

COLONY BANKCORP INC
Form 10-Q
November 05, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

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

FOR QUARTER ENDED SEPTEMBER 30, 2012

COMMISSION FILE NUMBER 0-12436

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

GEORGIA
(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

58-1492391
(I.R.S. EMPLOYER
IDENTIFICATION NUMBER)

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

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

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

YES NO

INDICATE BY CHECK MARK WHETHER THE REGISTRANT HAS SUBMITTED ELECTRONICALLY AND POSTED ON ITS CORPORATE WEB SITE, IF ANY, EVERY INTERACTIVE DATA FILE REQUIRED TO BE SUBMITTED AND POSTED PURSUANT TO RULE 405 OF REGULATION S-T (§232.405 OF THIS CHAPTER) DURING THE PRECEDING 12 MONTHS (OR FOR SUCH SHORTER PERIOD THAT THE REGISTRANT WAS REQUIRED TO SUBMIT AND POST SUCH FILES).

YES NO

INDICATE BY CHECK MARK WHETHER THE REGISTRANT IS A LARGE ACCELERATED FILER, AN ACCELERATED FILER, A NON-ACCELERATED FILER OR A SMALLER REPORTING COMPANY. SEE DEFINITIONS OF "ACCELERATED FILER", "LARGE ACCELERATED FILER" AND "SMALLER REPORTING COMPANY" IN RULE 12b-2 OF THE EXCHANGE ACT.

LARGE ACCELERATED FILER
NON-ACCELERATED FILER

ACCELERATED FILER
SMALLER REPORTING
COMPANY

(DO NOT CHECK IF A SMALLER REPORTING COMPANY)

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

YES NO

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

CLASS	OUTSTANDING AT NOVEMBER 5, 2012
COMMON STOCK, \$1 PAR VALUE	8,439,258

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Forward Looking Statement Disclosure

Certain statements contained in this Quarterly Report that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Act), 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:

- Loss 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 subsidiary must comply.
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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.
- Restrictions or conditions imposed by our regulators on our operations, including the terms of our Memorandum of Understanding.

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

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

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PART 1. FINANCIAL INFORMATION

ITEM 1

FINANCIAL STATEMENTS

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

- A. CONSOLIDATED BALANCE SHEETS – SEPTEMBER 30, 2012 (UNAUDITED) AND DECEMBER 31, 2011.
- B. CONSOLIDATED STATEMENTS OF INCOME – FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (UNAUDITED).
- C. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (UNAUDITED).
- D. CONSOLIDATED STATEMENTS OF CASH FLOWS – FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011 (UNAUDITED).

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

THE RESULTS OF OPERATIONS FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2012 ARE NOT NECESSARILY INDICATIVE OF THE RESULTS TO BE EXPECTED FOR THE FULL YEAR.

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COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2012 AND DECEMBER 31, 2011
(DOLLARS IN THOUSANDS)

	September 30, 2012 (Unaudited)	December 31, 2011 (Audited)
ASSETS		
Cash and Cash Equivalents		
Cash and Due from Banks	\$ 22,077	\$ 28,380
Federal Funds Sold	42,946	54,992
	65,023	83,372
Interest-Bearing Deposits	9,210	28,957
Investment Securities		
Available for Sale, at Fair Value	242,097	303,891
Held to Maturity, at Cost (Fair Value of \$46 and \$46, as of September 30, 2012 and December 31, 2011, Respectively)	45	46
	242,142	303,937
Federal Home Loan Bank Stock, at Cost	3,139	5,398
Loans	726,522	716,321
Allowance for Loan Losses	(14,389)	(15,650)
Unearned Interest and Fees	(162)	(57)
	711,971	700,614
Premises and Equipment	25,212	25,750
Other Real Estate	17,091	20,445
Other Intangible Assets	232	259
Other Assets	23,417	26,644
Total Assets	\$ 1,097,437	\$ 1,195,376
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits		
Noninterest-Bearing	\$ 101,852	\$ 94,269
Interest-Bearing	839,352	905,716
	941,204	999,985
Borrowed Money		
Subordinated Debentures	24,229	24,229
Other Borrowed Money	30,000	71,000
	54,229	95,229
Other Liabilities	5,635	3,549
Commitments and Contingencies		
Stockholders' Equity		
Preferred Stock, Stated Value \$1,000 a Share; Authorized 10,000,000 Shares, Issued 28,000 Shares	27,785	27,663

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Common Stock, Par Value \$1 a Share; Authorized 20,000,000 Shares, Issued 8,439,258 and 8,439,258 Shares as of September 30, 2012 and December 31, 2011, Respectively	8,439	8,439
Paid-In Capital	29,145	29,145
Retained Earnings	30,337	29,456
Accumulated Other Comprehensive Income, Net of Tax	663	1,910
	96,369	96,613
Total Liabilities and Stockholders' Equity	\$ 1,097,437	\$ 1,195,376

The accompanying notes are an integral part of these statements.

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COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Three Months Ended		Nine Months Ended	
	9/30/2012	9/30/2011	9/30/2012	9/30/2011
Interest Income				
Loans, Including Fees	\$10,538	\$10,920	\$31,391	\$33,623
Federal Funds Sold	16	19	72	91
Deposits with Other Banks	4	11	34	37
Investment Securities				
U.S. Government Agencies	1,116	1,703	4,125	5,397
State, County and Municipal	42	44	173	102
Corporate Obligations and Asset-Backed Securities	14	23	62	68
Dividends on Other Investments	18	12	55	36
	11,748	12,732	35,912	39,354
Interest Expense				
Deposits	2,110	3,124	6,833	10,228
Federal Funds Purchased	--	--	--	338
Borrowed Money	416	865	1,882	2,646
	2,526	3,989	8,715	13,212
Net Interest Income	9,222	8,743	27,197	26,142
Provision for Loan Losses	1,742	2,250	5,627	6,000
Net Interest Income After Provision for Loan Losses	7,480	6,493	21,570	20,142
Noninterest Income				
Service Charges on Deposits	917	835	2,527	2,391
Other Service Charges, Commissions and Fees	372	296	1,119	941
Mortgage Fee Income	103	57	296	161
Securities Gains	1,187	813	2,067	1,945
Other	324	422	1,082	1,760
	2,903	2,423	7,091	7,198
Noninterest Expenses				
Salaries and Employee Benefits	3,833	3,639	11,486	10,778
Occupancy and Equipment	1,000	1,040	2,901	3,084
Other	4,414	3,411	11,248	10,385
	9,247	8,090	25,635	24,247
Income Before Income Taxes	1,136	826	3,026	3,093
Income Taxes	364	268	953	940
Net Income	772	558	2,073	2,153
Preferred Stock Dividends	361	350	1,070	1,050

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Net Income Available to Common Stockholders	\$411	\$208	\$1,003	\$1,103
Net Income Per Share of Common Stock				
Basic	\$0.05	\$0.02	\$0.12	\$0.13
Diluted	\$0.05	\$0.02	\$0.12	\$0.13
Cash Dividends Declared Per Share of Common Stock	\$0.00	\$0.00	\$0.00	\$0.00
Weighted Average Basic Shares Outstanding	8,439,258	8,442,278	8,439,258	8,441,070
Weighted Average Diluted Shares Outstanding	8,439,258	8,442,278	8,439,258	8,441,070

The accompanying notes are an integral part of these statements.

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COLONY BANKCORP INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	Three Months Ended		Nine Months Ended	
	09/30/12	09/30/11	09/30/12	09/30/11
Net Income	\$772	\$558	\$2,073	\$2,153
Other Comprehensive Income (Loss), Net of Tax				
Gains (Losses) on Securities Arising During the Year	(268)	2,663	117	5,128
Reclassification Adjustment	(783)	(537)	(1,364)	(1,284)
Change in Net Unrealized Gains (Losses) on Securities Available for Sale, Net of Reclassification Adjustment and Tax Effect	(1,051)	2,126	(1,247)	3,844
Comprehensive Income (Loss)	\$(279)	\$2,684	\$826	\$5,997

The accompanying notes are an integral part of these statements.

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COLONY BANKCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(UNAUDITED)
(DOLLARS IN THOUSANDS)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$2,073	\$2,153
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,261	1,389
Provision for Loan Losses	5,627	6,000
Securities Gains	(2,067)	(1,945)
Amortization and Accretion	3,191	2,538
Loss on Sale of Other Real Estate and Repossessions	1,313	996
Provision for Losses on Other Real Estate	1,259	481
Increase in Cash Surrender Value of Life Insurance	(122)	(120)
Other Prepaids, Deferrals and Accruals, Net	4,877	1,995
Gain on Sale of Equipment	--	2
	17,412	13,489
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investment Securities Available for Sale	(140,618)	(286,202)
Proceeds from Maturities, Calls, and Paydowns of Investment Securities:		
Available for Sale	37,685	31,268
Held for Maturity	7	6
Proceeds from Sale of Investment Securities		
Available for Sale	161,811	251,044
Decrease in Interest-Bearing Deposits in Other Banks	19,747	46,318
Net Loans to Customers	(22,853)	45,342
Purchase of Premises and Equipment	(723)	(267)
Proceeds from Sale of Other Real Estate and Repossessions	6,691	7,593
Federal Home Loan Bank Stock	2,259	490
Proceeds from Sale of Premises and Equipment	--	2
Transfer of Subsidiary	14	--
	64,020	95,594
CASH FLOWS FROM FINANCING ACTIVITIES		
Noninterest-Bearing Customer Deposits	7,583	(14,468)
Interest-Bearing Customer Deposits	(66,364)	(96,300)
Securities Sold Under Agreements to Repurchase	--	(20,000)
Dividends Paid On Preferred Stock	--	(1,050)
Principal Payments on Other Borrowed Money	(41,000)	(4,076)
	(99,781)	(135,894)
Net Decrease in Cash and Cash Equivalents	(18,349)	(26,811)
Cash and Cash Equivalents at Beginning of Period	83,372	54,149

Cash and Cash Equivalents at End of Period	\$65,023	\$27,338
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The accompanying notes are an integral part of these statements.

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

(1) Summary of Significant Accounting Policies

Presentation

Colony Bankcorp, Inc. (the Company) is a bank holding company located in Fitzgerald, Georgia. The consolidated financial statements include the accounts of Colony Bankcorp, Inc. and its wholly-owned subsidiary, Colony Bank, Fitzgerald, Georgia. All significant intercompany accounts have been eliminated in consolidation. The accounting and reporting policies of Colony Bankcorp, Inc. conform to generally accepted accounting principles and practices utilized in the commercial banking industry.

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

The consolidated financial statements in this report are unaudited, except for the December 31, 2011 consolidated balance sheet. All adjustments consisting of normal recurring accruals which are, in the opinion of management, necessary for fair presentation of the interim consolidated financial statements have been included and fairly and accurately present the financial position, results of operations and cash flows of the Company. The results of operations for the nine months ended September 30, 2012, are not necessarily indicative of the results which may be expected for the entire year.

Nature of Operations

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

Reclassifications

In certain instances, amounts reported in prior years' consolidated financial statements have been reclassified to conform to statement presentations selected for 2012. Such reclassifications had no effect on previously reported stockholders' equity or net income.

Concentrations of Credit Risk

Concentrations of credit risk can exist in relation to individual borrowers or groups of borrowers, certain types of collateral, certain types of industries, or certain geographic regions. The Company has a concentration in real estate loans as well as a geographic concentration that could pose an adverse credit risk, particularly with the current economic downturn in the real estate market. At September 30, 2012, approximately 85 percent of the Company's loan portfolio was concentrated in loans secured by real estate. A substantial portion of borrowers' ability to honor their contractual obligations is dependent upon the viability of the real estate economic sector. The continued downturn of the housing and real estate market that began in 2007 has resulted in an increase of problem loans secured by real estate. These loans are centered primarily in the Company's larger MSA markets. Declining collateral real estate values that secure land development, construction and speculative real estate loans in the Company's larger MSA markets have resulted in high loan loss provisions in recent years. In addition, a large portion of the Company's foreclosed assets are also located in these same geographic markets, making the recovery of the carrying amount of foreclosed assets susceptible to changes in market conditions. Management continues to monitor