COLONY[SM]
BANKCORP, INC

Annual Report 2005

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Financial Highlights

Colony Bankcorp, Inc. and Subsidiaries

For the Year:	*2005*	*2004*
Net Income	$ 8,977,216	$ 8,069,294
Return on Average Assets	0.87 %	0.86 %
Return on Average Stockholders' Equity	13.78 %	13.67 %
Per Share:		
Net Income (based on Average Weighted Shares of 7,168,406 and 7,131,028, respectively)	$ 1.25	$ 1.13
Book Value (based on Outstanding Shares of 7,181,320 and 7,172,928, respectively)	$ 9.49	$ 8.61

*Per share data adjusted to reflect 5-for-4 stock split effective May 15, 2005

At Year End:		
Assets	$ 1,108,338,336	$ 997,590,995
Securities	124,325,550	112,593,298
Loans	858,815,167	779,834,623
Deposits	944,364,654	850,329,382
Stockholders' Equity	68,127,992	61,762,963

Average Balance for the Year:		
Assets	$ 1,034,777,000	$ 938,283,000
Securities	113,704,000	110,877,000
Loans	819,900,000	734,846,000
Deposits	878,109,000	795,505,000
Stockholders' Equity	65,146,000	59,037,000

Shareholder's Letter

L. Morris Downing, Jr.
Chairman of the Board

Al D. Ross
President & CEO

We are excited by our company's continued growth in earnings and assets during 2005 as reflected in the pages that follow. Our growing franchise footprint throughout middle and South Georgia continues to be a source of pride for all directors, officers, and employees throughout the Colony banking system.

Our company completed our leadership transition as Al D. Ross assumed the President and Chief Executive Officer role of our company at the beginning of 2005. Al has been part of the Colony banking family since 1998 and has served in a number of leadership roles. He has served as Chief Operating Officer and Chief Credit Officer. He brings a renewed focus and commitment to carry our company to the next level of service, growth, and performance. The transition caps a12 year tenure of leadership of James D. (Dan) Minix who retired after nearly 44 years of banking service. Colony experienced outstanding growth under Dan's leadership and we wish him well as he enters retirement. Our board of directors worked closely with Dan and Al over the past two years to make a smooth transition and keep our momentum moving as we continue toward the $2 billion plateau.

During 2005, Colony continued to build our franchise footprint by de novo expansion. With the completion of full service offices in Valdosta, Savannah, and Warner Robins, as well as new construction in Columbus, we continue to expand our branch service network. Our expansion and aggressive lending posture has produced consistent organic growth for several years and we will remain committed to increasing our market share in all markets served by the company. Our growth has fueled continued growth in earnings and dividend payout to our shareholders. We are proud of our consistent performance of Colony over the past several years.

Shareholder's Letter (Cont'd)

With increasing competitive pressures, declining margins, and rising regulatory legislation and oversight, Colony Bankcorp has continued to invest in both people and systems to meet the challenges of our changing financial industry.

Our continued investment is our central support functions have positioned Colony to be a leader in Georgia's community banking environment in the years ahead. We believe Colony is posed to move to the next level of financial performance because of the investment we are making in our company's oversight and delivery systems.

We hope as you review the financial summaries in this report, you will see how our business model continues to increase shareholder value. On behalf of the Board of Directors, management, and staff, we want to thank you for your confidence, support and investment in our company.

Sincerely,

L. Morris Downing, Jr.
Chairman of the Board

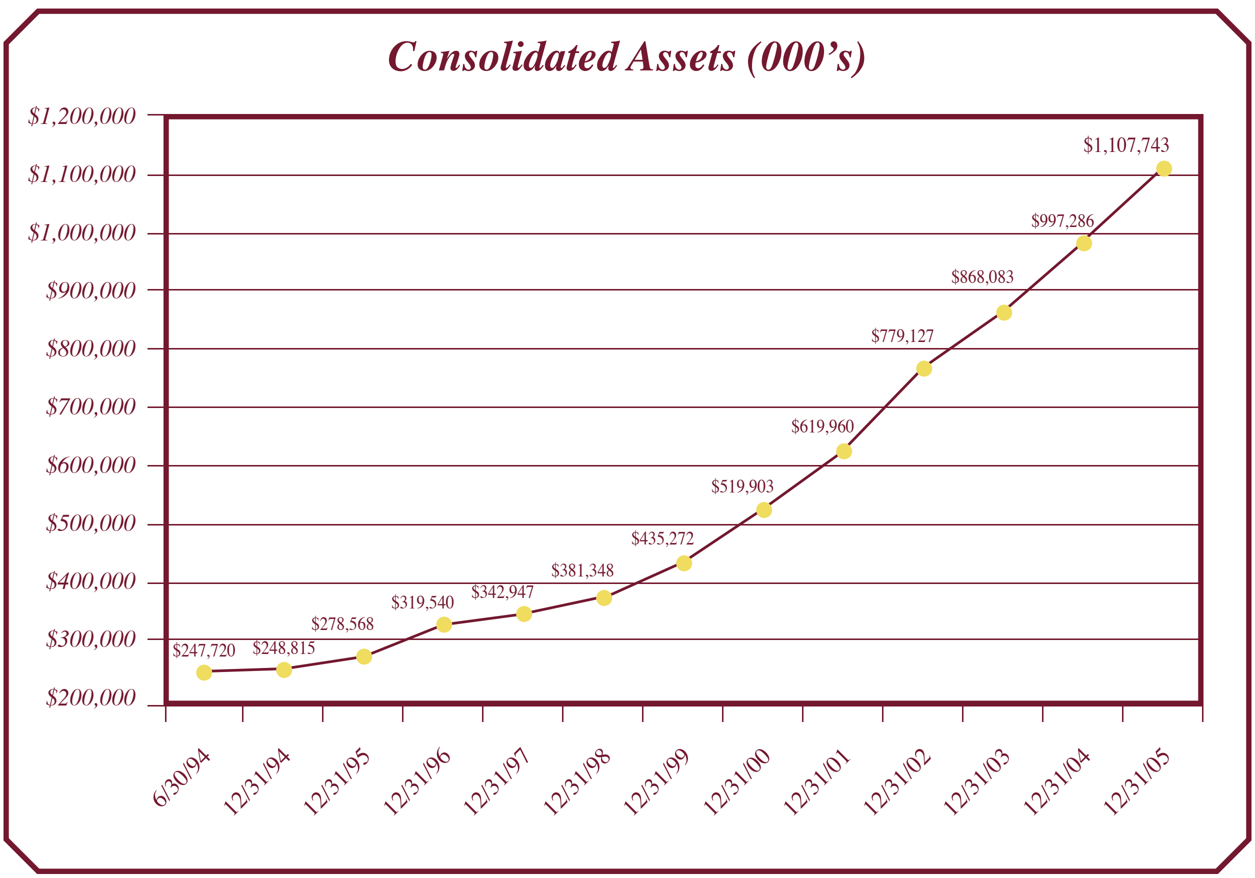
Al D. Ross
President & CEO

Tribute to Retiring CEO

The end of 2005 marks the end of a 12 year span of leadership of Dan Minix. Under Dan's leadership, Colony Bankcorp evolved from a small $247 million rural chain of community banks to a $1.1 billion financial services organization serving 18 counties and 5 MSA markets through a network of 30 banking locations throughout middle and South Georgia. Dan had vision to see what Colony Bankcorp could become and the ability to make others share his vision.

As Dan moves into his retirement years, the management, staff, and directors of Colony want to thank him for a vision to create an organization that is committed to maintaining growth, providing great service, and generating consistent returns for our shareholders. We are proud of our company and the value we provide our customers and markets we serve because of Dan's vision and efforts over the past 12 years. We wish Dan much happiness in the years ahead!

James D. Minix
Retired CEO
Colony Bankcorp



Colony's growth under Dan's leadership

Board of Directors

L. Morris Downing, Jr.
Chairman of the Board
Owner – Lowell Packing Company
Fitzgerald, Georgia

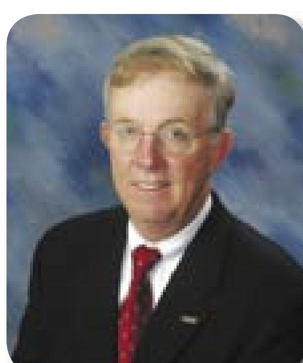
James D. Minix
Retired / Consultant
Fitzgerald, Georgia

R. Sidney Ross
Vice Chairman of the Board
Owner – Ross of Georgia
Ocilla, Georgia

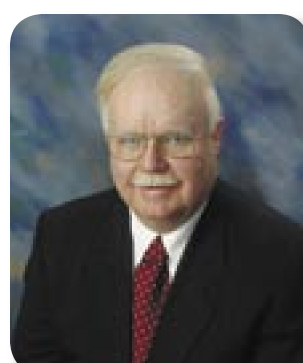
Honorable Terry Coleman
Former Speaker of the House
Georgia General Assembly
Eastman, Georgia

Edward J. Harrell
Attorney – Managing Partner
Martin – Snow, LLP
Macon, Georgia

Terry L. Hester
EVP – CFO Colony Bankcorp, Inc.
Fitzgerald, Georgia



Charles E. Myler
Retired FDIC
Albany, Georgia



W. B. Roberts, Jr.
Farmer - Cattleman
Ashburn, Georgia

Board of Directors

Al D. Ross
President / Chief Executive Officer
Colony Bankcorp, Inc.
Fitzgerald, Georgia

B. Gene Waldron
Owner – Tri County Gin
Douglas, Georgia

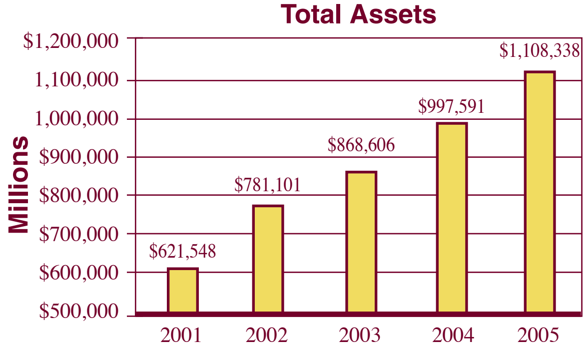
Emeritus Directors

Sitting: Ben B. Mills, Joe K. Shiver.
Standing: Marion H. Massee, III, Harold Kimball, Milton N. Hopkins, Jr., Ralph D. Roberts, M.D.

Consistency in the growth of our balance sheet combined with consistency in operational performance has established Colony as one of the premier banking companies in Georgia.

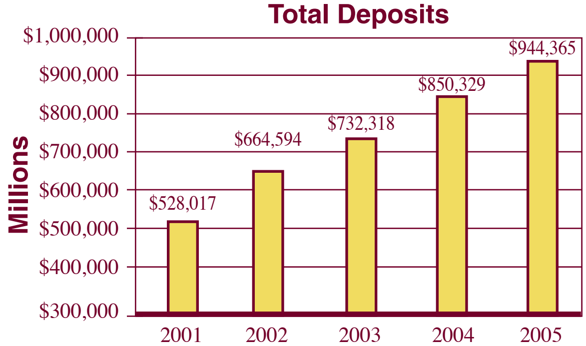
From 2001, Colony has grown at a 15.56% compounded annual growth rate representing an increase of $486.8 million. Acquired assets account for $106 million of the increase while $380.8 million represents internal growth.

Total Assets



The growth of our company has been fueled with our aggressive philosophy toward lending that has been matched by intensive management of the liability side of our balance sheet. Deposits have grown at a compound annual growth rate of 15.64% since 2001. Core deposits account for 28.22% of our total deposits on December 31, 2005.

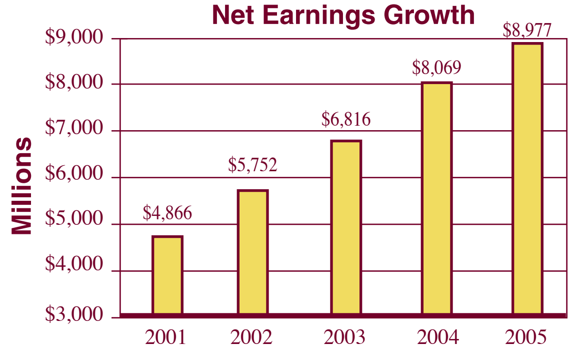
Total Deposits



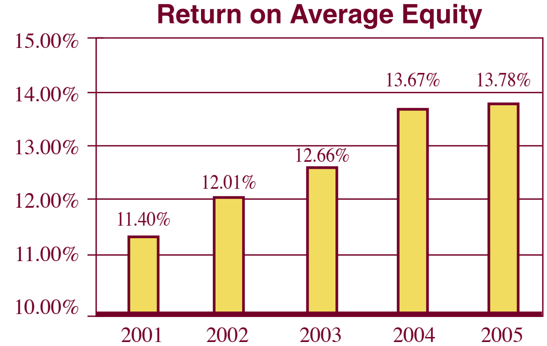
Continued focus on core deposit growth along with paying competitive rates on time deposits will enable us to contain non-traditional funding at the present level of 13.42% of our total assets. Federal Home Loan Bank advances, included in our non-traditional funding, are monitored against peer advances for assurance that our utilization is conservative.

In combination with the intense management of funding issues, management keeps tight control on non-interest expense with the result being a very favorable efficiency ratio, even during a period of de novo branch expansion.

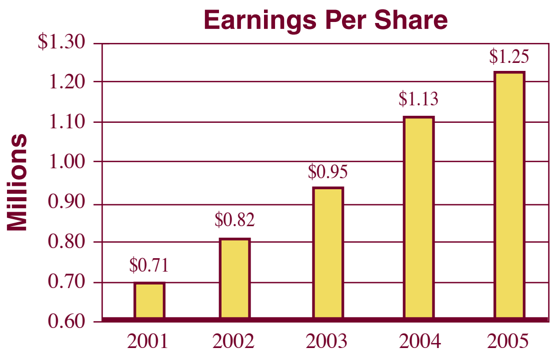
Net Earnings Growth



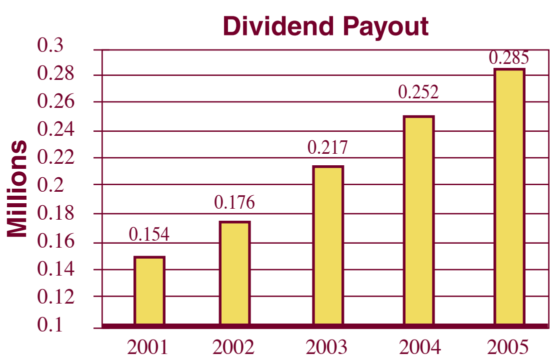
Return on Average Equity



The balance between extraordinary growth and tight controls on expenses and credit quality has rewarded Colony shareholders with a matching increase in growth of net earnings and earnings per share.

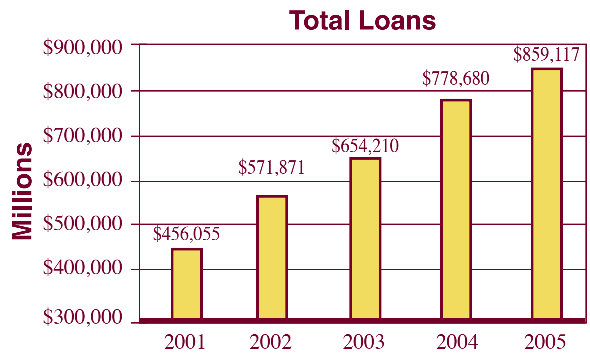


In order to support our business model of expanding the Colony franchise into high growth MSA's the Board of Directors has established a policy of cash dividend payouts of approximately 22% of net earnings. With our continued performance, this payout ratio has resulted in a compound annual growth rate of 16.64% in dividends per share since 2001.



This paints a pretty graphic picture of our recent history and management's commitment to the future and continued focus on enhancement of shareholder value.

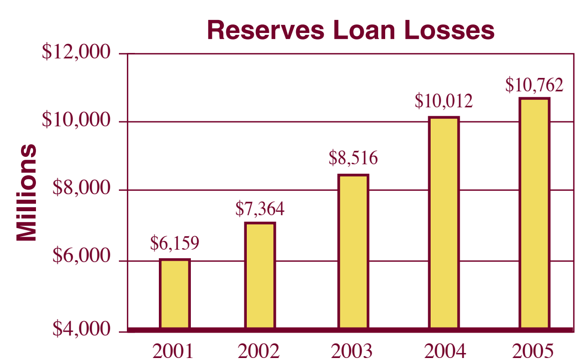
Colony's consistent loan growth over the past five years demonstrates our continued commitment of top line revenue growth. In 2005, total loans increased to $859 million up $80 million or 10.3% from 2004 loans of $779 million.

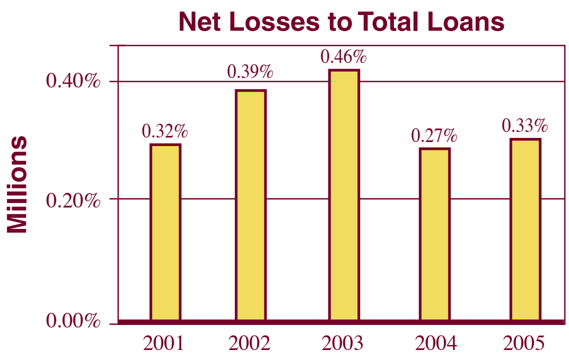


Over the past five years, Colony has continued to grow total loans in all markets served. This growth is the result of aggressive business development efforts at the bank level.

While Colony has been aggressively growing top line revenue through lending activities, the company continues to make substantial provisions for potential loan losses as well.

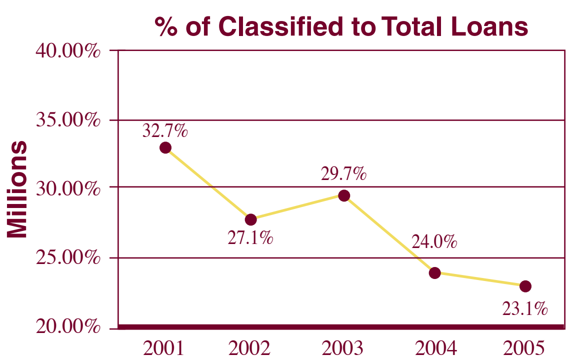
Colony's Reserve for Loan Losses totaled $10.7 million or 1.25% of total loans at the end of 2005 compared to $10 million or 1.28% of total loans at the end of 2004.



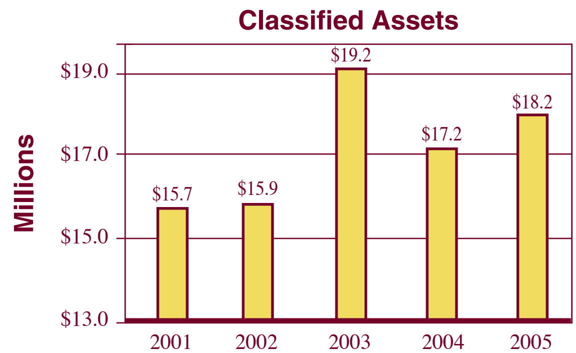


During the same period, net losses declined to a four year low of 0.27% of total loans during 2004. Colony's growth paradigm has been supported with a commitment to credit quality and improved oversight by Colony Bankcorp. While the company's loan growth has consistently outpaced peers, the company's overall underlying credit quality has continued to improve.

The company maintained improving credit quality over the past five years.



The company reduced classified loans as a % of total capital to 23.14% down from a high of 32.7% in 2001.



Classified assets increased slightly to $18.2 million in 2005 up 6.1% from 2004. Classified assets remain at manageable level and company is committed to maintaining sound credit quality. Colony's remains committed to improving its overall credit quality while continuing to focus on top line revenue growth with an aggressive lending attitude at the bank level.

Loan growth continues to fuel Colony's growing net earnings. Colony's aggressive attitude toward increased top line revenue growth has been supported through an expanding branch banking network. Most recently, entry into Savannah and Columbus has generated nearly $90 million in new banking relationships over the past two years and we are growing every day. Future expansion will be focused in the larger MSA markets due to the increasing populations and demand for financial services.

Expansion Update

Organic loan and earnings growth is why Colony has remained committed to De Novo Expansion over the past several years. We have taken advantage of opportunities created by the regional banks business model. Colony's business model empowers talented bankers to provide service, make decisions, and build relationships that meet the needs of their customers and markets. We expect the Colony experience to be beneficial for our customers and rewarding for our employees. That strategy has been welcomed in every market we have expanded.

During 2005, we continued our expansion strategy with the completion of three full service banking facilities. All expansion projects were made in the growing MSA markets of Valdosta, Warner Robins, Savannah, and Columbus during 2005. While Valdosta and Warner Robins represents additional market expansions made in 2005, Savannah and Columbus represents our first full service office in Chatham and Muscogee Counties. Both Savannah and Columbus are major military, financial, and retail hubs outside the metro Atlanta area. We have assembled outstanding leadership and supporting staffs in Savannah and Columbus that has produced strong loan demand over the past 2 years for Colony. We expect to see continued growth opportunities in the larger MSA markets, and we will focus our expansion efforts in these markets for the foreseeable future.

3774 Old US Hwy 41 N
Valdosta

200 Gunn Road
Centerville

7011 Hodgson Memorial Drive
Savannah

1581 Bradley Park Dr.
Columbus

Consolidated Financial Statements

December 31, 2005 and 2004

(with Independent Accountants' Report thereon)

**REPORT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors and Stockholders
Colony Bankcorp, Inc.

We have audited the accompanying consolidated balance sheets of **Colony Bankcorp, Inc. and Subsidiaries** as of December 31, 2005 and 2004 and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Colony Bankcorp, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Colony Bankcorp, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 15, 2006 expressed an unqualified opinion on management's assessment of internal control over financial reporting and an unqualified opinion on the effectiveness of internal control over financial reporting.

McNair, McLemore, Middlebrooks & Co., LLP

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLP

Macon, Georgia
March 15, 2006

REPORT OF INDEPENDENT
REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors
Colony Bankcorp, Inc.

We have audited management's assessment, included in the accompanying management's report on internal controls, that Colony Bankcorp, Inc. and Subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Colony Bankcorp, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, management's assessment that Colony Bankcorp, Inc. and Subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, Colony Bankcorp, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Colony Bankcorp, Inc. and Subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the three years in the period ended December 31, 2005 and our report dated March 15, 2006, expressed an unqualified opinion.

McNair, McLemore, Middlebrooks & Co., LLP

McNAIR, McLEMORE, MIDDLEBROOKS & CO., LLP

Macon, Georgia
March 15, 2006

Consolidated Balance Sheets

As of December 31

ASSETS	2005	2004
Cash and Cash Equivalents		
Cash and Due from Banks	**$ 21,605,731**	$ 20,950,188
Federal Funds Sold	**57,456,211**	43,996,794
	79,061,942	64,946,982
Interest-Bearing Deposits	**1,635,414**	3,228,690
Investment Securities		
Available for Sale, at Fair Value	**124,246,264**	112,512,279
Held to Maturity, at Cost (Fair Value of $79,286 and $81,019 as of December 31, 2005 and 2004, Respectively)	**79,286**	81,019
	124,325,550	112,593,298
Federal Home Loan Bank Stock, at Cost	**5,034,200**	4,479,100
Loans Held for Sale	**-**	1,190,937
Loans	**859,117,396**	778,680,237
Allowance for Loan Losses	**(10,761,915)**	(10,012,179)
Unearned Interest and Fees	**(302,229)**	(36,551)
	848,053,252	768,631,507
Premises and Equipment	**25,675,832**	21,823,847
Other Real Estate	**2,170,145**	1,126,716
Goodwill	**2,412,338**	2,412,338
Other Intangible Assets	**519,915**	634,560
Other Assets	**19,449,748**	16,523,020
Total Assets	**$1,108,338,336**	$ 997,590,995

LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-Bearing	**$ 78,778,141**	$ 68,169,047
Interest-Bearing	**865,586,513**	782,160,335
	944,364,654	850,329,382
Borrowed Money		
Subordinated Debentures	**19,074,000**	19,074,000
Other Borrowed Money	**70,226,205**	61,449,635
	89,300,205	80,523,635
Other Liabilities	**6,545,485**	4,975,015
Commitments and Contingencies		
Stockholders' Equity		
Common Stock, Par Value $1 a Share; Authorized 20,000,000 Shares, Issued 7,181,320 and 5,738,343 Shares as of December 31, 2005 and 2004, Respectively	**7,181,320**	5,738,343
Paid-In Capital	**23,999,775**	23,713,200
Retained Earnings	**38,601,441**	33,119,090
Restricted Stock – Unearned Compensation	**(301,883)**	(210,833)
Accumulated Other Comprehensive Loss, Net of Tax	**(1,352,661)**	(596,837)
	68,127,992	61,762,963
Total Liabilities and Stockholders' Equity	**$1,108,338,336**	$ 997,590,995

The accompanying notes are an integral part of these balance sheets.

Consolidated Statements of Income

For The Years Ended December 31

	2005	2004	2003
Interest Income			
Loans, Including Fees	**$ 58,308,810**	$ 47,503,663	$ 42,793,980
Federal Funds Sold	**1,266,120**	418,957	359,462
Deposits with Other Banks	**86,121**	74,888	151,504
Investment Securities			
U. S. Government Agencies	**3,412,711**	3,287,948	2,263,339
State, County and Municipal	**240,864**	283,857	304,690
Corporate Obligations	**138,559**	224,366	377,520
Other Investments	**3,223**	27,617	44,974
Dividends on Other Investments	**177,335**	108,748	122,471
	63,633,743	51,930,044	46,417,940
Interest Expense			
Deposits	**22,590,018**	15,174,581	15,464,663
Federal Funds Purchased	**16,259**	4,927	968
Borrowed Money	**3,873,730**	3,203,767	2,948,754
	26,480,007	18,383,275	18,414,385
Net Interest Income	**37,153,736**	33,546,769	28,003,555
Provision for Loan Losses	**3,443,750**	3,469,000	4,060,000
Net Interest Income After Provision for Loan Losses	**33,709,986**	30,077,769	23,943,555
Noninterest Income			
Service Charges on Deposits	**4,127,889**	4,232,798	3,820,691
Other Service Charges, Commissions and Fees	**708,276**	547,513	402,729
Securities Gains	**-**	-	368,926
Mortgage Fee Income	**493,458**	984,343	1,997,740
Other	**822,337**	659,007	538,440
	6,151,960	6,423,661	7,128,526
Noninterest Expenses			
Salaries and Employee Benefits	**14,127,949**	12,594,057	11,185,479
Occupancy and Equipment	**3,777,759**	3,530,745	3,188,665
Directors' Fees	**616,534**	543,992	473,441
Legal and Professional Fees	**764,896**	706,940	609,333
Other Real Estate and Repossession Expense	**126,630**	206,718	50,229
Securities Losses	**-**	30,958	-
Loss on Sale of Other Real Estate	**185,379**	549,636	130,973
Other	**6,476,263**	6,107,596	5,226,363
	26,075,410	24,270,642	20,864,483
Income Before Income Taxes	**13,786,536**	12,230,788	10,207,598
Income Taxes	**4,809,320**	4,161,494	3,391,973
Net Income	**$ 8,977,216**	$ 8,069,294	$ 6,815,625
Net Income Per Share of Common Stock			
Basic	**$ 1.25**	$ 1.13	$ 0.96
Diluted	**$ 1.25**	$ 1.13	$ 0.95
Weighted Average Shares Outstanding	**7,168,406**	7,131,028	7,126,925

The accompanying notes are an integral part of these statements.

Consolidated Statements of Comprehensive Income

For The Years Ended December 31

	2005	2004	2003
Net Income	**$ 8,977,216**	$ 8,069,294	$ 6,815,625
Other Comprehensive Income, Net of Tax			
Losses on Securities Arising During the Year	**(755,824)**	(638,921)	(567,525)
Reclassification Adjustment	**-**	20,432	(243,491)
Unrealized Losses on Securities	**(755,824)**	(618,489)	(811,016)
Comprehensive Income	**$ 8,221,392**	$ 7,450,805	$ 6,004,609

The accompanying notes are an integral part of these statements.

Consolidated Statements of Changes in Stockholders' Equity

For The Years Ended December 31, 2005, 2004, and 2003

	Shares Issued	Common Stock	Paid-In Capital	Retained Earnings	Restricted Stock - Unearned Compensation	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2002	4,573,232	$ 4,573,232	$ 23,358,300	$ 22,741,828	$ (77,800)	$ 832,668	$51,428,228
5 for 4 Stock Split Effected as a Stock Dividend	1,145,386	1,145,386		(1,145,386)			-
Issuance of Restricted Stock	10,150	10,150	152,250		(162,400)		-
Forfeiture of Restricted Stock	(800)	(800)	(12,000)		12,800		-
Amortization of Unearned Compensation					97,526		97,526
Unrealized Loss on Securities Available for Sale, Net of Tax Benefit of $404,305						(811,016)	(811,016)
Dividends Paid				(1,554,688)			(1,554,688)
Net Income				6,815,625			6,815,625
Balance, December 31, 2003	5,727,968	5,727,968	23,498,550	26,857,379	(129,874)	21,652	55,975,675
Issuance of Restricted Stock	12,250	12,250	235,200		(247,450)		-
Forfeiture of Restricted Stock	(1,875)	(1,875)	(20,550)		22,425		-
Amortization of Unearned Compensation					144,066		144,066
Unrealized Loss on Securities Available for Sale, Net of Tax Benefit of $414,263						(618,489)	(618,489)
Dividends Paid				(1,807,583)			(1,807,583)
Net Income				8,069,294			8,069,294
Balance, December 31, 2004	5,738,343	5,738,343	23,713,200	33,119,090	(210,833)	(596,837)	61,762,963
5 for 4 Stock Split Effected as a Stock Dividend	1,436,579	1,436,579		(1,436,579)			-
Issuance of Restricted Stock	11,200	11,200	369,600		(380,800)		-
Forfeiture of Restricted Stock	(4,802)	(4,802)	(83,025)		87,827		-
Amortization of Unearned Compensation					201,923		201,923
Unrealized Loss on Securities Available for Sale, Net of Tax Benefit of $389,364						(755,824)	(755,824)
Dividends Paid				(2,058,286)			(2,058,286)
Net Income				8,977,216			8,977,216
Balance, December 31, 2005	**7,181,320**	**$7,181,320**	**$23,999,775**	**$38,601,441**	**$(301,883)**	**$(1,352,661)**	**$68,127,992**

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

For The Years Ended December 31

	2005	2004	2003
Cash Flows from Operating Activities			
Net Income	$ **8,977,216**	$ 8,069,294	$ 6,815,625
Adjustments to Reconcile Net Income to Net			
Cash Provided from Operating Activities			
Depreciation	**1,903,242**	1,754,053	1,617,301
Amortization and Accretion	**1,307,710**	1,122,970	1,416,066
Provision for Loan Losses	**3,443,750**	3,469,000	4,060,000
Deferred Income Taxes	**(546,900)**	(464,530)	(632,663)
Securities (Gains) Losses	**-**	30,958	(368,926)
(Gain) Loss on Sale of Equipment	**(1,886)**	13,110	411
Loss on Sale of Other Real Estate and Repossessions	**34,339**	535,973	151,622
Unrealized Loss on Other Real Estate	**150,000**	1,000	-
Increase in Cash Surrender Value of Life Insurance	**(203,367)**	(225,825)	(246,845)
Change In			
Loans Held for Sale	**1,190,937**	486,371	5,232,630
Interest Receivable	**(1,566,643)**	(953,389)	256,436
Prepaid Expenses	**(122,165)**	256,062	(281,679)
Interest Payable	**932,717**	89,222	(356,302)
Accrued Expenses and Accounts Payable	**470,293**	222,531	454,824
Other	**(94,871)**	1,169,713	(684,292)
	15,874,372	15,576,513	17,434,208
Cash Flows from Investing Activities			
Interest-Bearing Deposits in Other Banks	**1,593,274**	8,386,014	2,430,810
Purchase of Investment Securities			
Available for Sale	**(49,527,780)**	(39,055,855)	(86,428,075)
Proceeds from Sale of Investment Securities			
Available for Sale	**-**	10,476,743	11,485,568
Proceeds from Maturities, Calls and Paydowns			
of Investment Securities			
Available for Sale	**35,864,083**	24,634,839	53,257,209
Held to Maturity	**11,417**	17,580	57,513
Proceeds from Sale of Premises and Equipment	**11,750**	-	15,901
Net Loans to Customers, Net of Loans Received in Business Acquisition	**(85,879,622)**	(111,762,526)	(89,158,404)
Purchase of Premises and Equipment, Net of Property and Equipment			
Received in Business Acquisition	**(5,765,092)**	(4,331,847)	(1,875,966)
Other Real Estate and Repossessions	**1,633,964**	2,985,888	2,124,212
Cash Received in Business Acquisition, Net	**-**	14,356,597	-
Federal Home Loan Bank Stock	**(555,100)**	(1,479,100)	(508,000)
Investment in Statutory Trusts	**-**	(140,000)	-
Other Investments	**-**	-	(210,000)
	(102,613,106)	(95,911,667)	(108,809,232)
Cash Flows from Financing Activities			
Interest-Bearing Customer Deposits	**83,461,129**	78,773,399	55,483,147
Noninterest-Bearing Customer Deposits	**10,609,094**	3,628,447	12,510,110
Proceeds from Other Borrowed Money	**19,500,000**	7,500,000	27,500,000
Principal Payments on Other Borrowed Money	**(10,723,429)**	(7,234,122)	(12,742,871)
Dividends Paid	**(1,993,100)**	(1,749,447)	(1,482,404)
Proceeds from Issuance of Subordinated Debentures	**-**	4,640,000	-
	100,853,694	85,558,277	81,267,982
Net Increase (Decrease) in Cash and Cash Equivalents	**14,114,960**	5,223,123	(10,107,042)
Cash and Cash Equivalents, Beginning	**64,946,982**	59,723,859	69,830,901
Cash and Cash Equivalents, Ending	$ **79,061,942**	$ 64,946,982	$ 59,723,859

The accompanying notes are an integral part of these statements.

(1) Summary of Significant Accounting Policies

Principles of Consolidation

Colony Bankcorp, Inc. (the Company) is a multi-bank holding company located in Fitzgerald, Georgia. The consolidated financial statements include the accounts of Colony Bankcorp, Inc. and its wholly-owned subsidiaries, Colony Bank of Fitzgerald, Fitzgerald, Georgia; Colony Bank Ashburn (which includes its wholly-owned subsidiary, Georgia First Mortgage Company), Ashburn, Georgia; Colony Bank Worth, Sylvester, Georgia; Colony Bank of Dodge County, Eastman, Georgia; Colony Bank Wilcox, Rochelle, Georgia; Colony Bank Southeast, Broxton, Georgia; Colony Bank Quitman, FSB, Quitman, Georgia (the Banks); and Colony Management Services, Inc., Fitzgerald, Georgia. All significant intercompany accounts have been eliminated in consolidation. The accounting and reporting policies of Colony Bankcorp, Inc. conform to generally accepted accounting principles and practices utilized in the commercial banking industry.

Nature of Operations

The Banks provide a full range of retail and commercial banking services for consumers and small to medium size businesses located primarily in south Georgia. Lending and investing activities are funded primarily by deposits gathered through its retail branch office network.

Use of Estimates

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

Reclassifications

In certain instances, amounts reported in prior years' consolidated financial statements have been reclassified to conform to statement presentations selected for 2005. Such reclassifications had no effect on previously reported stockholders' equity or net income.

Concentrations of Credit Risk

Lending is concentrated in commercial and real estate loans 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 borrowers' ability to honor their contracts is dependent upon the viability of the real estate economic sector.

The success of Colony is dependent, to a certain extent, upon the economic conditions in the geographic markets it serves. No assurance can be given that the current economic conditions will continue. Adverse changes in the economic conditions in these geographic markets would likely have a material adverse effect on the Company's results of operations and financial condition. The operating results of Colony depend primarily on its net interest income. Accordingly, operations are subject to risks and uncertainties surrounding the exposure to changes in the interest rate environment.

Accounting Policies

The accounting and reporting policies of Colony Bankcorp, Inc. and its subsidiaries are in accordance with accounting principles generally accepted and conform to general practices within the banking industry.The significant accounting policies followed by Colony and the methods of applying those policies are summarized hereafter.

Investment Securities

Investment securities are recorded under Statement of Financial Accounting Standards (SFAS) No. 115, whereby the Banks classify their securities as trading, available for sale or held to maturity. Securities that are held principally for resale in the near term are classified as trading. Trading securities are carried at fair value, with realized and unrealized gains and losses included in noninterest income. Securities acquired with both the intent and ability to be held to maturity are classified as held to maturity and reported at amortized cost. All other securities not classified as trading or held to maturity are considered available for sale.

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

Federal Home Loan Bank Stock
Investment in stock of a Federal Home Loan Bank (FHLB) is required for every federally insured institution that utilizes its services. FHLB stock is considered restricted, as defined in SFAS No. 115; accordingly, the provisions of SFAS No. 115 are not applicable to this investment. The FHLB stock is reported in the consolidated financial statements at cost. Dividend income is recognized when earned.

Loans Held for Sale
Loans held for sale are reported at the lower of cost or market value on an aggregate loan portfolio basis. Gains or losses realized on the sales of loans are recognized at the time of sale and are determined by the difference between the net sales proceeds and the carrying value of the loans sold. Gains and losses on sales of loans are included in noninterest income.

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

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

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

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

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

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as either doubtful, substandard or special mention. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical loss experience adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general losses in the portfolio.

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

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential loans for impairment disclosures, unless such loans are the subject of a restricting agreement.

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

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

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

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

Goodwill and Intangible Assets
Goodwill represents the excess of the cost over the fair value of the net assets purchased in a business combination. Impairment testing of goodwill is performed annually or more frequently if events or circumstances indicate possible impairment. No impairment was identified as a result of the testing performed during 2005 or 2004.

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

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

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

(1) Summary of Significant Accounting Policies (Continued)
Income Taxes
The provision for income taxes is based upon income for financial statement purposes, adjusted for nontaxable income and nondeductible expenses. Deferred income taxes have been provided when different accounting methods have been used in determining income for income tax purposes and for financial reporting purposes. Deferred tax assets and liabilities are recognized based on future tax consequences attributable to differences arising from the financial statement carrying values of assets and liabilities and their tax bases. The differences relate primarily to depreciable assets (use of different depreciation methods for financial statement and income tax purposes) and allowance for loan losses (use of the allowance method for financial statement purposes and the direct write-off method for tax purposes). In the event of changes in the tax laws, deferred tax assets and liabilities are adjusted in the period of the enactment of those changes, with effects included in the income tax provision. The Company and its subsidiaries file a consolidated federal income tax return. Each subsidiary pays its proportional share of federal income taxes to the Company based on its taxable income.

Other Real Estate
Other real estate generally represents real estate acquired through foreclosure and is initially recorded at the lower of cost or estimated market value at the date of acquisition. Losses from the acquisition of property in full or partial satisfaction of debt are recorded as loan losses. Subsequent declines in value, routine holding costs and gains or losses upon disposition are included in other losses.

Comprehensive Income
Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, represent equity changes from economic events of the period other than transactions with owners and are not reported in the consolidated statements of income but as a separate component of the equity section of the consolidated balance sheets. Such items are considered components of other comprehensive income. SFAS No.130, *Reporting Comprehensive Income*, requires the presentation in the financial statements of net income and all items of other comprehensive income as total comprehensive income.

Off-Balance Sheet Credit Related Financial Instruments
In the ordinary course of business, the Company has entered into commitments to extend credit, commercial letters of credit and standby letters of credit. Such financial instruments are recorded when they are funded.

Changes in Accounting Principles and Effects of New Accounting Pronouncements
In May 2005, the Financial Accounting Standards Board (FASB) issued Statement No. 154, (SFAS No. 154) *Accounting Changes and Error Corrections – A Replacement of APB Opinion No. 20 and FASB Statement No. 3*. This new standard replaces Accounting Principles Board (APB) Opinion No. 20, *Accounting Changes*, and FASB Statement No. 3, *Reporting Accounting Changes in Interim Financial Statement*. Among other changes, SFAS No. 154 requires that a voluntary change in accounting principle be applied retrospectively with all prior period financial statements presented on the new accounting principle, unless it is impracticable to do so. SFAS No. 154 also provides that (1) a change in method of depreciating or amortizing a long-lived nonfinancial asset be accounted for as a change in estimate (prospectively) that was effected by a change in accounting principle, and (2) correction of errors in previously issued financial statements should be termed a "restatement." The new standard is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The Company does not anticipate this revision will have a material effect on its consolidated financial statements

In December 2004, the FASB issued Statement No. 123 (Revised 2004) (SFAS No. 123R) *Share-Based Payment*, which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. SFAS No. 123R replaces SFAS No. 123, *Accounting for Stock-Based Compensation*, and supersedes APB Opinion No. 25, *Accounting for Stock Issued to Employees*. Share-based compensation arrangements include share options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. SFAS No. 123R requires all share-based payments to employees be valued using a fair value method on the date of grant and expensed based on that fair value over the applicable vesting period. The Company adopted the cost recognition provision of SFAS No. 123 in 1995 and has been expensing compensation cost related to its restricted plan. SFAS No. 123R also amends SFAS No. 95, *Statement of Cash Flows*, requiring the benefits of tax deductions in excess of recognized compensation cost be reported as financing instead of operating cash flows. The Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 107, (SAB No. 107) which expresses the SEC's views

(1) Summary of Significant Accounting Policies (Continued)

Changes in Accounting Principles and Effects of New Accounting Pronouncements (Continued)

regarding the interaction between SFAS No. 123R and certain SEC rules and regulations. Additionally, SAB No. 107 provides guidance related to share-based payment transactions for public companies. The Company will be required to apply SFAS No. 123R as of the annual reporting period that begins after September 15, 2005. The Company does not anticipate this revision will have a material effect on its consolidated financial statements.

In November 2004, the Emerging Issues Task Force (EITF) published Issue 03-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments*. The Task Force discussed the meaning of other than temporary impairment and its application to certain investments carried at cost. The Task Force requested that the FASB staff consider other impairment models within the U.S. Generally Accepted Accounting Principles (GAAP) when developing its views. The Task Force also requested that the scope of the impairment issue be expanded to include equity investments and investments subject to FASB Statement No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, and that the issue be addressed by the Task Force as a separate EITF issue. At the EITF meeting, the Task Force reached a consensus on one issue that certain quantitative and qualitative disclosures should be required for securities accounted for under Statement No. 115 that are impaired at the balance sheet date but for which an other than temporary impairment has not been recognized. The board ratified the consensus on that one issue at its November 25, 2004 meeting. In September 2004, the FASB directed the FASB staff to issue two proposed FASB Staff Positions (FSP): Proposed FSP EITF Issue 03-1a, which provides guidance for the application of paragraph 16 of EITF Issue 03-1 to debt securities that are impaired because of interest rate and/or sector spread increases, and Proposed FSP EITF Issue 03-1b, which delays the effective date of Issue 03-1 for debt securities that are impaired because of interest rate and/or sector spread increases. In September 2005, the FASB reached a decision whereby they declined to provide additional guidance on the meaning of other than temporary impairment. The board directed the FASB staff to issue EITF 03-1a as final and to draft a new FSP that will replace EITF 03-01. The final FSP (retitled FAS 115-1, *The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments)* would be effective for other than temporary impairment analysis conducted in periods beginning after September 15, 2005. The Company does not anticipate this revision will have a material effect on its financial statements..

(2) Cash and Balances Due from Banks

Components of cash and balances due from banks are as follows as of December 31:

	2005	2004
Cash on Hand and Cash Items	**$ 8,970,595**	$ 8,315,734
Noninterest-Bearing Deposits with Other Banks	**12,635,136**	12,634,454
	$ 21,605,731	$ 20,950,188

As of December 31, 2005, the Banks had required deposits of approximately $3,447,000 with the Federal Reserve.

(3) Investment Securities

Investment securities as of December 31, 2005 are summarized as follows:

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Securities Available for Sale				
U.S. Government Agencies				
Mortgage Backed	**$ 74,811,272**	**$ 21,787**	**$ (1,546,513)**	**$ 73,286,546**
Other	**39,073,380**	**22,852**	**(650,722)**	**38,445,510**
State, County and Municipal	**9,186,466**	**51,761**	**(47,410)**	**9,190,817**
Corporate Obligations	**3,061,499**	**-**	**(38,378)**	**3,023,121**
Marketable Equity Securities	**163,135**	**150,725**	**(13,590)**	**300,270**
	$126,295,752	**$ 247,125**	**$ (2,296,613)**	**$124,246,264**
Securities Held to Maturity				
State, County and Municipal	**$ 79,286**	**$ -**	**$ -**	**$ 79,286**

(3) Investment Securities (Continued)
The amortized cost and fair value of investment securities as of December 31, 2005, by contractual maturity, are shown hereafter. Expected maturities will differ from contractual maturities because issuers have the right to call or prepay obligations with or without call or prepayment penalties.

	Securities			
	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in One Year or Less	$ 3,726,524	$ 3,659,827		
Due After One Year Through Five Years	39,041,251	38,432,839		
Due After Five Years Through Ten Years	7,338,969	7,342,386	$ 79,286	$ 79,286
Due After Ten Years	1,214,601	1,224,396		
	51,321,345	50,659,448	79,286	79,286
Marketable Equity Securities	163,135	300,270		
Mortgage Backed Securities	74,811,272	73,286,546		
	$ 126,295,752	$ 124,246,264	$ 79,286	$ 79,286

Investment securities as of December 31, 2004 are summarized as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
U.S. Government Agencies				
Mortgage Backed	$ 74,431,292	$ 105,879	$ (1,079,555)	$ 73,457,616
Other	29,076,369	81,028	(103,159)	29,054,238
State, County and Municipal	6,799,650	98,514	(10,985)	6,887,179
Corporate Obligations	3,109,266	3,980	-	3,113,246
	$113,416,577	$ 289,401	$ (1,193,699)	$112,512,279
Securities Held to Maturity				
State, County and Municipal	$ 81,019	$ -	$ -	$ 81,019

Proceeds from sales of investments available for sale were $0 in 2005, $10,476,743 in 2004 and $11,485,568 in 2003. Gross realized gains totaled $0, $194,329 and $368,926 in 2005, 2004 and 2003, respectively. Gross realized losses totaled $0 in 2005, $225,287 in 2004 and $0 in 2003.

Investment securities having a carrying value approximating $63,487,000 and $70,117,000 as of December 31, 2005 and 2004, respectively, were pledged to secure public deposits and for other purposes.

(3) Investment Securities (Continued)

Information pertaining to securities with gross unrealized losses at December 31, 2005 and 2004, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2005						
U.S. Government Agencies						
Mortgage Backed	**$28,900,181**	**$(409,623)**	**$37,481,884**	**$(1,136,890)**	**$ 66,382,065**	**$(1,546,513)**
Other	**20,677,300**	**(337,198)**	**11,304,910**	**(313,524)**	**31,982,210**	**(650,722)**
State, County and Municipal	**4,041,213**	**(33,530)**	**406,120**	**(13,880)**	**4,447,333**	**(47,410)**
Corporate Obligations	**1,002,405**	**(20,460)**	**1,015,700**	**(17,918)**	**2,018,105**	**(38,378)**
Marketable Equity Securities	**46,457**	**(13,590)**	**-**	**-**	**46,457**	**(13,590)**
	$54,667,556	**$(814,401)**	**$50,208,614**	**$(1,482,212)**	**$104,876,170**	**$(2,296,613)**
December 31, 2004						
U.S. Government Agencies						
Mortgage Backed	$31,300,061	$(423,409)	$31,391,473	$ (656,146)	$ 62,691,534	$(1,079,555)
Other	13,811,317	(92,240)	1,180,040	(10,919)	14,991,357	(103,159)
State, County and Municipal	2,245,976	(10,985)	-	-	2,245,976	(10,985)
	$47,357,354	$(526,634)	$32,571,513	$ (667,065)	$ 79,928,867	$(1,193,699)

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

At December 31, 2005, the debt securities with unrealized losses have depreciated 2.14 percent from the Company's amortized cost basis. These securities are guaranteed by either U.S. Government or other governments. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred and the results of reviews of the issuer's financial condition. As management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other than temporary.

(4) Loans

The composition of loans as of December 31 are:

	2005	2004
Commercial, Financial and Agricultural	**$ 48,849,320**	$ 44,284,343
Real Estate-Construction	**152,943,631**	100,773,730
Real Estate-Farmland	**37,151,806**	38,245,547
Real Estate-Other	**529,598,781**	500,869,376
Installment Loans to Individuals	**73,473,423**	73,684,678
All Other Loans	**17,100,435**	20,822,563
	$ 859,117,396	$ 778,680,237

Nonaccrual loans are loans for which principal and interest are doubtful of collection in accordance with original loan terms and for which accruals of interest have been discontinued due to payment delinquency. Nonaccrual loans totaled $8,579,086 and $7,856,211 as of December 31, 2005 and 2004, respectively, and total recorded investment in loans past due 90 days or more and still accruing interest approximated $14,000 and $952,000, respectively. Foregone interest on nonaccrual loans approximated $426,000 in 2005, $403,000 in 2004 and $683,000 in 2003.

(4) Loans (Continued)

The following table details impaired loan data as of December 31 for the years ended as indicated:

	2005	2004
Total Investment in Impaired Loans	**$ 5,555,257**	$ 8,976,689
Less Allowance for Impaired Loan Losses	**(1,844,346)**	(2,198,743)
Net Investment, December 31	**$ 3,710,911**	$ 6,777,946
Average Investment during the Year	**$ 7,242,063**	$ 8,915,508
Income Recognized during the Year	**$ 190,724**	$ 395,657
Income Collected during the Year	**$ 211,371**	$ 377,219

(5) Allowance for Loan Losses

Transactions in the allowance for loan losses are summarized below for the years ended December 31:

	2005	2004	2003
Balance, Beginning	**$ 10,012,179**	$ 8,515,840	$ 7,363,772
Provision Charged to Operating Expenses	**3,443,750**	3,469,000	4,060,000
Loans Charged Off	**(3,046,192)**	(2,135,478)	(3,069,599)
Loan Recoveries	**352,178**	162,817	161,667
Balance, Ending	**$ 10,761,915**	$ 10,012,179	$ 8,515,840

(6) Premises and Equipment

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

	2005	2004
Land	**$ 6,094,209**	$ 4,889,089
Building	**18,687,218**	16,418,463
Furniture, Fixtures and Equipment	**11,547,121**	10,820,933
Leasehold Improvements	**965,382**	967,249
Construction in Progress	**1,075,983**	454,540
	38,369,913	33,550,274
Accumulated Depreciation	**(12,694,081)**	(11,726,427)
	$ 25,675,832	$ 21,823,847

Depreciation charged to operations totaled $1,903,242 in 2005, $1,754,053 in 2004 and $1,617,301 in 2003.

Certain Company facilities and equipment are leased under various operating leases. Rental expense approximated $334,000 for 2005, $315,000 for 2004 and $245,900 for 2003.

Future minimum rental payments as of December 31, 2005 are as follows:

Year Ending December 31	Amount
2006	$123,123
2007	101,672
2008	70,476
2009	50,476
2010 and Thereafter	193,650
	$539,397

(7) Goodwill and Intangible Assets

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

	2005	2004
Goodwill		
Balance, Beginning	**$ 2,412,338**	$ 448,043
Goodwill Acquired	**-**	1,964,295
Balance, Ending	**$ 2,412,338**	$ 2,412,338

	Core Deposit Intangible	**Accumulated Amortization**	**Net Core Deposit Intangible**
Core Deposit Intangible			
Balance, January 1, 2004	$ 520,382	$ (277,148)	$ 243,234
Deposit Based Intangible Created on Purchase of Thomaston Branch	536,311	-	536,311
Amortization Expense	-	(144,985)	(144,985)
Balance, December 31, 2004	1,056,693	(422,133)	634,560
Amortization Expense	-	(114,645)	(114,645)
Balance, December 31, 2005	**$ 1,056,693**	**$ (536,778)**	**$ 519,915**

The following table reflects the expected amortization schedule for the core deposit intangible at December 31, 2005:

2006	$ 81,206
2007	36,466
2008	35,754
2009	35,754
2010 and Thereafter	330,735
	$ 519,915

(8) Income Taxes

The components of income tax expense for the years ended December 31 are as follows:

	2005	2004	2003
Current Federal Expense	**$ 5,041,180**	$ 4,344,013	$ 3,783,494
Deferred Federal Benefit	**(546,891)**	(464,530)	(632,663)
Federal Income Tax Expense	**4,494,289**	3,879,483	3,150,831
Current State Income Tax Expense	**315,031**	282,011	241,142
	$ 4,809,320	$ 4,161,494	$ 3,391,973

The federal income tax expense of $4,494,289 in 2005, $3,879,483 in 2004 and $3,150,831 in 2003 is less than the income taxes computed by applying the federal statutory rates to income before income taxes. The reasons for the differences are as follows:

	2005	2004	2003
Statutory Federal Income Taxes	**$ 4,725,288**	$ 4,158,468	$ 3,470,583
Tax-Exempt Interest	**(163,184)**	(166,382)	(171,265)
Interest Expense Disallowance	**17,136**	16,483	16,527
Premiums on Officers' Life Insurance	**(56,374)**	(41,060)	(40,557)
Meal and Entertainment Disallowance	**10,756**	9,287	7,718
State Income Taxes	**(94,719)**	(91,006)	(115,064)
Other	**55,386**	(6,307)	(17,111)
Actual Federal Income Taxes	**$ 4,494,289**	$ 3,879,483	$ 3,150,831

Deferred taxes in the accompanying balance sheets as of December 31 include the following:

	2005	2004
Deferred Tax Assets		
Allowance for Loan Losses	**$ 3,659,158**	$ 3,400,166
Deferred Compensation	**378,347**	312,843
Other Real Estate	**51,000**	-
Other	**354,908**	188,544
	4,443,413	3,901,553
Deferred Tax Liabilities		
Premises and Equipment	**(468,386)**	(644,664)
Other	**(211,987)**	(40,749)
	(680,373)	(685,413)
Deferred Tax Assets on Unrealized Securities Losses	**696,825**	307,461
Net Deferred Tax Assets	**$ 4,459,865**	$ 3,523,601

(9) Deposits

The aggregate amount of overdrawn deposit accounts reclassified as loan balances totaled $593,997 and $461,842 as of December 31, 2005 and 2004, respectively.

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

	2005	2004
Interest-Bearing Demand	**$ 187,735,342**	$ 167,319,772
Savings	**35,245,132**	38,862,293
Time, $100,000 and Over	**283,583,136**	203,885,641
Other Time	**359,022,903**	372,092,629
	$ 865,586,513	$ 782,160,335

At December 31, 2005 and 2004, the Company had brokered deposits of $45,729,000 and $0, respectively. The aggregate amount of short-term jumbo certificates of deposit, each with a minimum denomination of $100,000, was approximately $234,307,000 and $180,731,000 as of December 31, 2005 and 2004, respectively.

As of December 31, 2005, the scheduled maturities of certificates of deposit are as follows:

Year	Amount
2006	$543,311,404
2007	59,114,994
2008	15,100,282
2009	8,065,707
2010 and Thereafter	17,013,652
	$642,606,039

(10) Other Borrowed Money

Other borrowed money at December 31 is summarized as follows:

	2005	2004
Federal Home Loan Bank Advances	**$ 67,500,000**	$ 61,000,000
The Banker's Bank Note Payable	**2,500,000**	-
The Banker's Bank Note Payable	**226,205**	449,635
	$ 70,226,205	$ 61,449,635

Advances from the Federal Home Loan Bank (FHLB) have maturities ranging from 2006 to 2013 and interest rates ranging from 2.46 percent to 5.93 percent. Under the Blanket Agreement for Advances and Security Agreement with the FHLB, residential first mortgage loans, commercial loans and cash balances held by the FHLB are pledged as collateral for the FHLB advances outstanding. At December 31, 2005, the Company had available line of credit commitments totaling $100,814,942, of which $33,314,942 was available.

The Banker's Bank note payable originated on May 27, 2005 for $1,500,000. On December 20, 2005, the original $1,500,000 was renewed into a new note with an additional $1,000,000 advanced at an interest rate of The Wall Street Prime minus 0.75 percent. Interest payments are due quarterly with the entire unpaid balance due May 27, 2006. The loan is collateralized by a negative pledge of Colony Bank Wilcox stock.

The Banker's Bank note payable was renewed on January 7, 2003 for $1,112,735 at a rate of The Wall Street Prime minus 0.50 percent. Payments are due monthly with the entire unpaid balance due January 7, 2007. The debt is secured by all furniture, fixtures, machinery, equipment and software of Colony Management Services, Inc. Colony Bankcorp, Inc. guarantees the debt.

(10) Other Borrowed Money (Continued)

The aggregate stated maturities of other borrowed money at December 31, 2005 are as follows:

Year	Amount
2006	$16,708,805
2007	2,517,400
2008	16,000,000
2009	-
2010 and Thereafter	35,000,000
	$70,226,205

The Company also has available federal funds lines of credit with various financial institutions totaling $23,300,000, of which there was no outstanding amount at December 31, 2005.

(11) Subordinated Debentures (Trust Preferred Securities)

During the first quarter of 2002, the Company formed a subsidiary whose sole purpose was to issue $9,000,000 in Trust Preferred Securities through a pool sponsored by FTN Financial Capital Markets. The Trust Preferred Securities have a maturity of 30 years and are redeemable after five years with certain exceptions. At December 31, 2005, the floating-rate securities had an 8.12 percent interest rate, which will reset quarterly at the three-month LIBOR rate plus 3.60 percent.

During the fourth quarter of 2002, the Company formed a second subsidiary whose sole purpose was to issue $5,000,000 in Trust Preferred Securities through a pool sponsored by FTN Financial Capital Markets. The Trust Preferred Securities have a maturity of 30 years and are redeemable after five years with certain exceptions. At December 31, 2005, the floating-rate securities had a 7.77 percent interest rate, which will reset quarterly at the three-month LIBOR rate plus 3.25 percent.

During the second quarter of 2004, the Company formed a third subsidiary whose sole purpose was to issue $4,500,000 in Trust Preferred Securities through a pool sponsored by FTN Financial Capital Markets. The Trust Preferred Securities have a maturity of 30 years and are redeemable after five years with certain exceptions. At December 31, 2005, the floating rate securities had a 7.18 percent interest rate, which will reset quarterly at the three-month LIBOR rate plus 2.68 percent.

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

(12) Restricted Stock - Unearned Compensation

In 1999, the board of directors of Colony Bankcorp, Inc. adopted a restricted stock grant plan which awards certain executive officers common shares of the Company. The maximum number of shares (split-adjusted) which may be subject to restricted stock awards is 64,701. During 2000-2005, 66,993 split-adjusted shares were issued under this plan and since the plan's inception, 8,227 shares have been forfeited; thus, remaining shares which may be subject to restricted stock awards are 5,935 at December 31, 2005. The shares are recorded at fair market value (on the date granted) as a separate component of stockholders' equity. The cost of these shares is being amortized against earnings using the straight-line method over three years (the restriction period).

In April 2004, the stockholders of Colony Bankcorp, Inc. adopted a restricted stock grant plan which awards certain executive officers common shares of the Company. The maximum number of shares which may be subject to restricted stock awards (split-adjusted) is 143,500. No shares have been issued pursuant to this stock grant plan.

(13) Profit Sharing Plan

The Company has a profit sharing plan that covers substantially all employees who meet certain age and service requirements. It is the Company's policy to make contributions to the plan as approved annually by the board of directors. The total provision for contributions to the plan was $558,138 for 2005, $479,108 for 2004 and $476,178 for 2003.

(14) Commitments and Contingencies

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

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

At December 31, 2005 and 2004, the following financial instruments were outstanding whose contract amounts represent credit risk:

	Contract Amount	
	2005	2004
Loan Commitments	**$112,056,000**	$85,094,000
Standby Letters of Credit	**2,572,000**	1,829,000
Performance Letters of Credit	**472,000**	329,000

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

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

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

Purchase Commitments. At December 31, 2005, the Company had an outstanding commitment plus change orders of approximately $825,000 for construction of a second office in Warner Robins. As of December 31, 2005, the Company has paid $800,000 toward construction in progress. The Company has signed a contract for approximately $886,000 for construction of an office in Columbus. As of December 31, 2005, the Company has paid $98,500 toward construction in progress.

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

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

Liabilities accrued under the plans totaled $1,113,685 and $921,023 as of December 31, 2005 and 2004, respectively. Benefit payments under the contracts were $167,126 in 2005 and $175,970 in 2004. Provisions charged to operations totaled $359,787 in 2005, $219,064 in 2004 and $140,644 in 2003.

(16) Interest Income and Expense
Interest income of $257,639, $329,211 and $323,011 from state, county and municipal bonds was exempt from regular income taxes in 2005, 2004 and 2003, respectively.

Interest on deposits includes interest expense on time certificates of $100,000 or more totaling $8,180,847, $4,633,304 and $4,566,382 for the years ended December 31, 2005, 2004 and 2003, respectively.

(17) Supplemental Cash Flow Information
Cash payments for the following were made during the years ended December 31:

	2005	2004	2003
Interest Expense	**$ 25,547,290**	$ 18,294,053	$ 18,770,687
Income Taxes	**$ 5,353,70**	$ 4,777,702	$ 3,931,831

Noncash financing and investing activities for the years ended December 31 are as follows:

	2005	2004	2003
Acquisitions of Real Estate Through Loan Foreclosures	**$ 2,793,978**	$ 1,835,125	$ 3,674,099
Acquisitions, Net of Cash Acquired			
Cash Paid (Received), Net	**$ -**	$ (14,356,597)	$ -
Common Stock Issued	**-**	-	-
Liabilities Assumed	**-**	35,859,268	-
Fair Value of Net Assets Acquired	**$ -**	$ 21,502,671	$ -
Unrealized Loss on Investment Securities	**$ 1,145,190**	$ 1,032,750	$ 1,215,319

(18) Related Party Transactions
The aggregate balance of direct and indirect loans to directors, executive officers or principal holders of equity securities of the Company was $15,103,982 as of December 31, 2005 and $15,047,046 as of December 31, 2004. All such loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons and do not involve more than a normal risk of collectibility. A summary of activity of related party loans is shown below:

	2005	2004
Balance, Beginning	**$ 15,047,046**	$ 11,249,026
New Loans	**14,239,044**	13,789,071
Repayments	**(14,182,108)**	(12,215,324)
Transactions Due to Changes in Directors	**-**	2,224,273
Balance, Ending	**$ 15,103,982**	$ 15,047,046

Deposits from related parties held by the Company at December 31, 2005 and 2004 totaled approximately $13,978,000 and $17,269,000, respectively.

(19) Fair Value of Financial Instruments

SFAS No. 107, Disclosures about Fair Value of Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized on the face of the balance sheet, for which it is practicable to estimate that value. The assumptions used in the estimation of the fair value of Colony Bankcorp, Inc. and Subsidiaries' financial instruments are detailed hereafter. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. The use of discounted cash flows can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The following disclosures should not be considered a surrogate of the liquidation value of the Company, but rather a good-faith estimate of the increase or decrease in value of financial instruments held by the Company since purchase, origination or issuance.

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

Investment Securities - Fair values for investment securities are based on quoted market prices.

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

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

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

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

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

Standby Letters of Credit and Commitments to Extend Credit - Because standby letters of credit and commitments to extend credit are made using variable rates, the contract value is a reasonable estimate of fair value.

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

	2005		2004	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
	(in Thousands)			
Assets				
Cash and Short-Term Investments	**$ 80,697**	**$ 80,697**	$ 68,176	$ 68,176
Investment Securities Available for Sale	**124,246**	**124,246**	112,512	112,512
Investment Securities Held to Maturity	**79**	**79**	81	81
Federal Home Loan Bank Stock	**5,034**	**5,034**	4,479	4,479
Loans	**859,117**	**849,888**	778,680	775,617
Loans Held for Sale	**-**	**-**	1,191	1,191
Liabilities				
Deposits	**944,365**	**942,606**	850,329	848,052
Subordinated Debentures	**19,074**	**19,074**	19,074	19,074
Other Borrowed Money	**70,226**	**66,310**	61,450	60,848
Unrecognized Financial Instruments				
Standby Letters of Credit	**-**	**2,572**	-	1,829
Performance Letters of Credit	**-**	**472**	-	329
Commitments to Extend Credit	**-**	**112,056**	-	85,094

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

(19) Fair Value of Financial Instruments (Continued)

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

(20) Regulatory Capital Matters

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

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

Quantitative measures established by regulation to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total and Tier I capital to risk-weighted assets, and of Tier I capital to average assets. The amounts and ratios as defined in regulations are presented hereafter. Management believes, as of December 31, 2005, the Company meets all capital adequacy requirements to which it is subject under the regulatory framework for prompt corrective action. In the opinion of management, there are no conditions or events since prior notification of capital adequacy from the regulators that have changed the institution's category.

The following table summarizes regulatory capital information as of December 31, 2005 and 2004 on a consolidated basis and for each significant subsidiary, as defined.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In Thousands)			
As of December 31, 2005						
Total Capital						
to Risk-Weighted Assets						
Consolidated	**$95,873**	**11.02%**	**$69,600**	**8.00%**	**$87,000**	**10.00%**
Fitzgerald	**16,801**	**11.34**	**11,849**	**8.00**	**14,811**	**10.00**
Ashburn	**28,183**	**11.07**	**20,363**	**8.00**	**25,454**	**10.00**
Worth	**13,718**	**10.48**	**10,475**	**8.00**	**13,094**	**10.00**
Southeast	**15,025**	**10.30**	**11,665**	**8.00**	**14,581**	**10.00**
Quitman	**11,237**	**12.15**	**7,397**	**8.00**	**9,246**	**10.00**
Tier I Capital						
to Risk-Weighted Assets						
Consolidated	**85,049**	**9.78**	**34,800**	**4.00**	**52,200**	**6.00**
Fitzgerald	**14,988**	**10.12**	**5,924**	**4.00**	**8,887**	**6.00**
Ashburn	**24,999**	**9.82**	**10,181**	**4.00**	**15,272**	**6.00**
Worth	**12,079**	**9.22**	**5,238**	**4.00**	**7,856**	**6.00**
Southeast	**13,687**	**9.39**	**5,833**	**4.00**	**8,749**	**6.00**
Quitman	**10,164**	**10.99**	**3,698**	**4.00**	**5,548**	**6.00**

(20) Regulatory Capital Matters (Continued)

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(In Thousands)			
Tier I Capital						
to Average Assets						
Consolidated	**85,049**	**7.77**	**43,768**	**4.00**	**54,710**	**5.00**
Fitzgerald	**14,988**	**8.03**	**7,463**	**4.00**	**9,329**	**5.00**
Ashburn	**24,999**	**7.60**	**13,162**	**4.00**	**16,452**	**5.00**
Worth	**12,079**	**7.25**	**6,668**	**4.00**	**8,335**	**5.00**
Southeast	**13,687**	**8.36**	**6,551**	**4.00**	**8,188**	**5.00**
Quitman	**10,164**	**8.06**	**5,044**	**4.00**	**6,305**	**5.00**
As of December 31, 2004						
Total Capital						
to Risk-Weighted Assets						
Consolidated	$87,446	11.35%	$61,620	8.00%	$77,025	10.00%
Fitzgerald	15,024	11.55	10,407	8.00	13,009	10.00
Ashburn	26,709	11.01	19,413	8.00	24,266	10.00
Worth	12,398	10.24	9,687	8.00	12,108	10.00
Southeast	10,686	10.59	8,075	8.00	10,093	10.00
Quitman	10,049	12.90	6,232	8.00	7,790	10.00
Tier I Capital						
to Risk-Weighted Assets						
Consolidated	77,813	10.10	30,810	4.00	46,215	6.00
Fitzgerald	13,396	10.30	5,204	4.00	7,805	6.00
Ashburn	23,674	9.76	9,706	4.00	14,559	6.00
Worth	10,882	8.99	4,843	4.00	7,265	6.00
Southeast	9,560	9.47	4,037	4.00	6,056	6.00
Quitman	9,230	11.85	3,116	4.00	4,674	6.00
Tier I Capital						
to Average Assets						
Consolidated	77,813	7.88	39,488	4.00	49,360	5.00
Fitzgerald	13,396	8.02	6,680	4.00	8,350	5.00
Ashburn	23,674	7.56	12,521	4.00	15,652	5.00
Worth	10,882	6.93	6,277	4.00	7,846	5.00
Southeast	9,560	8.26	4,628	4.00	5,785	5.00
Quitman	9,230	8.49	4,349	4.00	5,436	5.00

(21) Financial Information of Colony Bankcorp, Inc. (Parent Only)
The parent company's balance sheets as of December 31, 2005 and 2004 and the related statements of income and comprehensive income and cash flows for each of the years in the three-year period then ended are as follows:

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

ASSETS

	2005	2004
Cash	**$ 229,532**	$ 163,423
Premises and Equipment, Net	**1,284,350**	1,101,996
Investment in Subsidiaries, at Equity	**88,376,235**	79,540,310
Other	**788,257**	702,178
Total Assets	**$ 90,678,374**	$ 81,507,907

LIABILITIES AND STOCKHOLDERS' EQUITY

	2005	2004
Liabilities		
Dividends Payable	**$ 538,599**	$ 473,413
Other	**437,783**	197,531
	976,382	670,944
Other Borrowed Money	**2,500,000**	-
Subordinated Debt	**19,074,000**	19,074,000
Stockholders' Equity		
Common Stock, Par Value $1 a Share; Authorized 20,000,000 Shares, Issued 7,181,320 and 5,738,343 Shares as of December 31, 2005 and 2004, Respectively	**7,181,320**	5,738,343
Paid-In Capital	**23,999,775**	23,713,200
Retained Earnings	**38,601,441**	33,119,090
Restricted Stock – Unearned Compensation	**(301,883)**	(210,833)
Accumulated Other Comprehensive Loss, Net of Tax	**(1,352,661)**	(596,837)
	68,127,992	61,762,963
Total Liabilities and Stockholders' Equity	**$ 90,678,374**	$ 81,507,907

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

COLONY BANKCORP, INC. (PARENT ONLY)
STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31

	2005	2004	2003
Income			
Dividends from Subsidiaries	**$ 4,350,000**	$ 2,350,000	$ 2,400,000
Other	**109,119**	89,888	83,559
	4,459,119	2,439,888	2,483,559
Expenses			
Interest	**1,323,247**	856,993	685,512
Amortization	**30,317**	29,379	28,067
Salaries and Employee Benefits	**1,053,636**	807,142	687,430
Other	**716,954**	638,068	645,550
	3,124,154	2,331,582	2,046,559
Income Before Taxes and Equity in Undistributed Earnings of Subsidiaries	**1,334,965**	108,306	437,000
Income Tax Benefits	**1,000,501**	728,733	690,072
Income Before Equity in Undistributed Earnings of Subsidiaries	**2,335,466**	837,039	1,127,072
Equity in Undistributed Earnings of Subsidiaries	**6,641,750**	7,232,255	5,688,553
Net Income	**8,977,216**	8,069,294	6,815,625
Other Comprehensive Income, Net of Tax			
Losses on Securities Arising During the Year	**(755,824)**	(638,921)	(567,525)
Reclassification Adjustment	**-**	20,432	(243,491)
Unrealized Losses on Securities	**(755,824)**	(618,489)	(811,016)
Comprehensive Income	**$ 8,221,392**	$ 7,450,805	$ 6,004,609

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

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

	2005	2004	2003
Cash Flows from Operating Activities			
Net Income	**$ 8,977,216**	$ 8,069,294	$ 6,815,625
Adjustments to Reconcile Net Income to Net Cash			
Provided from Operating Activities			
Depreciation and Amortization	**294,155**	255,546	196,598
Equity in Undistributed Earnings of Subsidiaries	**(6,641,750)**	(7,232,255)	(5,688,553)
Other	**123,856**	122,362	(210,102)
	2,753,477	1,214,947	1,113,568
Cash Flows from Investing Activities			
Capital Infusion in Subsidiary	**(2,950,000)**	(2,800,000)	(1,125,000)
Purchases of Premises and Equipment	**(244,268)**	(16,930)	(238,309)
Proceeds from Sale of Premises and Equipment	**-**	-	1,900
Investment in Statutory Trusts	**-**	(140,000)	-
	(3,194,268)	(2,956,930)	(1,361,409)
Cash Flows from Financing Activities			
Dividends Paid	**(1,993,100)**	(1,749,447)	(1,482,404)
Principal Payments on Notes and Debentures	**(1,500,000)**	(1,000,000)	-
Proceeds from Notes and Debentures	**4,000,000**	-	1,000,000
Subordinated Debt	**-**	4,640,000	-
	506,900	1,890,553	(482,404)
Increase (Decrease) in Cash	**66,109**	148,570	(730,245)
Cash, Beginning	**163,423**	14,853	745,098
Cash, Ending	**$ 229,532**	$ 163,423	$ 14,853

(22) Earnings Per Share

SFAS No. 128 establishes standards for computing and presenting basic and diluted earnings per share. Basic earnings per share is calculated and presented based on income available to common stockholders divided by the weighted average number of shares outstanding during the reporting periods. Diluted earnings per share reflects the potential dilution of restricted stock. The following presents earnings per share for the years ended December 31, 2005, 2004 and 2003 under the requirements of Statement 128:

	Income Numerator	Common Shares Denominator	EPS
December 31, 2005			
Basic EPS			
Income Available to Common Stockholders	**$ 8,977,216**	**7,168,406**	**$1.25**
Dilutive Effect of Potential Common Stock			
Restricted Stock		**2,694**	
Diluted EPS			
Income Available to Common Stockholders After Assumed Conversions of Dilutive Securities	**$ 8,977,216**	**7,171,100**	**$1.25**
December 31, 2004			
Basic EPS			
Income Available to Common Stockholders	$ 8,069,294	7,131,028	$1.13
Dilutive Effect of Potential Common Stock			
Restricted Stock		26,605	
Diluted EPS			
Income Available to Common Stockholders After Assumed Conversions of Dilutive Securities	$ 8,069,294	7,157,633	$1.13
December 31, 2003			
Basic EPS			
Income Available to Common Stockholders	$ 6,815,625	7,126,925	$0.96
Dilutive Effect of Potential Common Stock			
Restricted Stock		24,412	
Diluted EPS			
Income Available to Common Stockholders After Assumed Conversions of Dilutive Securities	$ 6,815,625	7,151,337	$0.95

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.
- 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.

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, 2005 and 2004, and results of operations for each of the years in the three year period ended December 31, 2005. 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.

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 $8.98 million, or $1.25 diluted per common share in 2005 compared to $8.07 million, or $1.13 diluted per common share in 2004 and $6.82 million, or $0.95 diluted per common share in 2003.

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

	2005	2004	2003
Taxable–equivalent net interest income	**$ 37,381**	$ 33,809	$ 28,282
Taxable-equivalent adjustment	**227**	262	278
Net interest income	**37,154**	33,547	28,004
Provision for possible loan losses	**3,444**	3,469	4,060
Noninterest income	**6,152**	6,424	7,128
Noninterest expense	**26,076**	24,271	20,864
Income before income taxes	**13,786**	12,231	10,208
Income taxes	**4,809**	4,162	3,392
Net Income	**$ 8,977**	$ 8,069	$ 6,816
Basic per common share:			
Net income	**$ 1.25**	$ 1.13	$ 0.96
Diluted per common share:			
Net income	**$ 1.25**	$ 1.13	$ 0.95
Return on average assets:			
Net income	**0.87%**	0.86%	0.83%
Return on average equity:			
Net income	**13.78%**	13.67%	12.66%

Results of Operations (Continued)

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 decrease of $0.03 million in provision for possible 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 an increase of $0.65 million in income tax expense. Income from operations for 2004 increased $1.25 million, or 18.38 percent, compared to 2003. The increase was primarily the result of a $5.54 million increase in net interest income and a $0.59 million decrease in provision for loan losses. The impact of these items was partly offset by a $3.41 million increase in noninterest expense, a decrease of $0.70 million in noninterest income and a $0.77 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 53.24 percent of total revenue during 2005 and 57.49 percent during 2004.

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 and during 2005, the prime rate increased 200 basis points to end the year at 7.25 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 and 4.25 percent, respectively, as of year-end 2001, 2002, 2003, 2004 and 2005. It is anticipated that future interest rate hikes will occur at least through the first half of 2006.

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.

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 2004 to 2005(a)			Changes From 2003 to 2004(a)		
($ in thousands)	**Volume**	**Rate**	**Total**	**Volume**	**Rate**	**Total**
Interest Income						
Loans, Net-taxable	**$ 5,511**	**$ 5,281**	**$10,792**	$ 7,131	$ (2,410)	$ 4,721
Investment Securities						
Taxable	**179**	**(163)**	**16**	597	256	853
Tax-exempt	**(107)**	**42**	**(65)**	(22)	(26)	(48)
Total Investment Securities	**72**	**(121)**	**(49)**	575	230	805
Interest-Bearing Deposits in Other Banks	**(44)**	**55**	**11**	(79)	2	(77)
Funds Sold	**96**	**751**	**847**	(24)	84	60
Other Interest-Earning Assets	**55**	**13**	**68**	11	(24)	(13)
Total Interest Income	**5,690**	**5,979**	**11,669**	7,614	(2,118)	5,496
Interest-Expense						
Interest-Bearing Demand and Savings Deposits	**59**	**529**	**588**	331	(346)	(15)
Time Deposits	**3,293**	**3,535**	**6,828**	2,010	(2,286)	(276)
Total Interest Expense On Deposits	**3,352**	**4,064**	**7,416**	2,341	(2,632)	(291)
Other Interest-Bearing Liabilities						
Funds Purchased and Securities Under Agreement to Repurchase	**2**	**9**	**11**	3	1	4
Subordinated Debentures	**80**	**351**	**431**	142	10	152
Other Debt	**194**	**45**	**239**	252	(148)	104
Total Interest Expense	**3,628**	**4,469**	**8,097**	2,738	(2,769)	(31)
Net Interest Income	**$ 2,062**	**$ 1,510**	**$ 3,572**	$ 4,876	$ 651	$ 5,527

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

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

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

Rate/Volume Analysis (Continued)

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

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

The Company maintains about 42 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 deposits 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 and during 2005 interest rates increased 200 basis points. The shift to increased rates the past two years has resulted in improved and stable net interest margins. Net interest margin remained flat at 3.81 percent for 2005 compared to 3.81 percent for 2004 and improved from 3.65 percent for 2003. We anticipate continued stability in the net interest margin for 2006 given the Federal Reserve's present increased interest rate forecast for the first half of 2006. Should the Federal Reserve's stance change to a neutral or flat rate forecast, the Company would be challenged with net interest rate compression.

Taxable-equivalent net interest income for 2005 increased $3.57 million, or 10.56 percent, compared to 2004, while taxable-equivalent net interest income for 2004 increased by $5.53 million, or 19.54 percent, compared to 2003. 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 2005 increased almost $92.6 million compared to 2004 while over the same period the net interest margin remained flat at 3.81 percent. Similarly, the average volume of earning assets during 2004 increased $113.4 million compared to 2003 while over the same period the net interest margin increased 16 basis points from 3.65 percent to 3.81 percent. Growth in average earning assets during 2005 and 2004 was primarily in loans. The stability in the net interest margin in 2005 was primarily the result of increased earning assets and loan/deposit pricing by the Company.

The average volume of loans increased $85.1 million in 2005 compared to 2004 and increased $104.7 million in 2004 compared to 2003. The average yield on loans increased 65 basis points in 2005 compared to 2004 and decreased 33 basis points in 2004 compared to 2003. Funding for this growth was primarily provided by deposit growth. The average volume of deposits increased $82.6 million in 2005 compared to 2004 and increased $106.9 million in 2004 compared to 2003. Interest-bearing deposits made up 94.2 percent of the growth in average deposits in 2005 and 90.0 percent of the growth in average deposits in 2004. Accordingly, the ratio of average interest-bearing deposits to total average deposits was 92.2 percent in 2005, 92.0 percent in 2004 and 92.3 percent in 2003. This deposit mix, combined with a general increase in interest rates, had the effect of (i) increasing the average cost of total deposits by 66 basis points in 2005 compared to 2004 and reducing the average cost of total deposits by 34 basis points in 2004 compared to 2003; 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 3.56 percent in 2005 compared to 3.61 percent in 2004 and 3.42 percent in 2003. 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 Possible 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 possible loan losses totaled $3.44 million in 2005 compared to $3.47 million in 2004 and $4.06 million in 2003. See the section captioned "Allowance for Possible Loan Losses" elsewhere in this discussion for further analysis of the provision for possible loan losses.

Noninterest Income

The components of noninterest income were as follows:

	2005	2004	2003
Service Charges on Deposit Accounts	**$ 4,128**	$ 4,233	$ 3,821
Other Charges, Commissions and Fees	**708**	548	403
Gain on Securities Transactions	**-**	-	369
Other	**822**	659	538
Mortgage Fee Income	**494**	984	1,998
	$ 6,152	$ 6,424	$ 7,129

Total noninterest income for 2005 decreased $272 thousand, or 4.23 percent, compared to 2004 while total noninterest income for 2004 decreased $705 thousand, or 9.89 percent, compared to 2003. Reduction in noninterest income over the comparable periods was primarily in mortgage banking income while deposit service charges reflected a slight decrease in 2005 compared to 2004. Growth in noninterest income was primarily in other charges, commissions, fees and other income over the comparable periods. 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 2005 decreased $105 thousand, or 2.48 percent, compared to 2004. The decrease was primarily due to a $82 thousand decrease in overdraft fees, which were mostly related to consumer accounts.

Service charges on deposit accounts for 2004 increased $412 thousand, or 10.78 percent, compared to 2003. The increase was primarily due to a $344 thousand increase in overdraft fees, which was mostly related to consumer accounts.

Mortgage Fee Income. 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 during 2005 as most home loan borrowers have already refinanced prior to 2005 due to historical low interest rates. The Company anticipates some reduction in mortgage fee income during 2006, though not to the extent of the reduction the past two years.

Mortgage fee income for 2004 decreased $1.01 million or 50.75 percent, compared to 2003. The decrease was primarily due to decreased mortgage loan activity during 2004 as most home loan borrowers have already refinanced prior to 2004 due to historical low interest rates.

All Other Noninterest Income. 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 income to $526 thousand for 2005 compared to $387 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. This increase was offset by gains on the sale of SBA loans that decreased to $42 thousand for 2005 compared to $132 thousand for 2004, or a decrease of $90 thousand.

The aggregate of all other noninterest accounts decreased $103 thousand, or 7.86 percent, compared to 2003. The decrease was primarily due to the decreased gain on the sale of securities as 2004 gains realized were $0 thousand compared to $369 thousand during 2003, or a decrease of $369 thousand. This decrease was offset by ATM income in 2004 of $387 thousand compared to $243 thousand in 2003, or an increase of $144 thousand and gain on the sale of SBA loans in 2004 of $132 thousand compared to $0 gains in 2003, or an increase of $132 thousand.

Noninterest Expense

The components of noninterest expense were as follows:

	2005	2004	2003
Salaries and Employee Benefits	**$ 14,128**	$ 12,594	$ 11,185
Occupancy and Equipment	**3,778**	3,531	3,189
Loss on Securities Transactions	**-**	31	-
Other	**8,170**	8,115	6,490
	$ 26,076	$ 24,271	$ 20,864

Total noninterest expense for 2005 increased $1.81 million, or 7.44 percent compared to 2004 while total noninterest expense for 2004 increased $3.41 million, or 16.33 percent, compared to 2003. Growth in noninterest expense in 2005 and 2004 was primarily in salaries, employee benefits, occupancy and equipment expense and other non-interest expenses. These items and the changes in the various components of non-interest expense are discussed in more detail below.

Salaries and Employee Benefits. 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 Flag-Thomaston office during 2004. During 2005, new offices were opened in Valdosta and Savannah, Georgia. Salaries and benefits expense for 2004 increased $1.41 million, or 12.60 percent, compared to 2003. This increase is primarily related to increases in head count, merit increases and denovo branching. During 2004, loan production offices were opened in Savannah and Columbus, Georgia and new branch offices were opened in Tifton and Albany, Georgia.

Occupancy 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 and acquired during 2005 resulted in higher building maintenance, insurance and utilities cost, higher depreciation on building and equipment and higher lease expense. Net occupancy expense for 2004 increased $342 thousand, or 10.72 percent, compared to 2003. The Company experienced increased net occupancy and equipment expense for 2004 resulting from four additional offices opened during 2004 and the acquisition of the Flag-Thomaston office during 2004. The impact of new offices resulted in higher building maintenance, insurance and utilities costs, higher depreciation on building and equipment and higher lease expense.

All Other Noninterest Expense. 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.

All other noninterest expense for 2004 increased $1.66 million, or 25.52 percent, compared to 2003. The increase is primarily due to additional overhead associated with new offices opened along with increased loss on the sale of other real estate foreclosure and repossession expense. Noninterest expense with significant increases over 2003 include loss on the sale of other real estate increasing $419 thousand; repossession and foreclosure expense increasing $156 thousand; telephone and data line expense increasing $131 thousand; city, county and state taxes increasing $122 thousand; software and license fee expense increasing $110 thousand; legal and professional services increasing $98 thousand; and director fees increasing $71 thousand to account for additional noninterest expense increases for 2004 compared to 2003.

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 $1,035 million in 2005 compared to $938 million in 2004 and $817 million in 2003.

	2005		2004		2003	
Sources of Funds						
Deposits						
Noninterest-Bearing	**$ 68,259**	**6.6%**	$ 63,457	6.8%	$ 52,745	6.5%
Interest-Bearing	**809,850**	**78.3**	732,048	78.0	635,879	77.9
Federal Funds Purchased	**449**	**-**	307	-	71	-
Long-Term Debt and Other Borrowings	**85,675**	**8.3**	78,976	8.4	69,813	8.5
Other Noninterest-Bearing Liabilities	**5,398**	**0.5**	4,458	0.5	4,315	0.5
Equity Capital	**65,146**	**6.3**	59,037	6.3	53,843	6.6
	$ 1,034,777	**100.0%**	$ 938,283	100.0%	$ 816,666	100.0%
Uses of Funds						
Loans	**$ 809,401**	**78.2%**	$ 725,221	77.3%	$ 622,223	76.2%
Securities	**113,704**	**11.0**	110,877	11.8	92,846	11.4
Federal Funds Sold	**38,692**	**3.7**	31,502	3.4	33,742	4.1
Interest-Bearing Deposits in Other Banks	**2,792**	**0.3**	6,864	0.7	14,208	1.7
Other Interest-Earning Assets	**4,878**	**0.5**	3,242	0.4	4,052	0.5
Other Noninterest-Earning Assets	**65,310**	**6.3**	60,577	6.4	49,595	6.1
	$ 1,034,777	**100.0%**	$ 938,283	100.0%	$ 816,666	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 92.23 percent of total average deposits in 2005 compared to 92.02 percent in 2004 and 92.34 percent in 2003.

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 $859 million at December 31, 2005, up 10.27 percent, compared to loans of $779 million at December 31, 2004, while total loans at December 31, 2004 were up 19.1 percent compared to loans of $654 million at December 31, 2003. See additional discussion regarding the Company's loan portfolio in the section captioned "Loans" included in the following table. The majority of funds provided by deposit growth have been invested in loans.

Loans

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

	2005	2004	2003	2002	2001
Commercial, Financial and Agricultural	**$ 48,849**	$ 44,284	$ 44,590	$ 46,598	$ 65,004
Real Estate					
Construction	**152,944**	100,774	56,374	21,341	7,988
Mortgage, Farmland	**37,152**	38,245	33,097	29,503	28,130
Mortgage, Other	**529,599**	500,869	428,197	392,387	277,146
Consumer	**73,473**	73,685	73,020	73,462	64,884
Other	**17,100**	20,823	18,932	8,581	12,903
	859,117	778,680	654,210	571,872	456,055
Unearned Interest and Fees	**(302)**	(37)	(33)	(56)	(3)
Allowance for Loan Losses	**(10,762)**	(10,012)	(8,516)	(7,364)	(6,159)
Loans	**$ 848,053**	$ 768,631	$ 645,661	$ 564,452	$ 449,893

The following table presents total loans as of December 31, 2005 according to maturity distribution and/or repricing opportunity on adjustable rate loans.

Maturity and Repricing Opportunity	**($ in Thousands)**
One Year or Less	$549,936
After One Year through Three Years	231,931
After Three Years through Five Years	66,648
Over Five Years	10,602
	$859,117

Overview. Loans totaled $859.1 million at December 31, 2005, up 10.3 percent from December 31, 2004 loans of $778.7 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 61.64 percent and 64.32 percent of total loans, real estate construction made up 17.80 percent and 12.94 percent, while installment loans to individuals made up 8.55 percent and 9.46 percent of total loans at December 31, 2005 and December 31, 2004, respectively. Real estate loans-other include both commercial and consumer balances.

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 Senior 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.

Loans (Continued)

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

The Company originates consumer loans at the bank level. Due to the diverse economic markets served 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 the Company's policies and procedures.

Commercial, Financial and Agricultural. Commercial, financial and agricultural loans at December 31, 2005 increased 10.31 percent from December 31, 2004 to $48.8 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.

Industry Concentrations. As of December 31, 2005 and December 31, 2004, 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.

Loans (Continued)

Large Credit Relationships. Colony is currently in eighteen counties in south and central Georgia and include 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, 2005 and December 31, 2004

	December 31, 2005			December 31, 2004		
		Period End Balances			Period End Balances	
	Number of Relationships	**Committed**	**Outstanding**	Number of Relationships	Committed	Outstanding
Large Credit Relationships:						
$10 million and greater	**2**	**$24,854**	**$19,744**	1	$11,264	$10,461
$5 million to $9.9 million	**8**	**$45,645**	**$39,373**	4	$24,293	$21,722

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, 2005. 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	$ 198,701	$ 224,010	$ 66,629	$ 10,602	$ 499,942
Loans with Floating Interest Rates	351,235	7,921	19	-	359,175
	$ 549,936	$ 231,931	$ 66,648	$ 10,602	$ 859,117

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:

	2005	2004	2003	2002	2001
Loans Accounted for on Nonaccrual	**$ 8,579**	$ 7,856	$ 7,251	$ 6,899	$ 8,205
Loans Past Due 90 Days or More	**14**	953	241	935	332
Renegotiated Loans	**-**	-	-	37	176
Other Real Estate Foreclosed	**2,170**	1,127	2,724	1,357	1,554
Total Nonperforming Assets	**$ 10,763**	$ 9,936	$ 10,216	$ 9,228	$ 10,267
Nonperforming Assets as a Percentage of					
Total Loans and Foreclosed Assets	**1.25%**	1.27%	1.56%	1.61%	2.24%
Total Assets	**0.97%**	1.00%	1.18%	1.18%	1.65%
Accruing Past Due Loans					
30–89 Days Past Due	**$ 6,829**	$ 8,302	$ 6,703	$ 9,618	$ 10,326
90 or More Days Past Due	**14**	953	241	935	332
Total Accruing Past Due Loans	**$ 6,843**	$ 9,255	$ 6,944	$ 10,553	$ 10,658

Nonperforming assets include nonaccrual loans, loans past due 90 days or more, restructured loans and foreclosed real estate. Nonperforming assets at December 31, 2005 increased 8.32 percent from December 31, 2004.

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.

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 non-interest expense along with other expenses related to maintaining the properties.

Allowance for Possible Loan Losses

The allowance for possible loan losses is a reserve established through a provision for possible 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 possible 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 possible 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.

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.

Allowance for Possible Loan Losses (Continued)

	2005		2004		2003		2002		2001	
	Reserve	**%***	Reserve	%*	Reserve	%*	Reserve	%*	Reserve	%*
Commercial, Financial and Agricultural	**$ 3,229**	**6%**	$ 3,004	6%	$ 2,470	7%	$ 1,841	8%	$ 1,725	14%
Real Estate – Construction	**646**	**18**	501	13	340	9	295	4	123	2
Real Estate – Farmland	**538**	**4**	501	5	426	5	442	5	431	6
Real Estate – Other	**3,498**	**62**	3,304	64	2,981	65	2,871	69	2,156	61
Loans to Individuals	**2,152**	**8**	2,002	9	1,703	11	1,326	13	1,170	14
All Other Loans	**699**	**2**	700	3	596	3	589	1	554	3
	$10,762	**100%**	$10,012	100%	$8,516	100%	$7,364	100%	$6,159	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.

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

($ in thousands)	**2005**	2004	2003	2002	2001
Allowance for Loan Losses at Beginning of Year	**$ 10,012**	$ 8,516	$ 7,364	$ 6,159	$ 5,661
Charge-Offs					
Commercial, Financial and Agricultural	**767**	463	1,790	958	1,094
Real Estate	**678**	692	570	451	26
Consumer	**1,369**	618	507	570	439
All Other	**232**	363	203	359	117
	3,046	2,136	3,070	2,338	1,676
Recoveries					
Commercial, Financial and Agricultural	**176**	9	30	59	111
Real Estate	**18**	36	39	42	17
Consumer	**83**	90	58	141	182
All Other	**75**	28	35	29	10
	352	163	162	271	320
Net Charge-Offs	**2,694**	1,973	2,908	2,067	1,356
Provision for Loans Losses	**3,444**	3,469	4,060	2,820	1,854
Business Combination	**-**	-	-	452	-
Allowance for Loan Losses at End of Year	**$ 10,762**	$ 10,012	$ 8,516	$ 7,364	$ 6,159
Ratio of Net Charge-Offs to Average Loans	**0.33%**	0.27%	0.46%	0.39%	0.32%

Allowance for Possible Loan Losses (Continued)

The allowance for possible 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 possible loan losses reflects loan quality trends, including the level of net charge-offs or recoveries, among other factors. The provision for possible loan losses decreased $0.03 million from $3.47 million in 2004 to $3.44 million in 2005. Flat provisions were made during 2005 due to the overall general improvement in the loan portfolio. Nonperforming assets as a percentage of total loans and foreclosed assets improved to 1.25 percent at December 31, 2005 compared to 1.27 percent a year ago. During 2004, the provision for possible loan losses decreased $0.59 million from the $4.06 million recorded in 2003. The provision for possible loan losses was lower in 2004 primarily due to charge-offs that included one large commercial loan.

Net charge-offs in 2005 increased $721 thousand compared to 2004 while net charge-offs in 2004 decreased $935 thousand compared to 2003. The general increase in net charge-offs during 2005 is reflective of the more stringent credit standards.

Management believes the level of the allowance for possible loan losses was adequate as of December 31, 2005. Should any of the factors considered by management in evaluating the adequacy of the allowance for possible loan losses change, the Company's estimate of probable loan losses could also change, which could affect the level of future provisions for possible loan losses.

Investment Portfolio

The following table presents carrying values of investment securities held by the Company as of December 31, 2005, 2004 and 2003.

($ in thousands)	**2005**	2004	2003
U.S. Government Agencies	**$ 38,446**	$ 29,054	$ 17,845
Obligations of States and Political Subdivisions	**9,270**	6,968	9,890
Corporate Obligations	**3,023**	3,113	6,556
Marketable Equity Securities	**300**	-	944
Investment Securities	**51,039**	39,135	35,235
Mortgage Backed Securities	**73,287**	73,458	75,173
Total Investment Securities And Mortgage Backed Securities	**$ 124,326**	$ 112,593	$ 110,408

Investment Portfolio (Continued)

The following table represents expected maturities and weighted-average yields of investment securities held by the Company as of December 31, 2005. (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	$ 1,551	4.14%	$ 33,475	4.12%	$ 3,420	4.91%	$ -	-
Mortgage Backed Securities	2,284	2.89	68,263	3.85	2,739	4.25	-	-
Obligations of States and Political Subdivisions	2,808	3.86	3,956	4.58	2,507	7.08	-	-
Corporate Obligations	1,016	2.96	2,007	5.54	-	-	-	-
Marketable Equity Securities	-	-	-	-	-	-	300	1.07%
Total Investment Portfolio	$ 7,659	3.51%	$107,701	4.00%	$ 8,666	5.35%	$ 300	1.07%

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, 2005, 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 3.43 percent in 2005 compared to 3.57 percent in 2004 and 3.39 percent in 2003. 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 increase in the average yield from 2003 to 2004 primarily resulted from investment of new funds at higher rates due to Federal Reserve's 125 basis point interest rate hike during the last half of 2004. 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.

Deposits

The following table presents the average amount outstanding and the average rate paid on deposits by the Company for the years 2005, 2004 and 2003.

	2005		2004		2003	
($ in thousands)	**Average Amount**	**Average Rate**	Average Amount	Average Rate	Average Amount	Average Rate
Noninterest-Bearing Demand Deposits	**$ 68,259**		$ 63,457		$ 52,745	
Interest-Bearing Demand and Savings	**202,618**	**1.38%**	197,316	1.11%	171,679	1.29%
Time Deposits	**607,232**	**3.26**	534,732	2.43	464,200	2.85
Total Deposits	**$878,109**	**2.57%**	$795,505	1.91%	$688,624	2.25%

Deposits (Continued)

The following table presents the maturities of the Company's other time deposits as of December 31, 2005.

($ in thousands)	Other Time Deposits $100,000 or Greater	Other Time Deposits Less Than $100,000	Total
Months to Maturity			
3 or Less	$ 70,058	$ 77,887	$147,945
Over 3 through 12	164,249	231,117	395,366
Over 12 Months	49,276	50,019	99,295
	$283,583	$359,023	$642,606

Average deposits increased $82.6 million in 2005 compared to 2004 and $106.9 million in 2004 compared to 2003. The increase in 2005 included $4.8 million or 5.8 percent, related to noninterest-bearing deposits while the increase in 2004 included $10.7 million, or 10.0 percent related to noninterest-bearing deposits. Accordingly, the ratio of average noninterest-bearing deposits to total average deposits was 7.8 percent in 2005 from 8.0 percent in 2004 and 7.7 percent in 2003. The general increase in market rates, had the effect of (i) increasing the average cost of interest-bearing deposits by 72 basis points in 2005 compared to 2004 and the decline in interest rates had the effect of reducing the average cost of interest-bearing deposits by 36 basis points in 2004 compared to 2003; 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 $77.8 million, or 10.63 percent in 2005 compared to 2004 and increased $96.2 million, or 15.2 percent, in 2004 compared to 2003. The growth in average deposits in 2005 compared to 2004 was primarily in money market deposit accounts and savings and interest-on-checking accounts and other time 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 short-term time accounts.

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, 2005. 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	$ -	$ -	$ -	$19,074	$ 19,074
Other Borrowed Money	2,709	17	-	-	2,726
Federal Home Loan Bank Advances	14,000	16,000	3,500	34,000	67,500
Operating Leases	123	172	97	147	539
Deposits with Stated Maturity Dates	543,311	74,214	25,073	8	642,606
	560,143	90,403	28,670	53,229	732,445
Other Commitments					
Loan Commitments	112,056	-	-	-	112,056
Standby Letters of Credit	2,572	-	-	-	2,572
Performance Letters of Credit	472	-	-	-	472
Construction Contracts	812	-	-	-	812
	115,912	-	-	-	115,912
Total Contractual Obligations and Other Commitments	$676,055	$90,403	$28,670	$53,229	$848,357

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, 2005 are included in the preceding table.

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, 2005 are included in the preceding table.

Capital and Liquidity

At December 31, 2005, stockholders' equity totaled $68.1 million compared to $61.8 million at December 31, 2004. In addition to net income of $8.98 million, other significant changes in stockholders' equity during 2005 included $2.06 million of dividends paid and an increase of $202 thousand resulting from the stock grant plan. The accumulated other comprehensive income component of stockholders' equity totaled $(1,353) thousand at December 31, 2005 compared to $(597) thousand at December 31, 2004. 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, 2005 was 9.78 percent and total Tier 1 and 2 risk-based capital was 11.02 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, 2005 was 7.77 percent, which exceeds the required ratio standard of 4 percent.

For 2005, average capital was $65.1 million, representing 6.30 percent of average assets for the year. This compares to 6.29 percent for 2004.

The Company paid a quarterly dividend of $0.068, $0.07, $0.072 and $0.075 per common share during the first, second, third and fourth quarters of 2005, respectively, and quarterly dividends of $0.06, $0.062, $0.064 and $0.066 per common share during the first, second, third and fourth quarters of 2004, respectively. This equates to a dividend payout ratio of 22.80 percent in 2005 and 22.30 percent in 2004.

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.

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

The investment portfolio provides a ready means to raise cash if liquidity needs arise. As of December 31, 2005, the Company held $124 million in bonds (excluding FHLB stock), at current market value in the available for sale portfolio. At December 31, 2004, the available for sale bond portfolio totaled $112.6 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.

Capital and Liquidity (Continued)

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 90.9 percent as of December 31, 2005 and 91.6 percent at December 31, 2004. 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, 2005 and December 31, 2004 were 84.9 percent and 85.4 percent, respectively. Management continues to emphasize programs to generate local core deposits as our Company's primary funding sources. The stability of the banks' core deposit base is an important factor in Colony's liquidity position. A heavy percentage of the deposit base is comprised of accounts of individuals and small businesses with comprehensive banking relationships and limited volatility. At December 31, 2005 and December 31, 2004, the banks had $283.6 million and $203.9 million in certificates of deposit of $100,000 or more. These larger deposits represented 30.03 percent and 23.98 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, 2005, the Company had $45.7 million, or 4.84 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.

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.

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.

Quantitative and Qualitative Disclosures About Market Risk

AVERAGE BALANCE SHEETS

	2005			2004			2003		
($ in thousands)	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates	Average Balances	Income/ Expense	Yields/ Rates
Assets									
Interest-Earning Assets									
Loans, Net of Unearned Income (1)	**$819,900**	**$58,428**	**7.13%**	$734,846	$47,636	6.48%	$630,136	$42,915	6.81%
Investment Securities									
Taxable	**107,696**	**3,586**	**3.33**	102,552	3,570	3.48	84,072	2,717	3.23
Tax-Exempt (2)	**6,008**	**318**	**5.29**	8,325	383	4.60	8,774	431	4.91
Total Investment Securities	**113,704**	**3,904**	**3.43**	110,877	3,953	3.57	92,846	3,148	3.39
Interest-Bearing Deposits in Other Banks	**2,792**	**86**	**3.08**	6,864	75	1.09	14,208	152	1.07
Funds Sold	**38,692**	**1,266**	**3.27**	31,502	419	1.33	33,742	359	1.06
Other Interest-Earning Assets	**4,878**	**177**	**3.63**	3,242	109	3.36	2,972	122	4.10
Total Interest-Earning Assets	**979,966**	**63,861**	**6.52**	887,331	52,192	5.88	773,904	46,696	6.03
Noninterest-Earning Assets									
Cash	**20,014**			19,047			16,815		
Allowance for Loan Losses	**(10,499)**			(9,625)			(7,913)		
Other Assets	**45,296**			41,530			33,860		
Total Noninterest-Earning Assets	**54,811**			50,952			42,762		
Total Assets	**$1,034,777**			$938,283			$816,666		
Liabilities and Stockholders' Equity									
Interest-Bearing Liabilities									
Interest-Bearing Deposits									
Interest-Bearing Demand and Savings	**$ 202,618**	**$2,790**	**1.38%**	$197,316	$ 2,202	1.11%	$171,679	$ 2,217	1.29%
Other Time	**607,232**	**19,800**	**3.26**	534,732	12,972	2.43	464,200	13,248	2.85
Total Interest-Bearing Deposits	**809,850**	**22,590**	**2.79**	732,048	15,174	2.07	635,879	15,465	2.43
Other Interest-Bearing Liabilities									
Other Borrowed Money	**66,601**	**2,605**	**3.91**	61,556	2,366	3.84	55,379	2,262	4.08
Subordinated Debentures	**19,074**	**1,269**	**6.65**	17,420	838	4.81	14,434	686	4.75
Funds Purchased and Securities Sold Under Agreement to Repurchase	**449**	**16**	**3.56**	307	5	1.63	71	1	1.41
Total Other Interest-Bearing Liabilities	**86,124**	**3,890**	**4.52**	79,283	3,209	4.05	69,884	2,949	4.22
Total Interest-Bearing Liabilities	**895,974**	**26,480**	**2.96**	811,331	18,383	2.27	705,763	18,414	2.61
Noninterest-Bearing Liabilities and Stockholders' Equity									
Demand Deposits	**68,259**			63,457			52,745		
Other Liabilities	**5,398**			4,458			4,315		
Stockholders' Equity	**65,146**			59,037			53,843		
Total Noninterest-Bearing Liabilities and Stockholders' Equity	**138,803**			126,952			110,903		
Total Liabilities and Stockholders' Equity	**$1,034,777**			$938,283			$816,666		
Interest Rate Spread			**3.56%**			3.61%			3.42%
Net Interest Income		**$37,381**			$33,809			$28,282	
Net Interest Margin			**3.81%**			3.81%			3.65%

Quantitative and Qualitative Disclosures About Market Risk (Continued)

(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 $119, $132 and $121 for 2005, 2004 and 2003 respectively, are included in interest on loans. The adjustments are based on a federal tax rate of 34 percent.

(2) Taxable-equivalent adjustments totaling $108, $130 and $157 for 2005, 2004, and 2003 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.

Colony Bankcorp, Inc. and Subsidiaries
Interest Rate Sensitivity

The folloing table is an analysis of the Company's interest rate-sensitivity position at December 31, 2005. The interest-bearing rate-sensitivity gap, which is the difference between interest-earning assets and interest-bearing liabilities by repricing period, is based upon maturity or first repricing opportunity, along with a cumulative interest rate-sensitivity gap. It is important to note that the table indicates a position at a specific point in time and may not be reflective of positions at other times during the year or in subsequent periods. Major changes in the gap position can be, and are, made promptly as market outlooks change.

	Assets and Liabilities Repricing Within					
	3 Months or Less	4 to 12 Months	1 Year	1 to 5 Years	Over 5 Years	Total
($ in Thousands)						
EARNING ASSETS:						
Interest-bearing Deposits	$ 1,635	$ -	$ 1,635	$ -	$ -	$ 1,635
Federal Funds Sold	57,456	-	57,456	-	-	57,456
Investment Securities	14,793	2,854	17,647	95,923	10,756	124,326
Loans, Net of Unearned Income	396,221	153,413	549,634	298,579	10,602	858,815
Other Interest-bearing Assets	5,034	-	5,034	-	-	5,034
Total Interest-earning Assets	475,139	156,267	631,406	394,502	21,358	1,047,266
INTEREST-BEARING LIABILITIES:						
Interest-bearing Demand Deposits (1)	187,736	-	187,736	-	-	187,736
Savings (1)	35,245	-	35,245	-	-	35,245
Time Deposits	147,945	395,366	543,311	99,287	8	642,606
Other Borrowings (2)	15,226	3,000	18,226	18,000	34,000	70,226
Subordinated Debentures	19,074	-	19,074	-	-	19,074
Total Interest-bearing Liabilities	405,226	398,366	803,592	117,287	34,008	954,887
Interest Rate-sensitivity Gap	69,913	(242,099)	(172,186)	277,215	(12,650)	$92,379
Cumulative Interest-sensitivity Gap	$69,913	$(172,186)	$(172,186)	$105,029	$92,379	
Interest Rate-sensitivity Gap as a Percentage of Interest-earning Assets	6.68%	(23.12%)	(16.44%)	26.47%	(1.21%)	
Cumulative Interest Rate-sensitivity as a Percentage of Interest-earning Assets	6.68%	(16.44%)	(16.44%)	10.03%	8.82%	

Colony Bankcorp, Inc. and Subsidiary
Interest Rate Sensitivity (Continued)

(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.

The foregoing table indicates that we had a one-year negative gap of ($172) million, or (16.44) percent of total assets at December 31, 2005. In theory, this would indicate that at December 31, 2005, $172 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 non-rate sensitive, such as our noninterest-bearing demand deposits, in the gap analysis behave like long term fixed rate funding sources. Both of these factors tend to make our actual behavior more asset sensitive 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.

Return on Assets and Stockholder's Equity

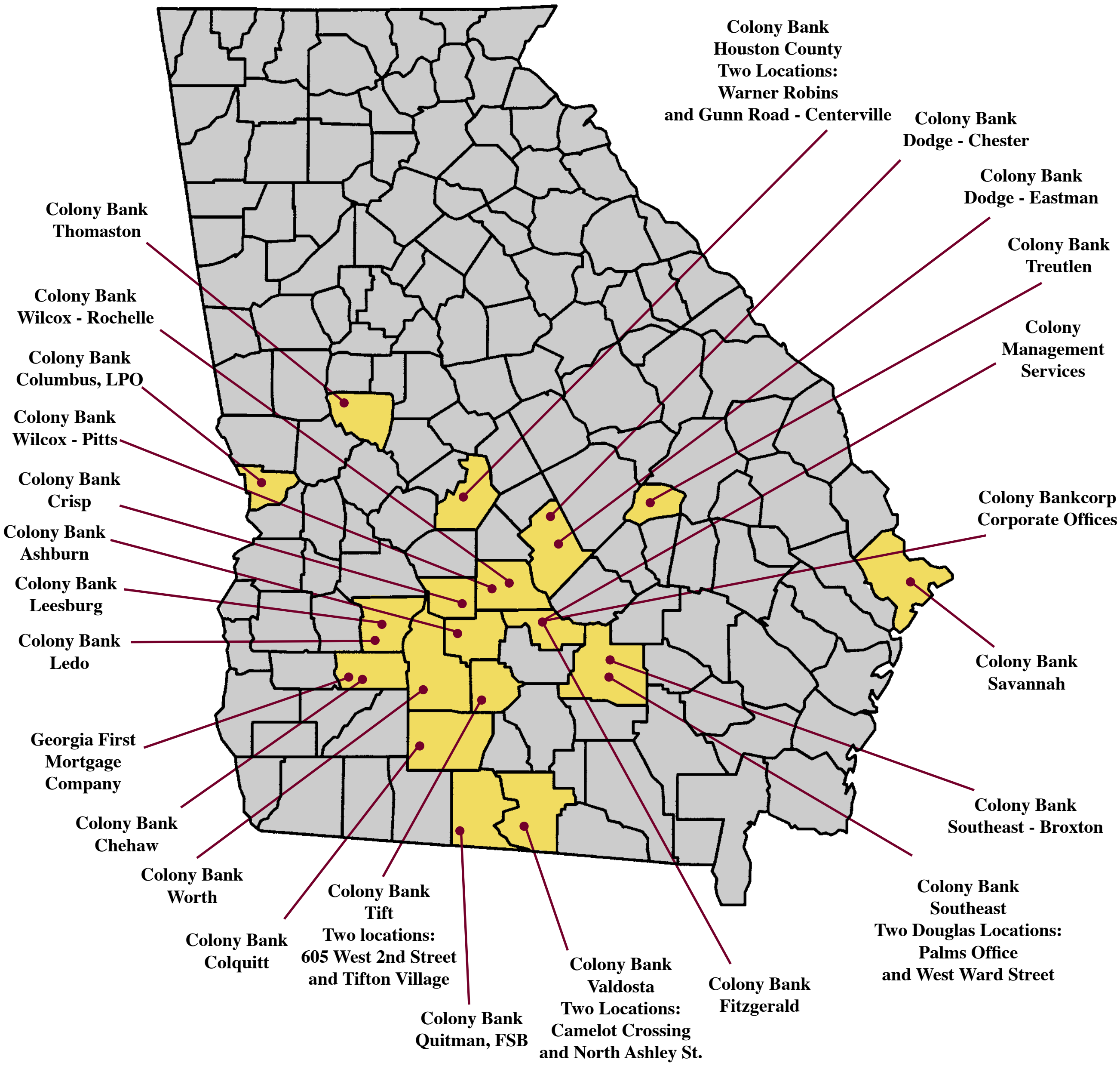
The following table presents selected financial ratios for each of the periods indicated.

	Year Ended December 31		
	2005	2004	2003
Return on Assets	**0.87%**	0.86%	0.83%
Return on Equity	**13.78%**	13.67%	12.66%
Dividend Payout	**22.80%**	22.30%	22.84%
Equity to Assets	**6.15%**	6.19%	6.45%
Dividends Declared	**$0.285**	$0.252	$0.217

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 its main office in Valdosta/Lowndes County that opened during second quarter 2005. The Company completed renovation of its Savannah office during third quarter 2005 and opened its first full-service branch in the Savannah/Chatham County market. The Company awarded the bid on its first full-service branch in Columbus/Muscogee County that should be completed in third quarter 2006. The Company has begun construction on a second office in Warner Robins that should be completed during first quarter 2006. Entry into the MSA markets – Savannah, Columbus, Warner Robins, and Macon – will require multi-branch offices and the Company is presently looking for available real estate to purchase in those markets.

The Affiliate Footprint



COLONY BANK ASHBURN

OFFICERS

Ashburn
Will Sims, President & CEO
Barbara A. Perry, City President/Secretary
Al Shanklin, Senior Vice President
Jayne Dalrymple, Vice President, Branch Manager, Privacy
Scott Ewing, Assistant Vice President
Shirley Whiddon, Loan Administration Officer
Diane Wideman, Assistant Cashier
Kay Wilkerson, Deposit Compliance/BSA Officer
Marcia Skinner, Loan Compliance Officer

Cordele
Tom Carter, City President
Kellie Bledsoe, Assistant Vice President
Kevin Kicklighter, Assistant Vice President
Robin O'Neal, Assistant Vice President

Leesburg
Helen Kennedy, Vice President, Branch Manager
Lisa Cannon, Banking Officer

Ledo Road
Kal Squires, City President, Lee County
Chris Gladden, Vice President
Jacob Cleghorn, Banking Officer

Chehaw
Robert Crew, Assistant Vice President
Marvin Pitts, Assistant Vice President

Thomaston
Robert Presley, Vice President

Columbus
Glenn Summerlin, City President
William R. Green, Vice President
Wayne Griffin, Vice President

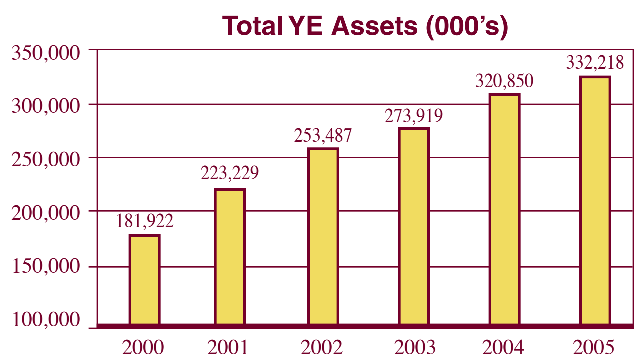
DIRECTORS
W.B. Roberts, Jr., Chairman
Russell Adams
Robert Cochran
Tommy Jowers
Joel A. McNair
Charles Myler
Edward Mitchell
Will Sims
Al D. Ross
Jerry Parker
Charles B. Perry
Ray Wilson

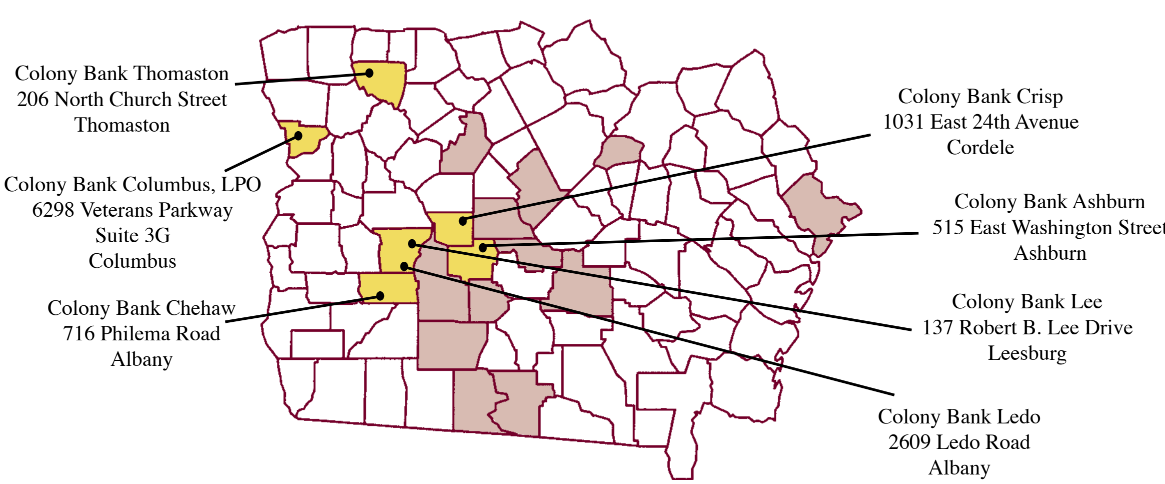
Advisory Boards

Colony Bank, Lee
Tommy Jowers
Will Sims
James Sizemore
Charles Myler

Colony Bank, Crisp
Russell Adams
J. Thomas Carter
Louis Perlis
Will Sims
Don T. Tucker

Colony Bank, Thomaston
Reshann Adams
Dr. Samuel Brewton, Jr.
Robert Cochran
Wayne Driver
David Dunaway
Jere Greer
George Hightower, Jr.
Calvin Hopkins
Norman Morris
Wallace Rhodes

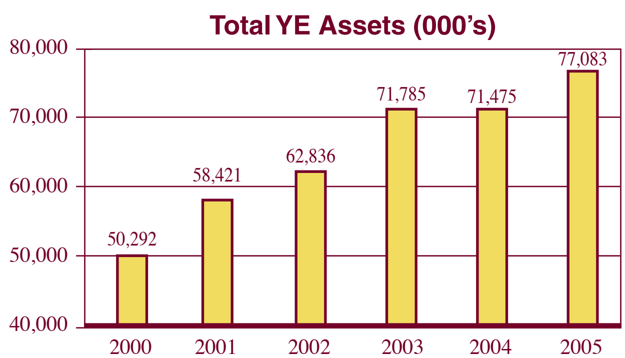


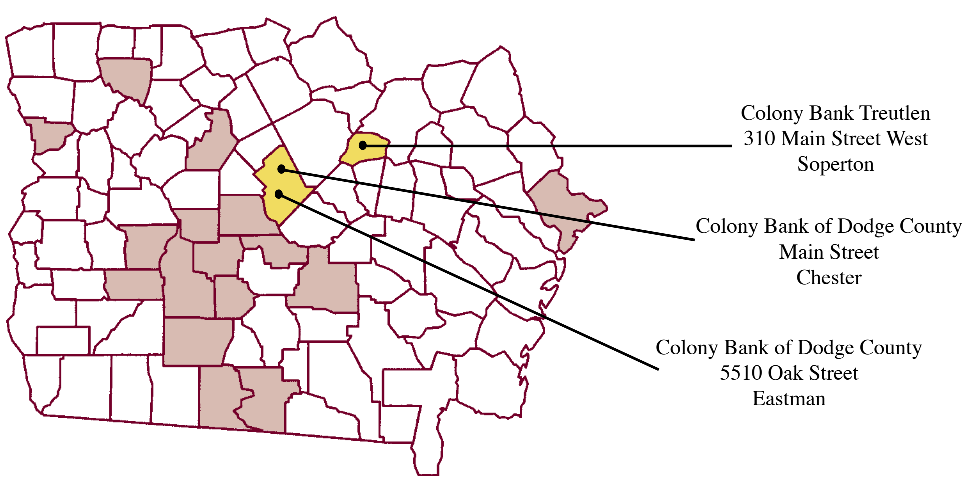


OFFICERS
Mark H. Turner, President & CEO
James E. Kirkley, Jr., Vice President
Debra Sheffield, Vice President
Patricia Wilchor, Vice President
Kim Bowen, Assistant Vice President
Wilton D. Harrington, Banking Officer
Dinone Rye, Banking Officer
Glenda Heath, Assistant Vice President

DIRECTORS
Guy Weatherly, Jr., Chairman
Terry L. Coleman
M. Frederick Dwozan, Jr.
Gerald Hooks
William T. Howell, Jr.
William Lowery
Larry Sanders
Larry E. Stevenson
Joe D. Taylor
Mark H. Turner

Advisory Board
Colony Bank Treutlen
Blake Dennard
John J. Ellington
Gerald Hooks
Laurianne Pullen
Andy Thompson
Patricia Wilcher





OFFICERS

Fitzgerald Office

Larry E. Stevenson, President & CEO
Edward McIntyre, Vice President
Donna Padgett, Vice President / Compliance Officer
Ernest Rodgers, Jr., Vice President
Cheryl Seagroves, Vice President / Mortgage / Consumer Loan Officer
W. Mike Smith, Vice President / Secretary
Tammie Sheppard, Vice President / Loan Compliance Officer
Mary Spicer, Banking Officer / Security Officer
Christine Stone, Human Resources / Public Relations Officer
Jennifer Wiley, Assistant Banking Officer

Warner Robins Office

William D. Gresham, President
Kirk W. Scott, Vice President
H. Earl Spivey, Vice President
Deborah Matthews, Vice President / Mortgage
Cathy Cotton, Assistant Vice President / Consumer Loan Officer
Eddie Carter, Public Relations Officer

DIRECTORS

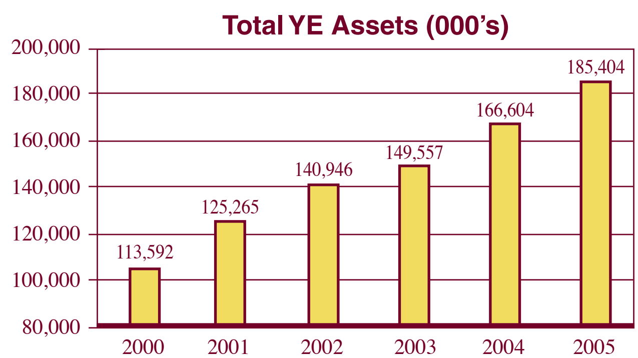
Robert W. Chasteen, Chairman
Ted Cowan, Vice Chairman
Van Waters, Secretary
Scott Downing
Wilkie F. Glenn
William J. Hammond
Michael J. Long
Eugene L. Mason
Mark H. Massee
Al D. Ross
Larry E. Stevenson

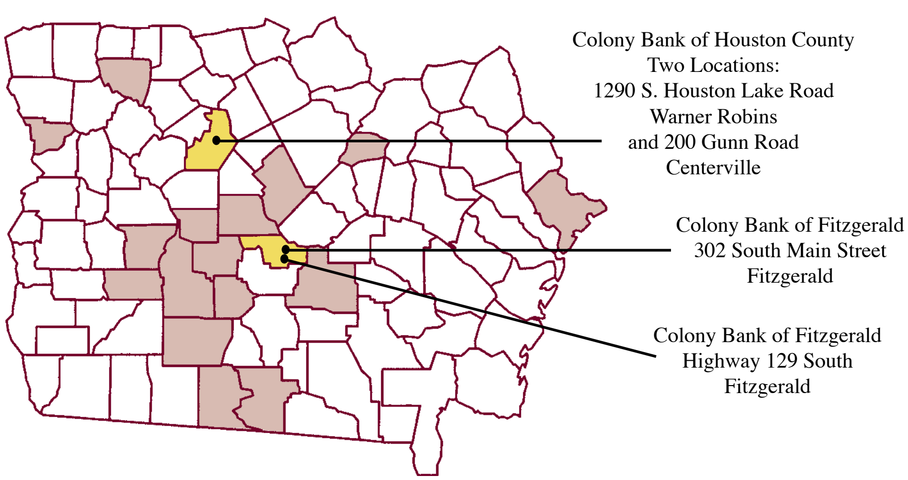
EMERITUS DIRECTORS

Harold E. Kimball
Marion H. Massee, III
Ben B. Mills, Jr.

Advisory Board Warner Robins Office

Ivan Allen
JoAnn Cooper
David Davidson, III
D. Warren Faircloth
William D. Gresham
Dr. Hugh R. Hill
Michael J. Long





OFFICERS

Quitman

Melvin E. Plair, President & CEO
Peggy Forgione, Executive Vice President
Kenneth P. Elsberry, Vice President
Brenda C. Renfroe, Vice President
Eddie Smith, City President, Colony Bank Valdosta
Louie C. Flythe, Jr., Vice President, Colony Bank Valdosta
Lee Carmichael, Assistant Vice President, Quitman

Valdosta

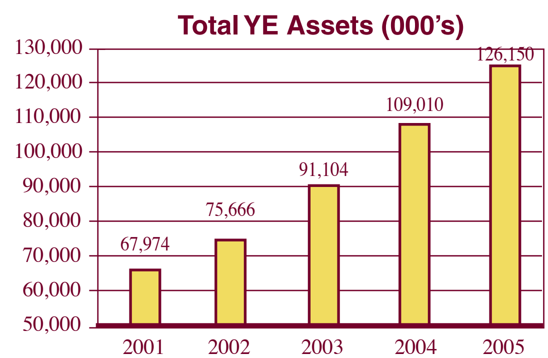
Eddie Smith, City President, Colony Bank Valdosta
Louie C. Flythe, Jr., Vice President, Colony Bank Valdosta

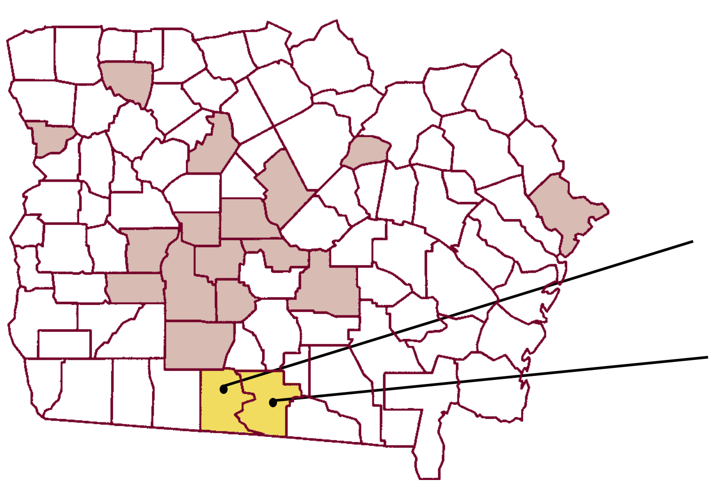
DIRECTORS

Claude R. Butler, Chairman
Robert L. Cunningham, III, Vice Chairman
Terry L. Hester
Walter B. Holwell
Daniel M. Mitchell, Jr.
Melvin E. Plair
Joseph L. Johnson, Sr.
Al D. Ross
John W. Romine

Advisory Board
Colony Bank Valdosta

H. Michael Davis
Joseph L. Johnson, Sr.
Melvin E. Plair
G. Edward Smith, III





Colony Bank Quitman, FSB
602 East Screven Street
Quitman

Colony Bank Valdosta
Two Locations:
2910 North Ashley Street
Valdosta
and Camelot Crossing
Old US Hwy. 41 N
Valdosta

OFFICERS

Mike Miller, President & CEO

Douglas

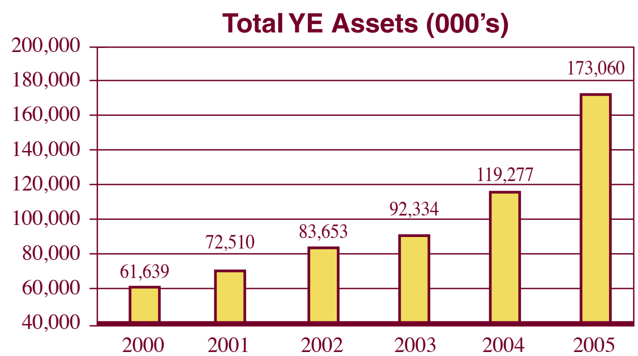
Lee Bagwell, Executive Vice President
Charlene Hall, Vice President
Alicia Rucker, Vice President
Shelia Butler, Assistant Vice President
Linda Moseley, Assistant Vice President
Lea Phillips, Mortgage Banking Officer
Melissa Barnes, Banking Officer
Rob Hughes, Banking Officer
Sherry Paulk, Banking Officer

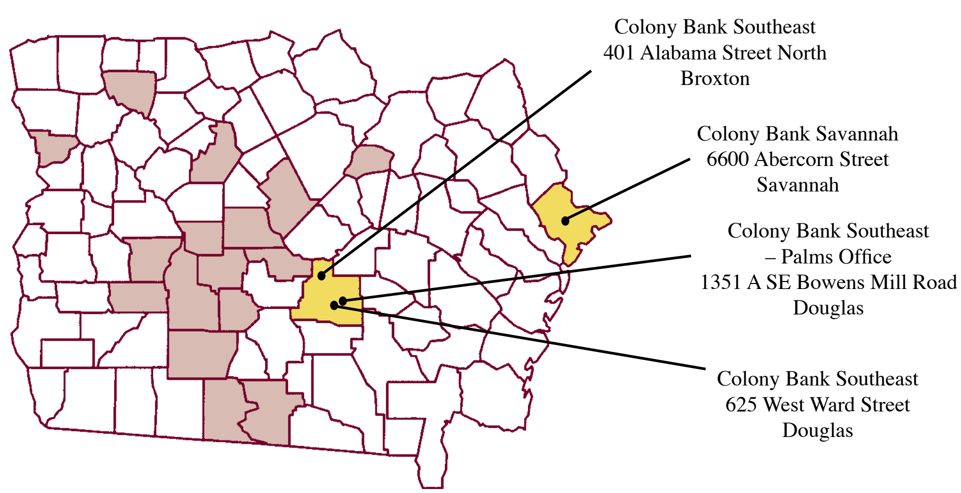
Savannah

Jamie A. Chisolm, Senior Vice President
Thomas R. Lightfoot, Senior Vice President
David E. Sauers, Jr., Vice President
Matty Bennett Hartley, Vice President
Barbara Young, Banking Officer

DIRECTORS

B. Gene Waldron, Chairman
Roy Lindsey
Mike Miller
Alvin L. Ricketson, Jr.
Charles W. Ricketson, Sr.
Al D. Ross
Jon Worrell



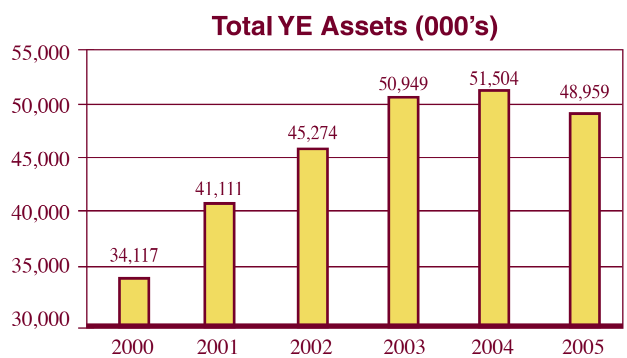


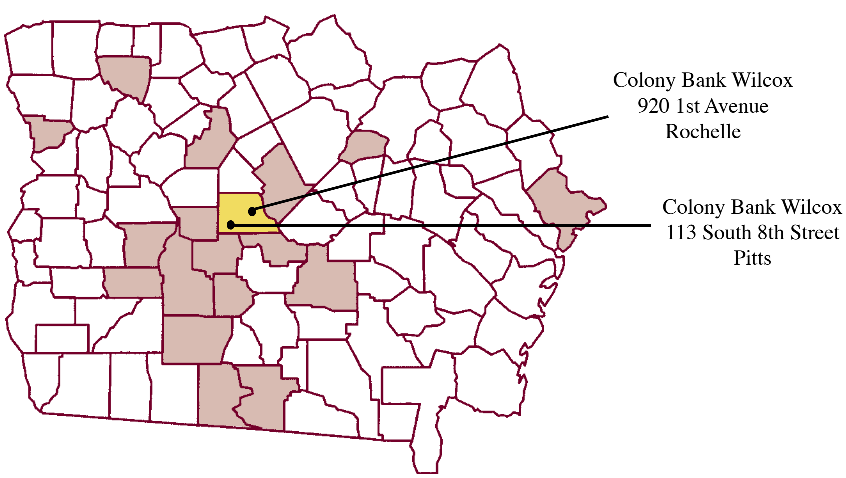
OFFICERS

Ricky Freeman, President & CEO
Terry L. Hester, Secretary / CFO
Mike Rice, Vice President
Nic Worthy, Assistant Vice President
Rhonda Henderson, Banking Officer
Katherine Holliday, Loan Officer

DIRECTORS

Bobby Gibbs, Jr., Chairman
Ronnie Conner
Ricky Freeman
Terry L. Hester





OFFICERS

Sylvester

Walter P. Patten, President & CEO
Dan Alexander, City President
Johnny E. Sumner, Senior Vice President
Kathy A. Mims, Vice President
Nancy Dawson, Banking Officer
Marilyn Whidden, Loan Operations Officer

Moultrie

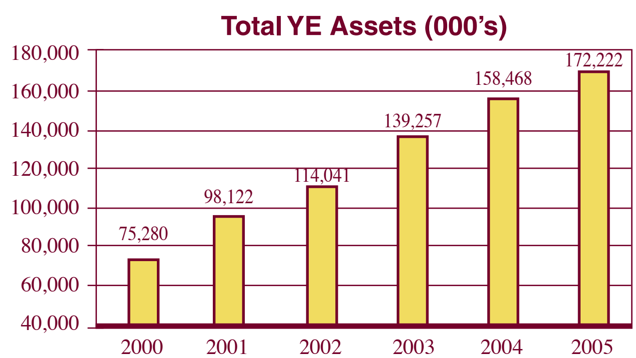
John Gandy, City President
Richard Edwards, Vice President

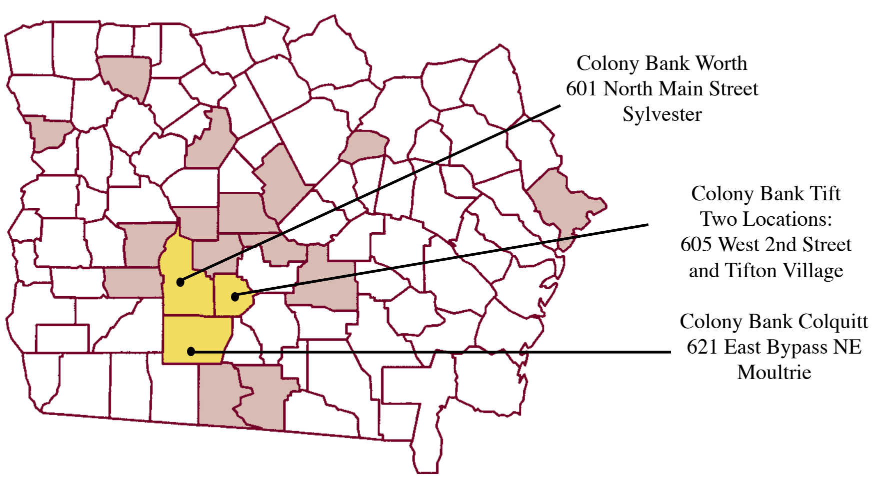
Tifton

Clint Hurst, City President
L.A. Womack, III, Branch Manager
Jason Rooks, Banking Officer

DIRECTORS

Thomas E. Bozeman
Oren H. Harden, Jr.
Davis W. King
S. Cecil Musgrove
Walter P. Patten
Mike D. Roberts, Sr.
Al D. Ross
Tommy R. Snipes





COLONY MANAGEMENT SERVICES

OFFICERS

W. David Griffin, President & CEO
Al D. Ross, Secretary
Larry Herndon, Sr. Vice President / Risk Management
Greg Walls, Vice President / Chief Information Officer
Hank Brown, Vice President
Susan Bryant, Information Technology Operations Officer
Patricia Dickson, Corporate BSA, CRA, Privacy & GLBA, Consumer Compliance Officer
Martha Mulkey, Senior Audit Officer
Greg Judy, Chief Technology Officer
Cheryl Kendrick, Operations Officer
Regina Judy, Operations Officer
Faith Bell, Information Security Officer

DIRECTORS

L. Morris Downing
W. David Griffin
Harold E. Kimball
Marion H. Massee, III
Al D. Ross

GeorgiaFirst MORTGAGE COMPANY

OFFICERS

Al D. Ross
President

Gail Lawrence
Secretary / Treasurer

DIRECTORS

Al D. Ross, Chairman
President & CEO
Colony Bankcorp, Inc.

Larry Stevenson
President & CEO
Colony Bank of Fitzgerald

Terry Hester
EVP & CFO
Colony Bankcorp, Inc.

Will Sims
President & CEO
Colony Bank Ashburn

Walter P. Patten
President & CEO
Colony Bank Worth

Melvin E. Plair
President & CEO
Colony Bank Quitman, FSB

Market Makers For Colony Bankcorp, Inc. Common Stock

Sterne, Agee & Leach, Inc.
Sam Haskell
Vice President
Birmingham, Alabama (866) 378-3763

Morgan Keegan & Co.
Leonard Seawell
Senior Vice President
Atlanta, Georgia (888) 774-5422

Salomon Smith Barney, Inc.
Richard B. Hicks, III
First Vice President / Investments
Macon, Georgia (800) 926-2136

Fig Partners, LLC
Eric Lawless
Vice President
Atlanta, Georgia (866) 344-2657

Colony Bankcorp, Inc. Common Stock is quoted on the NASDAQ National Market under the symbol "CBAN".

Colony Bankcorp, Inc. Shareholder Information

Corporate Headquarters:
Colony Bankcorp, Inc.
Post Office Box 989
115 South Grant Street
Fitzgerald, Georgia 31750
Telephone (229) 426-6000

Annual Meeting:
Tuesday, April 25, 2006, 6:00 P.M.
Colony Bankcorp, Inc.
Corporate Offices
115 South Grant Street
Fitzgerald, Georgia 31750

Independent Auditors:
McNair, McLemore,
Middlebrooks & Co., LLP
Post Office Box One
Macon, Georgia 31202

Shareholder Services:
Shareholders who want to change the name, address, or ownership of stock; to report lost, stolen or destroyed certificates; or to consolidate accounts should contact:

SunTrust Bank, Atlanta
P.O. Drawer 4625
Atlanta, Georgia 30302-4625
Telephone (800) 568-3476

COLONY[SM]
BANKCORP, INC

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Phone 229-426-6000 • Fax 229-426-6039
www.colonybank.com