing interest rate environments, including the shape and level of the yield curve, that could lead to decreases in net interest margin, lower net interest and fee income, including lower gains on sales of loans, and changes in the value of the Company’s investment securities;

- Changing business or regulatory conditions, or new legislation, affecting the financial services industry that could lead to increased costs, changes in the competitive balance among financial institutions, or revisions to our strategic focus;

- Changes or failures in technology or third party vendor relationships in important revenue production or service areas, or increases in required investments in technology that could reduce our revenue, increase our costs or lead to disruptions in our business.

- Readers are cautioned not to place undue reliance on our forward-looking statements, which reflect management’s analysis only as of the date of the statements. The Company does not intend to publicly revise or update forward-looking statements to reflect events or circumstances that arise after the date of this report.

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

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PART 1. FINANCIAL INFORMATION
ITEM 1

FINANCIAL STATEMENTS

THE FOLLOWING FINANCIAL STATEMENTS ARE PROVIDED FOR COLONY BANKCORP, INC. AND ITS WHOLLY-OWNED SUBSIDIARY BANK, COLONY BANK

A. CONSOLIDATED BALANCE SHEETS – SEPTEMBER 30, 2010 AND DECEMBER 31, 2009.

B. CONSOLIDATED STATEMENTS OF INCOME – FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009.

C. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009.

D. CONSOLIDATED STATEMENTS OF CASH FLOWS – FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009.

THE CONSOLIDATED FINANCIAL STATEMENTS FURNISHED HAVE NOT BEEN AUDITED BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS, BUT REFLECT, IN THE OPINION OF MANAGEMENT, ALL ADJUSTMENTS (CONSISTING SOLELY OF NORMAL RECURRING ADJUSTMENTS) NECESSARY FOR A FAIR PRESENTATION OF THE RESULTS OF OPERATIONS FOR THE PERIODS PRESENTED.

THE RESULTS OF OPERATIONS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2010 ARE NOT NECESSARILY INDICATIVE OF THE RESULTS TO BE EXPECTED FOR THE FULL YEAR.

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COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2010 AND DECEMBER 31, 2009
(DOLLARS IN THOUSANDS)

ASSETS	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Cash and Cash Equivalents		
Cash and Due from Banks	$ 21,243	$ 25,996
Federal Funds Sold	13,327	16,433
	34,570	42,429
Interest-Bearing Deposits	21,285	6,479
Investment Securities		
Available for Sale, at Fair Value	270,793	267,247
Held to Maturity, at Cost (Fair Value of $52 and $57, as of September 30, 2010 and December 31, 2009, Respectively)	50	54
	270,843	267,301
Federal Home Loan Bank Stock, at Cost	6,300	6,345
Loans	849,983	931,392
Allowance for Loan Losses	(27,754)	(31,401)
Unearned Interest and Fees	(68)	(140)
	822,161	899,851
Premises and Equipment	27,578	28,826
Other Real Estate	20,738	19,705
Other Intangible Assets	304	331
Other Assets	27,710	35,822
Total Assets	$ 1,231,489	$ 1,307,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-Bearing	$ 76,149	$ 84,239
Interest-Bearing	929,083	973,348
	1,005,232	1,057,587
Borrowed Money		
Securities Sold Under Agreements to Repurchase	25,000	40,000
Subordinated Debentures	24,229	24,229
Other Borrowed Money	76,469	91,000
	125,698	155,229
Other Liabilities	4,600	4,999
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, No Par Value; Authorized 10,000,000 Shares, Issued 28,000 Shares	27,468	27,357

Common Stock, Par Value $1 a Share; Authorized 20,000,000 Shares, Issued 8,444,308 and 7,229,163 Shares as of September 30, 2010 and December 31, 2009, Respectively	8,444	7,229
Paid-In Capital	29,186	25,393
Retained Earnings	28,564	29,554
Restricted Stock - Unearned Compensation	(70)	(159)
Accumulated Other Comprehensive Income (Loss), Net of Tax	2,367	(100)
	95,959	89,274
Total Liabilities and Stockholders' Equity	$ 1,231,489	$ 1,307,089

The accompanying notes are an integral part of these statements.

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COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Three Months Ended		Nine Months Ended	
	9/30/2010	9/30/2009	9/30/2010	9/30/2009
Interest Income				
Loans, Including Fees	$12,899	$14,569	$39,370	$43,342
Federal Funds Sold	28	3	68	14
Deposits with Other Banks	10	--	27	--
Investment Securities				
U.S. Government Agencies	1,448	1,932	5,119	5,886
State, County and Municipal	26	59	74	207
Corporate Obligations and Asset-Backed Securities	23	74	113	287
Dividends on Other Investments	7	13	15	13
	14,441	16,650	44,786	49,749
Interest Expense				
Deposits	4,309	5,202	13,179	16,928
Federal Funds Purchased	182	222	549	658
Borrowed Money	888	922	2,722	2,860
	5,379	6,346	16,450	20,446
Net Interest Income	9,062	10,304	28,336	29,303
Provision for Loan Losses	4,200	4,000	10,850	21,580
Net Interest Income After Provision for Loan Losses	4,862	6,304	17,486	7,723
Noninterest Income				
Service Charges on Deposits	879	1,125	2,722	3,155
Other Service Charges, Commissions and Fees	291	259	849	747
Mortgage Fee Income	89	129	229	352
Securities Gains	922	609	1,800	3,147
Other	483	210	1,623	889
	2,664	2,332	7,223	8,290
Noninterest Expenses				
Salaries and Employee Benefits	3,474	3,556	10,538	10,946
Occupancy and Equipment	1,149	1,132	3,355	3,182
Other	4,492	3,416	11,231	9,632
	9,115	8,104	25,124	23,760
Income (Loss) Before Income Taxes	(1,589)	532	(415)	(7,747)
Income Tax (Benefits) Expense	(555)	164	(586)	(2,796)
Net Income (Loss)	(1,034)	368	171	(4,951)
Preferred Stock Dividends	350	350	1,050	1,015
Net Income (Loss) Available to Common Stockholders	$(1,384)	$18	$(879)	$(5,966)

Net Income (Loss) Per Share of Common Stock				
Basic	$(0.16)	$0.00	$(0.11)	$(0.83)
Diluted	$(0.16)	$0.00	$(0.11)	$(0.83)
Cash Dividends Declared Per Share of Common Stock	$.00	$0.00	$0.00	$0.15
Weighted Average Basic Shares Outstanding	8,447,855	7,217,006	8,049,267	7,209,852
Weighted Average Diluted Shares Outstanding	8,447,855	7,217,006	8,049,267	7,209,852

The accompanying notes are an integral part of these statements.

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Part I (Continued)
Item 1 (Continued)

COLONY BANKCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Three Months Ended		Nine Months Ended	
	09/30/10	09/30/09	09/30/10	09/30/09
Net Income (Loss)	$(1,034)	$368	$171	$(4,951)
Other Comprehensive Income (Loss), Net of Tax				
Gains (Losses) on Securities Arising During the Year	(161)	710	3,654	1,858
Reclassification Adjustment	(609)	(402)	(1,188)	(2,077)
Change in Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effect	(770)	308	2,466	(219)
Comprehensive Income (Loss)	$(1,804)	$676	$2,637	$(5,170)

The accompanying notes are an integral part of these statements.

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Part I (Continued)
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COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	$171	$(4,951)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,631	1,561
Provision for Loan Losses	10,850	21,580
Securities Gains	(1,800)	(3,147)
Amortization and Accretion	2,982	2,743
Loss on Sale of Other Real Estate and Repossessions	1,691	104
Unrealized Loss on Other Real Estate	824	282
Gain on Sale of Property/Equipment	2	(79)
(Increase) Decrease in Cash Surrender Value of Life Insurance	1	(124)
Other Prepaids, Deferrals and Accruals, Net	6,255	(2,115)
	22,607	15,854
CASH FLOWS FROM INVESTING ACTIVITIES		
Federal Home Loan Bank Stock	45	(73)
Purchases of Investment Securities Available for Sale	(250,973)	(450,470)
Proceeds from Maturities, Calls, and Paydowns of Investment Securities:		
Available for Sale	38,636	42,945
Held to Maturity	8	5
Proceeds from Sale of Investment Securities		
Available for Sale	211,597	368,576
Increase in Interest-Bearing Deposits in Other Banks	(14,806)	(15)
(Increase) Decrease in Net Loans to Customers	54,488	(39,008)
Purchase of Premises and Equipment	(384)	(953)
Proceeds from Sale of Other Real Estate and Repossessions	8,794	7,673
Proceeds from Sale of Premises & Equipment	--	122
Other Additions and Adjustments	--	(32)
	47,405	(71,230)
CASH FLOWS FROM FINANCING ACTIVITIES		
Noninterest-Bearing Customer Deposits	(8,103)	(7,152)
Interest-Bearing Customer Deposits	(44,265)	15,574
Federal Funds Purchased	--	3,423
Securities Sold Under Agreements to Repurchase	(15,000)	5,232
Dividends Paid On Common Stock	--	(1,760)
Dividends Paid On Preferred Stock	(1,050)	(840)

Proceeds from Issuance of Common Stock	5,078	--
Proceeds from Other Borrowed Money	19,000	19,000
Principal Payments on Other Borrowed Money	(39,000)	(19,000)
Proceeds from Secured Borrowings	5,469	--
Proceeds Allocated to Issuance of Preferred Stock	--	27,215
Proceeds Allocated to Warrants Issued	--	785
	(77,871)	42,477
Net (Decrease) in Cash and Cash Equivalents	(7,859)	(12,899)
Cash and Cash Equivalents at Beginning of Period	42,429	29,458
Cash and Cash Equivalents at End of Period	$34,570	$16,559

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Item 1 (Continued)

COLONY BANKCORP, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Presentation

Colony Bankcorp, Inc. (the Company) is a bank holding company located in Fitzgerald, Georgia. The Company merged all of its operations into one sole subsidiary effective August 1, 2008. The consolidated financial statements include the accounts of Colony Bankcorp, Inc. and its wholly-owned subsidiary, Colony Bank (which includes its wholly-owned subsidiary, Colony Mortgage Corp.), Fitzgerald, Georgia. All significant intercompany accounts have been eliminated in consolidation. The accounting and reporting policies of Colony Bankcorp, Inc. conform to generally accepted accounting principles and practices utilized in the commercial banking industry.

All dollars in notes to consolidated financial statements are rounded to the nearest thousand.

In the opinion of management, all adjustments necessary for a fair presentation of financial position and results of operations for the interim dates and interim periods are included herein.

Nature of Operations

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

Use of Estimates

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

Accounting Standards Codification

The Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) became effective on July 1, 2009. At that date, the ASC became FASB’s officially recognized source of authoritative U.S. generally accepted accounting principles (GAAP) applicable to all public and non-public non-governmental entities, superseding existing FASB, American Institute of Certified Public Accountants (AICPA), Emerging Issues Task Force (EITF) and related literature. Rules and interpretive releases of the SEC under the authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. All other accounting literature is considered nonauthoritative. The switch to the ASC affects the way companies refer to U.S. GAAP in financial statements and

accounting policies. Citing particular content in the ASC involves specifying the unique numeric path to the content through the Topic, Subtopic, Section and Paragraph structure.

Reclassifications

In certain instances, amounts reported in prior years' consolidated financial statements have been reclassified to conform to statement presentations selected for 2010. Such reclassifications had no effect on previously reported stockholders' equity or net income.

Concentrations of Credit Risk

Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk, particularly with the current economic downturn in the real estate market. At

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Part I (Continued)
Item 1 (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Concentrations of Credit Risk (Continued)

September 30, 2010, approximately 84 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. The continued downturn of the housing and real estate market that began in 2007 has resulted in an increase of problem loans secured by real estate. These loans are centered primarily in the Company's larger MSA markets. Declining collateral real estate values that secure land development, construction and speculative real estate loans in the Company's larger MSA markets have resulted in high loan loss provisions in 2010. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor these concentrations and has considered these concentrations in its allowance for loan loss analysis.

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

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

Investment Securities

The Company classifies its investment securities as trading, available for sale or held to maturity. Securities that are held principally for resale in the near term are classified as trading. Trading securities are carried at fair value, with realized and unrealized gains and losses included in noninterest income. Currently, no securities are classified as trading. Securities acquired with both the intent and ability to be held to maturity are classified as held to maturity and reported at amortized cost. All securities not classified as trading or held to maturity are considered available for sale.

Securities available for sale are reported at estimated fair value. Unrealized gains and losses on securities available for sale are excluded from earnings and are reported, net of deferred taxes, in accumulated other comprehensive income, a component of stockholders' equity. Declines in the fair value of held-to-maturity and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of impairment related to other factors is recognized in other comprehensive income. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Gains and losses from sales of securities available for sale are computed using the specific identification method. This caption includes securities, which may be sold to meet liquidity needs arising from unanticipated deposit and loan fluctuations, changes in regulatory capital requirements, or unforeseen changes in market conditions.

Federal Home Loan Bank Stock

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

Loans

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

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Part I (Continued)
Item 1 (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Loans (Continued)

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

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

Allowance for Loan Losses

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

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

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as either doubtful or substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio. During the fourth quarter 2009, the Company changed its methodology regarding the look back period for charge-off experience from five years to one year. With the significant net charge-offs during 2009, this change resulted in a significant increase in loan loss provisions.

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

at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Premises and Equipment

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

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

Description	Life in Years	Method
Banking Premises	15-40	Straight-Line and Accelerated
Furniture and Equipment	5-10	Straight-Line and Accelerated
Leasehold Improvements	5-20	Straight-Line

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Part I (Continued)
Item 1 (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Premises and Equipment (Continued)

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

Goodwill and Intangible Assets

Goodwill represents the excess of the cost over the fair value of the net assets purchased in a business combination. Impairment testing of goodwill is performed annually or more frequently if events or circumstances indicate possible impairment. Testing performed during 2009 indicated total impairment of goodwill and, accordingly, $2,412,338 was expensed as an impairment during 2009.

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

Transfers of Financial Assets

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

Statement of Cash Flows

For reporting cash flows, cash and cash equivalents include cash on hand, noninterest-bearing amounts due from banks and federal funds sold. Cash flows from demand deposits, NOW accounts, savings accounts, loans and certificates of deposit are reported net.

Securities Sold Under Repurchase Agreements

The Company sells securities under agreements to repurchase. These repurchase agreements are treated as borrowings. The obligations to repurchase securities sold are reflected as a liability and the securities underlying the agreements are reflected as assets in the consolidated balance sheets.

Advertising Costs

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

Income Taxes

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

Deferred tax assets and liabilities are recognized based on future tax consequences attributable to differences arising from the financial statement carrying values of assets and liabilities and their tax bases. The differences relate primarily to depreciable assets (use of different depreciation methods for financial statement and income tax purposes) and allowance for loan losses (use of the allowance method for financial statement purposes and the direct write-off method for tax purposes). In the event of changes in the tax laws, deferred tax assets and liabilities are adjusted in the period of the enactment of those changes, with effects included in the income tax provision. The Company and its subsidiary file a consolidated federal income tax return. The subsidiary pays its proportional share of federal income taxes to the Company based on its taxable income.

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Part I (Continued)
Item 1 (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

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

Other Real Estate

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

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, represent equity changes from economic events of the period other than transactions with owners and are not reported in the consolidated statements of operations but as a separate component of the equity section of the consolidated balance sheets. Such items are considered components of other comprehensive income (loss). Accounting standards codification requires the presentation in the consolidated financial statements of net income and all items of other comprehensive income (loss) as total comprehensive income.

Off-Balance Sheet Credit Related Financial Instruments

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

Accounting Standards Updates

Accounting Standards Update (ASU) No. 2009-16, "Transfers and Servicing (Topic 860) – Accounting for Transfers of Financial Assets." ASU 2009-16 amends prior accounting guidance to enhance reporting about transfers of financial assets, including securitizations, and where companies have continuing exposure to the risks related to transferred financial assets. ASU 2009-16 eliminates the concept of a "qualifying special-purpose entity" and changes the requirements for derecognizing financial assets. ASU 2009-16 also requires additional disclosures about all continuing involvements with transferred financial assets including information about gains and losses resulting from

transfers during the period. The provisions of ASU 2009-16 became effective on January 1, 2010 and did not have a significant impact on the Company's financial statements.

ASU No. 2009-17, "Consolidations (Topic 810) – Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities." ASU 2009-17 amends prior guidance to change how a company determines when an entity that is insufficiently capitalized or is not controlled through voting (or similar rights) should be consolidated. The determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design and a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance. ASU 2009-17 requires additional disclosures about the reporting entity's involvement with variable-interest entities and any significant changes in risk exposure due to that involvement as well as its affect on the entity's financial statements. As further discussed below, ASU No. 2010-10, "Consolidations (Topic 810)," deferred the effective date of ASU 2009-17 for a reporting entity's interests in investment companies. The provisions of ASU 2009-17 became effective on January 1, 2010 and did not have a significant impact on the Company's financial statements.

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Part I (Continued)
Item 1 (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Accounting Standards Updates (Continued)

ASU No. 2010-06, "Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures About Fair Value Measurements." ASU 2010-06 requires expanded disclosures related to fair value measurements including (i) the amounts of significant transfers of assets or liabilities between Levels 1 and 2 of the fair value hierarchy and the reasons for the transfers, (ii) the reasons for transfers of assets or liabilities in or out of Level 3 of the fair value hierarchy, with significant transfers disclosed separately, (iii) the policy for determining when transfers between levels of the fair value hierarchy are recognized and (iv) for recurring fair value measurements of assets and liabilities in Level 3 of the fair value hierarchy, a gross presentation of information about purchases, sales, issuances and settlements. ASU 2010-06 further clarifies that (i) fair value measurement disclosures should be provided for each class of assets and liabilities (rather than major category), which would generally be a subset of assets or liabilities within a line item in the statement of financial position and (ii) companies should provide disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for each class of assets and liabilities included in Levels 2 and 3 of the fair value hierarchy. The disclosures related to the gross presentation of purchases, sales, issuances and settlements of assets and liabilities included in Level 3 of the fair value hierarchy will be required for the Company beginning January 1, 2011. The remaining disclosure requirements and clarifications made by ASU 2010-06 became effective for the Company on January 1, 2010.

ASU No. 2010-20, "Receivables (Topic 830) – Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses." ASU 2010-20 requires entities to provide disclosures designed to facilitate financial statement users' evaluation of (i) the nature of credit risk inherent in the entity's portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a rollforward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. ASU 2010-20 will be effective for the Company's financial statements as of December 31, 2010, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period will be required for the Company's financial statements that include periods beginning on or after January 1, 2011.

(2) Cash and Balances Due from Banks

Components of cash and balances due from banks are as follows as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
Cash on Hand and Cash Items	$ 9,128	$ 8,773
Noninterest-Bearing Deposits with Other Banks	12,115	17,223
	$ 21,243	$ 25,996

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Item 1 (Continued)

3) Investment Securities

Investment securities as of September 30, 2010 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
U.S. Government Agencies				
Mortgage-Backed	$261,463	$3,899	$(170)	$265,192
State, County & Municipal	3,265	76	--	3,341
Corporate Obligations	2,000	147	(19)	2,128
Asset-Backed Securities	479	--	(347)	132
	$267,207	$4,122	$(536)	$270,793
Securities Held to Maturity:				
State, County and Municipal	$50	$2	$--	$52

The amortized cost and fair value of investment securities as of September 30, 2010, by contractual maturity, are shown hereafter. Expected maturities will differ from contractual maturities because issuers have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities Available for Sale		Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due After One Year Through Five Years	$501	$527	--	--
Due After Five Years Through Ten Years	2,753	2,947	$50	$52
Due After Ten Years	2,490	2,127	--	--
	5,744	5,601	50	52
Mortgage-Backed Securities	261,463	265,192	--	--
	$267,207	$270,793	$50	$52

Investment securities as of December 31, 2009 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale:				
U.S. Government Agencies				
Mortgage-Backed	$258,433	$1,536	$(1,059)	$258,910
State, County & Municipal	4,027	75	(35)	4,067
Corporate Obligations	4,458	65	(385)	4,138
Asset-Backed Securities	479	--	(347)	132
	$267,397	$1,676	$(1,826)	$267,247

Securities Held to Maturity:				
State, County and Municipal	$54	$3	$--	$57

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Part I (Continued)
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3) Investment Securities (Continued)

Proceeds from the sale of investments available for sale during first nine months of 2010 totaled $211,597 compared to $368,576 for the first nine months of 2009. The sale of investments available for sale during 2010 resulted in gross realized gains of $1,800 and gross realized losses of $0 and the sale of investments available for sale during 2009 resulted in gross realized gain of $3,205 and losses of $58.

Investment securities having a carry value approximating $141,348 and $157,868 as of September 30, 2010 and December 31, 2009, respectively, were pledged to secure public deposits and for other purposes.

Information pertaining to securities with gross unrealized losses at September 30, 2010 and December 31, 2009 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2010						
U.S. Government Agencies						
Mortgage-Backed	$31,652	$(170)	$--	$--	$31,652	$(170)
State, County and Municipal	--	--	--	--	--	--
Corporate Obligations	--	--	981	(19)	981	(19)
Asset-Backed Securities	--	--	132	(347)	132	(347)
	$31,652	$(170)	$1,113	$(366)	$32,765	$(536)
December 31, 2009						
U.S. Government Agencies						
Mortgage-Backed	$114,223	$(1,056)	$419	$(3)	$114,642	$(1,059)
State, County and Municipal	--	--	1,425	(35)	1,425	(35)
Corporate Obligations	--	--	3,073	(385)	3,073	(385)
Asset-Backed Securities	--	--	132	(347)	132	(347)
	$114,223	$(1,056)	$5,049	$(770)	$119,272	$(1,826)

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

At September 30, 2010, the debt securities with unrealized losses have depreciated 1.61 percent from the Company's amortized cost basis. These securities are guaranteed by either U.S. Government, other governments, or U.S. corporations. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal

government or its agencies, whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

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(4) Loans

The composition of loans as of September 30, 2010 and December 31, 2009 was as follows:

	September 30, 2010	December 31, 2009
Commercial, Financial and Agricultural	$ 79,585	$ 80,984
Real Estate – Construction	88,361	113,117
Real Estate – Farmland	51,958	54,965
Real Estate – Other	572,890	626,993
Installment Loans to Individuals	35,667	38,383
All Other Loans	21,522	16,950
	$ 849,983	$ 931,392

Nonaccrual loans are loans for which principal and interest are doubtful of collection in accordance with original loan terms and for which accruals of interest have been discontinued due to payment delinquency. Nonaccrual loans totaled $26,628 and $33,535 as of September 30, 2010 and December 31, 2009, respectively and total recorded investment in loans past due 90 days or more and still accruing interest approximated $0 and $31, respectively.

(5) Allowance for Loan Losses

Transactions in the allowance for loan losses are summarized below for nine months ended September 30, 2010 and September 30, 2009 as follows:

	September 30, 2010	September 30, 2009
Balance, Beginning	$ 31,401	$ 17,016
Provision Charged to Operating Expenses	10,850	21,580
Loans Charged Off	(15,510)	(17,549)
Loan Recoveries	1,013	312
Balance, Ending	$ 27,754	$ 21,359

(6) Premises and Equipment

Premises and equipment are comprised of the following as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
Land	$ 7,813	$ 7,805
Building	23,768	23,642
Furniture, Fixtures and Equipment	14,604	14,365

Leasehold Improvements	993	993
Construction in Progress	6	7
	47,184	46,812
Accumulated Depreciation	(19,606)	(17,986)
	$ 27,578	$ 28,826

Depreciation charged to operations totaled $1,631 and $1,561 for September 30, 2010 and September 30, 2009, respectively.

Certain Company facilities and equipment are leased under various operating leases. Rental expense approximated $281 and $273 for nine months ended September 30, 2010 and September 30, 2009, respectively.

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(7) Goodwill and Intangible Assets

The following is an analysis of the goodwill and core deposit intangible asset activity for the nine months ended September 30, 2010 and September 30, 2009:

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Goodwill		
Balance, Beginning	--	$ 2,412
Goodwill Acquired	--	--
Balance, Ending	--	$ 2,412
Net Core Deposit, Intangible		
Balance, Beginning	$ 331	$ 367
Amortization Expense	(27)	(27)
Balance, Ending	$ 304	$ 340

The following table reflects the expected amortization for the core deposit intangible at September 30, 2010:

2010	$9
2011	36
2012	36
2013	36
2014 and thereafter	187
	$304

(8) Income Taxes

The Company records income taxes under accounting standards requiring an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

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

accruing. Penalties are recognized in the period that the Company claims the position in the tax return. Interest and penalties on income tax uncertainties are classified within income tax expense in the consolidated statements of income. Once the statute of limitations has passed, the Company reverses income tax expenses recorded. For the nine month period ended September 30, 2010, the expected Federal Income tax benefit approximating $131,000 was increased by actual permanent differences of $138,000, reversals of prior year over accruals of $159,000 and reversals of Fin 48 income taxes of $158,000.

(9) Fair Value Measurements

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

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(9) Fair Value Measurements (Continued)

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

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

- Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

Assets

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

Impaired loans – Fair value accounting principles also apply to loans measured for impairment, including impaired loans measured at an observable market price (if available), or at the fair value of the loan's collateral (if the loan is collateral dependent). Fair value of the loan's collateral, when the loan is dependent on collateral, is determined by appraisals for independent valuation which is then adjusted for the cost related to liquidation of the collateral.

Other Real Estate – Certain foreclosed assets, upon initial recognition, are remeasured and reported at fair value less cost to sale through a charge-off to the allowance for loan losses based on the fair value of the foreclosed asset. The fair value of a foreclosed asset is estimated using Level 2 inputs based on observable market price or appraised value. When appraised value is not available and management determines the fair value, the fair value of the foreclosed assets is considered Level 3.

Assets and Liabilities Measured at Fair Value on a Recurring Basis – The following table presents the recorded amount of the Company's assets measured at fair value on a recurring basis as of September 30, 2010 aggregated by the level in the fair value hierarchy within which those measurements fall.

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(9) Fair Value Measurements (Continued)

	September 30, 2010	Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Recurring				
Securities Available for Sale				
Mortgage-backed	$ 265,192	$---	$265,192	$ ---
State,County & Municipal	3,341	---	3,341	---
Corporate Obligations	2,128	---	1,147	981
Asset-Backed Securities	132	---	---	132
	$ 270,793	$---	$269,680	$ 1,113
Nonrecurring				
Impaired Loans	$ 26,477	$---	$---	$ 26,477
Other Real Estate	$ 20,738	$---	$---	$ 20,738

Liabilities

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

The table below presents a reconciliation and statement of income classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the nine months ended September 30, 2010.

Fair Value Measurement Using Significant Unobservable Inputs (Level 3)	Available for Sale Securities (In Thousands)
Balance, Beginning	$ 982
Total Unrealized Gains (Losses) Included In	
Net Income	---
Other Comprehensive Income	131
Purchases, Sales, Issuances and Settlements, Net	---
Transfers In and (Out) of Level 3	---
Balance, Ending	$ 1,113

(10) Deposits

The aggregate amount of overdrawn deposit accounts reclassified as loan balances totaled $244 and $232 as of September 30, 2010 and December 31, 2009.

Components of interest-bearing deposits as of September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010	December 31, 2009
Interest-Bearing Demand	$ 204,059	$ 220,168
Savings	36,352	34,851
Time, $100,000 and Over	294,016	364,064
Other Time	394,656	354,265
	$ 929,083	$ 973,348

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(10) Deposits (Continued)

At September 30, 2010 and December 31, 2009, the Company had brokered deposits of $37,650 and $136,453 respectively. Of the $37,650 brokered deposits at September 30, 2010, $32,450 represented Certificate of Deposits Account Registry Service (CDARS) reciprocal deposits in which customers placed core deposits into the CDARS program for FDIC insurance coverage and the Company received reciprocal brokered deposits in a like amount. Thus, brokered deposits less the reciprocal deposits totaled $5,200 at September 30, 2010. The aggregate amount of short-term jumbo certificates of deposit, each with a minimum denomination of $100,000 was approximately $213,462 and $316,896 as of September 30, 2010 and December 31, 2009, respectively.

As of September 30, 2010 and December 31, 2009, the scheduled maturities of certificates of deposits are as follows:

Maturity	September 30, 2010	December 31, 2009
One Year and Under	$ 484,147	$ 620,165
One to Three Years	193,670	94,055
Three Years and Over	10,855	4,109
	$ 688,672	$ 718,329

(11) Securities Sold Under Repurchase Agreements

The Company has securities sold under repurchase agreements in the amount of $25,000 at September 30, 2010. Barclay's Master Repurchase Agreement originated on June 26, 2008 with the initial draw of $20,000 on June 30, 2008. The Repurchase Agreement matures on June 30, 2011 and had a one-time call option on December 30, 2009. Interest payments are due quarterly at a fixed rate of 3.34 percent. The Repurchase Agreement is secured by U.S. Government mortgage-backed securities.

South Street Securities Master Repurchase Agreement originated on October 27, 2008 with the initial draw of $20,000 on October 31, 2008 and the current draw of $5,000 on September 30, 2010. The Repurchase Agreement is overnight borrowing at a floating interest rate. Interest payments are due monthly, and at September 30, 2010, the floating interest rate was 1.05 percent. The Repurchase Agreement is secured by U.S. Government mortgage-backed securities.

(12) Other Borrowed Money

Other borrowed money at September 30, 2010 and December 31, 2009 is summarized as follows:

	September 30, 2010	December 31, 2009
Secured Borrowings	$ 5,469	$ --
Federal Home Loan Bank Advances	71,000	91,000
	$ 76,469	$ 91,000

Advances from the Federal Home Loan Bank (FHLB) have maturities ranging from 2012 to 2019 and interest rates ranging from 3.17 percent to 4.75 percent. Under the Blanket Agreement for Advances and Security Agreement with

the FHLB, residential first mortgage loans and cash balances held by the FHLB are pledged as collateral for the FHLB advances outstanding. At September 30, 2010, the Company had available line of credit commitments totaling $187,400, of which $116,340 was available.

Secured Borrowings represent the transfer of the guaranteed portion of SBA loans at a premium in which the Company is obligated by the SBA to refund the premium to the "purchaser" if the loan is repaid within 90 days of the transfer. Under Current Accounting Standards, this premium refund obligation is a form of recourse, which means that the transferred guaranteed portion of the loan does not meet the definition of a "participating interest" for the 90-day period that the premium refund obligation exists. As a result, the transfer must be accounted for as a secured borrowing during this period.

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(12) Other Borrowed Money (Continued)

The aggregate stated maturities of other borrowed money at September 30, 2010 are as follows:

Year	Amount
2010	$ 5,469
2011	--
2012	41,000
2013 and Thereafter	30,000
	$ 76,469

The Company also has available federal funds lines of credit with various financial institutions totaling $47,000, of which $0 was outstanding at September 30, 2010.

(13) Preferred Stock and Warrants

On January 9, 2009, the Company issued to the United States Department of the Treasury (Treasury), in exchange for aggregate consideration of $28.0 million, (i) 28,000 shares of the Company's Fixed Rate Cumulative Perpetual Preferred Stock, Series A, (the Preferred Stock), and (ii) a warrant (the Warrant) to purchase up to 500,000 shares (the Warrant Common Stock) of the Company's common stock.

The Preferred Stock qualifies as Tier 1 capital and pays cumulative cash dividends quarterly at a rate of 5 percent per annum for the first five years, and 9 percent per annum thereafter. The Preferred Stock is non-voting, other than class voting rights on certain matters that could adversely affect the Preferred Stock. The Preferred Stock may be redeemed by the Company on or after February 15, 2012 at the liquidation preference of $1,000 per share plus any accrued and unpaid dividends. Prior to this date, the Preferred Stock may not be redeemed unless the Company has received aggregate gross proceeds from one or more qualified equity offerings of any Tier 1 perpetual preferred or common stock of the Company equal to $7.0 million. Subject to certain limited exceptions, until January 9, 2012, or such earlier time as all Preferred Stock has been redeemed, the Company will not, without the Treasury's consent, be able to increase its dividend rate per share of common stock or repurchase its common stock.

The Warrant may be exercised on or before January 9, 2019 at an exercise price of $8.40 per share. The Treasury may not exercise voting power with respect to any shares of Warrant Common Stock until the Warrant has been exercised.

Upon receipt of the aggregate consideration from the Treasury on January 9, 2009, the Company allocated the $28,000,000 proceeds on a pro rata basis to the Preferred Stock and the Warrant based on relative fair values. As a result, the Company allocated $27,220,000 of the aggregate proceeds to the Preferred Stock, and $780 thousand was allocated to the Warrant. The discount recorded on the Preferred Stock that resulted from allocating a portion of the proceeds to the Warrant is being accreted directly to retained earnings over a 5-year period applying a level yield.

(14) Subordinated Debentures (Trust Preferred Securities)

During the second quarter of 2004, the Company formed a third subsidiary whose sole purpose was to issue $4,500 in Trust Preferred Securities through a pool sponsored by FTN Financial Capital Markets. The Trust Preferred Securities have a maturity of 30 years and are redeemable after five years with certain exceptions. At September 30, 2010, the

floating rate securities had a 2.97 percent interest rate, which will reset quarterly at the three-month LIBOR rate plus 2.68 percent.

During the second quarter of 2006, the Company formed a fourth subsidiary whose sole purpose was to issue $5,000 in Trust Preferred Securities through a pool sponsored by SunTrust Capital Markets. The Trust Preferred Securities have a maturity of 30 years and are redeemable after five years with certain exceptions. At September 30, 2010 the floating-rate securities had a 1.79 percent interest rate, which will reset quarterly at the three-month LIBOR rate plus 1.50 percent.

During the first quarter of 2007, the Company formed a fifth subsidiary whose sole purpose was to issue $9,000 in Trust Preferred Securities through a pool sponsored by Trapeza Capital Management, LLC. The Trust Preferred Securities have a maturity of 30 years and are redeemable after five years with certain exceptions. At September 30, 2010, the floating-rate securities had a 1.94 percent interest rate, which will reset quarterly at the three-month LIBOR rate plus 1.65 percent. Proceeds from this issuance were used to payoff the trust preferred securities with the first subsidiary formed in March 2002 as the Company exercised its option to call.

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(14) Subordinated Debentures (Trust Preferred Securities) (Continued)

During the third quarter of 2007, the company formed a sixth subsidiary whose sole purpose was to issue $5,000 in Trust Preferred Securities through a pool sponsored by Trapeza Capital Management, LLC. The Trust Preferred Securities have a maturity of 30 years and are redeemable after five years with certain exceptions. At September 30, 2010, the floating-rate securities had a 1.88 percent interest rate, which will reset quarterly at the three-month LIBOR rate plus 1.40 percent. Proceeds from this issuance were used to payoff the trust preferred securities with the second subsidiary formed in December 2002 as the Company exercised its option to call.

The Trust Preferred Securities are recorded as subordinated debentures on the consolidated balance sheets, but subject to certain limitations, qualify as Tier 1 Capital for regulatory capital purposes. The proceeds from the offering were used to fund the cash portion of the Quitman acquisition, payoff holding company debt, and inject capital into bank subsidiaries.

(15) Restricted Stock – Unearned Compensation

In 1999, the board of directors of Colony Bankcorp, Inc. adopted a restricted stock grant plan which awards certain executive officers common shares of the Company. The maximum number of shares (split-adjusted) which may be subject to restricted stock awards was 64,701. To date, 77,052 split-adjusted shares have been issued under this plan and since the plan's inception, 12,351 shares have been forfeited; thus, there are not any shares available for restricted stock awards at September 30, 2010. The shares are recorded at fair market value (on the date granted) as a separate component of stockholders' equity. The cost of these shares is being amortized against earnings using the straight-line method over three years (the restriction period.)

In April 2004, the stockholders of Colony Bankcorp, Inc. adopted a restricted stock grant plan which awards certain executive officers common shares of the Company. The maximum number of shares which may be subject to restricted stock awards (split-adjusted) is 143,500. To date, 53,256 shares have been issued under this plan and since the plan's inception 12,748 shares have been forfeited, thus remaining shares which may be subject to restricted stock awards are 102,992 at September 30, 2010. During 2010, there has not been any shares of restricted stock issued and 1,400 shares have been forfeited. The shares are recorded at fair market value (on the date granted) as a separate component of stockholders' equity. The cost of these shares is being amortized against earnings using the straight-line method over three years (the restriction period).

(16) Profit Sharing Plan

The Company has a profit sharing plan that covers substantially all employees who meet certain age and service requirements. It is the Company's policy to make contributions to the plan as approved annually by the board of directors. The provision for the nine months ended September 30, 2010 was $0 compared to $(19) for the nine months ended September 30, 2009. The total provision for contributions to the plan was $0 for 2010, $(19) for 2009, and $206 for 2008.

(17) Commitments and Contingencies

Credit-Related Financial Instruments. The Company is a party to credit related financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit and commercial letters of credit. Such commitments

involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets.

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

At September 30, 2010 and December 31, 2009 the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	September 30, 2010	December 31, 2009
Loan Commitments	$ 37,464	$ 56,100
Standby Letters of Credit	1,492	1,475

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Part I (Continued)
Item 1 (Continued)

(17) Commitments and Contingencies (Continued)

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

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

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

At September 30, 2010, a standby letter of credit in the amount of $60 was issued by Federal Home Loan Bank of Atlanta on behalf of Colony Bank.

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

(18) Deferred Compensation Plan

Two of the Bank branches have deferred compensation plans covering directors choosing to participate through individual deferred compensation contracts. In accordance with terms of the contracts, the Banks are committed to pay the directors deferred compensation over a specified number of years, beginning at age 65. In the event of a director's death before age 65, payments are made to the director's named beneficiary over a specified number of years, beginning on the first day of the month following the death of the director.

Liabilities accrued under the plans totaled $1,249 and $1,299 as of September 30, 2010 and December 31, 2009, respectively. Benefit payments under the contracts were $163 and $155 for the nine month period ended September 30, 2010 and September 30, 2009, respectively. Provisions charged to operations totaled $114 and $89 for the nine month period ended September 30, 2010 and September 30, 2009, respectively.

Fee income recognized with deferred compensation plans totaled $126 and $124 for nine month period ended September 30, 2010 and September 30, 2009, respectively.

(19) Fair Value of Financial Instruments

Generally accepted accounting standards in the U.S. require disclosure of fair value information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair value of Colony Bankcorp, Inc. and Subsidiary's financial instruments are detailed hereafter. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered a surrogate of the liquidation value of the Company, but rather a good-faith estimate of the increase or decrease in value of financial instruments held by the Company since purchase, origination or issuance.

Cash and Short-Term Investments – For cash, due from banks, bank-owned deposits and federal funds sold, the carrying amount is a reasonable estimate of fair value.

Investment Securities – Fair values for investment securities are based on quoted market prices where available. If quoted market prices are not available, estimated fair values are based on quoted market prices of comparable instruments.

Federal Home Loan Bank Stock – The fair value of Federal Home Loan Bank stock approximates carrying value.

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Item 1 (Continued)
(19) Fair Value of Financial Instruments (Continued)

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

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

Federal Funds Purchased – The carrying value of federal funds purchased approximates fair value.

Subordinated Debentures – Fair value approximates carrying value due to the variable interest rates of the subordinated debentures.

Securities Sold Under Agreements to Repurchase and Other Borrowed Money – The fair value of other borrowed money is calculated by discounting contractual cash flows using an estimated interest rate based on current rates available to the Company for debt of similar remaining maturities and collateral terms.

Unrecognized Financial Instruments – Fair values for off-balance sheet, credit-related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fees associated with these instruments are not material.

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

The carrying amount and estimated fair values of the Company's financial instruments as of September 30, 2010 and December 31, 2009 are as follows:

	September 30, 2010		December 31, 2009	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(in thousands)			
Assets				
Cash and Short-Term Investments	$ 55,855	$ 55,855	$ 48,908	$ 48,908
Investment Securities Available for Sale	270,793	270,793	267,247	267,247
Investment Securities Held to Maturity	50	52	54	57
Federal Home Loan Bank Stock	6,300	6,300	6,345	6,345
Loans, Net	822,161	827,013	899,851	908,638
Liabilities				
Deposits	1,005,232	1,009,662	1,057,586	1,059,037
Subordinated Debentures	24,229	24,229	24,229	24,229

Securities Sold Under Agreements to Repurchase	25,000	25,457	40,000	40,671
Other Borrowed Money	76,469	81,284	91,000	91,703

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

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Part I (Continued)
Item 1 (Continued)

(19) Fair Value of Financial Instruments (Continued)

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

(20) Regulatory Capital Matters

The amount of dividends payable to the parent company from the subsidiary bank is limited by various banking regulatory agencies. Upon approval by regulatory authorities, the Bank may pay cash dividends to the parent company in excess of regulatory limitations. Additionally, in the third quarter of 2009, the Company suspended the payment of dividends to common shareholders.

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and Tier 1 capital to risk-weighted assets, and of Tier 1 capital to average assets. The amounts and ratios as defined in regulations are presented hereafter. Management believes, as of September 30, 2010, the company meets all capital adequacy requirements to which it is subject under the regulatory framework for prompt corrective action. In the opinion of management, there are no conditions or events since prior notification of capital adequacy from the regulators that have changed the institution's category.

The following table summarizes regulatory capital information as of September 30, 2010 and December 31, 2009 on a consolidated basis and for each significant subsidiary, as defined.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of September 30, 2010						
Total Capital to Risk-Weighted Assets						
Consolidated	$118,566	14.69 %	$64,580	8.00 %	NA	NA
Colony Bank	114,077	14.15	64,502	8.00	$80,628	10.00 %

Tier 1 Capital to Risk-Weighted Assets						
Consolidated	108,258	13.41	32,290	4.00	NA	NA
Colony Bank	103,781	12.87	32,251	4.00	48,377	6.00
Tier 1 Capital to Average Assets						
Consolidated	108,258	8.74	49,562	4.00	NA	NA
Colony Bank	103,781	8.39	49,501	4.00	61,876	5.00

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20) Regulatory Capital Matters (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2009						
Total Capital to Risk-Weighted Assets						
Consolidated	$118,848	13.07 %	$72,768	8.00 %	NA	NA
Colony Bank	117,756	12.97	72,622	8.00	$90,777	10.00 %
Tier 1 Capital to Risk-Weighted Assets						
Consolidated	107,231	11.79	36,384	4.00	NA	NA
Colony Bank	106,161	11.69	36,311	4.00	54,466	6.00
Tier 1 Capital to Average Assets						
Consolidated	107,231	8.30	51,708	4.00	NA	NA
Colony Bank	106,161	8.22	51,641	4.00	64,551	5.00

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

The parent company's balance sheets as of September 30, 2010 and December 31, 2009 and the related statements of income and comprehensive income and cash flows are as follows:

COLONY BANKCORP, INC. (PARENT ONLY)
BALANCE SHEETS
SEPTEMBER 30, 2010 AND DECEMBER 31, 2009

ASSETS	September 30, 2010 (Unaudited)	December 31, 2009 (Audited)
Cash	$ 3,837	$ 556
Premises and Equipment, Net	1,499	1,554
Investment in Subsidiaries, at Equity	114,776	111,451
Other	395	257
Totals Assets	$ 120,507	$ 113,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Dividends Payable	175	$ 175
Other	144	139
	319	314
Subordinated Debt	24,229	24,229
Stockholders' Equity		
Preferred Stock, Par Value $1,000 a Share; Authorized 10,000,000 Shares, Issued 28,000 Shares as of September 30, 2010	27,468	27,357
Common Stock, Par Value $1 a Share; Authorized 20,000,000 Shares, Issued 8,444,308 and 7,229,163 Shares as of September 30, 2010 and December 31, 2009, Respectively	8,444	7,229
Paid-In Capital	29,186	25,393
Retained Earnings	28,564	29,554
Restricted Stock - Unearned Compensation	(70)	(158)
Accumulated Other Comprehensive Loss, Net of Tax	2,367	(100)
	95,959	89,275
Total Liabilities and Stockholders' Equity	$ 120,507	$ 113,818

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Part I (Continued)
Item 1 (Continued)

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

COLONY BANKCORP, INC. (PARENT ONLY)
STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009
(UNAUDITED)

	SEPTEMBER 30, 2010	SEPTEMBER 30, 2009
Income		
Dividends from Subsidiaries	$ 12	$ 2,167
Management Fees	341	114
Other	91	76
	444	2,357
Expenses		
Interest	389	531
Salaries and Employee Benefits	583	638
Other	572	622
	1,544	1,791
Income (Loss) Before Taxes and Equity in Undistributed Earnings of Subsidiaries	(1,100)	566
Income Tax (Benefits)	(412)	(530)
Income (Loss) Before Equity in Undistributed Earnings of Subsidiaries	(688)	1,096
Equity in Undistributed Earnings of Subsidiaries	859	(6,047)
Net Income (Loss)	171	(4,951)
Preferred Stock Dividends	1,050	1,015
Net (Loss) Available to Common Shareholders	$ (879)	$ (5,966)

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

COLONY BANKCORP, INC. (PARENT ONLY)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009
(UNAUDITED)

	SEPTEMBER 30, 2010	SEPTEMBER 30, 2009
Net Income (Loss)	$ 171	$ (4,951)
Other Comprehensive Income, Net of Tax		
Gains on Securities Arising During Year	3,654	1,858
Reclassification Adjustment	(1,188)	(2,077)
Change in Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effects	2,466	(219)
Comprehensive Income (Loss)	$ 2,637	$ (5,170)

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

COLONY BANKCORP, INC. (PARENT ONLY)
STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND SEPTEMBER 30, 2009
(UNAUDITED)

	2010	2009
Cash Flows from Operating Activities		
Net Income (Loss)	$171	$(4,951)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided from Operating Activities		
Depreciation and Amortization	160	219
Equity in Undistributed Earnings of Subsidiary	(859)	6,047
Other	(189)	63
	(717)	1,378
Cash Flows from Investing Activities		
Capital Infusion in Subsidiary	--	(25,500)
Purchases of Premises and Equipment	(30)	(100)
	(30)	(25,600)
Cash Flows from Financing Activities		
Dividends Paid Preferred Stock	(1,050)	(840)
Dividends Paid Common Stock	--	(1,761)
Proceeds from Issuance of Common Stock	5,078	--
Proceeds Allocated to Issuance of Preferred Stock	--	27,215
Proceeds Allocated to Warrants Issued	--	785
	4,028	25,399
Net Increase in Cash	3,281	1,177
Cash, Beginning	556	2
Cash, Ending	$3,837	$1,179

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(22) Earnings Per Share

Basic and diluted earnings per share are computed and presented hereafter. Basic earnings per share is calculated and presented based on income available to common stockholders divided by the weighted average number of shares outstanding during the reporting periods. Diluted earnings per share reflects the potential dilution of restricted stock. The following presents earnings per share for the three months and nine months ended September 30, 2010 and 2009:

	Three Months Ended September 30, 2010			Three Months Ended September 30, 2009		
	Income Numerator	Common Shares Denominator	EPS	Income Numerator	Common Shares Denominator	EPS
Basic EPS						
Income (Loss) Available to Common Stockholders	$(1,384)	8,448	$(0.16)	$18	7,217	$0.00
Dilutive Effect of Potential Common Stock						
Restricted Stock		0			0	
Diluted EPS						
Income (Loss) Available to Common Stockholders After Assumed Conversions of Dilutive Securities	$(1,384)	8,448	$(0.16)	$18	7,217	$0.00

	Nine Months Ended September 30, 2010			Nine Months Ended September 30, 2009		
	Income Numerator	Common Shares Denominator	EPS	Income Numerator	Common Shares Denominator	EPS
Basic EPS						
Income (Loss) Available to Common Stockholders	$(879)	8,049	$(0.11)	$(5,966)	7,210	$(0.83)
Dilutive Effect of Potential Common Stock						
Restricted Stock		0			0	

Diluted EPS						
Income (Loss) Available to Common Stockholders After Assumed Conversions of Dilutive Securities	$(879)	8,049	$(0.11)	$(5,966)	7,210	$(0.83)

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

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

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

- The ability to increase market share and control expenses.

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

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

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

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

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Part I (Continued)
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- 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 18 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, 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.

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.

Goodwill and Other Intangibles – The Company records all assets and liabilities acquired in purchase acquisitions, including goodwill and other intangibles, at fair value. Goodwill is subject, at a minimum, to annual tests for impairment. Other intangible assets are amortized over their estimated useful lives using straight-line and accelerated methods, and are subject to impairment if events or circumstances indicate a possible inability to realize the carrying amount. The initial goodwill and other intangibles recorded and subsequent impairment analysis require management to make subjective judgments concerning estimates of how the acquired asset will perform in the future. Events and factors that may significantly affect the estimates include, among others, customer attrition, changes in revenue growth trends, specific industry conditions and changes in competition. Testing performed during 2009 indicated total impairment of goodwill and, accordingly, $2.41 million was expensed as an impairment.

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Overview

The following discussion and analysis presents the more significant factors affecting the Company's financial condition as of September 30, 2010 and 2009, and results of operations for each of the three months and nine months in the periods ended September 30, 2010 and 2009. 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.

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 loss available to shareholders totaled $1.38 million, or $(0.16) diluted per common share, in three months ended September 30, 2010 compared to net income available to shareholders of $18 thousand, or $0.00 diluted per common share, in three months ended September 30, 2009. Net loss available to shareholders totaled $879 thousand, or $(0.11) diluted per common share, in nine months ended September 30, 2010 compared to net loss available to shareholder of $5.97 million, or $(0.83) diluted per common share, in nine months ended September 30, 2009.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Taxable-equivalent net interest income	$9,107	$10,373	$28,470	$29,519
Taxable-equivalent adjustment	45	69	134	216
Net interest income	9,062	10,304	28,336	29,303
Provision for possible loan losses	4,200	4,000	10,850	21,580
Noninterest income	2,664	2,332	7,223	8,290
Noninterest expense	9,115	8,104	25,124	23,760
Income (loss) before income taxes	(1,589)	532	(415)	(7,747)
Income taxes	(555)	164	(586)	(2,796)

Net income (loss)	$(1,034)	$368	$171	$(4,951)
Preferred stock dividends	350	350	1,050	1,015
Net income (loss) available to common shareholders	$(1,384)	$18	$(879)	$(5,966)
Net income (loss) available to common shareholders:				
Basic	$(0.16)	$0.00	$(0.11)	$(0.83)
Diluted	$(0.16)	$0.00	$(0.11)	$(0.83)
Return on average assets	(0.44)%	0.01 %	(0.09)%	(0.62)%
Return on average common equity	(5.72)%	0.07 %	(1.25)%	(7.42)%

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Net income from operations for three months ended September 30, 2010 decreased $1.4 million, or 380.98 percent, compared to the same period in 2009. The decrease was primarily the result of an increase of $1.0 million in noninterest expense, a decrease of $1.2 million in net interest income and an increase of $200 thousand in provision for possible loan loss. This was offset by an increase of $332 thousand in noninterest income, and a decrease of $719 thousand in income taxes. This decrease resulted in an income tax benefit of $555 thousand for September 30, 2010.

Net income for nine months ended September 30, 2010 increased $5.12 million, or 103.45 percent, compared to the same period a year ago. The increase was primarily the result of a decrease of $10.73 million in provision for possible loan loss. This was offset by an increase of $1.36 million in noninterest expense, a decrease of $1.07 million in noninterest income, a decrease of $967 thousand in net interest income and a decrease of $2.21 million in income taxes. This decrease resulted in an income tax benefit of $586 thousand for nine months ended September 30, 2010.

Details of the changes in the various components of net income are further discussed below.

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 79.69 percent of total revenue for nine months ended September 30, 2010 and 77.95 percent for the same period a year ago.

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 has ranged from 3.25 percent to 7.75 percent during 2007 to 2010. At year end 2007, the prime rate was 7.25 percent and with the 400 basis point reduction during 2008 the prime rate ended the year at 3.25 percent and remained at 3.25 percent for third quarter 2010. The federal funds rate moved similar to prime rate with interest rates ranging from .25 percent to 4.75 percent during 2007 to 2010. At year end 2007, the federal funds rate was 4.25 percent and with the 400 basis point reduction during 2008 the federal funds rate ended the year at 0.25 percent and remained at 0.25 percent for third quarter 2010. We anticipate the Federal Reserve remaining neutral with interest rate policy in 2010, which will likely result in Colony’s net interest margin being flat the balance of 2010.

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.

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Rate/Volume Analysis

The rate/volume analysis presented hereafter illustrates the change from September 30, 2009 to September 30, 2010 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 September 30, 2009 to September 30, 2010		
($ in thousands)	Volume	Rate	Total
Interest Income			
Loans, Net-taxable	$(3,951)	$(35)	$(3,986)
Investment Securities			
Taxable	894	(1,836)	(942)
Tax-exempt	(198)	(2)	(200)
Total Investment Securities	696	(1,838)	(1,142)
Interest-Bearing Deposits in other Banks	618	(616)	2
Federal Funds Sold	56	(2)	54
Other Interest - Earning Assets	---	27	27
Total Interest Income	(2,581)	(2,464)	(5,045)
Interest Expense			
Interest-Bearing Demand and Savings Deposits	75	(98)	(23)
Time Deposits	(8)	(3,718)	(3,726)
Federal Funds Purchased and Repurchase Agreements	(226)	117	(109)
Subordinated Debentures	---	(142)	(142)
Other Borrowed Money	(35)	39	4
Total Interest Expense	(194)	(3,802)	(3,996)
Net Interest Income	$(2,387)	$1,338	$(1,049)

(1) 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 interest rate or 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. This 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 of alternative strategies or changes in balance sheet structure.

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Interest rates play a major part in the net interest income of financial institutions. The repricing of interest earning 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 0.80 to 1.20.

Our exposure to interest rate risk is reviewed on a quarterly basis 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. We are generally focusing our investment activities on securities with terms or average lives in the 2-5 year range.

The Company maintains about 30 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 certificate of deposits that mature within one year. This balance sheet composition has allowed the Company to be relatively constant with its net interest margin until 2008. During 2006 interest rates increased 100 basis points and during 2007 interest rates decreased 100 basis points. The 100 basis point decrease by the Federal Reserve in 2007 followed by 400 basis point decrease in 2008 resulted in significant pressure in net interest margins. Net interest margin decreased to 3.15 percent for nine months ended September 30, 2010 compared to 3.24 percent for the same period a year ago. Given the Federal Reserve's aggressive posture during 2008 that ended the year with a range of 0 – 0.25 percent federal funds target rate and remained the same through third quarter 2010, we anticipate a relatively flat net interest margin in 2010.

Taxable-equivalent net interest income for nine months ended September 30, 2010 decreased $1.05 million, or 3.55 percent compared to the same period a year ago. The fluctuation between the comparable periods resulted from the negative impact of the significant decrease in interest rates. The average volume of earning assets during nine months ended September 30, 2010 decreased $9.68 million compared to the same period a year ago while over the same period the net interest margin decreased by 9 basis points from 3.24 percent to 3.15 percent. Growth in average earning assets during 2010 was primarily in federal funds sold, investment securities and interest bearing deposits. The decrease in the net interest margin in 2010 is primarily the result of the decrease in average earning assets and maintenance of a higher liquidity level.

The average volume of loans decreased $87.6 million in nine months ended September 30, 2010 compared to the same period a year ago. The average yield on loans remained unchanged in nine months ended September 30, 2010 compared to the same period a year ago. The average volume of investment securities increased $28.7 million in nine months ended September 30, 2010 compared to the same year ago period, while the average yield on investment securities decreased 97 basis points for the same period comparison. The average volume of deposits increased $23.1 million in nine months ended September 30, 2010 compared to the same period a year ago, with interest-bearing deposits increasing $12.9 million in nine months ended September 30, 2010. Accordingly, the ratio of average interest-bearing deposits to total average deposits was 92.29 percent in nine months ended September 30, 2010 compared to 93.1 percent in the same period a year ago. This deposit mix, combined with a general decrease in market rates, had the effect of (i) decreasing the average cost of total deposits by 53 basis points in nine months ended September 30, 2010 compared to the same period a year ago and, (ii) mitigating a portion of the impact of decreasing yields on earning assets.

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 2.97 percent in nine months ended September 30, 2010

compared to 3.01 percent in the same period a year ago. 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 Market Risk 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 $10.85 million in nine months ended September 30, 2010 compared to $21.58 million in the same period a year ago. See the section captioned "Allowance for Loan Losses" elsewhere in this discussion for further analysis of the provision for loan losses.

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Noninterest Income

The components of noninterest income were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Service Charges on Deposit Accounts	$ 879	$ 1,125	$ 2,722	$ 3,155
Other Charges, Commissions and Fees	291	259	849	747
Other	483	210	1,623	889
Mortgage Fee Income	89	129	229	352
Securities Gains	922	609	1,800	3,147
Total	$ 2,664	$ 2,332	$ 7,223	$ 8,290

Total noninterest income for three months ended September 30, 2010 increased $332 thousand, or 14.24 percent compared to the same period year ago. Total noninterest income for nine months ended September 30, 2010 decreased $1.07 million, or 12.87 percent, compared to the same year ago period. Reduction in noninterest income was primarily in securities gains. Changes in these items and the other components of noninterest income are discussed in more detail below.

Service Charges on Deposit Accounts. Service charges on deposit accounts for three months ended September 30, 2010 decreased $246 thousand, or 21.87 percent, compared to the same period a year ago. Service charges on deposit accounts for the nine months ended September 30, 2010 decreased $433 thousand, or 13.72 percent compared to the same year ago period.

Mortgage Fee Income. Mortgage fee income for three months ended September 30, 2010 decreased $40 thousand, or 31.01 percent, compared to the same period year ago. Mortgage fee income for nine months ended September 30, 2010 decreased $123 thousand, or 34.94 percent, compared to the same year ago period. The company anticipates fee income to continue to show a decrease over the previous year due to the current mortgage market and slowing economy.

All Other Noninterest Income. Other charges, commissions and fees and other income for three months ended September 30, 2010 was $774 thousand compared to $469 thousand in the same year ago period, or an increase of 65.03 percent. Other charges, commissions and fees, and other income for nine months ended September 30, 2010 was $2.47 million compared to $1.64 million in the same year ago period, or a decrease of 51.10 percent. The increase in 2010 was from a death benefit on BOLI insurance plan in the amount of $212 thousand and an increase in SBA premiums of $384 thousand in 2010 from $130 thousand in 2009.

Securities Gains. The Company realized gains from the sale of securities of $922 thousand in three months ended September 30, 2010 compared to $609 thousand in the same year ago period and realized gains from the sale of securities of $1.8 million in nine months ended September 30, 2010 compared to $3.2 million in the same year ago period.

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Noninterest Expense

The components of noninterest expense were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Salaries and Employee Benefits	$ 3,474	$ 3,556	$ 10,538	$ 10,946
Occupancy and Equipment	1,149	1,132	3,355	3,182
Other	4,492	3,416	11,231	9,632
Total	$ 9,115	$ 8,104	$ 25,124	$ 23,760

Total noninterest expense for three months ended September 30, 2010 increased $1.01 million, or 12.48 percent, compared to the same period a year ago. Total noninterest expense for nine months ended September 30, 2010 increased $1.36 million, or 5.74 percent, compared to the same period a year ago. These items and the changes in the various components of noninterest expense are discussed in more detail below.

Salaries and Employee Benefits. Salaries and employee benefits expense for three months ended September 30, 2010 decreased $82 thousand, or 2.31 percent, compared to the same period a year ago. Salaries and employee benefits expense for the nine months ended September 30, 2010 decreased $408 thousand, or 3.73 percent, compared to the same year ago period. The slowing economy and lack of growth resulted in decreases in headcount as a result of normal attrition in both periods. Restructuring due to consolidation efforts initiated during 2008 also reduced salaries and benefits.

Occupancy and Equipment. Occupancy and equipment expense has remained relatively flat in both periods with an increase of $17 thousand for three months ended September 30, 2010 compared to the same year ago period and an increase of $173 thousand for nine months ended September 30, 2010 compared to the same year ago period.

All Other Non-Interest Expense. All other noninterest expense for three months ended September 30, 2010 increased $1.08 million or 31.50 percent compared to the same year ago period. All other noninterest expense for nine months ended September 30, 2010 increased $1.60 million, or 16.60 percent compared to the same year ago period. Significant amounts impacting the comparable periods include the FDIC insurance assessment and repossession/foreclosure expenses. For the nine months ended September 30, 2010, FDIC insurance assessments decreased to $1.42 million from $2.2 million in the same year ago period, or a decrease of 35.45 percent and credit related foreclosure and repossession expenses increased to $1.13 million from $932 thousand in the same year ago period, or an increase of 21.25 percent. FDIC insurance premiums for the entire banking industry have been adjusted up by the FDIC to maintain the FDIC reserve at adequate levels, while the Company has experienced a significant increase in credit related expenses due to the elevation of non-performing assets. In addition the Company realized a loss on the sale or writedown of OREO property during first nine months of 2010 of $2.52 million compared to $386 thousand during the first nine months of 2009.

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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 $1.27 billion in nine months ended September 30, 2010 compared to $1.28 billion in nine months ended September 30, 2009.

	Nine Months Ended September 30,					
Sources of Funds:	2010			2009		
Deposits:						
Noninterest-Bearing	$ 79,807	6.26	%	$ 69,601	5.43	%
Interest-Bearing	954,580	74.88		941,655	73.43	
Federal Funds Purchased and Repo Agreements	27,768	2.18		42,341	3.30	
Long-term Debt and Other Borrowings	113,880	8.93		115,229	8.99	
Other Noninterest-Bearing Liabilities	4,674	0.37		6,321	0.49	
Equity Capital	94,067	7.38		107,249	8.36	
Total	$ 1,274,776	100.00	%	$ 1,282,396	100.00	%
Uses of Funds:						
Loans	$ 845,140	66.30	%	$ 945,128	73.70	%
Securities	264,999	20.79		236,298	18.43	
Federal Funds Sold	37,196	2.92		7,322	0.57	
Interest-Bearing Deposits in Other Banks	19,791	1.55		408	0.03	
Other Interest-Earning Assets	6,333	0.49		6,322	0.49	
Other Noninterest-Earning Assets	101,317	7.95		86,918	6.78	
Total	$ 1,274,776	100.00	%	$ 1,282,396	100.00	%

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 92.29 percent of total average deposits in nine months ended September 30, 2010 compared to 93.12 percent in the same period a year ago.

The Company primarily invests funds in loans and securities. Loans continue to be the largest component of the Company's mix of invested assets. Total loans were $850 million at September 30, 2010, down 8.74 percent, compared to loans of $931 million at December 31, 2009. See additional discussion regarding the Company's loan portfolio in the section captioned "Loans" included elsewhere in this discussion. The majority of funds provided by deposit growth have been invested in investment securities.

Loans

The following table presents the composition of the Company's loan portfolio as of September 30, 2010 and December 31, 2009:

	September 30, 2010	December 31, 2009
Commercial, Financial and Agricultural	$ 79,585	$ 80,984
Real Estate		
Construction	88,361	113,117
Mortgage, Farmland	51,958	54,965
Mortgage, Other	572,890	626,993
Consumer	35,667	38,383
Other	21,522	16,950
	849,983	931,392
Unearned Interest and Fees	(68)	(140)
Allowance for Loan Losses	(27,754)	(31,401)
Loans	$ 822,161	$ 899,851

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The following table presents total loans as of September 30, 2010 according to maturity distribution and/or repricing opportunity on adjustable rate loans:

Maturity and Repricing Opportunity	($ in Thousands)
One Year or Less	$ 541,099
After One Year through Three Years	271,966
After Three Years through Five Years	27,500
Over Five Years	9,418
	$ 849,983

Overview. Loans totaled $850.0 million at September 30, 2010, down 8.74 percent from December 31, 2009 loans of $931.4 million. The majority of the Company's loan portfolio is comprised of the real estate loans-other, real estate construction and commercial, financial and agricultural. Real estate-other, which is primarily 1-4 family residential properties and nonfarm nonresidential properties, made up 67.40 percent and 67.32 percent of total loans, real estate construction made up 10.40 percent and 12.15 percent, while commercial, financial, and agricultural based loans made up 9.36 percent and 8.70 percent of total loans at September 30, 2010 and December 31, 2009, respectively.

Loan Origination/Risk Management. In accordance with the Company's decentralized banking model, loan decisions are made at the local bank level. The Company utilizes 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 bank. 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 industrial 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 bank. 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 that helps minimize risk. Additionally, consumer trends and outlook reports are reviewed by management on a regular basis.

The Company began utilizing an independent third party company for loan review during fourth quarter 2009. This third party engagement will be ongoing. The Loan Review Company reviews and validates the credit risk program on a periodic 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, Financial and Agricultural. Commercial, financial and agricultural loans at September 30, 2010 decreased 1.73 percent from December 31, 2009 to $79.6 million. The Company's commercial and industrial 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.

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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 September 30, 2010, approximately 84 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. The continued downturn of the housing and real estate market that began in 2007 has resulted in an increase of problem loans secured by real estate. These loans are centered primarily in the Company's larger MSA markets. Declining collateral real estate values that secure land development, construction and speculative real estate loans in the Company's larger MSA markets have resulted in high loan loss provisions in 2010. 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. Colony is currently in eighteen counties in middle and south Georgia which include 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 period end.

	September 30, 2010			December 31, 2009		
		Period End Balances			Period End Balances	
	Number of Relationships	Committed	Outstanding	Number of Relationships	Committed	Outstanding
Large Credit Relationships:						
$10 million and greater	1	$ 15,048	$ 15,048	3	$ 43,142	$ 40,332
$5 million to $9.9 million	7	$ 47,074	$ 46,781	6	$ 39,159	$ 38,965

Maturities and Sensitivities of Loans to Changes in Interest Rates. The following table presents the maturity distribution of the Company's loans at September 30, 2010. 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	After One, but Within	After Three, but	After Five Years	Total

	Less	Three Years	Within Five Years		
Loans with fixed interest rates	$292,367	$270,939	$27,038	$9,191	$599,535
Loans with floating interest rates	248,732	1,027	462	227	250,448
Total	$541,099	$271,966	$27,500	$9,418	$849,983

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.

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Non-Performing Assets and Potential Problem Loans

Non-performing assets and accruing past due loans as of September 30, 2010 and December 31, 2009 were as follows:

	September 30, 2010	December 31, 2009
Loans Accounted for on Nonaccrual	$ 26,628	$ 33,535
Loans Past Due 90 Days or More	0	31
Other Real Estate Foreclosed	20,738	19,705
Securities Accounted for on Nonaccrual	132	132
Total Nonperforming Assets	$ 47,498	$ 53,403
Nonperforming Assets as a Percentage of:		
Total Loans and Foreclosed Assets	5.46 %	5.62 %
Total Assets	3.86 %	4.09 %
Supplemental Data:		
Trouble Debt Restructured Loans		
In Compliance with Modified Terms	26,523	9,269
Trouble Debt Restructured Loans		
Past Due 30-89 Days	0	459
Accruing Past Due Loans:		
30-89 Days Past Due	$ 10,605	$ 25,547
90 or More Days Past Due	0	31
Total Accruing Past Due Loans	$ 10,605	$ 25,578

Non-performing assets include non-accrual loans, loans past due 90 days or more, foreclosed real estate and nonaccrual securities. Non-performing assets at September 30, 2010 decreased 11.06 percent from December 31, 2009.

Generally, loans are placed on non-accrual 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 non-accrual 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 non-accrual 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 non-accrual 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 the lower of cost or estimated fair value, less estimated selling costs, at the time of foreclosure. Write-downs occurring at foreclosure are charged against the allowance for possible loan losses. On an ongoing basis, properties are appraised as required by market indications and applicable regulations. Write-downs are provided for subsequent declines in value and are included in other non-interest expense along with other expenses related to maintaining the properties.

Allowance for Loan Losses

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

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

The allowances established for probable losses on specific loans are based on a regular analysis and evaluation of classified loans. Loans are classified based on an internal credit risk grading process that evaluates, among other things: (i) the obligor's ability to repay; (ii) the underlying collateral, if any; and (iii) the economic environment and industry in which the borrower operates. This analysis is performed at the subsidiary bank level and is reviewed at the parent company level. Once a loan is classified, it is reviewed to determine whether the loan is impaired and, if impaired, a portion of the allowance for possible loan losses is specifically allocated to the loan. 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.

Historical valuation allowances are calculated from loss factors applied to loans with similar risk characteristics. The loss factors are based on loss ratios for groups of loans with similar risk characteristics. The loss ratios are derived from the proportional relationship between actual loan losses and the total population of loans in the risk category. The historical loss ratios are periodically updated based on actual charge-off experience. The Company's groups of similar loans include similarly risk-graded groups of loans not reviewed for individual impairment. In addition, the Company has also segmented its' real estate portfolio into thirteen separate categories and captured loan loss experience for each category. Most of the company's charge-offs the past two years have been real estate dependent loans and we believe this segmentation provides more accuracy in determining allowance for loan loss adequacy. During fourth quarter 2009, the Company changed the methodology in calculating its loan loss reserve. Previously the look back period for charge-off experience was the average of the charge-offs for the prior five years, however due to the current housing and real estate downturn, management deemed prudent to lower the look back period for charge-off experience to a one year look back. This change resulted in an approximate $12 million dollar addition to the loan loss reserve during fourth quarter 2009.

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.

An allocation for loan losses has been made according to the respective amounts deemed necessary to provide for the possibility of incurred losses within the various loan categories. The allocation is based primarily on previous charge-off experience adjusted for changes in experience among each category. Additional amounts are allocated by evaluating the loss potential of individual loans that management has considered impaired. The reserve for loan loss allocation is subjective since it is based on judgment and estimates, and therefore is not necessarily indicative of the specific amounts or loan categories in which the charge-offs may ultimately occur. The following table shows a comparison of the allocation of the reserve for loan losses for the periods indicated.

	September 30, 2010			December 31, 2009		
	Reserve	%	*	Reserve	%	*
Commercial, Financial and Agricultural	$ 4,163	9	%	$ 4,710	9	%

Real Estate – Construction		6,938	10	%	7,850	12	%
Real Estate – Farmland		832	6	%	942	6	%
Real Estate – Other		12,212	68	%	13,816	67	%
Loans to Individuals		2,498	4	%	2,826	4	%
All Other Loans		1,111	3	%	1,257	2	%
Total	$	27,754	100	%	$ 31,401	100	%

* Loan balance in each category expressed as a percentage of total end of period loans.

Activity in the allowance for loan losses is presented in the following table. There were no charge-offs or recoveries related to foreign loans during any of the periods presented.

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

($ in thousands)	Three Months Ended September 30, 2010		Three Months Ended September 30, 2009	
Allowance for Loan Losses at Beginning of Quarter	$ 28,536		$ 18,375	
Charge-Off				
Commercial, Financial and Agricultural	146		24	
Real Estate – Construction & Land Development	723		74	
Real Estate – Residential	310		769	
Real Estate – Nonfarm Residential	3,774		41	
Consumer	114		188	
All Other	162		32	
	5,229		1,128	
Recoveries				
Commercial, Financial and Agricultural	2		39	
Real Estate – Construction & Land Development	75		6	
Real Estate – Residential	73		9	
Real Estate – Nonfarm Residential	55		1	
Consumer	35		55	
All Other	7		2	
	247		112	
Net Charge-Offs	4,982		1,016	
Provision for Loan Losses	4,200		4,000	
Allowance for Loan Losses at End of Quarter	$ 27,754		$ 21,359	
Ratio of Net Charge-Offs to Average Loans	0.58	%	0.11	%

The allowance for loan losses is maintained at a level considered appropriate by management, based on estimated probable losses within the existing loan portfolio. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The provision for loan losses reflects loan quality trends, including the level of net charge-offs or recoveries, among other factors. The provision for loan losses increased $200 thousand from $4.0 million in three months ended September 30, 2009 to $4.20 million in three months ended September 30, 2010. The provision for loan losses charged to earnings was based upon management's judgment of the amount necessary to maintain the allowance at an adequate level to absorb losses inherent in the loan portfolio at quarter-end. The amount each period is dependent upon many factors, including changes in the risk ratings of the loan portfolio, net charge-offs, past due ratios, the value of collateral, and other environmental factors that include portfolio loan quality indicators; portfolio growth and composition of commercial real estate and concentrations; portfolio policies, procedures, underwriting standards, loss recognition, collection and recovery practices; local economic business conditions; and the experience, ability, and depth of lending management and

staff. Of significance to changes in the allowance during the third quarter 2010 was the provision of $4.20 million and net charge-offs of $4.98 million. Charge-offs consisted of one construction and land development totaling $251 thousand and four nonfarm properties totaling $3.47 million. The remainder of the charge-offs were made up of several small loans, most of which were real estate dependent loans. The large charge-offs were attributable to significant declines in collateral value based upon current real estate values. Charge-offs for third quarter 2009 totaled $1.02 million. Charge-offs largely consisted of one multifamily residential property loans totaling $0.28 million and one 1-4 family residential loan totaling $0.29 million. The remainder of the charge-offs were made up of several small loans, most of which were real estate dependent loans. All of the large charge-offs were attributable to significant declines in collateral value based upon current real estate values.

Provisions continue to be higher than normal primarily due to the elevated risk of residential real estate and land development loans that began during 2007 with the housing and real estate downturn. Nonperforming assets as a percentage of total loans and foreclosed assets decreased to 5.46 percent at September 30, 2010 compared to 5.25 percent at June 30, 2010 and 5.62 percent at December 31, 2009. Total nonperforming assets at September 30, 2010 were $47.5 million, of which $24.9 million were construction, land development and other land loans; $6.5 million were 1-4 family residential properties; $2.6 million were multifamily residential properties; $9.4 million were nonfarm nonresidential properties; $1.5 million were farmland properties; and the remainder of nonperforming assets totaling $1.2 million were commercial and consumer loans. All of the classified loans greater than $50 thousand, including the nonperforming loans, are reviewed throughout the quarter for impairment review. Total nonperforming assets at September 30, 2009 were $56.3 million, of which $28.7 million were construction, land development and other land loans; $1.4 million were farmland; $5.4 million were 1-4 family residential properties; $4.1 million were multifamily properties; $14.6 million were nonfarm nonresidential properties; and the remainder of nonperforming assets totaling $2.1 million were commercial and consumer loans. The allowance for loan losses of $27.75 million at September 30, 2010 was 3.27 percent of total loans which compares to $28.5 million at June 30, 2010, or 3.33 percent of total loans and to $31.4 million at December 31, 2009, or 3.37 percent. Unusually high levels of loan loss provision have been required as Company management addresses asset quality deterioration. While the nonperforming loans as a percentage of total loans was 3.13 percent, 2.87 percent, 3.92 percent, 3.60 percent, respectively as of September 30, 2010, June 30, 2010, March 31, 2010 and December 31, 2009, the Company's allowance for loan losses as a percentage of nonperforming loans was 104.23 percent, 116.22 percent, 85.47 percent, 93.55 percent, respectively as of September 30, 2010, June 30, 2010, March 31, 2010, and December 31, 2009. We continue to identify new problem loans, though at a slower pace than in previous quarters.

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While the allowance for loan losses decreased from $28.5 million, or 3.33 percent of total loans at June 30, 2010 to $27.75 million, or 3.27 percent of total loans at September 30, 2010, the Company also reflected an increase in nonperforming loans from $24.6 million at June 30, 2010 to $26.6 million at September 30, 2010. The allowance for loan losses is inherently judgmental, nevertheless the Company's methodology is consistently applied based on standards for current accounting by creditors for impairment of a loan and allowance allocations determined in accordance with accounting for contingencies. Loans individually selected for impairment review consist of all loans classified substandard that are $50 thousand and over. The remaining portfolio is analyzed based on historical loss data. Loans selected for individual review where no individual impairment amount is identified do not receive any contribution to the allowance for loan losses based on historical data. Historical loss rates are updated annually to provide the annual loss rate which is applied to the appropriate portfolio grades. In addition, the Company has also segmented its real estate portfolio into thirteen separate categories and captured loan loss experience for each category. Most of the company's charge-offs the past two years have been real estate dependent loans and we believe this segmentation provides more accuracy in determining allowance for loan loss adequacy. During fourth quarter 2009, the company changed its methodology for the look back period for determination of charge-off experience. Previously, the Company utilized the average of the charge-off experience for the preceding five years, but changed to a one year look back. This resulted in approximately $12 million additional loan loss provision, but was considered prudent by management to adhere to guidance by regulatory authorities to lower the look back period in light of current economic conditions. In addition, environmental factors as discussed earlier are evaluated for any adjustments needed to the allowance for loan losses determination produced by individual loan impairment analysis and remaining portfolio segmentation analysis. The allowance for loan losses determination is based on reviews throughout the year and an environmental analysis at year end.

As part of our monitoring and evaluation of collateral values for nonperforming and problem loans in determining adequate allowance for loan losses, regional credit officers along with lending officers submit quarterly problem loan reports for loans greater than $50 thousand in which impairment is identified. This process typically determines collateral shortfall based upon local market real estate value estimates should the collateral be liquidated. Once the loan is deemed uncollectible, it is transferred to our problem loan department for workout, foreclosure and/or liquidation. The problem loan department gets a current appraisal on the property in order to record a fair market value (less selling expenses) when the property is foreclosed on and moved into other real estate. Trends the past several quarters reflect a decrease in collateral values from two to three years ago on improved properties of fifteen to twenty five percent and on land development and land loans of thirty to fifty percent. The significant reduction in collateral values on nonperforming assets has resulted in the increased loan loss provisions and charge-offs, during this quarter.

Net charge-offs in three months ended September 30, 2010 increased $3.97 million compared to the same period a year ago. Net charge-offs of 0.58 percent for third quarter 2010 annualizes to 2.32 percent. Net charge-offs were fairly consistent during 2007, 2006 and 2005; however, the net charge-offs increased significantly in 2008 and 2009 primarily from the write-down of nonperforming credits to appraised values. We anticipate an elevated amount of charge-offs in 2010 as problem credits run through the collection process to resolution.

The allowance for loan losses is $780 thousand less than the prior quarter end, after factoring in net-charge offs, additional provisions, and the normal determination for an adequate funding level, management believes the level of the allowance for loan losses was adequate as of September 30, 2010. Should any of the factors considered by management in evaluating the adequacy of the allowance for loan losses change, the Company's estimate of probable loan losses could also change, which could affect the level of future provisions for loan losses.

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($ in thousands)	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Allowance for Loan Losses at Beginning of Quarter	$ 31,401	$ 17,016
Charge-Off		
Commercial, Financial and Agricultural	679	310
Real Estate – Construction & Land Development	4,511	7,880
Real Estate – Farmland	--	43
Real Estate – Residential	3,293	4,627
Real Estate – Nonfarm Residential	6,151	3,978
Consumer	365	461
All Other	511	250
	15,510	17,549
Recoveries		
Commercial, Financial and Agricultural	75	54
Real Estate – Construction & Land Development	107	33
Real Estate – Residential	443	55
Real Estate – Nonfarm Residential	134	4
Consumer	230	161
All Other	24	5
	1,013	312
Net Charge-Offs	14,497	17,237
Provision for Loan Losses	10,850	21,580
Allowance for Loan Losses at End of Quarter	$ 27,754	$ 21,359
Ratio of Net Charge-Offs to Average Loans	1.65 %	1.79 %

The allowance for loan losses is maintained at a level considered appropriate by management, based on estimated probable losses within the existing loan portfolio. The allowance, in the judgment of management, is necessary to reserve for estimated loan losses and risks inherent in the loan portfolio. The provision for loan losses reflects loan quality trends, including the level of net charge-offs or recoveries, among other factors. The provision for loan losses decreased $10.73 million from $21.58 million in nine months ended September 30, 2009 to $10.85 million in nine months ended September 30, 2010. Of significance to changes in the allowance for loan losses during nine months 2010 was net charge-offs of $14.5 million. Charge-offs largely consisted of six construction and land development loans totaling $3.04 million; two 1-4 family residence property of $0.78 million; two multifamily residential property loans totaling $0.48 million; and eight nonfarm nonresidential loan totaling $5.11 million. The remainder of the charge-offs were made up of several small loans most of which were real estate dependent loans. All of the large charge-offs were attributable to significant declines in collateral value based upon current real estate values.

Net charge-offs in nine months ended September 30, 2010 decreased $2.74 million compared to the same period a year ago. Net charge-offs of 1.65 percent year to date 2010 annualizes to 2.20 percent. Net charge-offs were fairly consistent during 2007, 2006 and 2005; however, the net charge-offs increased significantly in 2008 and 2009 primarily from the write-down of non-performing credits to appraised values. We anticipate an elevated amount of charge-offs in 2010 as problem credits run through the collection process to resolution.

Management believes the level of the allowance for loan losses was adequate as of September 30, 2010. Should any of the factors considered by management in evaluating the adequacy of the allowance for loan losses change, the Company's estimate of probable loan losses could also change, which could affect the level of future provisions for loan losses.

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Investment Portfolio

The following table presents carrying values of investment securities held by the Company as of September 30, 2010 and December 31, 2009.

($ in thousands)	September 30, 2010	December 31, 2009
State, County and Municipal	$ 3,391	$ 4,122
Corporate Obligations	2,128	4,138
Asset-Backed Securities	132	132
Investment Securities	5,651	8,392
Mortgage-Backed Securities	265,192	258,909
Total Investment Securities and Mortgage Backed Securities	$ 270,843	$ 267,301

The following table represents maturities and weighted-average yields of investment securities held by the Company as of September 30, 2010. (Mortgage backed securities are based on the average life at the projected speed, while Agencies, State and Political subdivisions and Corporates 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	$8,239	1.39 %	$229,205	2.39 %	$7,965	3.55 %	$19,783	1.85 %
State, County, and Municipal	1,063	4.06	1,256	3.10	1,072	3.47	---	---
Corporate Obligations	---	---	---	---	1,147	5.67	981	3.50
Asset-Backed Securities	---	---	---	---	---	---	132	0.00
Total Investment Portfolio	$9,302	1.69 %	$230,461	2.39 %	$10,184	3.76 %	$20,896	1.89 %

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 September 30, 2010, 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 shareholders’ equity.

The average yield of the securities portfolio was 2.69 percent in nine months ended September 30, 2010 compared to 3.66 percent in the same period a year ago. The decrease in the average yield over the comparable periods primarily resulted from reinvestment of proceeds from the sale of mortgage-backed securities into lower yielding securities and the lower yield on securities as the Federal Reserve began lowering interest rates during 2008.

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Deposits

The following table presents the average amount outstanding and the average rate paid on deposits by the Company for the three month periods ended September 30, 2010 and September 30, 2009.

	September 30, 2010		September 30, 2009	
($ in thousands)	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest-Bearing Demand Deposits	$ 79,807		$ 69,601	
Interest-Bearing Demand and Savings Deposits	250,525	0.71 %	237,260	0.75 %
Time Deposits	704,055	2.25 %	704,395	2.95 %
Total Deposits	$ 1,034,387	1.70 %	$ 1,011,256	2.23 %

The following table presents the maturities of the Company's time deposits as of September 30, 2010.

($ in thousands)	Time Deposits $100,000 or Greater	Time Deposits Less Than $100,000	Total
Months to Maturity			
3 or Less	$72,006	$80,546	$152,552
Over 3 through 12 Months	141,455	190,140	331,595
Over 12 Months through 36 Months	78,252	115,418	193,670
Over 36 Months	2,303	8,552	10,855
	$294,016	$394,656	$688,672

Average deposits increased $23.13 million to $1.03 billion at September 30, 2010 from $1.01 billion at September 30, 2009. The increase included an increase of $10.2 million, or 14.7 percent, related to noninterest-bearing deposits. Accordingly the ratio of average noninterest-bearing deposits to total average deposits was 7.72 percent for nine months ended September 30, 2010 compared to 6.89 percent for nine months ended September 30, 2009. The general decrease in market rates, had the effect of (i) decreasing the average cost of total deposits by 53 basis points in nine months ended September 30, 2010 compared to the same period a year ago; and (ii) mitigating a portion of the impact of decreasing yields on earning assets.

Total average interest-bearing deposits increased $12.9 million, or 1.37 percent in nine months ended September 30, 2010 compared to the same period a year ago. The increase in average deposits at September 30, 2010 compared to September 30, 2009 was primarily in interest bearing demand accounts and noninterest demand deposits. With the current interest rate environment, it appears that many customers continue to maintain time deposit accounts, with the prevalent investment period continuing to be short term time deposits.

The Company supplements deposit sources with brokered deposits. As of September 30, 2010, the Company had $37.65 million, or 3.75 percent of total deposits, in brokered certificates of deposit attracted by external third parties.

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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 September 30, 2010. 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 Funds purchased and repurchase agreements	25,000	----	----	----	25,000
Secured Borrowings	5,469	----	----	----	5,469
Federal Home Loan Bank advances	----	41,000	----	30,000	71,000
Operating leases	129	221	35	----	385
Deposits with stated maturity dates	484,147	193,670	10,684	171	688,672
	514,745	234,891	10,719	54,400	814,755
Other commitments:					
Loan commitments	37,464	----	----	----	37,464
Standby letters of credit	1,492	----	----	----	1,492
Standby letter of credit issued by Federal Home Loan Bank for Bank	60	----	----	----	60
	39,016	----	----	----	39,016
Total contractual obligations and Other commitments	$ 553,761	$ 234,891	$ 10,719	$ 54,400	$ 853,771

In the ordinary course of business, the Company enters 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 possible loan losses. Loan commitments outstanding at September 30, 2010 are included in the table above.

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 September 30, 2010 are included in the table above.

Capital and Liquidity

At September 30, 2010, stockholders' equity totaled $96.0 million compared to $89.3 million at December 31, 2009. In addition to net income of $171 thousand, other significant changes in stockholders' equity during nine months ended September 30, 2010 included $1.05 million of dividends declared and an increase of $48 thousand resulting from the amortization of the stock grant plan and a decrease of $56 thousand from equity stock grant adjustment. The Company increased stockholders' equity by $5.1 million through the sale of common stock through a private placement stock offering. The accumulated other comprehensive income (loss) component of stockholders' equity totaled $2.37 million at September 30, 2010 compared to $(100) thousand at December 31, 2009. 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. 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 and gain on marketable equity securities.

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Using the capital requirements presently in effect, the Tier 1 ratio as of September 30, 2010 was 13.41 percent and total Tier 1 and 2 risk-based capital was 14.69 percent. Both of these measures compare favorably with the regulatory minimum to be adequately capitalized of 4 percent for Tier 1 and 8 percent for total risk-based capital. The Company's Tier 1 leverage ratio as of September 30, 2010 was 8.74 percent, which exceeds the required ratio standard of 4 percent.

For nine months ended September 30, 2010, average capital was $94.1 million, representing 7.38 percent of average assets for the year. This compares to 8.36 percent for nine months ended September 30, 2009 and 8.21 percent for calendar year 2009.

The Company suspended cash dividends beginning in the third quarter of 2009 and paid cash dividends of $0.15 per common share during the first half of 2009.

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 banks.

The investment portfolio provides a ready means to raise cash if liquidity needs arise. As of September 30, 2010, the Company held $270.8 million in bonds (excluding FHLB stock), at current market value in the available for sale portfolio. At December 31, 2009, the available for sale bond portfolio totaled $267.2 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 a 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 84.6 percent as of September 30, 2010 and 88.1 percent at December 31, 2009. 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 September 30, 2010 and December 31, 2009 were 76.8 percent and 78.4 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 business with comprehensive banking relationships and limited volatility. At September 30, 2010 and December 31, 2009, Colony had $294.0 million and $364.1 million in certificates of deposit of $100,000 or more. These larger deposits represented 29.3 percent and 34.4 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.

Local market deposit sources proved insufficient to fund the strong loan growth trends at Colony over the past several years. The Company supplemented deposit sources with brokered deposits. As of September 30, 2010, the Company had $37.65 million, or 3.75 percent of total deposits, in brokered certificates of deposit attracted by external third parties. Additionally, Colony uses external wholesale or Internet services to obtain out-of-market certificates of deposit at competitive interest rates when funding is needed.

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To plan for contingent sources of funding not satisfied by both local and out-of-market deposit balances, Colony and its subsidiary has established multiple borrowing sources to augment their funds management. The Company has borrowing capacity through membership of the Federal Home Loan Bank program. The banks have 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, maturities and cash flow from securities held to maturity, and federal funds sold and securities purchased under resale agreements.

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

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

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

Impact of Inflation and Changing Prices

The Company's financial statements included herein have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). GAAP presently requires the Company to measure financial position and operating results primarily in terms of historic dollars. Changes in the relative value of money due to inflation or recession are generally not considered. The primary effect of inflation on the operations of the Company is reflected in increased operating costs. 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 borrowing 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.

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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.

Return on Assets and Stockholders' Equity

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Return on Assets (1)	(0.44)%	0.01 %	(0.09)%	(0.62)%
Return on Avg. Total Equity (1)	(5.72)%	0.07 %	(1.25)%	(7.42)%
Avg. Total Equity to Avg. Assets	7.75 %	8.01 %	7.38 %	8.36
Dividends Declared	$ 0.00	$ 0.00	$ 0.00	$ 0.15

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

Future Outlook

During 2008 and 2009, 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 2010 will be directed toward addressing and bringing resolution to problem assets.

During 2009, Colony made significant strides to reduce our operating leverage by seeking a more efficient structure and more consistent products and services throughout the company. We successfully completed the consolidation of our seven banking subsidiaries into the single banking company – Colony Bank. The momentum created by this strategic move will allow Colony to improve future profitability while better positioning the company to take advantage of future growth opportunities. 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.

BUSINESS

Recent Developments

On October 21, 2010, the Board of Directors of the Company's subsidiary bank, Colony Bank (the "Bank"), received notification from its primary regulators, the Georgia Department of Banking and Finance ("GDB&F") and the FDIC that the Bank's latest examination results require a program of corrective action as outlined in a proposed Memorandum of Understanding ("MOU"). An MOU is characterized by the supervising authorities as an informal action that is neither published nor made publically available by the supervising authorities and is used when circumstances do not warrant formal supervisory action. An MOU is not a "written agreement" for purposes of Section 8 of the Federal Deposit Insurance Act. The Board of Directors anticipates they will agree to enter into the MOU at its regularly scheduled monthly meeting on November 16, 2010.

The MOU requires 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 GDB&F and FDIC. The Bank is also required to obtain approval before any cash dividends can be paid.

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The Bank has also agreed to have and maintain minimum capital ratios at specified levels higher than those otherwise required by applicable regulations as follows: Tier 1 capital to total assets of 8% and total risk-based capital to total risk-weighted assets of 10%. At September 30, 2010, the Bank's capital ratios were 8.39% and 14.15%, respectively.

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 mortgage company office and at September 30, 2010, we had approximately $1.23 billion in total assets, $822.2 million in total loans, $1.01 billion in total deposits and $96.0 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 thirty offices located in the middle and south 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."

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.

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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.

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 operates as a subsidiary of Colony Bank effective with the August 1, 2008 merger.

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.

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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).

On April 2, 1998, the Company was listed on Nasdaq Global Market. The Company's common stock trades on the Nasdaq Stock Market under the symbol "CBAN". The Company presently has approximately 2,170 shareholders as of September 30, 2010. "The Nasdaq Stock Market" or "Nasdaq" is a highly-regulated electronic securities market comprised of competing Market Makers whose trading is supported by a communications network linking them to quotation dissemination, trade reporting and order execution systems. This market also provides specialized automation services for screen-based negotiations of transactions, on-line comparison of transactions, and a range of informational services tailored to the needs of the securities industry, investors and issuers. The Nasdaq Stock Market is operated by The Nasdaq Stock Market, Inc., a wholly-owned subsidiary of the National Association of Securities Dealers, Inc.

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Item 3 - Quantitative and Qualitative Disclosures About Market Risk

	Nine Months Ended September 30, 2010			Nine Months Ended September 30, 2009		
($ in thousands)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets						
Interest-Earning Assets						
Loans, Net of Unearned Interest and fees						
Taxable (1)	$876,093	$39,470	6.01 %	$963,737	$43,456	6.01 %
Investment Securities						
Taxable	262,681	5,240	2.66 %	229,465	6,182	3.59 %
Tax-Exempt (2)	2,318	100	5.75 %	6,833	300	5.85 %
Total Investment Securities	264,999	5,340	2.69 %	236,298	6,482	3.66 %
Interest-Bearing Deposits	19,791	15	0.10 %	408	13	4.25 %
Federal Funds Sold	37,196	68	0.24 %	7,322	14	0.25 %
Interest-Bearing Other Assets	6,333	27	0.57 %	6,322	--	--
Total Interest-Earning Assets	1,204,412	$44,920	4.97 %	1,214,087	$49,965	5.49 %
Non-interest-Earning Assets						
Cash and Cash Equivalents	19,075			21,684		
Allowance for Loan Losses	(30,953)			(18,609)		
Other Assets	82,242			65,234		
Total Noninterest-Earning Assets	70,364			68,309		
Total Assets	$1,274,776			$1,282,396		
Liabilities and Stockholders' Equity						
Interest-Bearing Liabilities						
Interest-Bearing Deposits						
Interest-Bearing Demand and Savings	$250,525	$1,317	0.70 %	$237,260	$1,340	0.75 %
Other Time	704,055	11,862	2.25 %	704,395	15,588	2.95 %
Total Interest-Bearing Deposits	954,580	13,179	1.84 %	941,655	16,928	2.40 %
Other Interest-Bearing Liabilities						
Other Borrowed Money	89,651	2,333	3.47 %	91,000	2,329	3.41 %
Subordinated Debentures	24,229	389	2.14 %	24,229	531	2.92 %
Federal Funds Purchased and Repurchase Agreements	27,768	549	2.64 %	42,341	658	2.07 %
Total Other Interest-Bearing Liabilities	141,648	3,271	3.08 %	157,570	3,518	2.98 %
Total Interest-Bearing Liabilities	1,096,228	$16,450	2.00 %	1,099,225	$20,446	2.48 %
Noninterest-Bearing Liabilities and						
Stockholders' Equity						

Demand Deposits	79,807			69,601		
Other Liabilities	4,674			6,321		
Stockholders' Equity	94,067			107,249		
Total Noninterest-Bearing Liabilities and Stockholders' Equity	178,548			183,171		
Total Liabilities and Stockholders' Equity	$1,274,776			$1,282,396		
Interest Rate Spread		2.97	%		3.01	%
Net Interest Income	$28,470			$29,519		
Net Interest Margin		3.15	%		3.24	%

(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 $100 and $114 for nine month periods ended September 30, 2010 and 2009, respectively, are included in tax-exempt interest on loans.

(2) Taxable-equivalent adjustments totaling $34 and $102 for nine month periods ended September 30, 2010 and 2009, 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.

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Colony Bankcorp, Inc. and Subsidiary
Interest Rate Sensitivity

The following table is an analysis of the Company's interest rate-sensitivity position at September 30, 2010. 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					
($ in Thousands)	3 Months or Less	4 to 12 Months	1 Year	1 to 5 Years	Over 5 Years	Total
EARNING ASSETS:						
Interest-Bearing Deposits	$21,285	$---	$21,285	$---	---	$21,285
Federal Funds Sold	13,327	---	13,327	---	---	13,327
Investment Securities	4,447	4,709	9,156	229,955	31,732	270,843
Loans, Net of Unearned Income	341,793	199,272	541,065	299,432	9,418	849,915
Other Interest-Bearing Assets	6,300	---	6,300	---	---	6,300
Total Interest-Earning Assets	387,152	203,981	591,133	529,387	41,150	1,161,670
INTEREST-BEARING LIABILITIES:						
Interest-Bearing Demand Deposits (1)	204,059	---	204,059	---	---	204,059
Savings (1)	36,352	---	36,352	---	---	36,352
Time Deposits	152,552	331,595	484,147	204,354	171	688,672
Other Borrowings (2)	5,469	---	5,469	41,000	30,000	76,469
Subordinated Debentures	24,229	---	24,229	---	---	24,229
Federal Funds Purchased	---	---	---	---	---	---
Repurchase Agreements	5,000	20,000	25,000	---	---	25,000
Total Interest-Bearing Liabilities	427,661	351,595	779,256	245,354	30,171	1,054,781
Interest Rate-Sensitivity Gap	(40,509)	(147,614)	(188,123)	284,033	10,979	106,889
Cumulative Interest-Sensitivity Gap	(40,509)	(188,123)	(188,123)	95,910	106,889	

Interest Rate-Sensivitiy Gap as a Percentage of Interest-Earning Assets	(3.49	)%	(12.70	)%	(16.19	)%	24.45	%	0.94	%
Cumulative Interest Rate-Sensitivity as as a Percentage of Interest-Earning Assets	(3.49	)%	(16.19	)%	(16.19	)%	8.26	%	9.20	%

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

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The foregoing table indicates that we had a one year negative gap of ($188) million, or (16.19) percent of total assets at September 30, 2010. In theory, this would indicate that at September 30, 2010, $188 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 increase, the gap would indicate a resulting decrease 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 non-rate 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. In fact, during the recent period of declines in interest rates, our net interest margin has declined. 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 Asset/Liability Management Analysis for a more dynamic analysis of balance sheet structure. The Company has established earnings at risk for net-interest income in a +/- 200 basis point rate shock to be no more than a fifteen percent decline. The most recent analysis as of June 30, 2010 indicates that net interest income would deteriorate 19.06 percent with a 200 basis point decrease and would improve 9.51 percent with a 200 basis point increase. The increased exposure to declining rates is mitigated by the low likelihood of a further decline of 200 basis points from the current rate levels. The Company has established equity at risk in a +/- 200 basis points rate shock to be no more than a twenty percent decline. The most recent analysis as of June 30, 2010 indicates that net economic value of equity percentage change would decrease 19.66 percent with a 200 basis point decrease and would decrease 0.08 percent with a 200 basis point increase. The Company has established its one year gap to be 0.80 percent to 1.20 percent. The most recent analysis as of June 30, 2010 indicates a one year gap of 0.94 percent. The analysis suggests net interest margin compression in a declining 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 2010. 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 brokered certificates of deposit for longer terms and focusing on reduction of nonperforming assets.

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Item 4

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 quarter ended September 30, 2010, 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.

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PART II – OTHER INFORMATION

ITEM 1 – LEGAL PROCEEDINGS

None

ITEM 1A – RISK FACTORS

N/A

ITEM 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3 – DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 – (REMOVED AND RESERVED)

None

ITEM 5 – OTHER INFORMATION

None

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ITEM 6 – EXHIBITS

3.1 Articles of Incorporation

-filed as Exhibit 3(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

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 Article 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 27, 2004, filed with the Securities and Exchange Commission on March 3, 2004 (File No. 000-12436)

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

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

4.3 Form of Series A Preferred Stock Certificate

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

herein by reference.

10.1 Deferred Compensation Plan and Sample Director Agreement

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

10.2 Profit-Sharing Plan Dated January 1, 1979

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

10.3 1999 Restricted Stock Grant Plan and Restricted Stock Grant Agreement

-filed as Exhibit 10(c) the Registrant's Annual Report on Form 10-K (File No. 000-12436), filed with the Commission on March 30, 2001 and incorporated herein by reference

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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 Shareholders 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 Tracts, 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.

11.1 Statement of Computation of Earnings Per Share

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

31.2 Certificate of Chief Financial Officer Pursuant to Section 302 of Sarbanes – Oxley Act of 2002

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

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SIGNATURES

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

Date November 12, 2010

/s/ Al D. Ross
Al D. Ross,
President and Chief Executive Officer

Date November 12, 2010

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