COLONY BANKCORP INC
Form 10-K
March 15, 2007
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

x **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (Fee Required)**
For the Fiscal Year Ended December 31, 2006

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

Commission File Number 000-12436

COLONY BANKCORP, INC.

(Exact Name of Registrant Specified in its Charter)

Georgia	**58-1492391**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**
115 South Grant Street	
Fitzgerald, Georgia	**31750**

(Address of Principal Executive Offices) **(Zip Code)**

(229) 426-6000

Issuer s Telephone Number, Including Area Code

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

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

COMMON STOCK, $1.00 PAR VALUE

(Title of Class)

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

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

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

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-K in this form, and no disclosure will be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a nonaccelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ¨ Accelerated Filer x Nonaccelerated Filer ¨

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

State the aggregate market value of the voting stock held by nonaffiliates computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of June 30, 2006: $122,894,440 based on stock price of $22.34.

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date: 7,204,925 shares of $1.00 par value common stock as of March 9, 2007.

DOCUMENTS INCORPORATED BY REFERENCE

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

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Forward Looking Statement Disclosure

Statements in this Annual 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, believes, anticipates, estimates, predicts, expects, projections, potent of similar 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 Annual 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 revenues, 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 I

Item 1

Business

COLONY BANKCORP, INC.

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 of Fitzgerald (formerly 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 of Fitzgerald has operated as a wholly-owned subsidiary of the Company.

On April 30, 1984, Colony, with the prior approval of the Federal Reserve Bank of Atlanta and the Georgia Department of Banking and Finance, acquired 100 percent of the issued and outstanding common stock of Colony Bank Wilcox (formerly Community Bank of Wilcox and Pitts Banking Company), Pitts, Wilcox County, Georgia. As part of that 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, the Bank has operated as a wholly-owned subsidiary of the Company.

On November 1, 1984, after obtaining the requisite regulatory approvals, Colony 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 has operated as a wholly-owned subsidiary of the Company.

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 its acquisition, Colony Bank of Dodge County has operated as a wholly-owned subsidiary of the Company.

Effective July 31, 1991, the Company acquired all of the outstanding common stock of Colony Bank Worth (formerly Worth Federal Savings and Loan Association and Bank of Worth) in exchange for cash and 7,661 of the Company s common stock for an aggregate purchase price of approximately $718,000. Since the date of its acquisition, Colony Bank Worth has operated as a wholly-owned subsidiary of the Company.

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.

On November 30, 1996, the Company acquired Broxton State Bank (name subsequently changed to Colony Bank Southeast) 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.

Part I (Continued)

Item 1 (Continued)

On March 2, 2000, Colony Bank Ashburn purchased the capital stock of 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 at the date of purchase. Georgia First Mortgage is primarily engaged in residential real estate mortgage lending in the state of Georgia.

On March 26, 2002 and December 19, 2002, Colony formed Colony Bankcorp Statutory Trust I and Colony Bankcorp Statutory Trust II, respectively. Both were formed to establish special purpose entities to issue trust preferred securities.

On March 29, 2002, Colony purchased 100 percent of the outstanding voting stock of Quitman Bancorp, Inc., pursuant to which Quitman was merged with and into Colony with Colony Bankcorp, Inc. surviving the merger and Quitman s wholly-owned subsidiary, Quitman Federal Savings Bank (name subsequently changed to Colony Bank Quitman, FSB) becoming a wholly-owned subsidiary of Colony. The aggregate acquisition price was $7,446,163, which included cash and 367,093 shares of the Company s common stock.

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 has operated as a branch office of Colony Bank Ashburn.

On June 17, 2004, Colony formed Colony Bankcorp Statutory Trust III for the purpose of establishing a special purpose entity to issue trust preferred securities.

On April 13, 2006, Colony formed Colony Bankcorp Capital Trust I for the purpose of establishing a special purpose entity to issue trust preferred securities.

The Company conducts all of its operations through its bank subsidiaries. A brief description of each Bank s history and business operations is discussed below.

COLONY BANK OF FITZGERALD

History and Business of the Bank

Colony Bank of Fitzgerald is a state banking institution chartered under the laws of Georgia on November 10, 1975. Since opening on April 15, 1976, the Bank has continued a general banking business and presently serves its customers from four locations, the main office in Fitzgerald, Georgia at 302 South Main Street, a full-service branch located on Highway 129 South, a full-service branch at 1290 Houston Lake Road in Warner Robins, Georgia and a full-service branch at 200 Gunn Road in Centerville, Georgia.

The Bank operates a full-service banking business and engages in a broad range of commercial banking activities, including accepting customary types of demand and time deposits; making individual, consumer, commercial and installment loans; money transfers; safe deposit services; and making investments in United States Government and municipal securities. The Bank does not offer trust services other than acting as custodian of individual retirement accounts. The Bank s mortgage lending services are through Georgia First Mortgage.

The data processing work of the Bank is processed by Colony Management Services, Inc., a wholly-owned subsidiary of Colony Bankcorp, Inc.

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Part I (Continued)

Item 1 (Continued)

Colony Bank of Fitzgerald acts as an agent for Visa Card and MasterCard through The Bankers Bank which allows merchants to accept Visa Card and MasterCard and deposit the charge tickets in their accounts with the Bank. The Bank also offers its customers a variety of checking and savings accounts.

The Bank serves the residents of Fitzgerald and surrounding areas of Ben Hill County which has a population of approximately 18,000 people. Manufacturing facilities located in Ben Hill County employ many people and are the most significant part of the local economy. Ben Hill County also has a large agricultural industry producing timber and row crops. Major row crops are peanuts, tobacco, cotton and corn.

The Bank serves Houston County with the opening of its offices in Centerville and Warner Robins, Georgia. The Houston County market has an estimated population of 126,000. Robins Air Force base, located in Houston County, is a major employer in the area which has survived national base closure mandates and expanded in size in recent years.

A history of the Bank s financial position for fiscal years ended 2006, 2005 and 2004 is as follows:

	2006	2005	2004
Total Assets	**$ 203,113,676**	$ 185,403,798	$ 167,196,708
Total Deposits	**174,078,725**	155,593,897	139,034,653
Total Stockholders Equity	**16,465,138**	14,815,728	13,282,778
Net Income	**2,778,915**	2,464,452	1,757,213
Number of Issued and Outstanding Shares	**90,000**	90,000	90,000
Book Value Per Share	**$ 182.95**	$ 164.62	$ 147.59
Net Income Per Share	**30.88**	27.38	19.52

Banking Facilities

The Bank s main offices are housed in a building located in Fitzgerald, Georgia. The main offices, which are owned by the Bank, consist of approximately 13,000 square feet, three drive-in windows and an adjacent parking lot. Banking operations also are conducted from the southside branch which is located at South Dixie Highway, Fitzgerald, Georgia. This branch is owned by the Bank and has been in continuous operation since it opened in December 1977. The branch is a single story building with approximately 850 square feet and is operated with three drive-in windows.

In August 2002, the Bank moved from its temporary facilities (opened July 2001) in Warner Robins, Georgia to a new building located at 1290 Houston Lake Road. The 5,500 square foot building has four inside teller windows, four drive-in windows and an ATM machine.

In February 2006, the Bank opened its second office in the Houston County, Georgia market at 200 Gunn Road in Centerville, Georgia. The approximate 5,000 square foot building has four inside teller windows, four drive-in windows and an ATM machine.

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Part I (Continued)

Item 1 (Continued)

Competition

The banking business in Ben Hill County and Houston County is highly competitive. The Bank competes primarily with five other commercial banks and one credit union operating in Ben Hill County. In Houston County the Bank competes with nine commercial banks and four credit unions. Additionally, the Bank competes to a lesser extent with insurance companies and governmental agencies. The banking industry is also experiencing increasing competition for deposits from less traditional sources such as money market and mutual funds. The Bank also offers NOW accounts, individual retirement accounts, simplified pension plans, KEOGH plans and custodial accounts for minors.

Correspondents

As of December 31, 2006, the Bank had correspondent relationships with two other banks. The Bank s principal correspondent is The Bankers Bank located in Atlanta, Georgia. These correspondent banks provide certain services to the Bank such as investing its excess funds, processing checks and other items, buying and selling federal funds, handling money fund transfers and exchanges, shipping coins and currency, providing security and safekeeping of funds and other valuable items, handling loan participations and furnishing management investment advice on the Bank s securities portfolio. As compensation for these services, the Bank maintains balances with its correspondents in noninterest-bearing accounts.

COLONY BANK ASHBURN

History and Business of the Bank

Colony Bank Ashburn was chartered as a state commercial bank in 1900 and currently operates under the Financial Institutions Code of Georgia. The Bank s deposits are insured up to $100,000 per account by the Federal Deposit Insurance Corporation. The Bank conducts business at the offices located at 515 East Washington and 416 East Washington in Ashburn, Turner County, Georgia, 137 Robert E. Lee Drive in Leesburg, Georgia, 2609 Ledo Road in Lee County, Georgia, 1031 24^{th} Ave., E. in Cordele, Georgia, 206 North Church Street in Thomaston, Georgia, 716 Philema Road in Albany, Georgia and 1581 Bradley Park Drive in Columbus, Georgia. The offices operate under the name Colony Bank. The Bank s business largely consists of (1) the acceptance of demand, savings and time deposits; (2) the making of loans to consumers, businesses and other institutions; (3) investment of excess funds and sale of federal funds, U.S. Government obligations and state, county and municipal bonds; and (4) internet online banking. The Bank s mortgage lending services are through Georgia First Mortgage and it does not offer trust services. It acts as an agent for Visa Card and MasterCard through The Bankers Bank.

The Bank serves Turner County, Georgia, which has a population of approximately 10,000 people. The Bank serves Crisp County with the opening of its branch in Cordele, Georgia. The Crisp County market has an estimated population of 32,000. The Bank serves Lee and Dougherty counties with the opening of offices in Albany and Leesburg, Georgia. The Albany/Leesburg MSA market has an estimated population of 160,000. The Bank serves Upson County with the opening of its branch in Thomaston, Georgia. The Upson County market has an estimated population of 28,000. The Bank serves Muscogee County with the opening of its office in Columbus, Georgia. The Columbus MSA market has an estimated population of 186,000.

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Part I (Continued)

Item 1 (Continued)

A history of the Bank s financial position for fiscal years ended 2006, 2005 and 2004 is as follows:

	2006	2005	2004
Total Assets	**$ 342,704,792**	$ 332,217,540	$ 321,026,478
Total Deposits	**299,891,433**	294,311,410	284,113,411
Total Stockholders Equity	**27,777,175**	27,017,259	26,146,996
Net Income	**2,593,841**	2,586,828	2,711,136
Number of Issued and Outstanding Shares	**50,000**	50,000	50,000
Book Value Per Share	**$ 555.54**	$ 540.35	$ 522.94
Net Income Per Share	**51.88**	51.74	54.22

Banking Facilities

The Bank s main office is located at 515 East Washington Street in Ashburn and consists of a building of approximately 13,000 square feet of office and banking space with an adjacent parking lot. A branch facility is located across the street from the main office and consists of a single story building with approximately 850 square feet and is operated with three drive-in windows and one automated teller machine.

The Bank has a Lee County office which opened in October 1998. This full-service facility, located within the city limits of Leesburg, consists of a two-story brick building of approximately 5,000 square feet and includes three drive-in lanes. In 2001, a second Lee County facility located at 2609 Ledo Road opened. The facility is a 5,500 square foot facility with four drive-in windows and five inside teller windows. The Bank has a third Lee/Dougherty County office which opened in March 2004. This full service facility located within the city limits of Albany consists of approximately 5,000 square feet, with four drive-in-lanes and one automated teller machine. As a result of the purchase of Georgia First Mortgage Company, the Bank has a mortgage lending office at 616 North Westover Blvd., Albany, Dougherty County, Georgia.

The Bank opened a branch office in Cordele, Crisp County, Georgia on October 4, 1999. The full-service branch facility consists of approximately 5,500 square feet, with four drive-in lanes and one automated teller machine.

In March 2004, the Bank acquired Flag Bank-Thomaston office in Thomaston, Upson County, Georgia. The full service branch facility consists of approximately 18,000 square feet, with four drive-in-lanes and one automated teller machine.

In September 2004, the Bank opened a loan production office in Columbus, Muscogee County, Georgia. The Bank opened a branch office in Columbus, Muscogee County, Georgia in June 2006 and relocated the loan production operation to the new office. The approximate 5,000 square foot facility has four drive-in windows, four inside teller windows and one automated teller machine.

All occupied premises, with the exception of Georgia First Mortgage located in Albany, are owned by the Bank.

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Part I (Continued)

Item 1 (Continued)

Competition

The banking business is highly competitive. The Bank competes in Turner County primarily with Community National Bank which operates out of one facility in Ashburn, Georgia. The Bank competes with four commercial banks in Crisp County, eight in Lee County, eleven in Dougherty County, three in Upson County and ten in Muscogee County. The Bank also competes with other financial institutions, including credit unions and finance companies and, to a lesser extent, with insurance companies and certain governmental agencies. The banking industry is also experiencing increased competition for deposits from less traditional sources such as money market and mutual funds.

Correspondents

Colony Bank Ashburn has correspondent relationships with the following banks: The Bankers Bank in Atlanta, Georgia; SunTrust Bank, N.A. in Atlanta, Georgia; Colony Bank of Fitzgerald in Fitzgerald, Georgia; and the Federal Home Loan Bank in Atlanta, Georgia. The correspondent relationships facilitate the transactions of business by means of loans, letters of credit, acceptances, collections, exchange services and data processing. As compensation for these services, the Bank maintains balances with its correspondents in noninterest-bearing accounts.

COLONY BANK WILCOX

History and Business of the Bank

The Bank was chartered on June 2, 1906 under the name Pitts Banking Company. The name of the Bank subsequently was changed to Community Bank of Wilcox on June 1, 1991 and then to Colony Bank Wilcox in 2000. The Bank currently operates under the Financial Institutions Code of Georgia. The Bank s deposits are insured up to $100,000 per account by the Federal Deposit Insurance Corporation. The Bank conducts business at locations in Pitts and Rochelle in Wilcox County, Georgia. The Bank s business consists of: (1) the acceptance of demand, savings and time deposits; (2) the making of loans to consumers, businesses and other institutions; (3) investment of excess funds and sale of federal funds, U.S. Government obligations and state, county and municipal bonds; and (4) certain other miscellaneous financial services usually handled for customers by commercial banks. The Bank s mortgage lending services are through Georgia First Mortgage and it does not offer trust services.

The Bank serves the residents of Wilcox County, Georgia, which has a population of approximately 8,500.

A history of the Bank s financial position for fiscal years ended 2006, 2005 and 2004 is as follows:

	2006	**2005**	**2004**
Total Assets	**$ 49,190,359**	$ 48,959,120	$ 51,540,509
Total Deposits	**41,757,568**	42,482,714	45,221,209
Total Stockholders Equity	**4,231,005**	4,327,857	4,191,620
Net Income	**766,236**	691,579	649,423
Number of Issued and Outstanding Shares	**250**	250	250
Book Value Per Share	**$ 16,924.02**	$ 17,311.43	$ 16,766.48
Net Income Per Share	**3,064.94**	2,766.32	2,597.69

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Part I (Continued)

Item 1 (Continued)

Banking Facilities

The Bank operates out of two locations at 105 South Eighth Street, Pitts, Georgia and at Highway 280, Rochelle, Georgia, both of which are in Wilcox County. The Pitts office consists of a building of approximately 2,200 square feet of usable office and banking space which it owns. The facility contains one drive-in window and three teller windows. The Rochelle office, which opened in August 1989, consists of a building of approximately 5,000 square feet of usable office and banking space, which is owned by the Company. The facility has three inside teller windows, three drive-in windows and one automated teller machine.

Competition

The banking business is highly competitive. The Bank competes in Wilcox County primarily with four commercial banks. In addition, the Bank competes with other financial institutions, including credit unions and finance companies and, to a lesser extent, insurance companies and certain governmental agencies. The banking industry is also experiencing increased competition for deposits from less traditional sources such as money market and mutual funds.

Correspondents

The Bank has correspondent relationships with the following banks: The Bankers Bank in Atlanta, Georgia; Federal Home Loan Bank, in Atlanta, Georgia; and SunTrust Bank, N.A., in Atlanta, Georgia. The correspondent relationships facilitate the transactions of business by means of loans, letters of credit, acceptances, collections, exchange services and data processing. As compensation for these services, the Bank maintains balances with its correspondents in noninterest-bearing accounts.

COLONY BANK OF DODGE COUNTY

History and Business of the Bank

The Bank was chartered on June 14, 1966 under the name Bank of Chester. The name of the Bank subsequently was changed to The Bank of Dodge County on April 15, 1983 and then to Colony Bank of Dodge County in 2000. The Bank currently operates under the Financial Institutions Code of Georgia. The Bank s deposits are insured up to $100,000 per account by the Federal Deposit Insurance Corporation. The Bank s business consists of: (1) the acceptance of demand, savings and time deposits; (2) the making of loans to consumers, businesses and other institutions; (3) investment of excess funds in the sale of federal funds, U.S. Government obligations and state, county and municipal bonds; and (4) certain other miscellaneous financial services usually handled for customers by commercial banks. The Bank s mortgage lending services are through Georgia First Mortgage and it does not offer trust services.

The Bank serves the residents of Dodge County, Georgia, which has a population of approximately 19,000. The Bank serves Treutlen County, Georgia with the opening of its office in Soperton, Georgia. The Treutlen County market has an estimated population of 7,000.

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Part I (Continued)

Item 1 (Continued)

A history of the Bank s financial position for fiscal years ended 2006, 2005 and 2004 is as follows:

	2006	2005	2004
Total Assets	**$ 81,020,282**	$ 77,083,271	$ 71,491,904
Total Deposits	**72,720,715**	68,111,242	63,096,465
Total Stockholders Equity	**5,775,668**	5,555,685	5,201,826
Net Income	**1,122,422**	932,931	724,286
Number of Issued and Outstanding Shares	**1,750**	1,750	1,750
Book Value Per Share	**$ 3,300.38**	$ 3,174.68	$ 2,972.47
Net Income Per Share	**641.38**	533.10	413.88

Banking Facilities

The Bank s main office is located at 5510 Oak Street in Eastman, Dodge County, Georgia and consists of a building of approximately 11,000 square feet of office and banking space with an adjacent parking lot and is operated with three drive-in windows. The branch facility is located in Chester, Dodge County, Georgia and consists of a building with approximately 2,700 square feet of office and banking space and an adjacent parking lot. A second branch was opened during 2000 in Soperton, Treutlen County, Georgia at 310 Main Street. The branch has approximately 1,600 square feet of banking and office space with three walk-up teller units and two drive-in windows. The Bank owns all of the premises which it occupies.

Competition

The banking business is highly competitive. The Bank competes in the Dodge County area with two other banks. In addition, the Bank competes with other financial institutions, including credit unions and finance companies and, to a lesser extent, insurance companies and certain governmental agencies. The banking industry is also experiencing increased competition for deposits from less traditional sources such as money market and mutual funds.

Correspondents

The Bank has correspondent relationships with the following banks: The Bankers Bank in Atlanta, Georgia; The Federal Home Loan Bank in Atlanta, Georgia; and SunTrust Bank, N.A., in Atlanta, Georgia. The correspondent relationships facilitate the transactions of business by means of loans, letters of credit, acceptances, collections, exchange services and data processing. As compensation for these services, the Bank maintains balances with its correspondents in noninterest-bearing accounts.

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Item 1 (Continued)

COLONY BANK WORTH

Colony Bank Worth operated as a savings and loan stock association until it was acquired by the Company on July 31, 1991, at which time the association changed its name to Bank of Worth (subsequently named Colony Bank Worth) and became a state-chartered commercial bank. The Bank conducts business at its offices located at 601 North Main Street, Sylvester, Worth County, Georgia, 605 West Second Street and 1909 Highway 82 West, Tifton, Tift County, Georgia and 621 East By-Pass, NE, Moultrie, Colquitt County, Georgia. The Bank s business consists of: (1) the acceptance of demand, savings and time deposits; (2) the making of loans to consumers, businesses and other institutions; (3) investment of excess funds and sale of federal funds, U.S. Government obligations and state, county and municipal bonds; and (4) certain other miscellaneous financial services usually handled for customers by commercial banks. The Bank s deposits are insured up to $100,000 per account by the Federal Deposit Insurance Corporation. The Bank does not offer trust services. It acts as an agent for Visa Card and MasterCard through The Bankers Bank. The Bank s mortgage lending services are through Georgia First Mortgage.

The Bank serves the residents of Worth County, Georgia, which has a population of approximately 22,000. The Bank serves the residents of Tift County, Georgia with the opening of its two offices in Tifton, Georgia. The Tift County market has an estimated population of 40,000. The Bank serves the residents of Colquitt County, Georgia with the opening of its office in Moultrie, Georgia. The Colquitt County market has an estimated population of 42,000.

A history of the Bank s financial position for fiscal years ended 2006, 2005 and 2004 is as follows:

	2006	**2005**	**2004**
Total Assets	**$ 178,612,527**	$ 172,221,653	$ 158,577,134
Total Deposits	**160,719,979**	152,518,642	138,634,437
Total Stockholders Equity	**12,822,905**	11,895,191	10,803,709
Net Income	**1,978,512**	1,671,621	1,485,487
Number of Issued and Outstanding Shares	**95,790**	95,790	95,790
Book Value Per Share	**$ 133.86**	$ 124.18	$ 112.79
Net Income Per Share	**20.65**	17.45	15.51

Banking Facilities

The Bank s main office is housed in a building located in Sylvester, Georgia. The building, which is owned by the Bank, consists of approximately 13,000 square feet, a drive-in window and an adjacent parking lot. On June 15, 1998, the Bank opened a branch office at 605 West Second Street, Tifton, Georgia. The office is a single story building of approximately 2,300 square feet with one attached drive-in window. A second branch office opened in 2000 in Moultrie, Colquitt County, Georgia. This branch building of approximately 5,000 square feet includes three walk-up teller units and four drive-in windows. In August 2004, the Bank opened a second office in Tifton, Tift County, Georgia. The office is located at 1909 Highway 82 West and consists of approximately 2,800 square feet. The office has four drive-in windows and an ATM machine. All occupied offices, with the exception of the two Tifton locations, are owned by the Bank.

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Part I (Continued)

Item 1 (Continued)

Competition

The banking business in Worth County, Tift County and Colquitt County is highly competitive. The Bank competes primarily with three other commercial banks operating in Worth County, seven other commercial banks in Tift County and seven other commercial banks in Colquitt County. Additionally, the Bank competes with credit unions of employers located in the area and, to a lesser extent, insurance companies and governmental agencies. The banking industry is also experiencing increasing competition for deposits from less traditional sources such as money market and mutual funds.

Correspondents

As of December 31, 2006, the Bank had correspondent relationships with three other banks. The Bank s principal correspondent is The Bankers Bank located in Atlanta, Georgia. These correspondent banks provide certain services to the Bank such as investing its excess funds, processing checks and other items, buying and selling federal funds, handling money fund transfers and exchanges, shipping coins and currency, providing security and safekeeping of funds and other valuable items, handling loan participations and furnishing management investment advice on the Bank s securities portfolio. As compensation for these services, the Bank maintains balances with its correspondents in noninterest-bearing accounts.

COLONY BANK SOUTHEAST

History and Business of the Bank

Colony Bank Southeast, formerly Broxton State Bank, was chartered under the laws of Georgia on August 4, 1966 and opened for business on September 1, 1966, having absorbed Citizens Bank, a private, unincorporated bank.

The Bank is a full-service bank offering a wide variety of banking services targeted at all sectors of the Bank s primary market area. The Bank offers customary types of demand, savings, time and individual retirement accounts; installment, commercial and real estate loans; home mortgages and personal lines-of-credit; Visa and Master Card services through its correspondent, The Bankers Bank; safe deposit and night depository services; cashier s checks, money orders, traveler s checks, wire transfers and various other services that can be tailored to the customer s needs. The Bank does not offer trust services at this time. The Bank s mortgage lending services are through Georgia First Mortgage. The Bank serves the residents of Coffee County, Georgia, which has a population of approximately 40,000.

In March 2004, the Bank opened a loan production office in Savannah, Chatham County, Georgia. The Bank renovated an approximately 7,000 square foot facility for a full service branch. The branch opened in September 2005. The Bank serves the residents of the Chatham County, Georgia MSA market which has a population of approximately 230,000.

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A history of the Bank s financial position for fiscal years ended 2006, 2005 and 2004 is as follows:

	2006	2005	2004
Total Assets	**$ 215,668,120**	$ 173,059,806	$ 119,709,062
Total Deposits	**188,267,151**	146,533,872	100,736,060
Total Stockholders Equity	**17,980,842**	13,640,842	9,553,380
Net Income	**1,793,773**	1,176,862	909,964
Number of Issued and Outstanding Shares	**50,730**	50,730	50,730
Book Value Per Share	**$ 354.44**	$ 268.89	$ 188.32
Net Income Per Share	**35.36**	23.20	17.94

Banking Facilities

The Bank operates one banking office located at 401 North Alabama Street, Broxton, Georgia which consists of approximately 5,000 square feet of space. The building has four alarm-equipped vaults, one for safe-deposit boxes and cash storage, one for night depository service and two for record storage. The building has two drive-in systems, one commercial drawer and one pneumatic tube system. Colony Bank Southeast opened a branch office in Douglas, Georgia on July 6, 1998. The two-story brick building located at 625 West Ward Street consists of approximately 8,300 square feet and provides four drive-in lanes for customer convenience. A second Douglas office was opened on September 8, 1999 and consists of approximately 1,200 square feet with three drive-in lanes and one automated teller machine. A loan production office was opened in Savannah, Chatham County, Georgia in March 2004. The Bank renovated an approximately 7,000 square foot facility for a full service branch in September 2005 with the loan production office moving its operation into the new office. All occupied premises are owned by the Bank, with the exception of the branch located at 1351 A SE Bowens Mill Road, Douglas. The Bank purchased real estate during 2006 for the future site of its second office in Savannah, Chatham County, Georgia. It is anticipated construction of its second office branch should begin during first quarter 2007.

Competition

The banking business in Coffee County is highly competitive. Colony Bank Southeast competes with nine other banks and one credit union in Douglas, Georgia. As a result of the opening of a branch office in Savannah, the Bank now competes with seventeen other banks in Chatham County. The banking industry is also experiencing increased competition for deposits from less traditional sources such as money market and mutual funds.

Correspondents

The Bank has correspondent relationships with the following banks: SunTrust Bank, Atlanta, Georgia; The Bankers Bank, Atlanta, Georgia; the Federal Home Loan Bank in Atlanta, Georgia and Columbus Bank & Trust, Columbus, Georgia. The correspondent relationships facilitate the transactions of business by means of loans, letters-of-credit, acceptances, collections, exchange services and data processing. As compensation for these services, the Bank maintains balances with its correspondents in noninterest-bearing accounts.

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COLONY BANK QUITMAN, FSB

History and Business of the Bank

Colony Bank Quitman, FSB was chartered as a federal savings association in 1936. The Bank operates under the oversight of the Office of Thrift Supervision. The Federal Deposit Insurance Corporation insures the Bank s deposits up to $100,000 per depositor. The Bank conducts business at offices located at 602 East Screven Street in Quitman, Brooks County, Georgia, 2910-N North Ashley Street, Valdosta, Lowndes County, Georgia and Highway 41-North Valdosta Road, Valdosta, Lowndes County, Georgia. The Bank s business largely consists of (1) the acceptance of demand, savings and time deposits; (2) the making of loans to consumers, businesses and other institutions; and (3) investment of excess funds through the sale of federal funds and purchase of U.S. government agency obligations and state, county and municipal bonds. The Bank is primarily a portfolio lender with a major focus on residential real estate lending. The Bank acts as an agent for Visa Card and Mastercard through The Bankers Bank. The Bank s mortgage lending services are through Georgia First Mortgage.

The Bank serves the residents of Brooks County, Georgia, which has a population of approximately 16,000. The Bank serves Lowndes County with the opening of its two branches in Valdosta, Georgia. The Lowndes County market has an estimated population of 95,000.

A history of the Bank s financial position for calendar years ended 2006, 2005 and 2004 is as follows:

	2006	2005	2004
Total Assets	**$ 141,038,931**	$ 126,149,879	$ 109,087,356
Total Deposits	**108,487,649**	95,069,270	83,914,582
Total Stockholder s Equity	**10,898,134**	10,162,924	9,503,693
Net Income	**1,423,846**	1,388,222	1,278,613
Numbers of Issued and Outstanding Shares	**100,000**	100,000	100,000
Book Value Per Share	**$ 108.98**	$ 101.63	$ 95.04
Net Income Per Share	**14.24**	13.88	12.79

Banking Facilities

The Bank s main office is located at 602 East Screven Street in Quitman and consists of a building of approximately 6,720 square feet of office and banking space. The building has additional expansion room upstairs. The attached drive-through facility consists of three drive-through lanes plus an automated teller machine lane. The building has four inside teller windows. In March 2003, the Bank opened its first branch. The new facility, located at 2190-N North Ashley Street in Valdosta, Georgia, is a 2,200 square foot building with two drive-through lanes, three inside teller windows and a walk-up automated teller machine. The Bank owns the Quitman location and leases the Valdosta location. The Bank opened a second office in Valdosta, Lowndes County, Georgia that consists of approximately 5,000 square feet. The new office opened in May 2005 with three drive-through lanes plus an automated teller machine lane.

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Competition

The banking business is highly competitive. In Brooks County, the Bank competes with four banks. In Lowndes County, the Bank competes with thirteen banks, two savings and loan association and six federal credit unions. The Bank also competes to a lesser extent with finance companies, insurance companies and certain governmental agencies. The banking industry is also experiencing increased competition for deposits from less traditional sources such as money market and mutual funds.

Correspondents

Colony Bank Quitman, FSB has correspondent relationships with the following banks: The Bankers Bank in Atlanta, Georgia; Colony Bank of Fitzgerald in Fitzgerald, Georgia; Compass Bank in Birmingham, Alabama; and the Federal Home Loan Bank in Atlanta, Georgia. The correspondent relationships facilitate the transactions of business by means of loans, collections, investment services, exchange services and data processing. As compensation for these services, the Bank maintains balances with its correspondents in noninterest-bearing accounts and pays some service charges.

EMPLOYEES

As of December 31, 2006, Colony Bankcorp, Inc. and its subsidiaries employed 351 full-time employees and 28 part-time employees. Colony considers its relationship with its employees to be excellent.

The subsidiary banks have noncontributory profit-sharing plans covering all employees subject to certain minimum age and service requirements. All Banks made contributions for all eligible employees in 2006. In addition, Colony Bankcorp, Inc. and its subsidiaries maintain a comprehensive employee benefit program providing, among other benefits, hospitalization, major medical insurance and life insurance. Management considers these benefits to be competitive with those offered by other financial institutions in south Georgia. Colony s employees are not represented by any collective bargaining group.

SUPERVISION AND REGULATION

BANK HOLDING COMPANY REGULATION

General

Colony is a bank holding company within the meaning of the Bank Holding Company Act of 1956, as amended (BHCA). As a bank holding company registered with the Federal Reserve under the BHCA and the Georgia Department of Banking and Finance (the Georgia Department) under the Financial Institutions Code of Georgia, it is subject to supervision, examination and reporting by the Federal Reserve and the Georgia Department. Its activities are limited to banking, managing or controlling banks, furnishing services to or performing services for its subsidiaries, or engaging in any other activity that the Federal Reserve determines to be so closely related to banking, or managing or controlling banks, as to be a proper incident to these activities.

Colony is required to file with the Federal Reserve and the Georgia Department periodic reports and any additional information as they may require. The Federal Reserve and Georgia Department will also regularly examine the Company. The Federal Deposit Insurance Corporation and Georgia Department also examine the Banks, while the Office of Thrift Supervision examines the Thrift Bank.

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Activity Limitations

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

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

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

Similar requirements are imposed by the Georgia Department.

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

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

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

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Limitations on Acquisitions of Bank Holding Companies

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

Source of Financial Strength

Federal Reserve policy requires a bank holding company to act as a source of financial strength and to take measures to preserve and protect bank subsidiaries in situations where additional investments in a troubled bank may not otherwise be warranted, In addition, if a bank holding company has more than one bank or thrift subsidiary, each of the bank holding company s subsidiary depository institutions is responsible for any losses to the FDIC as a result of an affiliated depository institution s failure. As a result, a bank holding company may be required to loan money to its subsidiaries in the form of capital notes or other instruments that qualify as capital of the subsidiary bank under regulatory rules. However, any loans from the bank holding company to those subsidiary banks will likely be unsecured and subordinated to that of bank s depositors and perhaps to other creditors of that bank.

BANK REGULATION

General

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

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Transactions with Affiliates and Insiders

The Company is a legal entity separate and distinct from the Banks. Various legal limitations restrict the Banks from lending or otherwise supplying funds to the Company and other nonbank subsidiaries of the Company, all of which are deemed to be affiliates of the Banks for the purposes of these restrictions. The Company and the Banks are subject to Section 23A of the Federal Reserve Act. Section 23A defines covered transactions, which include extensions of credit, and limits a bank s covered transactions with any affiliate to 10 percent of such bank s capital and surplus and with all affiliates to 20 percent of such bank s capital and surplus. All covered and exempt transactions between a bank and its affiliates must be on terms and conditions consistent with safe and sound banking practices, and banks and their subsidiaries are prohibited from purchasing low-quality assets from the bank s affiliates. Finally, Section 23 A requires that all of a bank s extensions of credit to an affiliate be appropriately secured by acceptable collateral, generally United States government or agency securities. The Company and the Banks are also subject to Section 23B of the Federal Reserve Act, which generally limits covered and other transactions between a bank and its affiliates to terms and under circumstances, including credit standards, that are substantially the same or at least as favorable to the bank as prevailing at the time for transactions with unaffiliated companies.

Dividends

The Company is a legal entity separate and distinct from the Banks. The principal source of the Company s cash flow, including cash flow to pay dividends to its stockholders, is dividends that the Banks pay to it. Statutory and regulatory limitations apply to the Banks payment of dividends to the Company as well as to the Company s payment of dividends to its stockholders.

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

Mortgage Banking Regulation

Georgia First Mortgage is licensed and regulated as a mortgage banker by the Georgia Department. It is also qualified as a Fannie Mae and Freddie Mac seller/servicer and must meet the requirements of such corporations and of the various private parties with which it conducts business, including warehouse lenders and those private entities to which it sells mortgage loans.

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Enforcement Policies and Actions

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

Capital Regulations

The federal bank regulatory authorities have adopted capital guidelines for banks and bank holding companies. In general, the authorities measure the amount of capital an institution holds against its assets. There are three major capital tests: (i) the Total Capital ratio (the total of Tier 1 Capital and Tier 2 Capital measured against risk-adjusted assets), (ii) the Tier 1 Capital ratio (Tier 1 Capital measured against risk-adjusted assets) and (iii) the leverage ratio (Tier 1 Capital measured against average (i.e., nonrisk-weighted) assets).

Tier 1 Capital consists of common equity, retained earnings and a limited amount of qualifying preferred stock, less goodwill and core deposit intangibles. Tier 2 Capital consists of nonqualifying preferred stock, qualifying subordinated, perpetual and/or mandatory convertible debt, term subordinated debt and intermediate term preferred stock and up to 45 percent of the pretax unrealized holding gains on available-for-sale equity securities with readily determinable market values that are prudently valued, and a limited amount of any loan loss allowance.

In measuring the adequacy of capital, assets are generally weighted for risk. Certain assets, such as cash and U.S. government securities, have a zero risk weighting. Others, such as commercial and consumer loans, have a 100 percent risk weighting. Risk weightings are also assigned for off-balance sheet items such as loan commitments. The various are multiplied by the appropriate risk-weighting to determine risk- adjusted assets for the capital calculations. For the leverage ratio mentioned above, average assets are not risk-weighted.

The federal banking agencies must take prompt corrective action in respect of depository institutions that do not meet minimum capital requirements. There are five tiers for financial institutions: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Under these regulations, a bank will be:

- well capitalized if it has a Total Capital ratio of 10 percent or greater, a Tier 1 Capital ratio of 6 percent or greater, a leverage ratio of 5 percent or better or 4 percent in certain circumstances and is not subject to any written agreement, order, capital directive, or prompt corrective action directive by a federal bank regulatory agency to meet and maintain a specific capital level for any capital measure;

- adequately capitalized if it has a Total Capital ratio of 8 percent or greater, a Tier 1 Capital ratio of 4 percent or greater, and a leverage ratio of 4 percent or greater or 3 percent in certain circumstances and is not well capitalized;

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- undercapitalized if it has a Total Capital ratio of less that 8 percent, a Tier 1 Capital ratio of less that 4 percent or 3 percent in certain circumstances;

- significantly undercapitalized if it has a Total Capital ratio of less than 6 percent or a Tier 1 Capital ratio of less than 3 percent, or a leverage ratio of less than 3 percent; or

- critically undercapitalized if its tangible equity is equal to or less than 2 percent of average quarterly assets.

Federal law generally prohibits a depository institution from making any capital distribution, including the payment of a dividend or paying any management fee to its holding company if the depository institution would be undercapitalized as a result. Undercapitalized depository institutions may not accept brokered deposits absent a waiver from the FDIC, are subject to growth limitations and are required to submit a capital restoration plan for approval. For a capital restoration plan to be acceptable, the depository institution s parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of 5 percent of the depository institution s total assets at the time it became undercapitalized, and the amount necessary to bring the institution into compliance with applicable capital standards. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized. If the controlling holding company fails to fulfill its obligations under this law and files, or has filed against it, a petition under the federal Bankruptcy Code, the FDIC claim related to the holding company s obligations would be entitled to a priority in such bankruptcy proceeding over third party creditors of the bank holding company.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

At December 31, 2006, the Company exceeded the minimum Tier 1, risk-based and leverage ratios and qualified as well capitalized under current Federal Reserve Board criteria. The following table sets forth certain capital information for the Company as of December 31, 2006. Consider the following brief summary rather than the preceeding and the table. As of December 31, 2006, Colony had Tier 1 Capital and Total Capital of approximately 10.24 percent and 11.50 percent, respectively, of risk-weighted assets. As of December 31, 2006, Colony had a leverage ratio of Tier 1 Capital to total average assets of approximately 8.17 percent.

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	December 31, 2006	
	Amount	**Percent**
Leverage Ratio		
Actual	$ 98,235	8.17%
Well-Capitalized Requirement	60,109	5.00
Minimum Required (1)	48,087	4.00
Risk Based Capital:		
Tier 1 Capital		
Actual	98,235	10.24
Well-Capitalized Requirement	57,532	6.00
Minimum Required (1)	38,355	4.00
Total Capital		
Actual	110,304	11.50
Well-Capitalized Requirement	95,887	10.00
Minimum Required (1)	76,710	8.00

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

The guidelines also provide that institutions experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. Higher capital may be required in individual cases, depending upon a bank or bank holding company s risk profile. All bank holding companies and banks are expected to hold capital commensurate with the level and nature of their risks, including the volume and severity of their problem loans. Lastly, the Federal Reserve s guidelines indicate that the Federal Reserve will continue to consider a Tangible Tier 1 Leverage Ratio, calculated by deducting all intangibles, in evaluating proposals for expansion or new activity.

FDIC Insurance Assessments

The Banks deposits are insured by the FDIC and thus the Banks are subject to FDIC deposit insurance assessments. The FDIC utilizes a risk-based insurance premium scheme to determine the assessment rates for insured depository institutions. Each financial institution is assigned to one of three capital groups: well capitalized, adequately, capitalized or undercapitalized.

Each financial institution is further assigned to one of three subgroups within a capital group, on the basis of supervisory evaluations by the institution s primary federal and, if applicable, state regulators and other information relevant to the institution s financial condition and the risk posed to the insurance fund. The actual assessment rate applicable to a particular institution will, therefore, depend in part upon the risk assessment classification assigned to the institution by the FDIC. The FDIC is presently considering whether to charge deposit insurance premiums based upon management weaknesses and whether the Banks underwriting practices, concentrations of risk and growth are undisciplined or outside industry norms.

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The deposit insurance assessment rates currently range from five basis points on deposits (for a financial institution in the highest category) to 43 basis points on deposits (for an institution in the lowest category). In addition, the FDIC collects The Financing Corporation (FICO) deposit assessments on assessable deposits at the same rate. FICO assessments are set quarterly, and in 2006 ranged from 1.32 to 1.24 basis points. The FICO assessment rate for the Banks for the first quarter of 2007 is 1.22 basis points of assessable deposits.

Community Reinvestment Act

The Banks are subject to the provisions of the Community Reinvestment Act of 1977, as amended (the CRA), and the federal banking agencies related regulations. Under the CRA, all banks and thrifts have a continuing and affirmative obligation, consistent with safe and sound operation, to help meet the credit needs for their entire communities, including low- and moderate-income neighborhoods. The CRA requires a depository institution s primary federal regulator, in connection with its examination of the institution or its evaluation of certain regulatory applications, to assess the institution s record in assessing and meeting the credit needs of the community served by that institution, including low- and moderate-income neighborhoods. The regulatory agency s assessment of the institution s record is made available to the public.

Current CRA regulations rate institutions based on their actual performance in meeting community credit needs. The Banks received a satisfactory rating on their most recent examinations in 2006.

Consumer Regulations

Interest and other charges collected or contracted for by the Banks are subject to state usury laws and certain federal laws concerning interest rates. The Banks loan operations are also subject to federal laws and regulations applicable to credit transactions, such as those:

- Governing disclosures of credit terms to consumer borrowers;
- Requiring financial institutions provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Governing the use and provision of information to credit reporting agencies; and
- Governing the manner in which consumer debts may be collected by collection agencies.

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The deposit operations of the Banks are also subject to laws and regulations that:

- Impose a duty to maintain the confidentiality of consumer financial records and prescribe procedures for complying with administrative subpoenas of financial records; and
- Govern automatic deposits to and withdrawals from deposit accounts and customers rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Fiscal and Monetary Policy

Banking is a business that depends on interest rate differentials. In general, the difference between the interest paid by a bank on its deposits and its other borrowings, and the interest received by a bank on its loans and securities holdings, constitutes the major portion of a bank s earnings. Thus, Colony s earnings and growth and that of the Banks will be subject to the influence of economic conditions, generally both domestic and foreign, and also to the monetary and fiscal policies of the United States and its agencies, particularly the Federal Reserve. The Federal Reserve regulates the supply of money through various means, including open market dealings in United States government securities, the discount rate at which banks may borrow from the Federal Reserve and the reserve requirements on deposits.

The monetary policies of the Federal Reserve historically have had a significant effect on the operating results of commercial banks and mortgage banking operations and will continue to do so in the future. The Company cannot predict the conditions in the national and international economies and money markets, the actions and changes in policy by monetary and fiscal authorities or their effect on the Banks.

Anti-Terrorism Legislation

In the wake of the tragic events of September 11th, on October 26, 2001, the President signed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act of 2001. Under the USA PATRIOT Act, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and know your customer standards in their dealings with foreign financial institutions and foreign customers. For example, the enhanced due diligence policies, procedures and controls generally require financial institutions to take reasonable steps to:

- conduct enhanced scrutiny of account relationships to guard against money laundering and report any suspicious transaction;
- ascertain the identity of the nominal and beneficial owners of, and the source of funds deposited into, each account as needed to guard against money laundering and report any suspicious transactions;
- ascertain for any foreign bank, the shares of which are not publicly traded, the identity of the owners of the foreign bank, and the nature and extent of the ownership interest of each owner; and
- ascertain whether any foreign bank provides correspondent accounts to other foreign banks and, if so, the identity of those foreign banks and related due diligence information.

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The USA PATRIOT Act requires financial institutions to establish anti-money laundering programs. The USA PATRIOT Act sets forth minimum standards for these programs, including:

- The development of internal policies, procedures and controls;
- The designation of a compliance officer;
- An ongoing employee training program; and
- An independent audit function to test the programs.

In addition, the USA PATRIOT Act authorizes the Secretary of the Treasury to adopt rules increasing the cooperation and information sharing between financial institutions, regulators and law enforcement authorities regarding individuals, entities and organizations engaged in, or reasonably suspected based on credible evidence of engaging in, terrorist acts or money laundering activities. Any financial institution complying with these rules will not be deemed to have violated the privacy provisions of the Gramm-Leach-Bliley Act, as discussed above.

Item 1A

Risk Factors

The following are certain risks that management believes are specific to our business. This should not be viewed as an all inclusive list or in any particular order.

Future loan losses may exceed our allowance for loan losses

We are subject to credit risk, which is the risk of losing principal or interest due to borrowers failure to repay loans in accordance with their terms. A downturn in the economy or the real estate market in our market areas or a rapid change in interest rates could have a negative effect on collateral values and borrowers ability to repay. This deterioration in economic conditions could result in losses to the Bank in excess of loan loss allowances. To the extent loans are not paid timely by borrowers, the loans are placed on nonaccrual, thereby reducing interest income. To the extent loan charge-offs exceed our financial models, increased amounts charged to the provision for loan losses would reduce income.

Rapidly changing interest rate environments could reduce our net interest margin, net interest income, fee income and net income

Interest and fees on loans and securities, net of interest paid on deposits and borrowings, are a large part of our net income. Interest rates are key drivers of our net interest margin and subject to many factors beyond the control of management. As interest rates change, net interest income is affected. Rapid increases in interest rates in the future could result in interest expense increasing faster than interest income because of mismatches in financial instrument maturities. Further, substantially higher interest rates generally reduce loan demand and may result in slower loan growth particularly in construction lending, an important factor in the Company s revenue growth over the years. Decreases or increases in interest rates could have a negative effect on the spreads between the interest rates earned on assets and the rates of interest paid on liabilities, and therefore decrease net interest income. See Quantitative and Qualitative Disclosures about Market Risk.

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Slower than anticipated growth in new branches and new product and service offerings could result in reduced net income

We have placed a strategic emphasis on expanding our branch network and product offerings. Executing this strategy carries risks of slower than anticipated growth both in new branches and new products. New branches and products require a significant investment of both financial and personnel resources. Lower than expected loan and deposit growth in new investments can decrease anticipated revenues and net income generated by those investments, and opening new branches and introducing new products could result in more additional expenses than anticipated and divert resources from current core operations.

The financial services industry is very competitive

We face competition in attracting and retaining deposits, making loans, and providing other financial services throughout our market area. Our competitors include other community banks, larger banking institutions, and a wide range of other financial institutions such as credit unions, government-sponsored enterprises, mutual fund companies, insurance companies and other nonbank businesses. Many of these competitors have substantially greater resources than us. For a more complete discussion of our competitive environment, see Business Competition in Item 1 above. If we are unable to compete effectively, we will lose market share, and income from deposits, loans and other products may be reduced.

Inability to hire or retain certain key professionals, management and staff could adversely affect our revenues and net income

We rely on key personnel to manage and operate our business, including major revenue generating functions such as our loan and deposit portfolios. The loss of key staff may adversely affect our ability to maintain and manage these portfolios effectively, which could negatively affect our revenues. In addition, loss of key personnel could result in increased recruiting and hiring expenses, which could cause a decrease in our net income.

Item 1B

Unresolved Staff Comments

None.

Item 2

Properties

The principal properties of the Registrant consist of the properties of the Banks. For a description of the properties of the Banks, see Item 1 Business of the Company and Subsidiary Banks included elsewhere in this Annual Report.

Item 3

Legal Proceedings

The Company and its subsidiaries may become parties to various legal proceedings arising from the normal course of business. As of December 31, 2006, there are no material pending legal proceedings to which Colony or its subsidiaries are a party or of which any of its property is the subject.

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Item 4

Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Registrant s stockholders during the fourth quarter of 2006.

Part II

Item 5

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

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

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

				Dividends
Year Ended December 31, 2006	**High**	**Low**	**Close**	**Per Share**
Fourth Quarter	**$ 20.52**	**$ 17.25**	**$ 17.70**	**$ 0.085**
Third Quarter	**22.07**	**19.04**	**20.90**	**0.083**
Second Quarter	**22.63**	**17.10**	**22.34**	**0.080**
First Quarter	**27.55**	**21.05**	**22.04**	**0.078**
Year Ended December 31, 2005				
Fourth Quarter	27.02	22.00	24.98	0.075
Third Quarter	32.16	24.00	27.06	0.072
Second Quarter	34.00	24.76	30.04	0.070
First Quarter	27.07	24.00	24.84	0.068

Prices adjusted to reflect 5-for-4 stock split effective May 15, 2005.

The Registrant paid cash dividends on its common stock of $2,336,865 or $0.325 per share and $2,058,286 or $0.285 per share in 2006 and 2005, respectively.

As of December 31, 2006, the Company had approximately 1,996 stockholders of record. There were no sales of unregistered securities of the Company in 2006.

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Performance Graph

The graph presented below compares the cumulative total stockholder return on Colony Bankcorp, Inc. s common stock to the cumulative total return of the NASDAQ Composite and the SNL Southeast Bank Index for the five fiscal years, which commenced January 1, 2002 and ended December 31, 2006. The cumulative total stockholder return assumes the investment of $100 in Colony Bankcorp, Inc. s common stock and in each index on December 31, 2001 and assumes reinvestment of dividends. The NASDAQ Composite Index is a publicly available measure of over 3,000 companies including NASDAQ domestic and international based common type stocks listed on the The Nasdaq Stock Market. The SNL Southeast Bank Index is a compilation of the total stockholder return of all publicly-traded bank holding companies headquartered in the Southeastern United States.

Comparison of Five-Year Cumulative Total Stockholder Return

			Period Ending			
Index	**12/31/01**	**12/31/02**	**12/31/03**	**12/31/04**	**12/31/05**	**12/31/06**
Colony Bankcorp, Inc.	100.00	121.68	195.10	332.55	308.63	222.30
NASDAQ Composite	100.00	68.76	103.67	113.16	115.57	127.58
SNL Southeast Bank Index	100.00	110.46	138.72	164.50	168.39	197.45

Source: SNL Financial LC

Issuer Purchase of Equity Securities

The Company purchased no shares of the Company s common stock during the quarter ended December 31, 2006.

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Item 6

Selected Financial Data

	Year Ended December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
	(Dollars in Thousands, except per share data)				
Selected Balance Sheet Data					
Total Assets	**$ 1,213,504**	$ 1,108,338	$ 997,591	$ 868,606	$ 781,535
Total Loans	**941,772**	858,815	778,643	654,177	571,816
Total Deposits	**1,042,446**	944,365	850,329	732,318	664,594
Investment Securities	**149,307**	124,326	112,593	110,408	90,407
Federal Home Loan Bank Stock	**5,087**	5,034	4,479	3,000	2,837
Stockholders Equity	**76,611**	68,128	61,763	55,976	51,428
Selected Income Statement Data					
Interest Income	**83,280**	63,634	51,930	46,418	45,592
Interest Expense	**41,392**	26,480	18,383	18,414	21,997
Net Interest Income	**41,888**	37,154	33,547	28,004	23,595
Provision for Loan Losses	**3,987**	3,444	3,469	4,060	2,820
Other Income	**7,350**	6,152	6,424	7,128	6,622
Other Expense	**29,882**	26,076	24,271	20,864	18,804
Income Before Tax	**15,369**	13,786	12,231	10,208	8,593
Income Tax Expense	**5,217**	4,809	4,162	3,392	2,841
Net Income	**$ 10,152**	$ 8,977	$ 8,069	$ 6,816	$ 5,752
Weighted Average Shares Outstanding (1)	**7,177**	7,168	7,131	7,127	6,994
Shares Outstanding (1)	**7,190**	7,181	7,172	7,160	7,145
Intangible Assets	**$ 2,851**	$ 2,932	$ 3,047	$ 691	$ 847
Dividends Paid	**2,337**	2,058	1,808	1,555	1,258
Average Assets	**1,160,718**	1,034,777	938,283	816,666	707,631
Average Stockholders Equity	**71,993**	65,146	59,037	53,843	47,910
Net Charge-Offs	**2,760**	2,694	1,973	2,908	2,067
Reserve for Loan Losses	**11,989**	10,762	10,012	8,516	7,364
OREO	**970**	2,170	1,127	2,724	1,357
Nonperforming Loans	**8,078**	8,593	8,809	7,492	7,871
Nonperforming Assets	**9,048**	10,763	9,936	10,216	9,228
Average Interest-Earning Assets	**1,097,716**	979,966	887,331	774,984	669,724
Noninterest-Bearing Deposits	**77,336**	78,778	68,169	64,044	51,533

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Item 6 (Continued)

	Year Ended December 31, 2006	2005	2004	2003	2002
	(Dollars in Thousands, except per share data)				
Per Share Data: (1)					
Net Income (Diluted)	**$ 1.41**	$ 1.25	$ 1.13	$ 0.95	$ 0.82
Book Value	**10.66**	9.49	8.61	7.82	7.20
Tangible Book Value	**10.26**	9.08	8.19	7.72	7.08
Dividends	**0.325**	0.285	0.252	0.217	0.176
Profitability Ratios:					
Net Income to Average Assets	**0.87%**	0.87%	0.86%	0.83%	0.81%
Net Income to Average Stockholders Equity	**14.10**	13.78	13.67	12.66	12.01
Net Interest Margin	**3.84**	3.81	3.81	3.65	3.57
Loan Quality Ratios:					
Net Charge-Offs to Total Loans	**0.29**	0.31	0.25	0.44	0.36
Reserve for Loan Losses to Total Loans and OREO	**1.27**	1.25	1.28	1.30	1.29
Nonperforming Assets to Total Loans and OREO	**0.96**	1.25	1.27	1.56	1.61
Reserve for Loan Losses to Nonperforming Loans	**148.42**	125.24	113.66	113.67	93.56
Reserve for Loan Losses to Total Nonperforming Assets	**132.50**	99.99	100.76	83.36	79.80
Liquidity Ratios:					
Loans to Total Deposits	**90.34**	90.94	91.57	89.33	86.04
Loans to Average Earning Assets	**85.79**	87.64	87.75	84.41	85.38
Noninterest-Bearing Deposits to Total Deposits	**7.42**	8.34	8.02	8.75	7.75
Capital Adequacy Ratios:					
Common Stockholders Equity to Total Assets	**6.31**	6.15	6.19	6.45	6.58
Total Stockholders Equity to Total Assets	**6.31**	6.15	6.19	6.45	6.58
Dividend Payout Ratio	**23.05**	22.80	22.30	22.84	21.46

(1) All per share data adjusted to reflect 5-for-4 stock split effective May 15, 2005.

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Part II (Continued)

Item 7

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

Forward-Looking Statements and Factors that Could Affect Future Results

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

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

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

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

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

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

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

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

The Company

Colony Bankcorp, Inc. (Colony) is a bank holding company headquartered in Fitzgerald, Georgia that provides, through its wholly-owned subsidiaries (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, 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.

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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 as required by SFAS No. 141. 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.

Overview

The following discussion and analysis presents the more significant factors affecting the Company s financial condition as of December 31, 2006 and 2005, and results of operations for each of the years in the three year period ended December 31, 2006. 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. All of the acquisitions during the reported periods were accounted for as purchase transactions, and as such, their related results of operations are included from the date of acquisition.

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.

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Results of Operations

The Company s results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since market forces and economic conditions beyond the control of the Company determine interest rates, the ability to generate net interest income is dependent upon the Company s ability to obtain an adequate spread between the rate earned on earning assets and the rate paid on interest-bearing liabilities. Thus, the key performance for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average earning assets. Net income totaled $10.15 million, or $1.41 diluted per common share in 2006 compared to $8.98 million, or $1.25 diluted per common share in 2005 and $8.07 million, or $1.13 diluted per common share in 2004.

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

	2006	2005	2004
Taxable Equivalent Net Interest Income	**$ 42,158**	$ 37,381	$ 33,809
Taxable-Equivalent Adjustment	**270**	227	262
Net Interest Income	**41,888**	37,154	33,547
Provision for Possible Loan Losses	**3,987**	3,444	3,469
Noninterest Income	**7,350**	6,152	6,424
Noninterest Expense	**29,882**	26,076	24,271
Income Before Income Taxes	**15,369**	13,786	12,231
Income Taxes	**5,217**	4,809	4,162
Net Income	**$ 10,152**	$ 8,977	$ 8,069
Basic per Common Share:			
Net Income	**$ 1.41**	$ 1.25	$ 1.13
Diluted per Common Share:			
Net Income	**$ 1.41**	$ 1.25	$ 1.13
Return on Average Assets:			
Net Income	**0.87%**	0.87%	0.86%
Return on Average Equity:			
Net Income	**14.10%**	13.78%	13.67%

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Income from operations for 2006 increased $1.18 million, or 13.09 percent, compared to 2005. The increase was primarily the result of a $4.74 million increase in net interest income and an increase of $1.20 million in noninterest income. The impact of these items was partly offset by a $3.81 million increase in noninterest expense, an increase of $0.54 million in provision for loan losses and an increase of $0.41 in income tax expense. Income from operations for 2005 increased $0.91 million, or 11.25 percent, compared to 2004. The increase was primarily the result of a $3.61 million increase in net interest income and a $0.03 million decrease in provision for loan losses. The impact of these items was partly offset by a $1.81 million increase in noninterest expense, a decrease of $0.27 million in noninterest income and a $0.65 million increase in income tax expense.

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 46.22 percent of total revenue during 2006 and 53.24 percent during 2005.

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, began 2001 at 9.50 percent and decreased 475 basis points during 2001 to end the year at 4.75 percent. During 2002, the prime rate decreased 50 basis points to end the year at 4.25 percent. During 2003, the prime rate decreased 25 basis points to end the year at 4.00 percent. During 2004, the prime rate increased 125 basis points to end the year at 5.25 percent. During 2005, the prime rate increased 200 basis points to end the year at 7.25 percent. During 2006, the prime rate increased 100 basis points to end the year at 8.25 percent. The federal funds rate moved similar to prime rate with interest rates of 1.75 percent, 1.25 percent, 1.00 percent, 2.25 percent, 4.25 percent, and 5.25 percent respectively, as of year-end 2001, 2002, 2003, 2004, 2005 and 2006. It is anticipated that the Federal Reserve will maintain a neutral stance the first half of 2007 and begin reducing rates during the last half of 2007.

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 year to year for each component of the taxable equivalent net interest income separated into the amount generated through volume changes and the amount generated by changes in the yields/rates.

	Changes From 2005 to 2006 (a)			Changes From 2004 to 2005 (a)		
($ in thousands)	Volume	Rate	Total	Volume	Rate	Total
Interest Income						
Loans, Net-Taxable	**$ 6,633**	**$ 10,156**	**$ 16,789**	$ 5,511	$ 5,281	$ 10,792
Investment Securities						
Taxable	**680**	**1,208**	**1,888**	179	(163)	16
Tax-Exempt	**75**	**19**	**94**	(107)	42	(65)
Total Investment Securities	**755**	**1,227**	**1,982**	72	(121)	(49)
Interest-Bearing Deposits in Other Banks	**(1)**	**48**	**47**	(44)	55	11
Federal Funds Sold	**86**	**683**	**769**	96	751	847
Other Interest-Earning Assets	**11**	**91**	**102**	55	13	68
Total Interest Income	**7,484**	**12,205**	**19,689**	5,690	5,979	11,669
Interest-Expense						
Interest-Bearing Demand and Savings Deposits	**108**	**1,257**	**1,365**	59	529	588
Time Deposits	**3,258**	**9,397**	**12,655**	3,293	3,535	6,828
Total Interest Expense On Deposits	**3,366**	**10,654**	**14,020**	3,352	4,064	7,416
Other Interest-Bearing Liabilities						
Federal Funds Purchased	**4**	**9**	**13**	2	9	11
Subordinated Debentures	**242**	**368**	**610**	80	351	431
Other Debt	**(32)**	**301**	**269**	194	45	239
Total Interest Expense	**3,580**	**11,332**	**14,912**	3,628	4,469	8,097
Net Interest Income	**$ 3,904**	**$ 873**	**$ 4,777**	$ 2,062	$ 1,510	$ 3,572

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

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

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

Interest rates play a major part in the net interest income of financial institutions. The repricing of interest-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 .80 to 1.20.

Our exposure to interest rate risk is reviewed at least semiannually by our Board of Directors and the ALCO. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net portfolio value in the event of assumed changes in interest rates. In order to reduce the exposure to interest rate fluctuations, we have implemented strategies to more closely match our balance sheet composition. The Company has engaged SunTrust Bank to run a quarterly asset/liability model for interest rate risk analysis. We are generally focusing our investment activities on securities with terms or average lives in the 3-7 year range.

The Company maintains about 41 percent of its loan portfolio in adjustable rate loans that reprice with prime rate changes, while the bulk of its other loans mature within 3 years. The liabilities to fund assets are primarily in short-term certificates of deposit that mature within one year. This balance sheet composition has allowed the Company to be relatively constant with its net interest margin the past several years, though the unprecedented 475 basis point decrease by U.S. Federal Reserve in 2001, 50 basis point decrease in 2002 and 25 basis point decrease in 2003 resulted in significant net interest margin pressure. During 2004, interest rates increased 125 basis points, during 2005 interest rates increased 200 basis points and during 2006 interest rates increased 100 basis points. The shift to increased rates the past three years has resulted in improved and stable net interest margins. Net interest margin improved slightly to 3.84 percent for 2006 compared to 3.81 percent for 2005 and 2004. We anticipate some contraction in the net interest margin for 2007 given the Federal Reserve s present flat to declining rate forecast for 2007. Should the Federal Reserve s stance be flat to declining rate forecast, the Company would be challenged with net interest rate compression.

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Taxable-equivalent net interest income for 2006 increased $4.78 million, or 12.78 percent, compared to 2005, while taxable-equivalent net interest income for 2005 increased by $3.57 million, or 10.56 percent, compared to 2004. The fluctuation between the comparable periods resulted from the positive impact of growth in the average volume of earning assets and a positive impact from the increasing average interest rates. The average volume of earning assets during 2006 increased almost $117.8 million compared to 2005 while over the same period the net interest margin increased to 3.84 from 3.81 percent. Similarly, the average volume of earning assets during 2005 increased $92.6 million compared to 2004 while over the same period the net interest margin remained flat at 3.81 percent. Growth in average earning assets during 2006 and 2005 was primarily in loans. The stability in the net interest margin in 2006 was primarily the result of increased earning assets and loan/deposit pricing by the Company.

The average volume of loans increased $93.0 million in 2006 compared to 2005 and increased $85.1 million in 2005 compared to 2004. The average yield on loans increased 111 basis points in 2006 compared to 2005 and increased 65 basis points in 2005 compared to 2004. Funding for this growth was primarily provided by deposit growth. The average volume of deposits increased $112.9 million in 2006 compared to 2005 and increased $82.6 million in 2005 compared to 2004. Interest-bearing deposits made up 95.5 percent of the growth in average deposits in 2006 and 94.2 percent of the growth in average deposits in 2005. Accordingly, the ratio of average interest-bearing deposits to total average deposits was 92.6 percent in 2006, 92.2 percent in 2005 and 92.0 percent in 2004. This deposit mix, combined with a general increase in interest rates, had the effect of (i) increasing the average cost of total deposits by 112 basis points in 2006 compared to 2005 and increasing the average cost of total deposits by 66 basis points in 2005 compared to 2004, and (ii) mitigating a portion of the impact of increasing yields on earning assets on the Company s net interest income.

The Company s net interest spread, which represents the difference between the average rate earned on earning assets and the average rate paid on interest-bearing liabilities, was 3.50 percent in 2006 compared to 3.56 percent in 2005 and 3.61 percent in 2004. The net interest spread, as well as the net interest margin, will be impacted by future changes in short-term and long-term interest rate levels, as well as the impact from the competitive environment. A discussion of the effects of changing interest rates on net interest income is set forth in Quantitative and Qualitative Disclosures About Interest Rate Sensitivity included elsewhere in this report.

Provision for Loan Losses

The provision for possible loan losses is determined by management as the amount to be added to the allowance for possible 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 $3.99 million in 2006 compared to $3.44 million in 2005 and $3.47 million in 2004. 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:

	2006	2005	2004
Service Charges on Deposit Accounts	**$ 4,580**	$ 4,128	$ 4,233
Other Charges, Commissions and Fees	**831**	708	548
Other	**1,171**	822	659
Mortgage Fee Income	**768**	494	984
	$ 7,350	$ 6,152	$ 6,424

Total noninterest income for 2006 increased $1.20 million, or 19.47 percent, compared to 2005 while total noninterest income for 2005 decreased $272 thousand, or 4.23 percent, compared to 2004. The increase in 2006 noninterest income compared to 2005 was primarily in mortgage fee income, service charges on deposit accounts and other, while the reduction in 2005 noninterest income compared to 2004 was primarily in mortgage fee income and a slight reduction in service charges on deposit accounts. 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 2006 increased $452 thousand, or 10.95 percent, compared to 2005. The increase was primarily due to an increase in overdraft fees assessed and increased volume of consumer and business accounts. Service charges on deposit accounts for 2005 decreased $105 thousand, or 2.48 percent, compared to 2004. The decrease was primarily due to an $82 thousand decrease in overdraft fees, which were mostly related to consumer accounts.

Mortgage Fee Income. Mortgage fee income for 2006 increased $274 thousand, or 55.47 percent, compared to 2005. The increase was primarily due to a company-wide focus on mortgage loans to be sold into the secondary market. Of significance was the increased activity in the larger MSA markets that the Company has operations. Mortgage fee income for 2005 decreased $490 thousand, or 49.80 percent, compared to 2004. The decrease was primarily due to decreased mortgage loan activity as the Company downsized its mortgage subsidiary unit. Also, many home loan borrowers had refinanced prior to 2005 due to historical low interest rates.

All Other Noninterest Income. The aggregate of all other noninterest income accounts increased $472 thousand, or 30.85 percent, compared to 2005. The increase was primarily due to gains from the sale of SBA and FSA governmental loans that increased to $512 thousand for 2006 compared to $42 thousand for 2005, or an increase of $470 thousand. Also ATM fee income, increased to $652 thousand for 2006 compared to $526 thousand for 2005, or an increase of $126 thousand. These increases were offset by fee income recorded on director and executive officer deferred compensation and retirement plans that decreased to $148 thousand for 2006 compared to $329 thousand for 2005, or a decrease of $181 thousand. 2005 fee income on deferred compensation included a one-time entry from the demutualization of insurance companies used to fund the plan.

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The aggregate of all other noninterest income accounts increased $323 thousand, or 26.76 percent, compared to 2004. The increase was primarily due to an increase in ATM fee income of $526 thousand for 2005 compared to $387 thousand for 2004, or an increase of $139 thousand. In addition, fee income recorded on director and executive officer deferred compensation and retirement plans increased to $329 thousand for 2005 compared to $121 thousand for 2004, or an increase of $208 thousand. These increases were offset by gains on the sale of SBA government loans that decreased to $42 thousand for 2005 compared to $132 thousand for 2004, or a decrease of $90 thousand.

Noninterest Expense

The components of noninterest expense were as follows:

	2006	2005	2004
Salaries and Employee Benefits	**$ 16,870**	$ 14,128	$ 12,594
Occupancy and Equipment	**4,035**	3,778	3,531
Loss on Securities Transactions			31
Other	**8,977**	8,170	8,115
	$ 29,882	$ 26,076	$ 24,271

Total noninterest expense for 2006 increased $3.81 million, or 14.60 percent compared to 2005 while total noninterest expense for 2005 increased $1.81 million, or 7.44 percent, compared to 2004. Growth in noninterest expense in 2006 and 2005 was primarily in salaries, employee benefits, occupancy and equipment expense and other noninterest expenses. These items and the changes in the various components of noninterest expense are discussed in more detail below.

Salaries and Employee Benefits. Salaries and benefits expense for 2006 increased $2.74 million, or 19.41 percent, compared to 2005. The increase is primarily related to increases in head count, merit increase and denovo branching. During 2006, new offices were opened in Centerville and Columbus, Georgia and the new offices opened in Valdosta and Savannah during 2005 were online all of 2006 compared to being online part of 2005. Salaries and benefits expense for 2005 increased $1.53 million, or 12.18 percent, compared to 2004. The increase is primarily related to increases in head count, merit increase, denovo branching and the acquisition of the Flag-Thomaston office during 2004. During 2005, new offices were opened in Valdosta and Savannah, Georgia.

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Occupancy and Equipment. Net occupancy expense for 2006 increased $257 thousand, or 6.80 percent compared to 2005. The Company experienced increased net occupancy and equipment expense for 2006 resulting from two additional offices opened during 2006. The impact of new offices opened during 2006 resulted in higher building maintenance, insurance and utilities cost and higher depreciation on buildings and equipment. Net occupancy expense for 2005 increased $247 thousand, or 7.00 percent, compared to 2004. The Company experienced increased net occupancy and equipment expense for 2005 resulting from two additional offices opened during 2005 and the acquisition of the Flag-Thomaston office during 2004. The impact of new offices opened during 2005 resulted in higher building maintenance, insurance and utilities cost, higher depreciation on buildings and equipment and higher lease expense.

All Other Noninterest Expense. All other noninterest expense for 2006 increased $807 thousand, or 9.88 percent, compared to 2005. The increase is primarily due to additional overhead associated with new offices opened along with significant changes in noninterest expense as follows: loss on sale of other real estate decreased to $20 thousand for 2006 compared to $185 thousand for 2005, or a decrease of $165 thousand; other real estate and repossession expense increased to $162 thousand for 2006 compared to $127 thousand for 2005, or an increase of $35 thousand; legal and professional fees increased to $1.07 million for 2006 compared to $765 thousand for 2005, or an increase of $306 thousand; ATM expense increased to $377 thousand for 2006 compared to $322 thousand for 2005, or an increase of $55 thousand; director fees increased to $639 thousand for 2006 compared to $617 thousand for 2005, or an increase of $22 thousand; stationery and supplies increased to $559 thousand for 2006 compared to $514 thousand for 2005, or an increase of $45 thousand; postage expense increased to $386 thousand for 2006 compared to $348 thousand for 2005, or an increase of $38 thousand; and advertising expense increased to $653 thousand for 2006 compared to $457 thousand for 2005, or an increase of $196 thousand.

All other noninterest expense for 2005 increased $24 thousand, or 0.29 percent compared to 2004. The increase is primarily due to additional overhead associated with new offices opened that was partly offset by significant changes in noninterest expense as follows: loss on sale of other real estate decreased to $185 thousand for 2005 compared to $550 thousand for 2004, or a decrease of $365 thousand; other real estate foreclosure and repossession expense decreased to $127 thousand for 2005 compared to $207 thousand for 2004, or a decrease of $80 thousand; ATM expense increased to $322 thousand for 2005 compared to $261 thousand for 2004, or an increase of $61 thousand; legal and professional fees increased to $765 thousand for 2005 compared to $707 thousand for 2004, or an increase of $58 thousand; director fees increased to $617 thousand for 2005 from $544 thousand for 2004, or an increase of $73 thousand; and stationery and supplies increased to $514 thousand for 2005 compared to $446 thousand for 2004, or an increase of $68 thousand.

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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 $1,161 million in 2006 compared to $1,035 million in 2005 and $938 million in 2004.

	2006		2005		2004	
Sources of Funds						
Deposits						
Noninterest-Bearing	**$ 73,334**	**6.3%**	$ 68,259	6.6%	$ 63,457	6.8%
Interest-Bearing	**917,634**	**79.1**	809,850	78.3	732,048	78.0
Federal Funds Purchased	**563**		449		307	
Subordinated Debentures and Other Borrowed Money	**88,512**	**7.6**	85,675	8.3	78,976	8.4
Other Noninterest-Bearing Liabilities	**8,682**	**0.8**	5,398	0.5	4,458	0.5
Equity Capital	**71,993**	**6.2**	65,146	6.3	59,037	6.3
	$ 1,160,718	**100.0%**	$ 1,034,777	100.0%	$ 938,283	100.0%
Uses of Funds						
Loans	**$ 901,162**	**77.6%**	$ 809,401	78.2%	$ 725,221	77.3%
Investment Securities	**135,538**	**11.7**	113,704	11.0	110,877	11.8
Federal Funds Sold	**41,307**	**3.6**	38,692	3.7	31,502	3.4
Interest-Bearing Deposits	**2,753**	**0.2**	2,792	0.3	6,864	0.7
Other Interest-Earning Assets	**5,192**	**0.4**	4,878	0.5	3,242	0.4
Other Noninterest-Earning Assets	**74,766**	**6.5**	65,310	6.3	60,577	6.4
	$ 1,160,718	**100.0%**	$ 1,034,777	100.0%	$ 938,283	100.0%

Deposits continue to be the Company s primary source of funding. Over the comparable periods, the relative mix of deposits continues to be high in interest-bearing deposits. Interest-bearing deposits totaled 92.60 percent of total average deposits in 2006 compared to 92.23 percent in 2005 and 92.02 percent in 2004.

The Company primarily invests funds in loans and securities. Loans continue to be the largest component of the Company s mix of invested assets. Loan demand continues to be strong as total loans were $942.3 million at December 31, 2006, up 9.68 percent, compared to loans of $859.1 million at December 31, 2005, while total loans at December 31, 2005 were up 10.32 percent compared to loans of $778.7 million at December 31, 2004. See additional discussion regarding the Company s loan portfolio in the section captioned Loans included below. The majority of funds provided by deposit growth have been invested in loans.

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Loans

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

	2006	2005	2004	2003	2002
Commercial, Financial and Agricultural	**$ 61,887**	$ 48,849	$ 44,284	$ 44,590	$ 46,598
Real Estate					
Construction	**193,952**	152,944	100,774	56,374	21,341
Mortgage, Farmland	**40,936**	37,152	38,245	33,097	29,503
Mortgage, Other	**549,601**	529,599	500,869	428,197	392,387
Consumer	**76,930**	73,473	73,685	73,020	73,462
Other	**18,967**	17,100	20,823	18,932	8,581
	942,273	859,117	778,680	654,210	571,872
Unearned Interest and Fees	**(501)**	(302)	(37)	(33)	(56)
Allowance for Loan Losses	**(11,989)**	(10,762)	(10,012)	(8,516)	(7,364)
Loans	**$ 929,783**	$ 848,053	$ 768,631	$ 645,661	$ 564,452

The following table presents total loans as of December 31, 2006 according to maturity distribution and/or repricing opportunity on adjustable rate loans.

Maturity and Repricing Opportunity	**($ in thousands)**
One Year or Less	$ 611,984
After One Year through Three Years	262,677
After Three Years through Five Years	52,507
Over Five Years	15,105
	$ 942,273

Overview. Loans totaled $942.3 million at December 31, 2006, up 9.68 percent from December 31, 2005 loans of $859.1 million. The majority of the Company s loan portfolio is comprised of the real estate loans-other, real estate construction and installment loans to individuals. Real estate-other, which is primarily 1-4 family residential properties and nonfarm nonresidential properties, made up 58.33 percent and 61.64 percent of total loans, real estate construction made up 20.58 percent and 17.80 percent while installment loans to individuals made up 8.16 percent and 8.55 percent of total loans at December 31, 2006 and December 31, 2005, respectively. Real estate loans-other include both commercial and consumer balances.

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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 a Central 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 nonowner 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 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 to help minimize risk. Additionally, consumer trends and outlook reports are reviewed by management on a regular basis.

The Company maintains an independent loan review department that reviews and validates the credit risk program on a periodic basis. Results of these reviews are presented to management. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as adherence to the Company s policies and procedures.

Commercial, Financial and Agricultural. Commercial, financial and agricultural loans at December 31, 2006 increased 26.69 percent from December 31, 2005 to $61.9 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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Industry Concentrations. As of December 31, 2006 and December 31, 2005, there were no concentrations of loans within any single industry in excess of 10 percent of total loans, as segregated by Standard Industrial Classification code (SIC code). The SIC code is a federally designed standard industrial numbering system used by the Company to categorize loans by the borrower s type of business.

Collateral Concentrations. Lending is concentrated in commercial and real estate loans primarily to local borrowers. The Company has a high concentration of real estate loans; however, these loans are well collateralized and, in management s opinion, do not pose an adverse credit risk. In addition, the balance of the loan portfolio is sufficiently diversified to avoid significant concentration of credit risk. Although the Company has a diversified loan portfolio, a substantial portion of borrower s ability to honor their contracts is dependent upon the viability of the real estate economic sector.

Large Credit Relationships. Colony is currently in eighteen counties in south and central Georgia including metropolitan markets in Doughtery, 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 Central Credit Committee must approve all new and renewed credit facilities which are part of large credit relationships. The following table provides additional information on the Company s large credit relationships outstanding at December 31, 2006 and December 31, 2005.

	December 31, 2006			**December 31, 2005**		
	Number of	**Period End Balances**		**Number of**	**Period End Balances**	
	Relationships	**Committed**	**Outstanding**	**Relationships**	**Committed**	**Outstanding**
Large Credit Relationships						
$10 Million and Greater	**2**	**$ 25,692**	**$ 18,365**	2	$ 24,854	$ 19,744
$5 Million to $9.9 Million	**12**	**69,485**	**62,914**	8	45,645	39,373

Maturities and Sensitivities of Loans to Changes in Interest Rates. The following table presents the maturity distribution of the Company s loans at December 31, 2006. The table also presents the portion of loans that have fixed interest rates or variable interest rates that fluctuate over the life of the loans in accordance with changes in an interest rate index such as the prime rate.

	Due in One Year or Less	**After One, but Within Three Years**	**After Three, but Within Five Years**	**After Five Years**	**Total**
Loans with Fixed Interest Rates	$ 227,495	$ 257,054	$ 52,507	$ 15,105	$ 552,161
Loans with Floating Interest Rates	384,489	5,623			390,112
	$ 611,984	$ 262,677	$ 52,507	$ 15,105	$ 942,273

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

Nonperforming Assets and Potential Problem Loans

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

	2006	2005	2004	2003	2002
Loans Accounted for on Nonaccrual	**$ 8,069**	$ 8,579	$ 7,856	$ 7,251	$ 6,899
Loans Past Due 90 Days or More	**9**	14	953	241	935
Renegotiated Loans					37
Other Real Estate Foreclosed	**970**	2,170	1,127	2,724	1,357
Total Nonperforming Assets	**$ 9,048**	$ 10,763	$ 9,936	$ 10,216	$ 9,228
Nonperforming Assets as a Percentage of					
Total Loans and Foreclosed Assets	**0.96%**	1.25%	1.27%	1.56%	1.61%
Total Assets	**0.75%**	0.97%	1.00%	1.18%	1.18%
Accruing Past Due Loans					
30 89 Days Past Due	**$ 10,593**	$ 6,829	$ 8,302	$ 6,703	$ 9,618
90 or More Days Past Due	**9**	14	953	241	935
Total Accruing Past Due Loans	**$ 10,602**	$ 6,843	$ 9,255	$ 6,944	$ 10,553

Nonperforming assets include nonaccrual loans, loans past due 90 days or more, renegotiated loans and foreclosed real estate. Nonperforming assets at December 31, 2006 decreased 15.93 percent from December 31, 2005.

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

Renegotiated 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.

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Foreclosed assets represent property acquired as the result of borrower defaults on loans. Foreclosed assets are recorded at estimated fair value, less estimated selling costs, at the time of foreclosure. Write-downs occurring at foreclosure are charged against the allowance for 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 noninterest 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 SFAS No. 114, *Accounting by Creditors for Impairment of a Loan*, as amended by SFAS No. 118, and allowance allocations determined in accordance with SFAS No. 5, *Accounting for Contingencies*. 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.

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.

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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.

	2006		**2005**		**2004**		**2003**		**2002**	
	Reserve	**%***	**Reserve**	**%***	**Reserve**	**%***	**Reserve**	**%***	**Reserve**	**%***
Commercial, Financial and Agricultural	**$ 3,597**	**7%**	$ 3,229	6%	$ 3,004	6%	$ 2,470	7%	$ 1,841	8%
Real Estate Construction	**719**	**21**	646	18	501	13	340	9	295	4
Real Estate Farmland	**599**	**4**	538	4	501	5	426	5	442	5
Real Estate Other	**3,896**	**58**	3,498	62	3,304	64	2,981	65	2,871	69
Loans to Individuals	**2,398**	**8**	2,152	8	2,002	9	1,703	11	1,326	13
All Other Loans	**780**	**2**	699	2	700	3	596	3	589	1
	$ 11,989	**100%**	$ 10,762	100%	$ 10,012	100%	$ 8,516	100%	$ 7,364	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)	2006	2005	2004	2003	2002
Allowance for Loan Losses at Beginning of Year	**$ 10,762**	$ 10,012	$ 8,516	$ 7,364	$ 6,159
Charge-Offs					
Commercial, Financial and Agricultural	**1,351**	767	463	1,790	958
Real Estate	**854**	678	692	570	451
Consumer	**697**	1,369	618	507	570
All Other	**471**	232	363	203	359
	3,373	3,046	2,136	3,070	2,338
Recoveries					
Commercial, Financial and Agricultural	**420**	176	9	30	59
Real Estate	**20**	18	36	39	42
Consumer	**156**	83	90	58	141
All Other	**17**	75	28	35	29
	613	352	163	162	271
Net Charge-Offs	**2,760**	2,694	1,973	2,908	2,067
Provision for Loan Losses	**3,987**	3,444	3,469	4,060	2,820
Business Combination					452
Allowance for Loan Losses at End of Year	**$ 11,989**	$ 10,762	$ 10,012	$ 8,516	$ 7,364
Ratio of Net Charge-Offs to Average Loans	**0.30%**	0.33%	0.27%	0.46%	0.39%

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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 $0.54 million from $3.44 million in 2005 to $3.99 million in 2006. Provisions were higher in 2006 compared to 2005 primarily due to the increase in loan outstandings year over year and the slight increase in net charge-offs. Nonperforming assets as a percentage of total loans and foreclosed assets improved to 0.96 percent at December 31, 2006 compared to 1.25 percent a year ago. During 2005, the provision for loan losses decreased $0.03 million from the $3.44 million recorded in 2004.

Net charge-offs in 2006 increased $66 thousand compared to 2005 while net charge-offs in 2005 increased $721 thousand compared to 2004. The general increase in net charge-offs during 2006 and 2005 is reflective of the more stringent credit standards.

Management believes the level of the allowance for loan losses was adequate as of December 31, 2006. 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.

Investment Portfolio

The following table presents carrying values of investment securities held by the Company as of December 31, 2006, 2005 and 2004.

($ in thousands)	**2006**	**2005**	**2004**
U.S. Treasuries and Government Agencies	**$ 54,366**	$ 38,446	$ 29,054
Obligations of State and Political Subdivisions	**11,811**	9,270	6,968
Corporate Obligations	**3,745**	3,023	3,113
Marketable Equity Securities	**349**	300	
Investment Securities	**70,271**	51,039	39,135
Mortgage Backed Securities	**79,036**	73,287	73,458
Total Investment Securities And Mortgage Backed Securities	**$ 149,307**	$ 124,326	$ 112,593

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The following table represents expected maturities and weighted-average yields of investment securities held by the Company as of December 31, 2006. (Mortgage backed securities are based on the average life at the projected speed, while Agencies, State and Political Subdivisions and Corporate Obligations 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**
U.S. Government Agencies	$ 12,180	4.24%	$ 40,224	4.57%	$ 1,963	5.67%	$	
Mortgage Backed Securities	6,715	3.40	59,131	4.43	13,190	5.41		
Obligations of State and Political Subdivisions	2,306	4.09	5,263	4.65	4,241	6.14		
Corporate Obligations			1,995	6.29	1,000	5.67	750	9.07%
Marketable Equity Securities							349	1.09
Total Investment Portfolio	$ 21,201	3.96%	$ 106,613	4.53%	$ 20,394	5.60%	$ 1,099	6.54%

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

At December 31, 2006, there were no holdings of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10 percent of the Company s stockholders equity.

The average yield of the securities portfolio was 4.34 percent in 2006 compared to 3.43 percent in 2005 and 3.57 percent in 2004. The increase in the average yield from 2005 to 2006 primarily resulted from the investment of new funds at higher rates due to Federal Reserve s rate hike during 2005 and 2006. The slight decrease in the average yield from 2004 to 2005 primarily resulted from recognized amortization on mortgage backed securities due to paydowns received during 2005. The early repayment of mortgage backed securities primarily resulted from borrower refinancing due to lower market interest rates. The overall growth in the securities portfolio over the comparable periods was primarily funded by deposit growth.

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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 years 2006, 2005 and 2004.

	2006		2005		2004	
($ in thousands)	Average Amount	Average Rate	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest-Bearing Demand Deposits	**$ 73,334**		$ 68,259		$ 63,457	
Interest-Bearing Demand and Savings	**210,461**	**1.97%**	202,618	1.38%	197,316	1.11%
Time Deposits	**707,173**	**4.59**	607,232	3.26	534,732	2.43
Total Deposits	**$ 990,968**	**3.69%**	$ 878,109	2.57%	$ 795,505	1.91%

The following table presents the maturities of the Company s other time deposits as of December 31, 2006.

($ in thousands)	Other Time Deposits $100,000 or Greater	Other Time Deposits Less Than $100,000	Total
Months to Maturity			
3 or Less	$ 99,720	$ 85,267	$ 184,987
Over 3 through 12	229,068	249,163	478,231
Over 12 Months	37,253	45,565	82,818
	$ 366,041	$ 379,995	$ 746,036

Average deposits increased $112.9 million in 2006 compared to 2005 and $82.6 million in 2005 compared to 2004. The increase in 2006 included $5.1 million or 4.5 percent, related to noninterest-bearing deposits while the increase in 2005 included $4.8 million, or 5.8 percent related to noninterest-bearing deposits. Accordingly, the ratio of average noninterest-bearing deposits to total average deposits was 7.4 percent in 2006 from 7.8 percent in 2005 and 8.0 percent in 2004. The general increase in market rates, had the effect of (i) increasing the average cost of interest-bearing deposits by 120 basis points in 2006 compared to 2005, and increasing the average cost of interest-bearing deposits by 72 basis points in 2005 compared to 2004; and (ii) mitigating a portion of the impact of increasing yields on earning assets on the Company s net interest income.

Total average interest-bearing deposits increased $107.8 million, or 13.31 percent in 2006 compared to 2005 and increased $77.8 million, or 10.63 percent, in 2005 compared to 2004. The growth in average deposits in 2006 compared to 2005 was primarily in other time deposit accounts. With the current interest rate environment, it appears that many customers are more inclined to invest their funds for extended periods and are choosing to maintain such funds in time deposit accounts, though the prevalent investment period continues to be for one year time deposits.

The Company supplements deposit sources with brokered deposits. As of December 31, 2006, the Company had $72.7 million, or 6.97 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 December 31, 2006. 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	1,070				1,070
Federal Home Loan Bank Advances	16,000	9,500	7,000	29,000	61,500
Operating Leases	122	207	179	137	645
Deposits with Stated Maturity Dates	663,218	54,524	28,288	6	746,036
	680,410	64,231	35,467	53,372	833,480
Other Commitments					
Loan Commitments	105,165				105,165
Standby Letters of Credit	3,279				3,279
	108,444				108,444
Total Contractual Obligations and Other Commitments	$ 788,854	$ 64,231	$ 35,467	$ 53,372	$ 941,924

In the ordinary course of business, the Banks have entered into off-balance sheet financial instruments which are not reflected in the consolidated financial statements. These instruments include commitments to extend credit, standby letters of credit, performance letters of credit, guarantees and liability for assets held in trust. Such financial instruments are recorded in the financial statements when funds are disbursed or the instruments become payable. The Company uses the same credit policies for these off-balance sheet financial instruments as they do for instruments that are recorded in the consolidated financial statements.

Loan Commitments. The Company enters into contractual commitments to extend credit, normally with fixed expiration dates or termination clauses, at specified rates and for specific purposes. Substantially all of the Company s commitments to extend credit are contingent upon customers maintaining specific credit standards at the time of loan funding. The Company minimizes its exposure to loss under these commitments by subjecting them to credit approval and monitoring procedures. Management assesses the credit risk associated with certain commitments to extend credit in determining the level of the allowance for possible loan losses. Loan commitments outstanding at December 31, 2006 are included in the preceding table.

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Standby and Performance 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 and performance letters of credit arrangements contain security and debt covenants similar to those contained in loan agreements. Standby and performance letters of credit outstanding at December 31, 2006 are included in the preceding table.

Capital and Liquidity

At December 31, 2006, stockholders equity totaled $76.6 million compared to $68.1 million at December 31, 2005. In addition to net income of $10.15 million, other significant changes in stockholders equity during 2006 included $2.34 million of dividends paid and an increase of $229 thousand resulting from the stock grant plan. The accumulated other comprehensive income component of stockholders equity totaled $(975) thousand at December 31, 2006 compared to $(1,353) thousand at December 31, 2005. 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.

Using the capital requirements presently in effect, the Tier 1 ratio as of December 31, 2006 was 10.24 percent and total Tier 1 and 2 risk-based capital was 11.50 percent. Both of these measures compare favorably with the regulatory minimum of 4 percent for Tier 1 and 8 percent for total risk-based capital. The Company s Tier 1 leverage ratio as of December 31, 2006 was 8.17 percent, which exceeds the required ratio standard of 4 percent.

For 2006, average capital was $72 million, representing 6.20 percent of average assets for the year. This compares to 6.30 percent for 2005.

The Company paid a quarterly dividend of $0.0775, $0.08, $0.0825 and $0.085 per common share during the first, second, third and fourth quarters of 2006, respectively, and quarterly dividends of $0.068, $0.07, $0.072 and $0.075 per common share during the first, second, third and fourth quarters of 2005, respectively. This equates to a dividend payout ratio of 23.05 percent in 2006 and 22.80 percent in 2005.

The Company, primarily through the actions of its subsidiary banks, 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.

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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 noncore 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 December 31, 2006, the Company held $149 million in bonds (excluding FHLB stock), at current market value in the available for sale portfolio. At December 31, 2005, the available for sale bond portfolio totaled $124 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 90.3 percent as of December 31, 2006 and 90.9 percent at December 31, 2005. Management employs alternative funding sources when deposit balances will not meet loan demands. The ratios of loans to all funding sources (excluding Subordinated Debentures) at December 31, 2006 and December 31, 2005 were 85.2 percent and 84.9 percent, respectively. Management continues to emphasize programs to generate local core deposits as our Company s primary funding sources. The stability of the Banks core deposit base is an important factor in Colony s liquidity position. A heavy percentage of the deposit base is comprised of accounts of individuals and small businesses with comprehensive banking relationships and limited volatility. At December 31, 2006 and December 31, 2005, the Banks had $366.0 million and $283.6 million in certificates of deposit of $100,000 or more. These larger deposits represented 35.11 percent and 30.03 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 December 31, 2006, the Company had $72.7 million, or 6.97 percent of total deposits, in brokered certificates of deposit attracted by external third parties. Additionally, the banks use external wholesale or Internet services to obtain out-of-market certificates of deposit at competitive interest rates when funding is needed.

To plan for contingent sources of funding not satisfied by both local and out-of-market deposit balances, Colony and its subsidiaries have established multiple borrowing sources to augment their funds management. The Company has borrowing capacity through membership of the Federal Home Loan Bank program. The 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.

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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 and several correspondent banks 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 subsidiary banks 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.

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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.

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.

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Quantitative and Qualitative Disclosures About Market Risk

AVERAGE BALANCE SHEETS

($ in thousands)	2006 Average Balances	2006 Income/ Expense	2006 Yields/ Rates	2005 Average Balances	2005 Income/ Expense	2005 Yields/ Rates	2004 Average Balances	2004 Income/ Expense	2004 Yields/ Rates
Assets									
Interest-Earning Assets									
Loans, Net of Unearned Income (1)	**$ 912,926**	**$ 75,217**	**8.24%**	$ 819,900	$ 58,428	7.13%	$ 734,846	$ 47,636	6.48%
Investment Securities									
Taxable	**128,109**	**5,474**	**4.27**	107,696	3,586	3.33	102,552	3,570	3.48
Tax-Exempt (2)	**7,429**	**412**	**5.55**	6,008	318	5.29	8,325	383	4.60
Total Investment Securities	**135,538**	**5,886**	**4.34**	113,704	3,904	3.43	110,877	3,953	3.57
Interest-Bearing Deposits	**2,753**	**133**	**4.83**	2,792	86	3.08	6,864	75	1.09
Federal Funds Sold	**41,307**	**2,035**	**4.93**	38,692	1,266	3.27	31,502	419	1.33
Other Interest-Earning Assets	**5,192**	**279**	**5.37**	4,878	177	3.63	3,242	109	3.36
Total Interest-Earning Assets	**1,097,716**	**83,550**	**7.61**	979,966	63,861	6.52	887,331	52,192	5.88
Noninterest-Earning Assets									
Cash	**22,372**			20,014			19,047		
Allowance for Loan Losses	**(11,764)**			(10,499)			(9,625)		
Other Assets	**52,394**			45,296			41,530		
Total Noninterest-Earning Assets	**63,002**			54,811			50,952		
Total Assets	**$ 1,160,718**			$ 1,034,777			$ 938,283		
Liabilities and Stockholders Equity									
Interest-Bearing Liabilities									
Interest-Bearing Deposits									
Interest-Bearing Demand and Savings	**$ 210,461**	**$ 4,155**	**1.97%**	$ 202,618	$ 2,790	1.38%	$ 197,316	$ 2,202	1.11%
Other Time	**707,173**	**32,455**	**4.59**	607,232	19,800	3.26	534,732	12,972	2.43
Total Interest-Bearing Deposits	**917,634**	**36,610**	**3.99**	809,850	22,590	2.79	732,048	15,174	2.07
Other Interest-Bearing Liabilities									
Other Borrowed Money	**65,794**	**2,874**	**4.37**	66,601	2,605	3.91	61,556	2,366	3.84
Subordinated Debentures	**22,718**	**1,879**	**8.27**	19,074	1,269	6.65	17,420	838	4.81
Federal Funds Purchased	**563**	**29**	**5.15**	449	16	3.56	307	5	1.63

Total Other Interest-Bearing Liabilities	**89,075**	**4,782**	**5.37**	86,124	3,890	4.52	79,283	3,209	4.05
Total Interest-Bearing Liabilities	1,006,709	41,392	4.11	895,974	26,480	2.96	811,331	18,383	2.27
Noninterest-Bearing Liabilities and									
Stockholders Equity									
Demand Deposits	**73,334**			68,259			63,457		
Other Liabilities	**8,682**			5,398			4,458		
Stockholders Equity	**71,993**			65,146			59,037		
Total Noninterest-Bearing Liabilities and Stockholders Equity	**154,009**			138,803			126,952		
Total Liabilities and Stockholders Equity	**$ 1,160,718**			$ 1,034,777			$ 938,283		
Interest Rate Spread			**3.50%**			3.56%			3.61%
Net Interest Income		**$ 42,158**			$ 37,381			$ 33,809	
Net Interest Margin			**3.84%**			3.81%			3.81%

(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 $130, $119 and $132 for 2006, 2005 and 2004 respectively, are included in interest on loans. The adjustments are based on a federal tax rate of 34 percent.

(2) Taxable-equivalent adjustments totaling $140, $108 and $130 for 2006, 2005, and 2004 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 Subsidiaries

Interest Rate Sensitivity

The following table is an analysis of the Company s interest rate-sensitivity position at December 31, 2006. 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.

($ in Thousands)	Assets and Liabilities Repricing Within					
	3 Months or Less	4 to 12 Months	1 Year	1 to 5 Years	Over 5 Years	Total
EARNING ASSETS						
Interest-Bearing Deposits	$ 3,075	$	$ 3,075	$	$	$ 3,075
Federal Funds Sold	45,149		45,149			45,149
Investment Securities	12,480	13,138	25,618	107,592	16,097	149,307
Loans, Net of Unearned Income	441,076	170,658	611,734	314,933	15,105	941,772
Other Interest-Bearing Assets	5,087		5,087			5,087
Total Interest-Earning Assets	506,867	183,796	690,663	422,525	31,202	1,144,390
INTEREST-BEARING LIABILITIES						
Interest-Bearing Demand Deposits (1)	185,769		185,769			185,769
Savings (1)	33,306		33,306			33,306
Time Deposits	184,987	478,231	663,218	82,812	6	746,036
Other Borrowings (2)	26,000	1,000	27,000	10,500	24,000	61,500
Subordinated Debentures	24,229		24,229			24,229
Federal Funds Purchased	1,070		1,070			1,070
Total Interest-Bearing Liabilities	455,361	479,231	934,592	93,312	24,006	1,051,910
Interest Rate-Sensitivity Gap	51,506	(295,435)	(243,929)	329,213	7,196	$ 92,480
Cumulative Interest-Sensitivity Gap	$ 51,506	$ (243,929)	$ (243,929)	$ 85,284	$ 92,480	
Interest Rate-Sensitivity Gap as a Percentage of Interest-Earning Assets	4.50%	(25.82)%	(21.32)%	28.77%	0.63%	
Cumulative Interest Rate-Sensitivity as a Percentage of Interest-Earning Assets	4.50%	(21.32)%	(21.32)%	7.45%	8.08%	

(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 ($244) million, or (21.32) percent of total assets at December 31, 2006. In theory, this would indicate that at December 31, 2006, $244 million more in liabilities than assets would reprice if there were a change in interest rates over the next 365 days. Thus, if interest rates were to decline, the gap would indicate a resulting increase in net interest margin. However, changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. In addition, the interest rate spread between an asset and our supporting liability can vary significantly while the timing of repricing of both the assets and our supporting liability can remain the same, thus impacting net interest income. This characteristic is referred to as a basis risk and, generally, relates to the repricing characteristics of short-term funding sources such as certificates of deposits.

Gap analysis has certain limitations. Measuring the volume of repricing or maturing assets and liabilities does not always measure the full impact on the portfolio value of equity or net interest income. Gap analysis does not account for rate caps on products; dynamic changes such as increasing prepay speeds as interest rates decrease, basis risk, or the benefit of nonrate funding sources. The majority of our loan portfolio reprices quickly and completely following changes in market rates, while nonterm deposit rates in general move slowly and usually incorporate only a fraction of the change in rates. Products categorized as nonrate sensitive, such as our noninterest-bearing demand deposits, in the gap analysis behave like long-term fixed rate funding sources. Both of these factors tend to make our actual behavior more asset sensitive that 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 is now utilizing SunTrust 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 percentage change. The most recent analysis as of September 30, 2006 indicates that net interest income would deteriorate 6.31 percent with a 200 basis point decrease and would improve 4.09 percent with a 200 basis point increase. The Company has established equity at risk in a +/- 200 basis point rate shock to be no more than a twenty percent percentage change. The most recent analysis as of September 30, 2006 indicates that net economic value of equity percentage change would decrease 0.74 percent with a 200 basis point increase and would decrease 3.47 percent with a 200 basis point decrease. The Company has established its one year gap to be 0.80 percent to 1.20 percent. The most recent analysis as of September 30, 2006 indicates a one-year gap of 0.88 percent. The analysis reflects net interest margin compression in a declining interest rate environment. Given that interest rates are at or near its peak, the Company is focusing on areas to minimize margin compression in the future. These include locking in more loans at a fixed rate versus a variable rate, minimizing dollars in Federal funds, extending out on the yield curve with investments, securing brokered certificates of deposit for one year and under and focusing on reduction of nonperforming assets.

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Return on Assets and Stockholder s Equity

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

	Year Ended December 31		
	2006	**2005**	**2004**
Return on Assets	**0.87%**	0.87%	0.86%
Return on Equity	**14.10%**	13.78%	13.67%
Dividend Payout	**23.05%**	22.80%	22.30%
Equity to Assets	**6.31%**	6.15%	6.19%
Dividends Declared	**$ 0.325**	$ 0.285	$ 0.252

Future Outlook

Colony is an emerging company in an industry filled with nonregulated competitors and a rapid pace of consolidation. The year brings with it new opportunities for growth in our existing markets, as well as opportunities to expand into new markets through acquisitions and denovo branching. The Company completed construction of two offices during 2006 one of which was its second Houston County location in Centerville, Georgia that was opened during first quarter 2006 and the other was its first location in Columbus/Muscogee County that was opened in third quarter 2006. The Company previously occupied leased space for a loan production office in Columbus/Muscogee County. Entry into the MSA markets Savannah, Columbus, Albany, Warner Robins/Macon and Valdosta will require multi-branch offices and the Company is presently looking for available real estate to purchase in those markets. The Company was successful in purchasing real estate for a second office in the Savannah market with construction expected to begin during first quarter 2007.

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Item 7A

Quantitative and Qualitative Disclosures about Market Risk

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

Item 8
Financial Statements and Supplemental Data

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

Consolidated Balance Sheets   December 31, 2006 and 2005

Consolidated Statements of Income   Years Ended December 31, 2006, 2005 and 2004

Consolidated Statements of Comprehensive Income   Years Ended December 31, 2006, 2005 and 2004

Consolidated Statements of Stockholders   Equity   Years Ended December 31, 2006, 2005 and 2004

Consolidated Statements of Cash Flows   Years Ended December 31, 2006, 2005 and 2004

Notes to Consolidated Financial Statements

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Item 8

Quarterly Results of Operations (Unaudited)

The following is a summary of the unaudited quarterly results of operations for the years ended December 31, 2006 and 2005:

	Three Months Ended			
	December 31	**September 30**	**June 30**	**March 31**
	($ in Thousands, Except Per Share Data)			
2006				
Interest Income	**$ 22,351**	**$ 21,748**	**$ 20,581**	**$ 18,600**
Interest Expense	**11,870**	**10,954**	**9,901**	**8,667**
Net Interest Income	**10,481**	**10,794**	**10,680**	**9,933**
Provision for Loan Losses	**997**	**1,021**	**1,047**	**922**
Noninterest Income	**1,826**	**1,898**	**2,018**	**1,608**
Noninterest Expense	**7,516**	**7,680**	**7,599**	**7,087**
Income Before Income Taxes	**3,794**	**3,991**	**4,052**	**3,532**
Provision for Income Taxes	**1,183**	**1,369**	**1,442**	**1,223**
Net Income	**$ 2,611**	**$ 2,622**	**$ 2,610**	**$ 2,309**
Net Income Per Common Share				
Basic	**$ 0.36**	**$ 0.36**	**$ 0.36**	**$ 0.32**
Diluted	**0.36**	**0.36**	**0.36**	**0.32**
2005				
Interest Income	$ 17,893	$ 16,262	$ 15,267	$ 14,212
Interest Expense	8,102	6,996	6,022	5,360
Net Interest Income	9,791	9,266	9,245	8,852
Provision for Loan Losses	742	869	1,025	808
Noninterest Income	1,518	1,533	1,499	1,602
Noninterest Expense	7,009	6,491	6,292	6,284
Income Before Income Taxes	3,558	3,439	3,427	3,362
Provision for Income Taxes	1,253	1,188	1,180	1,188
Net Income	$ 2,305	$ 2,251	$ 2,247	$ 2,174
Net Income Per Common Share (1)				
Basic	$ 0.32	$ 0.31	$ 0.31	$ 0.31
Diluted	0.32	0.31	0.31	0.31

(1) Adjusted for stock dividends and stock splits, as applicable.

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Part II (Continued)

Item 9

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

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

Item 9A

Controls and Procedures

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Chief Executive Officer and the Principal Financial and Accounting Officer, of the design and operation of the disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Principal Financial and Accounting Officer concluded that the disclosure controls and procedures are effective.

Management s Report on Internal Control Over Financial Reporting

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

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

Colony s management assessed the effectiveness of Colony s internal control over financial reporting as of December 31, 2006 based on the criteria for effective internal control over financial reporting established in *Internal Control-Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, management determined that Colony maintained effective internal control over financial reporting as of December 31, 2006.

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Part II (Continued)

Item 9A (Continued)

McNair, McLemore, Middlebrooks & Co., LLP, the independent registered public accounting firm that audited the consolidated financial statements of Colony included in this Annual Report on Form 10-K, has issued an attestation report on management s assessment of the effectiveness of Colony s internal control over financial reporting as of December 31, 2006. The report, which expresses unqualified opinions on management s assessment and on the effectiveness of Colony s internal control over financial reporting as of December 31, 2006, is included in Item 8 of this Report under the heading Report of Independent Registered Public Accounting Firm.

Colony Bankcorp, Inc.

March 12, 2007

Item 9B

Other Information

None.

Part III

Item 10

Directors and Executive Officers and Corporate Governance

Code of Ethics

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

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

Item 11

Executive Compensation

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

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Part III (Continued)

Item 12

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

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	Number of Securities to be Issued Upon Stock Grant, Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity Compensation Plans Approved By Security Holders			
2004 Restricted Stock Grant Plan			137,943
Equity Compensation Plans Not Approved by Security Holders			
1999 Restricted Stock Grant Plan			2,875
			140,818

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

Item 13

Certain Relationships and Related Transactions and Director Independence

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

Item 14

Principal Accounting Fees and Services

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

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Part IV

Item 15

Exhibits, Financial Statement Schedules

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

(1) Financial Statements

(2) Financial Statements Schedules:

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

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

Exhibit Index

3.1 Articles of Incorporation

-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.

4.1 Instruments Defining the Rights of Security Holders

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

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 000-12436), filed with the Commission on March 30, 2001 and incorporated herein by reference.

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Part IV

Item 15 (Continued)

10.4 2004 Restricted Stock Grant Plan and Restricted Stock Grant Agreement

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

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

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

11 Statement of Computation of Per Share Earnings

13 Consolidated Financial Statements of Colony Bankcorp, Inc. as of December 31, 2006 and 2005.

21 Subsidiaries of the Company

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

31.2 Certificate of Chief Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

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

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SIGNATURES

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

COLONY BANKCORP, INC.

/s/ Al D. Ross
Al D. Ross

President/Director/Chief Executive Officer

March 15, 2007
Date

/s/ Terry L. Hester
Terry L. Hester

Executive Vice-President/Chief Financial
Officer/Director

March 15, 2007
Date
Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ Terry Coleman Terry Coleman, Director	March 15, 2007 Date
/s/ L. Morris Downing L. Morris Downing, Director	March 15, 2007 Date
/s/ Edward J. Harrell Edward J. Harrell, Director	March 15, 2007 Date
/s/ Mark H. Massee Mark H. Massee, Director	March 15, 2007 Date
/s/ James D. Minix James D, Minix, Director	March 15, 2007 Date

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/s/ Charles E. Myler Charles E. Myler, Director	March 15, 2007 Date
/s/ W. B. Roberts, Jr. W. B. Roberts, Jr., Director	March 15, 2007 Date
/s/ R. Sidney Ross R. Sidney Ross, Director	March 15, 2007 Date
/s/ B. Gene Waldron B. Gene Waldron, Director	March 15, 2007 Date