SOUTHWEST GEORGIA FINANCIAL CORP
Form 10-K
March 31, 2010

U.S. Securities and Exchange Commission
Washington, D. C. 20549

Form 10-K

[X] Annual report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2009

[ ] Transition report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from to .

Commission file number 1-12053

Southwest Georgia Financial Corporation
(Exact Name of Corporation as specified in its charter)

Georgia	58-1392259
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
201 First Street, S. E. Moultrie, Georgia	31768
(Address of principal executive offices)	(Zip Code)

(Corporation's telephone number, including area code) (229) 985-1120

Securities registered pursuant to Section 12(b) of this Act:

Common Stock $1 Par Value	NYSE Amex
(Title of each class)	(Name of each exchange on which registered)

Securities registered pursuant to Section 12(g) of the Act: None

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part

III of this Form 10-K or any amendment to this Form 10-K. [X]

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 the definitions of "large accelerated file," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [ ]
Non-accelerated filer [ ] Smaller reporting company [X]

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

Aggregate market value of voting stock held by nonaffiliates of the registrant as of June 30, 2009: $15,530,713 based on 1,917,372 shares at the price of $8.10 per share.

As of March 23, 2010, 2,547,837 shares of the $1.00 par value Common Stock of Southwest Georgia Financial Corporation were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement for the 2010 annual meeting of shareholders, to be filed with the Commission are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS

Southwest Georgia Financial Corporation (the "Corporation") is a Georgia bank holding company organized in 1980, which, in 1981, acquired 100% of the outstanding shares of Southwest Georgia Bank (the "Bank"). The Bank commenced operations as Moultrie National Bank in 1928. Currently, it is a FDIC insured, state-chartered bank.

The Corporation's primary business is providing banking services through the Bank to individuals and businesses principally in Colquitt County, Baker County, Thomas County, Worth County, and the surrounding counties of southwest Georgia. The Bank also operates Empire Financial Services, Inc. ("Empire"), a commercial mortgage banking firm located in Baldwin County, and a loan production office located in Lowndes County. Currently, the Bank is constructing a new full-service banking center in Lowndes County that will replace the loan production office. The Corporation's executive office is located at 201 First Street, S. E., Moultrie, Georgia 31768, and its telephone number is (229) 985-1120.

All references herein to the Corporation include Southwest Georgia Financial Corporation, the Bank, and Empire, unless the context indicates a different meaning.

General

The Corporation is a registered bank holding company. All of the Corporation's activities are currently conducted by the Bank and Empire. The Bank is community-oriented and offers such customary banking services as consumer and commercial checking accounts, NOW accounts, savings accounts, certificates of deposit, lines of credit, VISA business accounts, and money transfers. The Bank finances commercial and consumer transactions, makes secured and unsecured loans, and provides a variety of other banking services. The Bank has a trust and investment division that performs corporate, pension, and personal trust services and acts as trustee, executor, and administrator for estates and as administrator or trustee of various types of employee benefit plans for corporations and other organizations. Also, the trust and investment area has a securities sales department which offers full-service brokerage through a third party service provider. The Bank operates Southwest Georgia Insurance Services Division, an insurance agency that offers property and casualty insurance, life, health, and disability insurance. Empire, a subsidiary of the Bank, is a commercial mortgage banking firm that offers commercial mortgage banking services. The Bank operates a loan production office in Valdosta, Georgia which will be replaced by a full-service banking center in the second quarter of 2010.

Markets

The Corporation conducts banking activities in multiple counties in southwest Georgia. Agriculture plays an important part in the economy of the Bank's market area. A large portion of Georgia's produce crops, which include turnips, cabbage, sweet potatoes, and squash, and producers of tobacco, peanuts, and cotton are grown in the Bank's market area. In addition, manufacturing firms, service industries, and retail stores employ a large number of residents in the Bank's market area. Apparel, lumber and wood products, and textile manufacturers are among the various types of manufacturers located in the Bank's market area. Empire provides mortgage banking services which includes underwriting, construction, and long-term financing of commercial properties principally throughout the Southeastern United States.

Deposits

The Bank offers a full range of depository accounts and services to both consumers and businesses. At December 31, 2009, the Corporation's deposit base, totaling $235,431,011, consisted of $41,021,846 in noninterest-bearing demand deposits (17.4% of total deposits), $70,769,089 in interest-bearing demand deposits including money market accounts (30.1% of total deposits), $21,364,824 in savings deposits (9.1% of total deposits), $72,085,244 in time deposits in amounts less than $100,000 (30.6% of total deposits), and $30,190,008 in time deposits of $100,000 or more (12.8% of total deposits).

Loans

The Bank makes both secured and unsecured loans to individuals, corporations, and other businesses. Both consumer and commercial lending operations include various types of credit for the Bank's customers. Secured loans include first and second real estate mortgage loans. The Bank also makes direct installment loans to consumers on both a secured and unsecured basis. At December 31, 2009, consumer installment, real estate (including construction and mortgage loans), and commercial (including financial and agricultural) loans represented approximately 6.3%, 77.6% and 16.1%, respectively, of the Bank's total loan portfolio.

Lending Policy

The current lending policy of the Bank is to offer consumer and commercial credit services to individuals and businesses that meet the Bank's credit standards. The Bank provides each lending officer with written guidelines for lending activities. Lending authority is delegated by the Board of Directors of the Bank to loan officers, each of whom is limited in the amount of secured and unsecured loans which can be made to a single borrower or related group of borrowers.

The Loan Committee of the Bank's Board of Directors is responsible for approving and monitoring the loan policy and providing guidance and counsel to all lending personnel. It also approves all extensions of credit over $200,000. The Loan Committee is composed of the Chief Executive Officer and President, and other executive officers of the Bank, as well as certain Bank Directors.

Servicing and Origination Fees on Loans

The Corporation through its subsidiary, Empire, recognizes as income in the current period all loan origination and brokerage fees collected on loans closed for investing participants. Loan servicing fees are based on a percentage of loan interest paid by the borrower and are recognized over the term of the loan as loan payments are received. Empire does not directly fund any mortgages and acts as a service-oriented broker for participating mortgage lenders. Fees charged for continuing servicing fees are comparable with market rates. In 2009, Bank revenue received from mortgage banking services was $1,327,193 compared with $2,020,988 in 2008. All of this income was from Empire except for $109,517 in 2009 and $29,432 in 2008, which was mortgage banking income from the Bank.

Loan Review and Nonperforming Assets

The Bank regularly reviews its loan portfolio to determine deficiencies and corrective action to be taken. Loan reviews are prepared by the Bank's loan review officer and presented periodically to the Board's Loan Committee and the Audit Committee. Also, the Bank's external auditors conduct independent loan review adequacy tests and include their findings annually as part of their overall report to the Audit Committee and to the Board of Directors.

Certain loans are monitored more often by the loan review officer and the Loan Committee. These loans include non-accruing loans, loans more than 90 days past due, and other loans, regardless of size, that may be considered high risk based on factors defined within the Bank's loan review policy.

Asset/Liability Management

The Asset/Liability Management Committee ("ALCO") is charged with establishing policies to manage the assets and liabilities of the Bank. Its task is to manage asset growth, net interest margin, liquidity, and capital in order to maximize income and reduce interest rate risk. To meet these objectives while maintaining prudent management of risks, the ALCO directs the Bank's overall acquisition and allocation of funds. At its monthly meetings, the ALCO reviews and discusses the monthly asset and liability funds budget and income and expense budget in relation to the actual composition and flow of funds; the ratio of the amount of rate sensitive assets to the amount of rate sensitive liabilities; the ratio of loan loss reserve to outstanding loans; and other variables, such as expected loan demand, investment opportunities, core deposit growth within specified categories, regulatory changes, monetary policy adjustments, and the overall state of the local, state, and national economy. The Bank's Loan Committee oversees the ALCO.

Investment Policy

The Bank's investment portfolio policy is to maximize income consistent with liquidity, asset quality, and regulatory constraints. The policy is reviewed periodically by the Board of Directors. Individual transactions, portfolio composition, and performance are reviewed and approved monthly by the Board of Directors.

Employees

The Bank had 110 full-time employees at December 31, 2009. The Bank is not a party to any collective bargaining agreement, and the Bank believes that its employee relations are good.

Competition

The banking business is highly competitive. The Bank and Empire compete with other depository institutions and other financial service organizations, including brokers, finance companies, savings and loan associations, credit unions and certain governmental agencies. The Bank ranks fifth out of seventeen banks in a five county region (Baker, Brooks, Colquitt, Thomas, and Worth) in deposit market share.

Monetary Policies

The results of operations of the Bank are affected by credit policies of monetary authorities, particularly the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The instruments of monetary policy employed by the Federal Reserve include open market operations in U. S. Government securities, changes in the discount rate on bank borrowings, and changes in reserve requirements against bank deposits. In view of changing conditions in the national economy and in the money markets, as well as the effect of action by monetary and fiscal authorities, including the Federal Reserve, no prediction can be made as to possible future changes in interest rates, deposit levels, loan demand, or the business and earnings of the Bank.

Payment of Dividends

The Corporation is a legal entity separate and distinct from the Bank. Most of the revenue of the Corporation results from dividends paid to it by the Bank. There are statutory and regulatory requirements applicable to the payment of dividends by the Bank, as well as by the Corporation to its shareholders.

Under the regulations of the Georgia Department of Banking and Finance ("DBF"), dividends may not be declared out of the retained earnings of a state bank without first obtaining the written permission of the DBF, unless such bank meets all the following requirements:

(a) total classified assets as of the most recent examination of the bank do not exceed 80% of equity capital (as defined by regulation);

(b) the aggregate amount of dividends declared or anticipated to be declared in the calendar year does not exceed 50% of the net profits after taxes but before dividends for the previous calendar year; and

(c) the ratio of equity capital to adjusted assets is not less than 6%.

The payment of dividends by the Corporation and the Bank may also be affected or limited by other factors, such as the requirement to maintain adequate capital above regulatory guidelines. In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending upon the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The Federal Deposit Insurance Corporation (the "FDIC") has issued a policy statement providing that insured banks should generally only pay dividends out of current operating earnings. In addition to the formal statutes and regulations, regulatory authorities consider the adequacy of each of the Bank's total capital in relation to its assets, deposits and other such items. Capital adequacy considerations could further limit the availability of dividends to the Bank. At December 31, 2009, net assets available from the Bank to pay dividends without prior approval from regulatory authorities totaled $945,494 thousand. For 2009, the Corporation's cash dividend payout to stockholders was $178,349 thousand which was declared in 2008.

Supervision and Regulation

General.

The following is a brief summary of the supervision and regulation of the Corporation and the Bank as financial institutions and is not intended to be a complete discussion of all NYSE Amex (the "Amex"), state or federal rules, statutes and regulations affecting their operations, or that apply generally to business corporations or Amex listed companies. Changes in the rules, statutes and regulations applicable to the Corporation and the Bank can affect the operating environment in substantial and unpredictable ways.

The Corporation is a registered bank holding company subject to regulation by the Board of Governors of Federal Reserve under the Bank Holding Corporation Act of 1956, as amended (the "Act"). The Corporation is required to file annual and quarterly financial information with the Federal Reserve and is subject to periodic examination by the Federal Reserve.

The Act requires every bank holding company to obtain the Federal Reserve's prior approval before (1) it may acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank that it does not already control; (2) it or any of its non-bank subsidiaries may acquire all or substantially all of the assets of a bank; and (3) it may merge or consolidate with any other bank holding company. In addition, a bank holding company is generally prohibited from engaging in, or acquiring, direct or indirect control of the voting shares of any company engaged in non-banking activities. This prohibition does not apply to activities listed in the Act or found by the Federal Reserve, by order or regulation, to be closely related to banking or managing or controlling banks as to be a proper incident thereto. Some of the activities that the Federal Reserve has determined by regulation or order to be closely related to banking are:

* making or servicing loans and certain types of leases;
* performing certain data processing services;
* acting as fiduciary or investment or financial advisor;
* providing brokerage services;
* underwriting bank eligible securities;
* underwriting debt and equity securities on a limited basis through separately capitalized subsidiaries; and
* making investments in corporations or projects designed primarily to promote community welfare.

Although the activities of bank holding companies have traditionally been limited to the business of banking and activities closely related or incidental to banking (as discussed above), the Gramm-Leach-Bliley Act (the "GLB Act") relaxed the previous limitations and permitted bank holding companies to engage in a broader range of financial activities. Specifically, bank holding companies may elect to become financial holding companies which may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature. Among the activities that are deemed "financial in nature" include:

* lending, exchanging, transferring, investing for others or safeguarding money or securities;
* insuring, guaranteeing, or indemnifying against loss, harm, damage, illness, disability, or death, or providing and issuing annuities, and acting as principal, agent, or broker with respect thereto;
* providing financial, investment, or economic advisory services, including advising an investment company;
* issuing or selling instruments representing interests in pools of assets permissible for a bank to hold directly; and
* underwriting, dealing in or making a market in securities.

A bank holding company may become a financial holding company under this statute only if each of its subsidiary banks is well capitalized, is well managed and has at least a satisfactory rating under the Community Reinvestment Act. A bank holding company that falls out of compliance with such requirement may be required to cease engaging in certain activities. Any bank holding company that does not elect to become a financial holding company remains subject to the bank holding company restrictions of the Act.

Under this legislation, the Federal Reserve Board serves as the primary "umbrella" regulator of financial holding companies with supervisory authority over each parent company and limited authority over its subsidiaries. The primary regulator of each subsidiary of a financial holding company will depend on the type of activity conducted by the subsidiary. For example, broker-dealer subsidiaries will be regulated largely by securities regulators and insurance subsidiaries will be regulated largely by insurance authorities.

The Corporation has no current plans to register as a financial holding company.

The Corporation must also register with the DBF and file periodic information with the DBF. As part of such registration, the DBF requires information with respect to the financial condition, operations, management and intercompany relationships of the Corporation and the Bank and related matters. The DBF may also require such other information as is necessary to keep itself informed as to whether the provisions of Georgia law and the regulations and orders issued thereunder by the DBF have been complied with, and the DBF may examine the Corporation and the Bank.

The Corporation is an "affiliate" of the Bank under the Federal Reserve Act, which imposes certain restrictions on (1) loans by the Bank to the Corporation, (2) investments in the stock or securities of the Corporation by the Bank, (3) the Bank's taking the stock or securities of an "affiliate" as collateral for loans by the Bank to a borrower, and (4) the purchase of assets from the Corporation by the Bank. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

The Bank is regularly examined by the FDIC. As a state banking association organized under Georgia law the Bank is subject to the supervision and the regular examination of the DBF. Both the FDIC and DBF must grant prior approval of any merger, consolidation or other corporation reorganization involving the Bank.

Capital Adequacy.

The Federal Reserve and the FDIC have implemented substantially identical risk-based rules for assessing bank and bank holding company capital adequacy. These regulations establish minimum capital standards in relation to assets and off-balance sheet exposures as adjusted for credit risk. Banks and bank holding companies are required to have (1) a minimum level of Total Capital to risk-weighted assets of 8%; and (2) a minimum Tier I Capital to risk-weighted assets of 4%. In addition, the Federal Reserve and the FDIC have established a minimum 3% leverage ratio of Tier I Capital to quarterly average total assets for the most highly-rated banks and bank holding companies. "Tier I Capital" generally consists of common equity excluding unrecognized gains and losses on available for sale securities, plus minority interests in equity accounts of consolidated subsidiaries and certain perpetual preferred stock less certain intangibles.

The Federal Reserve and the FDIC will require a bank holding company and a bank, respectively, to maintain a leverage ratio greater than 4% if either is experiencing or anticipating significant growth or is operating with less than well-diversified risks in the opinion of the Federal Reserve. The Federal Reserve and the FDIC use the leverage ratio in tandem with the risk-based ratio to assess the capital adequacy of banks and bank holding companies. The FDIC, the Office of the Comptroller of the Currency (the "OCC") and the Federal Reserve consider interest rate risk in the overall determination of a bank's capital ratio, requiring banks with greater interest rate risk to maintain adequate capital for the risk.

The "prompt corrective action" provisions of the Federal Deposit Insurance Act set forth five regulatory zones in which all banks are placed largely based on their capital positions. Regulators are permitted to take increasingly harsh action as a bank's financial condition declines. Regulators are also empowered to place in receivership or require the sale of a bank to another depository institution when a bank's capital leverage ratio reaches 2%. Better capitalized institutions are generally subject to less onerous regulation and supervision than banks with lesser amounts of capital.

The FDIC has adopted regulations implementing the prompt corrective action provisions of the 1991 Act, which place financial institutions in the following five categories based upon capitalization ratios: (1) a "well capitalized" institution has a Total risk-based capital ratio of at least 10%, a Tier I risk-based ratio of at least 6% and a leverage ratio of at least 5%; (2) an "adequately capitalized" institution has a Total risk-based capital ratio of at least 8%, a Tier I risk-based ratio of at least 4% and a leverage ratio of at least 4%; (3) an "undercapitalized" institution has a Total risk-based capital ratio of under 8%, a Tier I risk-based ratio of under 4% or a leverage ratio of under 4%; (4) a "significantly undercapitalized" institution has a Total risk-based capital ratio of under 6%, a Tier I risk-based ratio of under 3% or a leverage ratio of under 3%; and (5) a "critically undercapitalized" institution has a leverage ratio of 2% or less. Institutions in any of the three undercapitalized categories would be prohibited from declaring dividends or making capital distributions. The FDIC regulations also establish procedures for "downgrading" an institution to a lower capital category based on supervisory factors other than capital.

To continue to conduct its business as currently conducted, the Corporation and the Bank will need to maintain capital well above the minimum levels. As of December 31, 2009 and 2008, the most recent notifications from the FDIC categorized the Bank as "well capitalized" under current regulations.

Commercial Real Estate.

In December, 2007 the federal banking agencies, including the FDIC, issued a final guidance on concentrations in commercial real estate lending, noting that recent increases in banks' commercial real estate concentrations could create safety and soundness concerns in the event of a significant economic downturn. The guidance mandates certain minimal risk management practices and categorizes banks with defined levels of such concentrations as banks requiring elevated examiner scrutiny. The Bank has a concentration in commercial real estate loans in excess of those defined levels. Management believes that the Corporation's credit processes and procedures meet the risk management standards dictated by this guidance, but it is not yet possible to determine the impact this guidance may have on examiner attitudes with respect to the Bank's real estate concentrations, which attitudes could effectively limit increases in the Bank's loan portfolios and require additional credit administration and management costs associated with those portfolios.

Loans.

Inter-agency guidelines adopted by federal bank regulators mandate that financial institutions establish real estate lending policies with maximum allowable real estate loan-to-value limits, subject to an allowable amount of non-conforming loans as a percentage of capital. The Bank adopted the federal guidelines in 2001.

Transactions with Affiliates.

Under federal law, all transactions between and among a state nonmember bank and its affiliates, which include holding companies, are subject to Sections 23A and 23B of the Federal Reserve Act and Regulation W promulgated thereunder. Generally, these requirements limit these transactions to a percentage of the bank's capital and require all of them to be on terms at least as favorable to the bank as transactions with non-affiliates. In addition, a bank may not lend to any affiliate engaged in non-banking activities not permissible for a bank holding company or acquire shares of any affiliate that is not a subsidiary. The FDIC is authorized to impose additional restrictions on transactions with affiliates if necessary to protect the safety and soundness of a bank. The regulations also set forth various reporting requirements relating to transactions with affiliates.

Financial Privacy.

In accordance with the GLB Act, federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to nonaffiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a nonaffiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering Initiatives and the USA Patriot Act.

A major focus of governmental policy on financial institutions in recent years has been aimed at combating terrorist financing. This has generally been accomplished by amending existing anti-money laundering laws and regulations. The USA Patriot Act of 2001 (the "USA Patriot Act") has imposed significant new compliance and due diligence obligations, creating new crimes and penalties. The United States Treasury Department ("Treasury") has issued a number of implementing regulations which apply to various requirements of the USA Patriot Act to the Corporation and the Bank. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Failure of a financial institution to maintain and implement adequate programs to combat terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Temporary Liquidity Guarantee Program.

On November 21, 2008, the Board of Directors of the FDIC adopted a final rule relating to the Temporary Liquidity Guarantee Program ("TLG Program"). The TLG Program was announced by the FDIC on October 14, 2008, preceded by the determination of systemic risk by Treasury, as an initiative to counter the system-wide crisis in the nation's financial sector. Under the TLG Program the FDIC will (i) guarantee, through the earlier of maturity or June 30, 2012, certain newly issued senior unsecured debt issued by participating institutions and (ii) provide unlimited FDIC deposit insurance coverage for noninterest-bearing transaction deposit accounts, Negotiable Order of Withdrawal accounts paying less than 0.5% interest per annum and Interest on Lawyers Trust Accounts held at participating FDIC-insured institutions through June 30, 2010. After which time the coverage will return to $250,000 limit until December 30, 2013. Coverage under the TLG Program was available for the first 30 days without charge. The fee assessment for coverage of senior unsecured debt ranges from 50 basis points to 100 basis points per annum, depending on the initial maturity of the debt. The fee assessment for deposit insurance coverage is 10 basis points per quarter on amounts in covered accounts exceeding $250,000. The Corporation elected to participate in only the full FDIC deposit insurance coverage for noninterest-bearing transaction deposit accounts and others.

Future Legislation.

Various legislation affecting financial institutions and the financial industry is from time to time introduced. Such legislation may change banking statutes and the operating environment of the Corporation and its subsidiaries in substantial and unpredictable ways, and could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance depending upon whether any of this potential legislation will be enacted, and if enacted, the effect that it or any implementing regulations, would have on the financial condition or results of operations of the Corporation or any of its subsidiaries. With the recent enactments of the Emergency Economic Stabilization Act of 2008 and the American Recovery and Reinvestment Act of 2009, the nature and extent of future legislative and regulatory changes affecting financial institutions is very unpredictable at this time.

Available Information

The Corporation is subject to the information requirements of the Securities Exchange Act of 1934, which means that it is required to file certain reports, proxy statements, and other information, all of which are available at the Public Reference Section of the Securities and Exchange Commission at Room 1580, 100 F. Street, N.E., Washington, D.C. 20549. Copies of the reports, proxy statements, and other information may be obtained from the Public Reference Section of the SEC, at prescribed rates, by calling 1-800-SEC-0330. The SEC maintains an Internet website at www.sec.gov where you can access reports, proxy, information and registration statements, and other information regarding corporations that file electronically with the SEC through the EDGAR system.

The Corporation's Internet website address is www.sgfc.com.

Executive Officers of the Corporation

Executive officers are elected by the Board of Directors annually in May and hold office until the following May at the pleasure of the Board of Directors. The principal executive officers of the Corporation and their ages, positions, and terms of office as of March 31, 2010, are as follows:

Name (Age)	Principal Position	Officer Since
DeWitt Drew (53)	Chief Executive Officer and President of the Corporation and Bank	1999
John J. Cole, Jr. (60)	Executive Vice President of the Corporation and Executive Vice President and Cashier of the Bank	1984
C. Wallace Sansbury (67)	Executive Vice President of the Corporation and Bank	1996
George R. Kirkland (59)	Senior Vice President and Treasurer of the Corporation and Senior Vice President and Comptroller of the Bank	1991
R. L. (Andy) Webb, Jr. (61)	Senior Vice President of the Bank	1994
Geraldine Ferrone Luff (63)	Senior Vice President of the Bank	1995
J. Larry Blanton (63)	Senior Vice President of the Bank	2000
Vayden (Sonny) Murphy, Jr. (57)	Senior Vice President of the Bank	2000

Morris I. Bryant (68)	Senior Vice President of the Bank	2004
Alphonso A. Howell, III (55)	Senior Vice President of the Bank	2008
Danny E. Singley (55)	Senior Vice President of the Bank	2002
Charles R. Lemons (58)	President and CEO of Empire	2007

The following is a brief description of the business experience of the principal executive officers of the Corporation, Bank, and Empire. Except as otherwise indicated, each principal executive officer has been engaged in their present or last employment, in the same or similar position, for more than five years.

Mr. Drew is a director of Southwest Georgia Financial Corporation and Southwest Georgia Bank and was named President and Chief Executive Officer in May 2002. Previously he served as President and Chief Operating Officer beginning in 2001 and Executive Vice President in 1999 of Southwest Georgia Financial Corporation and Southwest Georgia Bank.

Mr. Cole is a director of Southwest Georgia Financial Corporation and Southwest Georgia Bank and became Executive Vice President and Cashier of the Bank and Executive Vice President of the Corporation in 2002. Previously, he had been Senior Vice President and Cashier of the Bank and Senior Vice President of the Corporation as well as serving other positions since 1984.

Mr. Sansbury became Executive Vice President of the Bank and Corporation in December 2006. Previously, he had served as Senior Vice President of the Bank and Corporation since 1996.

Mr. Kirkland became Senior Vice President and Treasurer of the Corporation and Senior Vice President and Comptroller of the Bank in 1993.

Mr. Webb became Senior Vice President of the Bank in 1997. Previously, he had been Vice President of the Bank since 1994 and, prior to that, Assistant Vice President of the Bank since 1984.

Mrs. Luff became Senior Vice President in 2000 and Vice President of the Bank in 1995. Previously, she had been Assistant Vice President of the Bank since 1988.

Mr. Blanton became Senior Vice President of the Bank in 2001. Previously, he had served as Vice President of the Bank since 2000 and in various other positions with the Bank since 1999.

Mr. Murphy became Senior Vice President of the Bank in 2007 and Vice President of the Bank in 2006. Previously, he had been Assistant Vice President of the Bank since 2000.

Mr. Bryant became Senior Vice President of the Bank in 2004. Previously, he was employed by Sylvester Banking Company in Sylvester, Georgia, as Vice President and Cashier since 1969.

Mr. Howell became Senior Vice President of the Bank in 2008. Previously, he was employed by Ameris Bank in Valdosta, Georgia for three years and Branch

Banking & Trust Co. for three years.

Mr. Singley became Senior Vice President of the Bank in 2008. Previously, he had been Vice President of the Bank since 2002.

Mr. Lemons became President and CEO of Empire in 2008 and served as Executive Vice President of Empire since 2007. Previously, he was employed by Branch Banking & Trust Co. from 1992 to 2006.

Table 1 - Distribution of Assets, Liabilities, and Shareholders' Equity; Interest Rates and Interest Differentials

The following tables set forth, for the fiscal years ended December 31, 2009, 2008, and 2007, the daily average balances outstanding for the major categories of earning assets and interest-bearing liabilities and the average interest rate earned or paid thereon. Except for percentages, all data is in thousands of dollars.

	Year Ended December 31, 2009		
	Average Balance	Interest	Rate
	(Dollars in thousands)		
ASSETS			
Cash and due from banks	$ 7,638	$ -	- %
Earning assets:			
Interest-bearing deposits with banks	13,045	33	0.25%
Loans, net (a) (b) (c)	150,683	9,619	6.38%
Taxable investment securities held to maturity	69,701	3,299	4.73%
Nontaxable investment securities held to maturity (c)	6,817	391	5.74%
Nontaxable investment securities available for sale (c)	9,578	725	7.57%
Other investment securities	1,538	5	0.33%
Federal funds sold	65	0	0.00%
Total earning assets	251,427	14,072	5.60%
Premises and equipment	7,089		
Other assets	12,008		
Total assets	$278,162		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest bearing demand deposits	$ 38,895	$ -	- %
Interest-bearing liabilities:			
NOW accounts	19,700	35	0.18%
Money market deposit accounts	46,773	157	0.34%
Savings deposits	21,552	109	0.51%
Time deposits	99,665	2,584	2.59%
Federal funds purchased	146	1	0.69%
Other borrowings	23,104	786	3.41%
Total interest-bearing liabilities	210,940	3,672	1.74%
Other liabilities	4,097		
Total liabilities	253,932		

Common stock	4,294		
Surplus	31,702		
Retained earnings	14,348		
Less treasury stock	(26,114)		
Total shareholders' equity	24,230		
Total liabilities and shareholders' equity	$278,162		
Net interest income and margin		$ 10,400	4.14%

(a) Average loans are shown net of unearned income and the allowance for loan losses. Nonperforming loans are included.
(b) Interest income includes loan fees of $504 thousand.
(c) Reflects taxable equivalent adjustments using a tax rate of 34 %.

	Year Ended December 31, 2008		
	Average Balance	Interest	Rate
	(Dollars in thousands)		
ASSETS			
Cash and due from banks	$ 7,936	$ –	– %
Earning assets:			
Interest-bearing deposits with banks	11,281	290	2.57%
Loans, net (a) (b) (c)	132,209	9,605	7.27%
Taxable investment securities held to maturity	83,815	4,121	4.92%
Nontaxable investment securities held to maturity (c)	5,689	333	5.85%
Nontaxable investment securities available for sale (c)	14,234	1,146	8.05%
Other investment securities	1,643	64	3.90%
Federal funds sold	3,330	90	2.70%
Total earning assets	252,201	15,649	6.20%
Premises and equipment	6,097		
Other assets	9,193		
Total assets	$275,427		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest bearing demand deposits	$ 36,613	$ –	– %
Interest-bearing liabilities:			
NOW accounts	20,567	61	0.30%
Money market deposit accounts	45,749	365	0.80%
Savings deposits	21,936	232	1.06%
Time deposits	96,454	3,768	3.91%
Federal funds purchased	1,288	23	1.79%
Other borrowings	24,917	1,022	4.10%
Total interest-bearing liabilities	210,911	5,471	2.59%
Other liabilities	2,535		
Total liabilities	250,059		
Common stock	4,294		

Surplus	31,702		
Retained earnings	15,481		
Less treasury stock	(26,109)		
Total shareholders' equity	25,368		
Total liabilities and shareholders' equity	$275,427		
Net interest income and margin		$ 10,178	4.04%

(a) Average loans are shown net of unearned income and the allowance for loan losses. Nonperforming loans are included.
(b) Interest income includes loan fees of $656 thousand.
(c) Reflects taxable equivalent adjustments using a tax rate of 34%.

	Year Ended December 31, 2007		
	Average Balance	Interest	Rate
	(Dollars in thousands)		
ASSETS			
Cash and due from banks	$ 11,468	$ -	- %
Earning assets:			
Interest-bearing deposits with banks	3,559	174	4.90%
Loans, net (a) (b) (c)	124,853	10,352	8.29%
Taxable investment securities held to maturity	111,187	4,535	4.08%
Nontaxable investment securities held to maturity (c)	5,236	307	5.86%
Nontaxable investment securities available for sale (c)	13,362	901	6.74%
Other investment securities	2,032	121	5.95%
Total earning assets	260,229	16,390	6.30%
Premises and equipment	6,462		
Other assets	9,559		
Total assets	$287,718		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest bearing demand deposits	$ 36,060	$ -	- %
Interest-bearing liabilities:			
NOW accounts	48,601	263	0.54%
Money market deposit accounts	21,257	605	2.85%
Savings deposits	22,371	399	1.78%
Time deposits	94,239	4,316	4.58%
Federal funds purchased	1,866	101	5.41%
Other borrowings	32,347	1,289	3.98%
Total interest-bearing liabilities	220,681	6,973	3.16%
Other liabilities	3,132		
Total liabilities	259,873		
Common stock	4,290		
Surplus	31,661		
Retained earnings	17,240		
Less treasury stock	(25,346)		

Total shareholders' equity	27,845		
Total liabilities and shareholders' equity	$287,718		
Net interest income and margin		$ 9,417	3.62%

(a) Average loans are shown net of unearned income and the allowance for loan losses. Nonperforming loans are included.
(b) Interest income includes loan fees of $405 thousand.
(c) Reflects taxable equivalent adjustments using a tax rate of 34%.

Table 2 - Rate/Volume Analysis

The following table sets forth, for the indicated years ended December 31, a summary of the changes in interest paid resulting from changes in volume and changes in rate. The change due to volume is calculated by multiplying the change in volume by the prior year's rate. The change due to rate is calculated by multiplying the change in rate by the prior year's volume. The change attributable to both volume and rate is calculated by multiplying the change in volume by the change in rate.

	2009	2008	Increase (Decrease)	Due To Changes In (a) Volume	Rate
	(Dollars in thousands)				
Interest earned on:					
Interest-bearing deposits with banks	$ 33	$ 290	$(257)	$ 54	$(311)
Loans, net (b)	9,619	9,605	14	106	(92)
Taxable investment securities held to maturity	3,299	4,121	(822)	(673)	(149)
Nontaxable investment securities held to maturity (b)	391	333	58	65	(7)
Nontaxable investment securities available for sale (b)	725	1,146	(421)	(356)	(65)
Other investment securities	5	64	(59)	(4)	(55)
Federal funds sold	0	90	(90)	(44)	(46)
Total interest income	14,072	15,649	(1,577)	(852)	(725)
Interest paid on:					
NOW accounts	35	61	(26)	(3)	(23)
Money market deposit accounts	157	365	(208)	8	(216)
Savings deposits	109	232	(123)	(4)	(119)
Time deposits	2,584	3,768	(1,184)	130	(1,314)
Federal funds purchased	1	23	(22)	(13)	(9)
Other borrowings	786	1,022	(236)	(70)	(166)
Total interest expense	3,672	5,471	(1,799)	48	(1,847)
Net interest earnings	$10,400	$10,178	$ 222	$(900)	$ 1,122

(a) Volume and rate components are in proportion to the relationship of the absolute dollar amounts of the change in each.
(b) Reflects taxable equivalent adjustments using a tax rate of 34 % for 2009 and 2008 in adjusting interest on nontaxable loans and securities to a fully taxable basis.

Due To

	2008	2007	Increase (Decrease)	Changes In (a) Volume	Rate
	(Dollars in thousands)				
Interest earned on:					
Interest-bearing deposits with banks	$ 290	$ 174	$ 116	$ 149	$(33)
Loans, net (b)	9,605	10,352	(747)	686	(1,433)
Taxable investment securities held to maturity	4,121	4,535	(414)	(2,527)	2,113
Nontaxable investment securities held to maturity (b)	333	307	26	27	(1)
Nontaxable investment securities available for sale (b)	1,146	901	245	62	183
Other investment securities	64	121	(57)	(20)	(37)
Federal funds sold	90	0	90	90	0
Total interest income	15,649	16,390	(741)	(1,533)	792
Interest paid on:					
NOW accounts	61	263	(202)	(113)	(89)
Money market deposit accounts	365	605	(240)	(639)	399
Savings deposits	232	399	(167)	(8)	(159)
Time deposits	3,768	4,316	(548)	104	(652)
Federal funds purchased	23	101	(78)	(24)	(54)
Other borrowings	1,022	1,289	(267)	(308)	41
Total interest expense	5,471	6,973	(1,502)	(988)	(514)
Net interest earnings	$10,178	$ 9,417	$ 761	$(545)	$ 1,306

(a) Volume and rate components are in proportion to the relationship of the absolute dollar amounts of the change in each.
(b) Reflects taxable equivalent adjustments using a tax rate of 34 % for 2008 and 2007 in adjusting interest on nontaxable loans and securities to a fully taxable basis.

Table 3 - Investment Portfolio

The carrying values of investment securities for the indicated years are presented below:

	Year Ended December 31, 2009	2008	2007
	(Dollars in thousands)		
Securities held to maturity:			
U.S. Government Agencies	$ 998	$ 5,996	$ 82,991
State and municipal	9,003	6,112	5,235
Residential mortgage-backed	14,194	0	0
Total securities held to maturity	$ 24,195	$ 12,108	$ 88,226
Securities available for sale:			
U.S. Government Agencies	$ 0	$ 15,036	$ 17,890
State and municipal	5,945	10,768	12,973
Residential mortgage-backed	50,041	50,011	295
Corporate notes	5,877	7,284	0
Equity securities	145	113	30
Total securities available for sale	$ 62,008	$ 83,212	$ 31,188

The total investment portfolio decreased to $87,853,321 from $96,938,621 at year-end 2009 compared with year-end 2008, a decrease of $9,085,300, or 9.3%.

The majority of this decrease was due to maturities and calls of approximately $25,000,000 of U.S. Government Agency and tax-free municipal securities. Also, there were $9,593,965 sales of longer-term residential mortgage-backed securities, corporate notes and preferred stock for a gain of $255,324. The residential mortgage-backed securities principal paydowns were approximately $10,000,000. The Bank reinvested $35,995,038 of these funds mainly in short-term government sponsored residential mortgage-backed securities. Other purchases were of state and municipal securities.

The following table shows the expected maturities of debt securities at December 31, 2009, and the weighted average yields (for nontaxable obligations on a fully taxable basis assuming a 34% tax rate) of such securities. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties. Mortgage backed securities amortize in accordance with the terms of the underlying mortgages, including prepayments as a result of refinancings and other early payoffs.

	MATURITY							
	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
	(Dollars in thousands)							
Debt Securities:								
U.S. Government Agencies	$ 0	- %	$ 998	4.13%	$ -	- %	$ -	- %
State and municipal	2,610	5.96%	9,070	6.06%	3,269	4.77%	-	- %
Residential mortgage backed	0	- %	73	6.40%	10,137	3.63%	54,024	4.22%
Corporate notes	-	- %	1,989	5.41%	3,888	6.84%	-	- %
Total	$2,610	5.96%	$12,130	5.80%	$17,294	4.57%	$54,024	4.22%

The calculation of weighted average yields is based on the carrying value and effective yields of each security weighted for the scheduled maturity of each security. At December 31, 2009 and 2008, securities carried at approximately $41,314,406 and $69,395,794, respectively, were pledged to secure public and trust deposits as required by law. At year-end 2009, approximately $12 million was overpledged and could be released if necessary for liquidity needs. In 2009, we no longer pledged securities to secure Federal Home Loan Bank advances. In 2008, securities carried at $28,615,000 were pledged to secure these advances.

Table 4 - Loan Portfolio

The following table sets forth the amount of loans outstanding for the indicated years according to type of loan:

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Commercial, financial and agricultural	$ 25,731	$ 26,375	$ 21,851	$ 20,938	$ 12,370
Real estate:					
Construction loans	15,597	18,357	11,564	13,238	10,669
Commercial mortgage loans	50,337	43,054	38,038	45,506	33,869

Residential loans	51,314	45,192	31,936	31,942	33,773
Agricultural loans	7,225	8,640	7,258	5,576	5,851
Consumer & Other	10,056	7,481	8,397	8,336	8,143
Total loans	160,260	149,099	119,044	125,536	104,675
Less:					
Unearned income	30	29	36	44	40
Allowance for loan losses	2,533	2,376	2,399	2,417	2,454
Net loans	$157,697	$146,694	$116,609	$123,075	$102,181

The following table shows maturities as well as interest sensitivity of the commercial, financial, agricultural, and construction loan portfolio at December 31, 2009.

	Commercial, Financial Agricultural, and Construction (Dollars in thousands)
Distribution of loans which are due:	
In one year or less	$ 12,443
After one year but within five years	24,049
After five years	4,837
Total	$ 41,329

The following table shows, for such loans due after one year, the amounts which have predetermined interest rates and the amounts which have floating or adjustable interest rates at December 31, 2009.

	Loans With Predetermined Rates	Loans With Floating Rates	Total
		(Dollars in thousands)	
Commercial, financial, agricultural and construction	$ 20,031	$ 8,855	$ 28,886

The following table presents information concerning outstanding balances of nonperforming loans and foreclosed assets for the indicated years. Nonperforming loans comprise: (a) loans accounted for on a nonaccrual basis ("nonaccrual loans"); (b) loans which are contractually past due 90 days or more as to interest or principal payments and still accruing ("past-due loans"); (c) loans for which the terms have been renegotiated to provide a reduction or deferral of interest or principal because of a deterioration in the financial position of the borrower ("renegotiated loans"); and (d) loans now current but where there are serious doubts as to the ability of the borrower to comply with present loan repayment terms ("potential problem loans").

	Nonperforming loans					
	Nonaccrual Loans	Past-Due Loans	Renegotiated Loans	Potential Problem Loans	Total	Foreclosed Assets
			(Dollars in thousands)			
December 31, 2009	$ 1,521	$ 0	$ 62	$ 0	$ 1,583	$ 3,832

December 31, 2008	$ 2,732	$ 0	$ 168	$ 0	$ 2,900	$ 211
December 31, 2007	$ 3,222	$ 0	$ 69	$ 49	$ 3,340	$ 98
December 31, 2006	$ 2,347	$ 10	$ 19	$ 70	$ 2,446	$ 0
December 31, 2005	$ 103	$ 5	$ 52	$ 172	$ 332	$ 0

At December 31, 2009, there was one large agricultural real estate loan that was placed in nonaccrual loans in September 2009. Items in foreclosed assets include one large $3,655,989 commercial property that is now under construction and costs of improvements were fully funded in the third quarter of 2009. Also, in foreclosed assets are two residential properties valued at $175,673.

Summary of Loan Loss Experience

The following table is a summary of average loans outstanding during the reported periods, changes in the allowance for loan losses arising from loans charged off and recoveries on loans previously charged off by loan category, and additions to the allowance which have been charged to operating expenses. There were no charge-offs or recoveries of real estate construction loans for the periods presented.

	Year Ended December 31,				
	2009	2008	2007	2006	2005
	(Dollars in thousands)				
Average loans outstanding	$153,149	$134,602	$127,267	$119,213	$104,552
Amount of allowance for loan losses at beginning of period	$ 2,376	$ 2,399	$ 2,417	$ 2,454	$ 2,507
Amount of loans charged off during period:					
Commercial, financial and agricultural	0	0	0	0	24
Real estate:					
Commercial	0	785	0	0	0
Residential	147	0	7	0	51
Agricultural	0	0	0	0	0
Installment	281	87	45	60	151
Total loans charged off	428	872	52	60	226
Amount of recoveries during period:					
Commercial, financial and agricultural	0	0	0	0	1
Real estate:					
Commercial	0	2	1	0	61
Residential	0	0	0	0	1
Agricultural	0	0	0	0	0
Installment	49	22	33	23	30
Total loans recovered	49	24	34	23	93
Net loans charged off during period	379	848	18	37	133
Additions to allowance for loan losses charged to operating expense during period	536	825	0	0	80
Amount of allowance for loan losses					

at end of period	$ 2,533	$ 2,376	$ 2,399	$ 2,417	$ 2,454
Ratio of net charge-offs during period to average loans outstanding for the period	.25%	.63%	.01%	.03%	.13%

The allowance is based upon management's analysis of the portfolio under current economic conditions. This analysis includes a study of loss experience, a review of delinquencies, and an estimate of the possibility of loss in view of the risk characteristics of the portfolio. Based on the above factors, management considers the current allowance to be adequate.

Allocation of Allowance for Loan Losses

Management has allocated the allowance for loan losses within the categories of loans set forth in the table below according to amounts deemed reasonably necessary to provide for possible losses. The amount of the allowance applicable to each category and the percentage of loans in each category to total loans are presented below.

	December 31, 2009		December 31, 2008		December 31, 2007	
Category	Allocation	% of Total Loans	Allocation	% of Total Loans	Allocation	% of Total Loans
	(Dollars in thousands)					
Commercial, financial and agricultural	$ 589	18.5%	$ 449	18.9%	$ 441	18.4%
Real estate:						
Construction	203	9.7%	292	12.3%	233	9.7%
Commercial	852	31.4%	687	28.9%	768	32.0%
Residential	702	32.1%	720	30.3%	643	26.8%
Agricultural	96	4.5%	138	5.8%	146	6.1%
Installment	91	3.8%	90	3.8%	168	7.0%
Total	$2,533	100.0%	$2,376	100.0%	$2,399	100.0%

	December 31, 2006		December 31, 2005	
Category	Allocation	% of Total Loans	Allocation	% of Total Loans
	(Dollars in thousands)			
Commercial, financial and agricultural	$ 403	16.7%	$ 290	11.8%
Real estate:				
Construction	254	10.5%	250	10.2%
Commercial	875	36.2%	793	32.3%
Residential	614	25.4%	793	32.3%
Agricultural	106	4.4%	137	5.6%
Installment	165	6.8%	191	7.8%
Total	$2,417	100.0%	$2,454	100.0%

The calculation is based upon total loans including unearned interest. Management believes that the portfolio is diversified and, to a large extent, secured without undue concentrations in any specific risk area. Control of loan quality is regularly monitored by management, the loan committee, and is reviewed by the Bank's Board of Directors which meets monthly. Independent external review of the loan portfolio is provided by examinations conducted by regulatory authorities. The amount of additions to the allowance for loan losses charged to operating expense for the periods indicated were based upon many factors, including actual charge offs and evaluations of current economic conditions in the market area. Management believes the allowance for loan losses is adequate to cover any potential loan losses.

Table 5 - Deposits

The average amounts of deposits for the last three years are presented below.

	Year Ended December 31, 2009	2008	2007
	(Dollars in thousands)		
Noninterest-bearing demand deposits	$ 38,895	$ 36,613	$ 36,060
NOW accounts	19,700	20,567	48,601
Money market deposit accounts	46,773	45,749	21,257
Savings	21,552	21,935	22,371
Time deposits	99,665	96,454	94,238
Total interest-bearing	187,690	184,705	186,467
Total average deposits	$ 226,585	$ 221,318	$ 222,527

The maturity of certificates of deposit of $100,000 or more as of December 31, 2009, are presented below.

	(Dollars in thousands)
3 months or less	$ 9,006
Over 3 months through 6 months	5,049
Over 6 months through 12 months	11,131
Over 12 months	5,004
Total outstanding certificates of deposit of $100,000 or more	$ 30,190

Return on Equity and Assets

Certain financial ratios are presented below.

	Year Ended December 31, 2009	2008	2007
Return on average assets	0.65%	(.46)%	.60%
Return on average equity	7.48%	(5.04)%	6.17%
Dividend payout ratio (dividends paid divided by net income)	9.84%	NA*	83.96%
Average equity to average assets ratio	8.71%	9.21%	9.68%

* Dividend payout ratio can not be calculated due to net loss.

Forward-Looking Statements

In addition to historical information, this 2009 Annual Report contains forward-looking statements within the meaning of the federal securities laws. The Corporation cautions that there are various factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the Corporation's forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized.

These factors include risks related to:

* the conditions in the financial markets and economic conditions generally;
* the Corporation's ability to raise capital;
* the Corporation's liquidity;
* the Corporation's construction and land development loans;
* asset quality;
* the adequacy of the allowance for loan losses;
* technology difficulties or failures;
* the Corporation's ability to execute its business strategy;
* the loss of key personnel;
* competition;
* changes in regulation and monetary policy;
* losses due to fraudulent and negligent conduct of customers, service providers or employees;
* acquisitions or dispositions of assets or internal restructuring that may be pursued by the Corporation;
* changes in or application of environmental and other laws and regulations to which the Corporation is subject;
* political, legal and local economic conditions and developments;
* financial market conditions and the results of financing efforts;
* changes in commodity prices and interest rates; and
* weather, natural disasters and other catastrophic events; and other factors discussed in the Corporation's other filings with the Securities and Exchange Commission.

Readers are cautioned not to place undue reliance on any forward-looking statements made by or on behalf of the Corporation. Any such statement speaks only as of the date the statement was made. The Corporation undertakes no obligation to update or revise any forward-looking statements. Additional information with respect to factors that may cause results to differ materially from those contemplated by such forward-looking statements is included in the Corporation's current and subsequent filings with the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

An investment in the Corporation's common stock and the Corporation's financial results are subject to a number of risks. Investors should carefully consider the risks described below and all other information contained in this Annual Report on Form 10-K and the documents incorporated by reference. Additional risks and uncertainties, including those generally affecting the industry in which the Corporation operates and risks that management currently deems immaterial may arise or become material in the future and affect the Corporation's business.

As a bank holding company, adverse conditions in the general business or economic environment could have a material adverse effect on the Corporation's financial condition and results of operation.

Continued weakness or adverse changes in business and economic conditions generally or specifically in the markets in which the Corporation operates could adversely impact our business, including causing one or more of the following negative developments:

* a decrease in the demand for loans and other products and services offered by the Corporation;
* a decrease in the value of the Corporation's loans secured by consumer or commercial real estate;
* an impairment of the Corporation's assets, such as its intangible assets, goodwill, or deferred tax assets; or
* an increase in the number of customers or other counterparties who default on their loans or other obligations to the Corporation, which could result in a higher level of nonperforming assets, net charge-offs and provision for loan losses.

For example, if the Corporation is unable to continue to generate, or demonstrate that it can continue to generate, sufficient taxable income in the near future, then it may not be able to fully realize the benefits of its deferred tax assets and may be required to recognize a valuation allowance, similar to an impairment of those assets, if it is more-likely-than-not that some portion of the Corporation's deferred tax assets will not be realized. Such a development, or one or more other negative developments resulting from adverse conditions in the general business or economic environment, some of which are described above, could have a material adverse effect on the Corporation's financial condition and results of operations.

The Corporation's ability to raise capital could be limited and could affect its liquidity and could be dilutive to existing shareholders.

Current conditions in the capital markets are such that traditional sources of capital may not be available to the Corporation on reasonable terms if it needed to raise capital. In such case, there is no guarantee that the Corporation will be able to borrow funds or successfully raise additional capital at all or on terms that are favorable or otherwise not dilutive to existing shareholders.

Liquidity is essential to the Corporation's businesses and it relies on external sources to finance a significant portion of our operations.

Liquidity is essential to the Corporation's businesses. The Corporation's capital resources and liquidity could be negatively impacted by disruptions in its ability to access these sources of funding. With increased concerns about bank failures, traditional deposit customers are increasingly concerned about the extent to which their deposits are insured by the FDIC. Customers may withdraw deposits from the Corporation's subsidiary bank in an effort to ensure that the amount that they have on deposit is fully insured. In addition, the cost of brokered and other out-of-market deposits and potential future regulatory limits on the interest rate the Corporation may pay for brokered deposits could make them unattractive sources of funding. Factors that the Corporation cannot control, such as disruption of the financial markets or negative views about the financial services industry generally, could impair its ability to raise funding. Other financial institutions may be unwilling to extend credit to banks because of concerns about the banking industry and the economy generally and, given recent downturns in the economy, there may not be a viable market for raising short or long-term debt or equity capital. In addition, the Corporation's ability to raise funding could be impaired if lenders develop a negative perception of its long-term or short-term financial prospects. Such negative perceptions could be developed if the Corporation is downgraded or put on (or remain on) negative watch by the rating agencies, suffers a decline in the level of its business activity or regulatory authorities take significant action against it, among other reasons. If the Corporation is unable to raise funding using the methods described above, it would likely need to finance or liquidate unencumbered assets to meet maturing liabilities. The corporation may be unable to sell some of its assets, or it may have to sell assets at a discount from market value, either of which could adversely affect its results of operations and financial condition.

The Corporation's construction and land development loans are subject to unique risks that could adversely affect earnings.

The Corporation's construction and land development loan portfolio was $15.6 million at December 31, 2009, comprising 9.7% of total loans. Construction and land development loans are often riskier than home equity loans or residential mortgage loans to individuals. In the event of a general economic slowdown, they would represent higher risk due to slower sales and reduced cash flow that could impact the borrowers' ability to repay on a timely basis. In addition, although regulations and regulatory policies affecting banks and financial services companies undergo continuous change and we cannot predict when changes will occur or the ultimate effect of any changes, there has been recent regulatory focus on construction, development and other commercial real estate lending. Recent changes in the federal policies applicable to construction, development or other commercial real estate loans make us subject to substantial limitations with respect to making such loans, increase the costs of making such loans, and require us to have a greater amount of capital to support this kind of lending, all of which could have a material adverse effect on our profitability or financial condition.

Recent performance may not be indicative of future performance.

Various factors, such as economic conditions, regulatory and legislative considerations, competition and the ability to find and retain talented people, may impede the Corporation's ability to remain profitable.

A deterioration in asset quality could have an adverse impact on the Corporation.

A significant source of risk for the Corporation arises from the possibility that losses will be sustained because borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loans. With respect to secured loans, the collateral securing the repayment of these loans includes a wide variety of diverse real and personal property that may be affected by changes in prevailing economic, environmental and other conditions, including declines in the value of real estate, changes in interest rates, changes in monetary and fiscal policies of the federal government, environmental contamination and other external events. In addition, decreases in real estate property values due to the nature of the Bank's loan portfolio, over 77% of which is secured by real estate, could affect the ability of customers to repay their loans. The Bank's loan policies and procedures may not prevent unexpected losses that could have a material adverse effect on the Corporation's business, financial condition, results of operations, or liquidity.

Changes in prevailing interest rates may negatively affect the results of operations of the Corporation and the value of its assets.

The Corporation's earnings depend largely on the relationship between the yield on earning assets, primarily loans and investments, and the cost of funds, primarily deposits and borrowings. This relationship, known as the interest rate spread, is subject to fluctuation and is affected by economic and competitive factors which influence interest rates, the volume and mix of interest earning assets and interest bearing liabilities and the level of non-performing assets. Fluctuations in interest rates affect the demand of customers for the Corporation's products and services. In addition, interest-bearing liabilities may re-price or mature more slowly or more rapidly or on a different basis than interest-earning assets. Significant fluctuations in interest rates could have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

Changes in the level of interest rates may also negatively affect the value of the Corporation's assets and its ability to realize book value from the sale of those assets, all of which ultimately affect earnings.

If the Corporation's allowance for loan losses is not sufficient to cover actual loan losses, earnings would decrease.

The Bank's loan customers may not repay their loans according to their terms and the collateral securing the payment of these loans may be insufficient to assure repayment. The Bank may experience significant loan losses which would have a material adverse effect on the Corporation's operating results. Management makes various assumptions and judgments about the collectibility of the loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. The Corporation maintains an allowance for loan losses in an attempt to cover any loan losses inherent in the portfolio. In determining the size of the allowance, management relies on an analysis of the loan portfolio based on historical loss experience, volume and types of loans, trends in classification, volume and trends in delinquencies and non-accruals, national and local economic conditions and other pertinent information. As a result of these considerations, the Corporation has from time to time increased its allowance for loan losses. For the year ended December 31, 2009, the Corporation recorded an allowance for possible loan losses of $2.53 million, compared with $2.38 million for the year ended December 31, 2008. If those assumptions are incorrect, the allowance may not be sufficient to cover future loan losses and adjustments may be necessary to allow for different economic conditions or adverse developments in the loan portfolio.

The Corporation may be subject to losses due to fraudulent and negligent conduct of the Bank's and Empire's loan customers, third party service providers and employees.

When the Bank and Empire make loans to individuals or entities, they rely upon information supplied by borrowers and other third parties, including information contained in the applicant's loan application, property appraisal reports, title information and the borrower's net worth, liquidity and cash flow information. While they attempt to verify information provided through available sources, they cannot be certain all such information is correct or complete. The Bank and Empire's reliance on incorrect or incomplete information could have a material adverse effect on the Corporation's profitability or financial condition.

Technology difficulties or failures could have a material adverse effect on the Corporation.

The Corporation depends upon data processing, software, communication and information exchange on a variety of computing platforms and networks and over the internet. The Corporation cannot be certain that all of its systems are entirely free from vulnerability to attack or other technological difficulties or failures. The Corporation relies on the services of a variety of vendors to meet its data processing and communication needs. If information security is breached or other technology difficulties or failures occur, information may be lost or misappropriated, services and operations may be interrupted and the Corporation could be exposed to claims from customers. Any of these results could have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

The Corporation's business is subject to the success of the local economies and real estate markets in which it operates.

The Corporation's banking operations are located in southwest Georgia. Because of the geographic concentration of its operations, the Corporation's success significantly depends largely upon economic conditions in this area, which include volatility in the agricultural market, influx and outflow of major employers in the area, minimal population growth throughout the region. Deterioration in economic conditions in the communities in which the Corporation operates could adversely affect the quality of the Corporation's loan portfolio and the demand for its products and services, and accordingly, could have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity. The Corporation is less able than a larger institution to spread the risks of unfavorable local economic conditions across a large number of more diverse economies.

The Corporation may face risks with respect to its ability to execute its business strategy.

The financial performance and profitability of the Corporation will depend on its ability to execute its strategic plan and manage its future growth. Moreover, the Corporation's future performance is subject to a number of factors beyond its control, including pending and future federal and state banking legislation, regulatory changes, unforeseen litigation outcomes, inflation, lending and deposit rate changes, interest rate fluctuations, increased competition and economic conditions. Accordingly, these issues could have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

The Corporation depends on its key personnel, and the loss of any of them could adversely affect the Corporation.

The Corporation's success depends to a significant extent on the management skills of its existing executive officers and directors, many of whom have held officer and director positions with the Corporation for many years. The loss or unavailability of any of its key personnel, including G. DeWitt Drew, President and CEO, John J. Cole, Jr., Executive Vice President, C. Wallace Sansbury, Executive Vice President, George R. Kirkland, Senior Vice President & Treasurer and Charles R. Lemons, President and CEO of Empire, could have a material adverse effect on the Corporation's business, financial condition, and results of operations or liquidity.

Competition from financial institutions and other financial service providers may adversely affect the Corporation.

The banking business is highly competitive, and the Corporation experiences competition in its markets from many other financial institutions. The Corporation competes with these other financial institutions both in attracting deposits and in making loans. Many of its competitors are well-established, larger financial institutions that are able to operate profitably with a narrower net interest margin and have a more diverse revenue base. The Corporation may face a competitive disadvantage as a result of its smaller size, lack of geographic diversification and inability to spread costs across broader markets. There can be no assurance that the Corporation will be able to compete effectively in its markets. Furthermore, developments increasing the nature or level of competition could have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity.

Changes in government regulation or monetary policy could adversely affect the Corporation.

The Corporation and the banking industry are subject to extensive regulation and supervision under federal and state laws and regulations. The restrictions imposed by such laws and regulations limit the manner in which the Corporation conducts its banking business, undertakes new investments and activities and obtains financing. These regulations are designed primarily for the protection of the deposit insurance funds and consumers and not to benefit holders of the Corporation's securities. Financial institution regulation has been the subject of significant legislation in recent years and may be the subject of further significant legislation in the future, none of which is in the control of the Corporation. Significant new laws or changes in, or repeals of, existing laws could have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity. Further, federal monetary policy, particularly as implemented through the Federal Reserve System, significantly affects credit conditions for the Corporation, and any unfavorable change in these conditions could have a material adverse effect on the Corporation's business, financial condition, results of operations or liquidity. See Part I, Item 1, "Supervision and Regulation."

ITEM 1B. UNRESOLVED STAFF COMMENTS

The Corporation has not received any written comments from the Securities Exchange Commission staff in connection with a review of any of its reports.

ITEM 2. PROPERTIES

The executive offices of the Corporation and the main banking office of the Bank are located in a 22,000 square foot facility at 201 First Street, S. E., Moultrie, Georgia. The Bank's Operations Center is located at 11 Second Avenue, Moultrie, Georgia. The Trust and Investment Division of the Bank is located at 25 Second Avenue, Moultrie, Georgia. A building located across the street from the main office at 205 Second Street, S. E., Moultrie, Georgia, has been renovated for the Bank's Administrative Services offices, training and meeting rooms, record storage, and a drive-thru teller facility.

Name	Address	Square Feet
Main Office	201 First Street, SE, Moultrie, GA 31768	22,000
Operations Center	11 Second Avenue, SW, Moultrie, GA 31768	5,000
Trust & Investment Office	25 Second Avenue, SW, Moultrie, GA 31768	11,000
Administrative Services	205 Second Street, SE, Moultrie, GA 31768	15,000
Southwest Georgia Ins. Services	501 South Main Street, Moultrie, GA 31768	5,600
Baker County Bank	Highway 91 & 200, Newton, GA 39870	4,400
Bank of Pavo	1102 West Harris Street, Pavo, GA 31778	3,900
Sylvester Banking Company	300 North Main Street, Sylvester, GA 31791	12,000
Empire Financial Services	121 Executive Parkway, Milledgeville, GA 31061	2,700

All the buildings and land, which include parking and drive-thru teller facilities, are owned by the Bank. There are two automated teller machines on the Bank's main office premises, one in each of the Baker County, Thomas County, and Worth County branch offices, and one additional automated teller machine located in Doerun, Georgia. These automated teller machines are linked to the STAR network of automated teller machines. The Bank also leases space for a loan production office in Valdosta, Georgia. Management expects the loan production office to become a full-service banking center in the second quarter of 2010.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of operations, the Corporation, the Bank and Empire are defendants in various legal proceedings incidental to their business. In the opinion of management, there is no pending or threatened proceeding in which an adverse decision will result in a material adverse change in the consolidated financial condition or results of operations of the Corporation. No material proceedings terminated in the fourth quarter of 2009.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET PRICE OF AND DIVIDENDS ON THE CORPORATION'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Market Information

The Corporation's common stock trades on the NYSE Amex under the symbol "SGB". The closing price on December 31, 2009, was $8.99. Below is a schedule of the high and low stock prices for each quarter of 2009 and 2008.

2009

For The Quarter	Fourth	Third	Second	First
High	$10.00	$ 9.25	$ 9.90	$10.84
Low	$ 7.42	$ 4.65	$ 7.42	$ 7.25

2008

For The Quarter	Fourth	Third	Second	First
High	$15.60	$17.60	$18.50	$18.53
Low	$10.40	$14.95	$16.25	$15.75

As of December 31, 2009, there were 533 record holders of the Corporation's common stock. Also, there were approximately 400 additional shareholders who held shares through trusts and brokerage firms.

Dividends

Cash dividends paid on the Corporation's common stock were $.07 per share in 2009 (declared in December 2008) and $.56 per share in 2008. Our dividend policy objective is to pay out a portion of earnings in dividends to our shareholders in a consistent manner over time. However, no assurance can be given that dividends will be declared in the future. The amount and frequency of dividends is determined by the Corporation's Board of Directors after consideration of various factors, which include the Corporation's financial condition and results of operations, investment opportunities available to the Corporation, capital requirements, tax considerations and general economic conditions. The primary source of funds available to the parent company is the payment of dividends by its subsidiary bank. Federal and State banking laws restrict the amount bank of dividends that can be paid without regulatory approval. See "Business - Payment of Dividends". The Corporation and its predecessors have paid cash dividends for the past eighty consecutive years.

Because of our strong capital condition, we continued through 2008 the stock repurchase program that began in January 2000. In 2008, 1,800 shares were repurchased through the repurchase program and in 2007, 95,286 shares were repurchased. A total of 709,181 shares have been repurchased since the beginning of the repurchase program. The stock repurchase program was not extended by the Board of Directors at their January 2008 meeting. This stock purchase program is still postponed.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information as of December 31, 2009, with respect to shares of common stock of the Corporation that may be issued under the Key Individual Stock Option Plan. No additional option shares can be granted under the Key Individual Stock Option Plan.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by shareholders(1)	25,100	$16.21	0
Equity Compensation Plans Not Approved by Shareholders(2)	0	0.00	0
Total	25,100	$16.21	0

(1) The Key Individual Stock Option Plan
(2) Excludes shares issued under the 401(k) Plan.

Sales of Unregistered Securities

The Corporation has not sold any unregistered securities in the past four years.

Performance Graph

The following graph compares the cumulative total shareholder return of the Corporation's Common Stock with The Carson Medlin Company's Independent Bank Index and the S&P 500 Index. The Independent Bank Index is the compilation of the total return to shareholders over the past five years of a group of 25 independent community banks located in the southeastern states of Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. The comparison assumes $100 was invested January 1, 2005, and that all semi-annual and quarterly dividends were reinvested each period. This comparison takes into consideration changes in stock price, cash dividends, stock dividends, and stock splits since December 31, 2004.

The comparisons in the graph are required by the Securities and Exchange Commission and are not intended to forecast or be indicative of possible future performance of the Corporation's Common Stock.

	2004	2005	2006	2007	2008	2009

SOUTHWEST GEORGIA FINANCIAL CORP.	100	99	89	85	51	44
INDEPENDENT BANK INDEX	100	108	125	91	73	85
S&P 500 INDEX	100	105	121	128	81	102

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For further information about the Corporation, see selected statistical information on pages 12 - 29 of this report on Form 10-K.

Overview

The Corporation is a full-service community bank holding company headquartered in Moultrie, Georgia. The community of Moultrie has been served by the Bank since 1928. We provide comprehensive financial services to consumer, business and governmental customers, which, in addition to conventional banking products, include a full range of mortgage banking, trust, investment and insurance services. Our primary market area incorporates Colquitt County, where we are headquartered, and Baker, Lowndes, Thomas, and Worth Counties, each contiguous with Colquitt County, and the surrounding counties of southwest Georgia. We have four full service banking facilities, a loan production office, and six automated teller machines.

Our strategy is to:
* maintain the diversity of our revenue, including both interest and noninterest income through a broad base of business,
* strengthen our sales and marketing efforts while developing our employees to provide the best possible service to our customers,
* expand our market share where opportunity exists, and
* grow outside of our current geographic market either through de-novo branching or acquisitions into areas proximate to our current market area.

We believe that investing in sales and marketing in this challenging market will provide us with a competitive advantage. To that end, we have continued with our plans to expand geographically with a new full-service banking center in Valdosta, Georgia. We have leadership in place and have begun to add additional staff. The branch is scheduled to open during the second quarter of 2010.

The Corporation's profitability, like most financial institutions, is dependent to a large extent upon net interest income, which is the difference between the interest received on earning assets, such as loans, securities and federal funds sold, and the interest paid on interest-bearing liabilities, principally deposits and borrowings. Net interest income is highly sensitive to fluctuations in interest rates. For example, after reaching a high of 5.25%, in 2007, the Federal Reserve Bank decreased the overnight borrowing rate for banks by 5% to a range of 0% to 0.25% in September 2007. The historically low level remained throughout 2009.

Our profitability is impacted also by operating expenses such as salaries, employee benefits, occupancy, and income taxes. Our lending activities are significantly influenced by regional and local factors such as changes in population, competition among lenders, interest rate conditions and prevailing market rates on competing uses of funds and investments, customer preferences and levels of personal income and savings in the Corporation's primary market area.

To address interest rate fluctuations, we manage our balance sheet in an effort to diminish the impact should interest rates suddenly change. In addition, broadening our revenue sources helps to reduce the risk and exposure of our financial results to the impact of changes in interest rates, which are outside of our control. Sources of noninterest income include our insurance agency and Empire, the Corporation's commercial mortgage banking subsidiary, as well as fees on customer accounts, and trust and retail brokerage services. As a result of broadening our revenue sources, in 2009, noninterest income was more than 27.0% of the Corporation's total revenue, whereas in 2008 noninterest income only accounted for 8.9% of the Corporation's total revenue.

The financial markets and economic conditions generally were materially and adversely affected by significant declines in the values of nearly all asset classes and by a serious lack of liquidity. This was initially triggered by declines in home prices and the values of subprime mortgages, but spread to all commercial and residential mortgages as property prices declined rapidly and to nearly all asset classes. The effect of the market and economic downturn also spread to other areas of the credit markets and impacted the availability of liquidity. The magnitude of these declines led to a crisis of confidence in the financial sector as a result of concerns about the capital base and viability of certain financial institutions. During this period, interbank lending and commercial paper borrowing fell sharply, precipitating a credit freeze for both institutional and individual borrowers. Unemployment also increased significantly.
The Corporation was not immune to these adverse economic conditions, as non performing assets increased to $5.353 million at the end of 2009. The increase was due to funding the remaining construction costs of a loan carried in other real estate and a $1.283 million loan that was placed on nonaccrual status in the third quarter of 2009. These two relationships accounted for ninety-three percent of all non performing assets. Settlement is expected to occur late in the first quarter or early in the second quarter of 2010 on the large nonaccrual loan.

Critical Accounting Policies

In the course of the Corporation's normal business activity, management must select and apply many accounting policies and methodologies that lead to the financial results presented in the consolidated financial statements of the Corporation. Management considers the accounting policy relating to the allowance for loan losses to be a critical accounting policy because of the uncertainty and subjectivity inherent in estimating the levels of allowance needed to cover probable credit losses within the loan portfolio and the material effect that these estimates have on the Corporation's results of operations. We believe that the allowance for loan losses as of December 31, 2009 is adequate, however, under adversely different conditions or assumptions, future additions to the allowance may be necessary. There have been no significant changes in the methods or assumptions used in our accounting policies that would have resulted in material estimates and assumptions changes. Note 1 to the Consolidated Financial Statements provides a description of our significant accounting policies and contributes to the understanding of how our financial performance is reported.

Results of Operations

Performance Summary

Net income for 2009 was $1.8 million, an increase of approximately $3.1 million when compared with a net loss of $1.3 million in 2008. This increase in net income is largely attributable to lower salary and employee benefits of $792 thousand and higher net interest income resulting primarily from lower interest paid on interest bearing liabilities. Net interest income was partially offset by a loan loss provision of $536 thousand in 2009. Net income in 2008 was impacted by a $4.11 million non-cash loss related to the impairment of equity securities, a $979 thousand loss at the Corporation's mortgage banking subsidiary and a 2008 fourth quarter charge-off of $785 thousand and related loan loss provision of $825 thousand. On a per share basis, we had a net income of $0.71 per diluted share for 2009 compared with a net loss of $0.50 per diluted share for 2008.

Net loss for 2008 was $1.3 million, a decrease of approximately $3.0 million when compared with net income of $1.7 million in 2007. The decrease in annual net income in 2008 was largely attributable to a $4.11 million non-cash loss on the impairment of equity securities and a $1.002 million loss at our mortgage banking subsidiary recognized during the third quarter of 2008. The non-cash loss on the impairment of equity securities was due to the devaluation of Fannie Mae and Freddie Mac preferred stock that we held in our security portfolio. These securities lost value as a result of the U.S. Government's actions to place these government sponsored enterprises in conservatorship, and mark-to-market accounting rules require such a non-cash impairment loss to be reported through income. The loss related to the mortgage banking subsidiary was realized as a result of covering other shortfalls of participant banks from a sale of foreclosed commercial property. Also, negatively impacting net income was a provision for loan losses of $825 thousand taken during the fourth quarter of 2008. This provision resulted from a $785 thousand partial charge-off related to a large commercial real estate loan. These decreases in net income were partially offset by an increase in net interest income of $688 thousand mainly attributed to lower interest expense on deposits. On a per share basis, we had a net loss in 2008 of $0.50 per diluted share compared with net income of $0.66 per diluted share for 2007.

We measure our performance on selected key ratios, which are provided for the last three years in the following table:

	2009	2008	2007
Return on average total assets	0.65%	(.46)%	.60%
Return on average shareholders' equity	7.48%	(5.04)%	6.17%
Average shareholders' equity to average total assets	8.71%	9.21 %	9.68%
Net interest margin (tax equivalent)	4.14%	4.04 %	3.62%

Net Interest Income

Net interest income after the provision for loan losses increased $614 thousand, or 7.0%, to $9.39 million for 2009 as compared with 2008. Reduced interest paid on deposits and borrowings of $1.54 million and $258 thousand, respectively, due to a lower interest rate environment more than offset the $1.47 million decline in total interest income. The Corporation recognized a $536 thousand provision for loan losses in 2009, compared with a provision for loan losses of $825 thousand in 2008. The average rate paid on average time deposits of $99.7 million decreased 132 basis points compared with 2008. Interest income from investment securities decreased by $1.15 million due to a lower average volume of securities of $17.7 million, and interest on deposits in other banks also decreased by $257 thousand. Interest and fees on loans increased by $20 thousand to $9.52 million.

Net interest income after the provision for loan losses for 2008 decreased $138 thousand, or 1.6%, when compared with 2007. The benefit of reduced costs of funds was more than offset by the $825 thousand provision for loan loss which was necessary due to the charge-offs experienced in the fourth quarter of 2008. Excluding the provision for loan loss, net interest income would have increased by $687 thousand. Another factor contributing to the decline in net interest income was the decrease in interest and fees on loans of $753 thousand. Interest and fees on loans were impacted by a 5% drop in the prime rate since September 2007, which reduced interest earned on variable and adjustable rate loans. In addition, the Bank holds one large loan that was placed on interest nonaccrual status in late 2007. The decrease in interest on securities was mainly due to the $26.4 million drop in the average volume of investments.

These decreases in interest income in 2008 were offset by $1.5 million in lower interest expense on interest-bearing liabilities. The bulk of this decrease was in interest on deposits due to a declining interest rate environment. The average rate paid on average time deposits of $96 million decreased 67 basis points compared with 2007.

Net Interest Margin

Net interest margin, which is the net return on earning assets, is a key performance ratio for evaluating net interest income. It is computed by dividing net interest income by average total earning assets.

Net interest margin improved to 4.14% for 2009, a 10 basis point increase from 2008. Net interest margin was 4.04% for 2008, a 42 basis point increase from 3.62% in 2007. This improvement in margin was impacted by the lower interest rate environment on interest-bearing deposits along with the volume growth in loans.

Noninterest Income

Noninterest income is an important contributor to net earnings. The following table summarizes the changes in noninterest income during the past three years:

	2009		2008		2007	
			(Dollars in thousands)			
	Amount	% Change	Amount	% Change	Amount	% Change
Service charges on deposit accounts	$1,766	9.8 %	$ 1,608	(7.4)%	$ 1,736	1.2 %
Income from trust services	213	(20.8)	269	(5.9)	286	(3.1)
Income from retail brokerage services	266	(22.0)	341	(1.5)	346	16.9
Income from insurance services	1,069	(3.0)	1,102	(4.2)	1,150	(1.5)
Income from mortgage banking services	1,327	(34.3)	2,021	(28.2)	2,814	(29.3)
Gain (loss) on the sale or abandonment of assets	0	(100.0)	13	NM	(97)	NM
Gain (loss) on the sale of credit card portfolio	0	0.0	0	(100.0)	248	100.0
Gain (loss) on the sale of securities	255	100.0	0	0.0	0	100.0
Gain (loss) on the impairment of equity securities	0	100.0	(4,105)	(100.0)	0	0.0
Other income	228	0.8	226	(2.6)	232	12.1
Total noninterest income	$5,124	247.4 %	$ 1,475	(78.0)%	$ 6,715	(5.6)%

*NM = not meaningful

For 2009, noninterest income was $5.12 million compared with $1.48 million for 2008. Excluding last year's loss on the impairment of equity securities of $4.11 million, 2009 year-to-date noninterest income was down $456 thousand when compared with the same period last year. The decline primarily resulted from a drop in mortgage banking services revenue of $694 thousand, or 34.3%.

Other contributing factors included income from trust services and retail brokerage services which decreased $56 thousand and $75 thousand, respectively. These decreases were partially offset by an increase in service charges on deposit account of $158 thousand and the $255 thousand gain on the sale of securities in 2009.

For 2008, total noninterest income was $1.48 million compared with $6.72 million for 2007. The majority of the decline was a result of the $4.11 million non-cash loss on the impairment of Fannie Mae and Freddie Mac preferred stock recognized in the third quarter of 2008. The securities lost value as a result of the U.S. Government's actions to place these government sponsored enterprises in conservatorship. In addition, mortgage banking services income decreased $793 thousand, or 28.2%, in 2008, as the credit crisis has made the mortgage funding environment challenging and has restricted loan opportunities. Revenue from service charges on deposit accounts decreased $128 thousand, and income from insurance services and trust services decreased $48 thousand and $17 thousand, respectively, when compared with the same period last year.

Noninterest Expense

Noninterest expense includes all expenses of the Corporation other than interest expense, provision for loan losses and income tax expense. The following table summarizes the changes in the noninterest expenses for the past three years:

	2009		2008		2007	
	(Dollars in Thousands)					
	Amount	% Change	Amount	% Change	Amount	% Change
Salaries and employee benefits	$ 6,360	(11.1)%	$ 7,152	2.0 %	$ 7,011	(3.6)%
Occupancy expense	846	(2.0)	863	2.7	840	0.6
Equipment expense	667	(3.9)	694	7.1	648	2.7
Data processing expense	686	6.7	643	(6.3)	686	(1.2)
Amortization of intangible assets	208	(8.4)	227	(51.4)	467	(49.1)
Losses related to mortgage banking services	0	(100.0)	979	(38.3)	1,587	100.0
Other operating expenses	3,425	30.2	2,631	11.3	2,364	(10.2)
Total noninterest expense	$12,192	(7.6)%	$13,189	(3.0)%	$13,603	4.8 %

Total noninterest expense decreased $1.0 million to $12.2 million in 2009 compared with the same period of the prior year, primarily due to a mortgage banking services loss of $979 thousand that was recognized in 2008. Salary and employee benefits declined $792 thousand in 2009. Occupancy and equipment expense decreased by $17 thousand and $27 thousand, respectively. Offsetting these decreases were other operating expenses which were higher due to increased legal and FDIC insurance fees of $675 thousand and $416 thousand, respectively. The increased legal fees resulted from the mortgage banking service's associated insurance claim. The FDIC increased the quarterly assessments by $294 thousand, plus a special assessment of $122 thousand.

Total noninterest expense decreased $414 thousand to $13.2 million in 2008 compared with the same period of the prior year. The major cause of the decrease in noninterest expense was a reduction in losses related to mortgage banking services of $608 thousand in 2008. The decline of amortization of intangible assets of $240 thousand reflects the full amortization of the mortgage banking intangibles in 2008. These decreases were partially offset by increases in salaries and employee benefits and other operating expenses. The increase in salaries and employee benefits was primarily due to the settlement of a compensation agreement and the staffing of our new loan production office in Valdosta, Georgia. Other operating expenses were up due to higher legal fees as they related to mortgage banking services as well as incremental operating expenses related to the new Valdosta loan production office.

The efficiency ratio (noninterest expense divided by total noninterest income plus net interest income), a measure of productivity, decreased to 78.5% for 2009, from 113.2% for 2008 and 84.3% for 2007. The higher efficiency ratio in 2008 was primarily due to the loss related to mortgage banking services and lower revenue as a result of the non-cash impairment loss recognized on equity securities. Excluding these items, the adjusted efficiency ratio for 2008 would have been lower at 77.3% compared with 113.2%.

Federal Income Tax Expense

The Corporation had an expense of $508 thousand for federal income taxes in 2009 compared with a benefit of $1.66 million and an expense of $307 thousand for the years ending December 31, 2008, and 2007, respectively. These amounts resulted in an effective tax rate of 21.9%, (56.4)%, and 15.2%, for 2009, 2008, and 2007, respectively. See Note 10 of the Corporation's Notes to Consolidated Financial Statements for further details of tax expense.

Uses and Sources of Funds

The Corporation, primarily through the Bank, acts as a financial intermediary. As such, our financial condition should be considered in terms of how we manage our sources and uses of funds. Our primary sources of funds are deposits and borrowings. We invest our funds in assets, and our earning assets are what provide us income.

During 2009, total average assets increased $2.7 million, or 1.0%, to $278.2 million, as compared with 2008. The increase in total average assets is primarily attributable to Valdosta's full-service branch construction and increase in foreclosed assets. The Corporation's earning assets, which include loans, investment securities, deposits with banks, and federal funds sold averaged $251.4 million in 2009, a slight decrease from $252.2 million in 2008. This decrease was primarily the result of decreased average volume in investment securities However, the earning asset mix shifted towards higher average loans. For 2009, average earning assets were comprised of 60% loans, 35% investment securities, and 5% federal funds sold and balances with banks. The ratio of average earning assets to average total assets decreased slightly to 90.4% for 2009 compared with 91.6% for 2008.

Loans

Loans are one of the Corporation's largest earning assets and uses of funds. Because of the importance of loans, most of the other assets and liabilities are managed to accommodate the needs of the loan portfolio. During 2009, average loans represented 60% of average earning assets and 54% of average total assets.

The composition of the Corporation's loan portfolio at December 31, 2009, 2008, and 2007 was as follows:

	2009		2008		2007	
	(Dollars in Thousands)					
Category	Amount	% Change	Amount	% Change	Amount	% Change
Commercial, financial, and agricultural	$ 25,731	(2.4)%	$ 26,375	20.7 %	$ 21,851	4.4 %

Real estate:						
Construction	15,597	(15.0)%	18,357	58.7 %	11,564	(12.6)%
Commercial	50,337	16.9 %	43,054	13.2 %	38,038	(16.4)%
Residential	51,314	13.6 %	45,192	41.5 %	31,936	0 %
Agricultural	7,225	(16.4)%	8,640	19.0 %	7,258	30.2 %
Installment	10,056	34.4 %	7,481	(10.9)%	8,397	0.7 %
Total loans	$160,260	7.5 %	$149,099	25.3 %	$119,044	(5.2)%

Total loans increased $11 million while average total loans increased $18.5 million in 2009 compared with 2008. The increase in loan demand was primarily due to installment and commercial real estate loans. Of the $11.0 million increase in loans, $6 million originated in the Valdosta, Georgia market where we opened a loan production office in 2008. The ratio of total loans to total deposits at year end decreased to 68.1% in 2009 compared with 69.5% in 2008. The loan portfolio mix at year end 2009 consisted of 9.7% loans secured by construction real estate, 31.4% loans secured by commercial real estate, 32.0% of loans secured by residential real estate, and 4.5% of loans secured by agricultural real estate. The loan portfolio also included other commercial, financial, and agricultural purposes of 16.1% and installment loans to individuals for consumer purposes of 6.3%.

Allowance and Provision for Possible Loan Losses

The allowance for loan losses represents our estimate of the amount required for probable loan losses in the Corporation's loan portfolio. Loans, or portions thereof, which are considered to be uncollectible are charged against this allowance and any subsequent recoveries are credited to the allowance. There can be no assurance that the Corporation will not sustain losses in future periods which could be substantial in relation to the size of the allowance for loan losses at December 31, 2009.

We have a loan review program in place which provides for the regular examination and evaluation of the risk elements within the loan portfolio. The adequacy of the allowance for loan losses is regularly evaluated based on the review of all significant loans with particular emphasis on nonaccruing, past due, and other potentially impaired loans that have been identified as possible problems.

The allowance for loan losses was $2.533 million, or 1.6% of total loans outstanding, as of December 31, 2009. This level represented a $157 thousand increase from the corresponding 2008 year-end amount which was also 1.6% of total loans outstanding. We determined to increase the allowance for loan losses in response to the market and economic environment.

There was a provision for loan losses of $536 thousand in 2009 compared with a provision for loan losses of $825 thousand in 2008. The higher 2008 provision was primarily related to a partial charge-off of a large commercial real estate loan in the fourth quarter of 2008. See Note 3 of the Corporation's Notes to Consolidated Financial Statements for details of the changes in the allowance for loan losses.

Investment Securities

The Corporation's investment securities consist largely of U.S. Government sponsored pass-thru mortgage-backed securities and U.S. Government Agency bonds. The investment portfolio serves several important functions for the Corporation. Investments in securities are used as a source of income to complement loan demand and to satisfy pledging requirements in the most profitable way possible. The investment portfolio is a source of liquidity when loan demand exceeds funding availability, and is a vehicle for adjusting balance sheet sensitivity to cushion against adverse rate movements. Our investment policy attempts to provide adequate liquidity by maintaining a portfolio with significant cash flow for reinvestment.

The following table summarizes the contractual maturity of investment securities as of December 31, 2009:

Amounts Maturing In: (Dollars in Thousands)	Securities Available for Sale	Securities Held to Maturity
One year or less	$ 0	$ 0
After one through five years	7,322	3,921
After five through ten years	8,690	10,477
After ten years	45,850	9,797
Equity securities	146	0
Total investment securities	$ 62,008	$ 24,195

The total investment portfolio decreased to $87.9 million from $96.9 million at year-end 2009 compared with year-end 2008, a decrease of $9.0 million, or 9.3%. This decrease was primarily due to maturities and calls of approximately $25 million of U.S. Government Agency and tax-free municipal securities. Also, the portfolio experienced $10.0 million in sales of longer-term residential mortgage-backed securities, corporate notes and preferred stock for a gain of $255 thousand. The residential mortgage-backed securities principal paydowns were approximately $10 million. The Bank reinvested $36 million of these funds mainly in short-term government sponsored residential mortgage-backed securities. Other purchases were of state and municipal securities. The average total investment portfolio decreased $17.8 million to $87.6 million in 2009 compared with $105.4 million for 2008.

We will continue to actively manage the size, components, and maturity structure of the investment securities portfolio. Future investment strategies will continue to be based on profit objectives, economic conditions, interest rate risk objectives, and balance sheet liquidity demands.

Nonperforming Assets

Nonperforming assets are defined as nonaccrual loans, loans that are 90 days past due and still accruing, renegotiated loans, potential problem loans and property acquired by foreclosure. The level of nonperforming assets increased $2.4 million at year-end 2009 compared with year-end 2008. This increase was primarily due to one large foreclosed commercial property as well as another large loan placed on interest nonaccrual in the third quarter of 2009 that is awaiting settlement. The large foreclosed property was and remains under construction and the costs of improvements are now fully funded. Nonperforming assets were approximately $5.353 million, or 1.84% of total assets as of December 31, 2009, compared with $2.942 million, or 1.10% of total assets at year-end 2008.

Deposits and Other Interest-Bearing Liabilities

Our primary source of funds is deposits. The Corporation offers a variety of deposit accounts having a wide range of interest rates and terms. We rely primarily on competitive pricing policies and customer service to attract and retain these deposits.

In 2009, average deposits increased compared with 2008, from $221.3 million to $226.6 million. This average deposit growth occurred primarily in time deposits and noninterest-bearing deposits. Also, many of our NOW accounts with low transaction volume were reclassified during 2009 and 2008 to money market accounts which resulted in a change in the deposit mix. The reclassification is an accounting transaction and does not impact customer account balances or their FDIC coverage. As a result of the low rate environment, balances in our commercial customers' money market accounts were reduced by the end of the year. As of December 31, 2009, the Corporation had a total of $30.2 million in certificates of deposit of $100,000 or more. This was a 5.0% increase from the $28.8 million total in 2008.

We have used borrowings from the Federal Home Loan Bank to support our residential mortgage lending activities. During 2009, the Corporation borrowed $9 million from the Federal Home Loan Bank and repaid $8 million of short-term advances. During 2010, $5 million of advances is expected to be repaid. Total long-term advances with the Federal Home Loan Bank were $21 million at December 31, 2009. Details on the Federal Home Bank advances are presented in Note 8 to the financial statements.

Liquidity

Liquidity is managed to assume that the Corporation can meet the cash flow requirements of customers who may be either depositors wanting to withdraw their funds or borrowers needing funds to meet their credit needs. Many factors affect the ability to accomplish liquidity objectives successfully. Those factors include the economic environment, our asset/liability mix and our overall reputation and credit standing in the marketplace. In the ordinary course of business, our cash flows are generated from deposits, interest and fee income, loan repayments and the maturity or sale of other earning assets.

The Consolidated Statement of Cash Flows details the Corporation's cash flows from operating, investing, and financing activities. During 2009, operating and financing activities provided cash flows of $24.3 million, while investing activities used $8.5 million resulting in an increase in cash and cash equivalents balances of $15.8 million.

Liability liquidity represents our ability to renew or replace our short-term borrowings and deposits as they mature or are withdrawn. The Corporation's deposit mix includes a significant amount of core deposits. Core deposits are defined as total deposits less time deposits of $100,000 or more. These funds are relatively stable because they are generally accounts of individual customers who are concerned not only with rates paid, but with the value of the services they receive, such as efficient operations performed by helpful personnel. Total core deposits were 87.2% of total deposits on December 31, 2009, compared with 86.6% in 2008.

Asset liquidity is provided through ordinary business activity, such as cash received from interest and fee payments as well as from maturing loans and investments. Additional sources include marketable securities and short-term investments that are easily converted into cash without significant loss. The Corporation had no investment securities maturing within one year or less on December 31, 2009. However, the Corporation has $2.6 million of state and municipal securities callable at the option of the issuer and approximately $10.4 million of annual cash flow in principal reductions from payments of mortgage-backed securities.

Due to the 5% drop in the short-term rate by the Federal Reserve since September 2007, $90.1 million of our callable securities were called in 2008 and $19.7 million were called in 2009. We have reinvested these proceeds from called investment securities in new loans, new investment securities, and for repayment of our short-term and long-term debt obligations. During the third quarter of 2008, we recognized a non-cash loss on the impairment of

Fannie Mae and Freddie Mac preferred stock of $4.11 million. We are not aware of any other known trends, events, or uncertainties that will have or that are reasonably likely to have a material adverse effect on the Corporation's liquidity or operations.

Contractual Obligations

The chart below shows the Corporation's contractual obligations and commercial commitments, and its scheduled future cash payments under those commitments as of December 31, 2009.

The majority of the Corporation's outstanding contractual obligations are long-term debt. The remaining contractual obligations are comprised of telephone operating leases, purchase obligations for data processing services, and a rental agreement for our loan production office in Valdosta, Georgia. We have no capital lease obligations.

Contractual Obligations (Dollars in Thousands)	Total	Payments Due by Period Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	$ 21,000	$ 0	$ 4,000	$ 12,000	$ 5,000
Operating leases	15	5	10	0	0
New building - Valdosta	1,560	1,560	0	0	0
Total contractual obligations	$ 22,575	$ 1,565	$ 4,010	$ 12,000	$ 5,000

Off-Balance Sheet Arrangements

We are a party to financial instruments with off-balance-sheet risk which arise in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit in the form of loans or through letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the financial statements. Since many of the commitments to extend credit and standby letters of credit are expected to expire without being drawn upon, the contractual amounts do not necessarily represent future cash requirements.

Financial instruments whose contract amounts represent credit risk (Dollars in Thousands):	2009	2008
Commitments to extend credit	$ 12,961	$ 18,885
Standby letters of credit	$ 10	$ 10

The Corporation does not have any special purpose entities or off-balance sheet financing payment obligations.

Capital Resources and Dividends

Our average equity to average assets ratio was 8.71% in 2009 and 9.21% in 2008. The Federal Reserve Board and the FDIC have issued rules regarding risk-based capital requirements for U.S. banks and bank holding companies. Overall, these guidelines define the components of capital, require higher levels of capital for higher risk assets and lower levels of capital for lower risk assets, and include certain off-balance sheet items in the calculation of capital requirements. The risk-based capital regulations require banks to maintain an 8% total risk-based ratio, of which 4% must consist primarily of tangible common shareholders' equity (Tier I capital) or its equivalent. Also, the regulations require a financial institution to maintain a 3% leverage ratio. At year-end 2009, we were well in excess of the minimum requirements under the guidelines with a total risk-based capital ratio of 16.15%, a Tier I risk-based capital ratio of 14.90%, and a leverage ratio of 8.83%. To continue to conduct its business as currently conducted, the Corporation and the Bank will need to maintain capital well above the minimum levels.

The following table presents the risk-based capital and leverage ratios for year-end 2009 and 2008 in comparison to both the minimum regulatory guidelines and the minimum for well capitalized:

Risk Based Capital Ratios	Dec. 31, 2009	Dec. 31, 2008	Minimum Regulatory Guidelines	Minimum For Well Capitalized
Tier I capital	14.90%	14.31%	4.00%	6.00%
Total risk-based capital	16.15%	15.55%	8.00%	10.00%
Leverage	8.83%	8.72%	3.00%	5.00%

Interest Rate Sensitivity

The Corporation's most important element of asset/liability management is the monitoring of its sensitivity and exposure to interest rate movements which is the Corporation's primary market risk. We have no foreign currency exchange rate risk, commodity price risk, or any other material market risk. The Corporation has no trading investment portfolio, nor do we have any interest rate swaps or other derivative instruments.

Our primary source of earnings, net interest income, can fluctuate with significant interest rate movements. To lessen the impact of these movements, we seek to maximize net interest income while remaining within prudent ranges of risk by practicing sound interest rate sensitivity management. We attempt to accomplish this objective by structuring the balance sheet so that the differences in repricing opportunities between assets and liabilities are minimized. Interest rate sensitivity refers to the responsiveness of earning assets and interest-bearing liabilities to changes in market interest rates. The Corporation's interest rate risk management is carried out by the Asset/Liability Management Committee which operates under policies and guidelines established by the Bank. The principal objective of asset/liability management is to manage the levels of interest-sensitive assets and liabilities to minimize net interest income fluctuations in times of fluctuating market interest rates. To effectively measure and manage interest rate risk, the Corporation uses computer simulations that determine the impact on net interest income of numerous interest rate scenarios, balance sheet trends and strategies. These simulations cover the following financial instruments: short-term financial instruments, investment securities, loans, deposits, and borrowings. These simulations incorporate assumptions about balance sheet dynamics, such as loan and deposit growth and pricing, changes in funding mix, and asset and liability repricing and maturity characteristics. Simulations are run under various interest rate scenarios to determine the impact on net income and capital. From these computer simulations, interest rate risk is quantified and appropriate strategies are developed and implemented. The Corporation also maintains an investment portfolio that receives monthly cash flows from mortgage-backed securities principal payments, and staggered maturities which provides flexibility over time in managing exposure to changes in interest rates. Any imbalances in the repricing opportunities at any point in time constitute a financial institution's interest rate sensitivity.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this item is filed herewith.

Management's Report on Internal Control over Financial Reporting

Management of Southwest Georgia Financial Corporation and subsidiaries (the "Corporation") is responsible for establishing and maintaining effective internal control over financial reporting. 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 U.S. generally accepted accounting principles.

Under the supervision and with the participation of management, including the principal executive officer and principal financial officer, the Corporation conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control over Financial Reporting - Guidance for Smaller Public Companies issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation under the above framework, management of the Corporation has concluded the Corporation maintained effective internal control over financial reporting, as such term is defined in Securities Exchange Act of 1934 Rule 13a-15(f), as of December 31, 2009. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Management is also responsible for the preparation and fair presentation of the consolidated financial statements and other financial information contained in this report. The accompanying consolidated financial statements were prepared in conformity with U.S. generally accepted accounting principles and include, as necessary, best estimates and judgments by management.

/s/ DeWitt Drew	/s/ George R. Kirkland
DeWitt Drew	George R. Kirkland
President and	Senior Vice President and
Chief Executive Officer	Treasurer

March 31, 2010

Thigpen, Jones, Seaton & Co., P.C.

CERTIFIED PUBLIC ACCOUNTANTS
BUSINESS CONSULTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Directors and Stockholders of Southwest
Georgia Financial Corporation

We have audited the consolidated balance sheets of Southwest Georgia Financial Corporation and Subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2009. These consolidated financial statements are the responsibility of the Corporation'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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 consolidated financial position of Southwest Georgia Financial Corporation and Subsidiaries as of December 31, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

/s/ Thigpen, Jones, Seaton & Co., PC
Dublin, Georgia
March 19, 2010

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2009 and 2008

	2009	2008
ASSETS		
Cash and due from banks	$ 10,049,545	$ 7,469,754
Interest-bearing deposits in other banks	13,246,872	29,930
Cash and cash equivalents	23,296,417	7,499,684
Investment securities available for sale, at fair value	62,008,044	83,212,281
Investment securities to be held to maturity (fair value approximates $24,177,393 and $12,174,104)	24,195,377	12,108,040
Federal Home Loan Bank stock, at cost	1,649,900	1,618,300
Loans, net of allowance for loan losses of $2,532,856 and $2,375,713	157,697,397	146,693,628
Premises and equipment, net	7,777,080	5,783,275
Foreclosed assets, net	3,831,663	210,673
Intangible assets	848,514	1,056,152

Other assets	9,703,862	9,115,295
Total assets	$ 291,008,254	$ 267,297,328
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
NOW accounts	$ 25,074,884	$ 25,282,470
Money market	45,694,205	35,700,805
Savings	21,364,824	21,213,082
Certificates of deposit $100,000 and over	30,190,008	28,755,297
Other time accounts	72,085,244	64,216,422
Total interest-bearing deposits	194,409,165	175,168,076
Noninterest-bearing deposits	41,021,846	39,372,928
Total deposits	235,431,011	214,541,004
Federal funds purchased	0	430,000
Short-term borrowed funds	5,000,000	15,000,000
Long-term debt	21,000,000	10,000,000
Other liabilities	4,047,262	4,009,802
Total liabilities	265,478,273	243,980,806
Stockholders' equity:		
Common stock - $1 par value, 5,000,000 shares authorized, 4,293,835 shares issued	4,293,835	4,293,835
Additional paid-in capital	31,701,533	31,701,533
Retained earnings	16,324,463	14,511,867
Accumulated other comprehensive income	(676,055)	(1,076,918)
Treasury stock, at cost 1,745,998 shares for 2008 and 2009	(26,113,795)	(26,113,795)
Total stockholders' equity	25,529,981	23,316,522
Total liabilities and stockholders' equity	$ 291,008,254	$ 267,297,328

See accompanying notes to consolidated financial statements.

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
for the years ended December 31, 2009, 2008, and 2007

	2009	2008	2007
Interest income:			
Interest and fees on loans	$ 9,523,822	$ 9,504,120	$ 10,256,774
Interest on debt securities:Taxable	3,299,150	4,122,439	4,536,729
Interest on debt securities:Tax-exempt	735,987	1,001,078	798,961
Dividends	4,564	62,602	119,088
Interest on deposits in other banks	32,949	290,448	174,395
Interest on other short-term investments	97	89,663	427
Total interest income	13,596,569	15,070,350	15,886,374
Interest expense:			
Deposits	2,884,601	4,425,598	5,583,588
Federal funds purchased	994	22,513	100,542
Other short-term borrowings	169,286	768,750	594,358
Long-term debt	617,302	252,791	694,642
Total interest expense	3,672,183	5,469,652	6,973,130
Net interest income	9,924,386	9,600,698	8,913,244
Provision for loan losses	535,709	825,454	0
Net interest income after provision for loan losses	9,388,677	8,775,244	8,913,244
Noninterest income:			
Service charges on deposit accounts	1,765,854	1,608,243	1,735,430
Income from trust services	212,445	269,319	286,217
Income from brokerage services	266,137	341,466	346,255

Income from insurance services	1,069,301	1,101,690	1,150,336
Income from mortgage banking services	1,327,193	2,020,988	2,814,065
Net gain (loss) on disposition of assets	349	12,500	(96,925)
Gain on sale of credit card portfolio	0	0	247,531
Net gain (loss) on sale of securities	255,324	0	0
Net loss on the impairment of equity securities	0	(4,104,901)	0
Other income	227,691	225,544	232,150
Total noninterest income	5,124,294	1,474,849	6,715,059
Noninterest expense:			
Salaries and employee benefits	6,359,949	7,152,574	7,011,376
Occupancy expense	846,383	862,590	839,603
Equipment expense	666,779	693,762	647,561
Data processing expense	686,149	642,682	686,078
Amortization of intangible assets	207,638	226,943	467,416
Losses related to mortgage banking	0	978,513	1,587,253
Other operating expenses	3,425,138	2,631,061	2,363,965
Total noninterest expenses	12,192,036	13,188,125	13,603,252
Income (loss) before income taxes	2,320,935	(2,938,032)	2,025,051
Provision (benefit) for income taxes	508,339	(1,659,458)	306,943
Net income (loss)	$ 1,812,596	$(1,278,574)	$ 1,718,108
Basic earnings per share:			
Net income (loss)	$ 0.71	$ (0.50)	$ 0.66
Weighted average shares outstanding	2,547,837	2,547,926	2,583,932
Diluted earnings per share:			
Net income (loss)	$ 0.71	$ (0.50)	$ 0.66
Weighted average shares outstanding	2,547,837	2,552,486	2,593,021

See accompanying notes to consolidated financial statements.

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the years ended December 31, 2009, 2008, and 2007

	Common Stock	Additional paid-in capital	Retained Earnings	Accumulated Comprehensive Income	Treasur Stock
Balance at Dec. 31, 2006	$4,288,555	$31,644,063	$16,763,299	$(482,588)	$(24,256,4
Net Income	-	-	1,718,108	-	
Comprehensive income:					
Changes in net gain(loss) on securities available for sale	-	-	-	239,980	
Changes in net gain(loss) on pension plan benefits	-	-	-	(223,627)	
Total comprehensive income					
Common stock acquired through purchase program	-	-	-	-	(1,793,6
Cash dividend declared $.56 per share	-	-	(1,442,526)	-	
Exercise and issuance of stock options	5,280	57,470	-	-	
Balance at Dec. 31, 2007	4,293,835	31,701,533	17,038,881	(466,235)	(26,050,0
Net Income (loss)	-	-	(1,278,574)	-	
Comprehensive income:					
Changes in net gain(loss) on securities available for sale	-	-	-	374,129	
Changes in net gain(loss) on pension plan benefits	-	-	-	(984,812)	
Total comprehensive (loss)					

Common stock acquired through purchase program	-	-	-	-	(63,7
Cash dividend declared $.49 per share	-	-	(1,248,440)	-	
Balance at Dec. 31, 2008	$4,293,835	$31,701,533	$14,511,867	$(1,076,918)	$(26,113,7
Net Income	-	-	1,812,596	-	
Comprehensive income:					
Changes in net gain(loss) on securities available for sale	-	-	-	(23,267)	
Changes in net gain(loss) on pension plan benefits	-	-	-	424,130	
Total comprehensive income					
Balance at Dec. 31, 2009	$4,293,835	$31,701,533	$16,324,463	$ (676,055)	$(26,113,7

See accompanying notes to consolidated financial statements.

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2009, 2008, and 2007

	2009	2008	2007
Cash flows from operating activities:			
Net income (loss)	$ 1,812,596	$(1,278,574)	$ 1,718,108
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Provision for loan losses	535,709	825,454	0
Depreciation	719,527	758,785	743,695
Net amortization and (accretion) of investment securities	(26,809)	(88,492)	(10,494
Amortization of intangibles	207,638	226,943	467,416
Net loss (gain) on sale of credit card portfolio	0	0	(247,531
Net loss (gain) on sale of equity securities and disposal of assets	(255,673)	(12,500)	96,925
Net loss on the impairment of equity securities	0	4,104,901	0
Funds held related to mortgage banking activities	796,800	(164,399)	(88,006
Changes in:			
Other assets	(819,007)	(1,221,312)	(382,788
Other liabilities	61,630	(366,726)	(659,020
Net cash provided by operating activities	3,032,411	2,784,080	1,638,305
Cash flows from investing activities:			
Proceeds from calls and maturities of securities held to maturity	5,000,000	77,000,000	14,125,435
Proceeds from calls, paydowns, and maturities of securities AFS	30,502,563	26,014,709	3,216,400
Proceeds from sale of securities available for sale	9,849,289	0	0
Purchase of securities held to maturity	(17,100,452)	(877,133)	0
Purchase of securities available for sale	(18,894,586)	(81,459,264)	(512,300
Proceeds from sale of credit card portfolio	0	0	1,805,006
Net change in loans	(13,733,137)	(31,120,695)	2,269,484
Expenditures for improvements to other real estate owned	(1,427,679)	0	0
Purchase of premises and equipment	(2,713,333)	(251,401)	(459,142
Proceeds from sales of other assets	0	102,500	2,455,493
Net cash provided (used) for investing activities	(8,517,335)	(10,591,284)	22,900,376
Cash flows from financing activities:			
Net change in deposits	20,890,006	(2,251,686)	(9,916,422
Increase in federal funds purchased	(430,000)	430,000	0
Payment of short-term debt and short-term			

portion of long-term debt	(5,000,000)	(20,114,286)	(21,614,286
Proceeds from issuance of short-term debt	0	10,000,000	11,500,000
Proceeds from issuance of long-term debt	6,000,000	10,000,000	5,000,000
Cash dividends paid	(178,349)	(1,427,335)	(1,427,920
Proceeds from the exercise of stock options	0	0	62,750
Payment for common treasury stock	0	(63,773)	(1,793,612
Net cash provided (used) for financing activities	21,281,657	(3,427,080)	(18,189,490
Increase (decrease) in cash and cash equivalents	15,796,733	(11,234,284)	6,349,191
Cash and cash equivalents - beginning of year	7,499,684	18,733,968	12,384,777
Cash and cash equivalents - end of year	$ 23,296,417	$ 7,499,684	$ 18,733,968
Cash paid during the year for:			
Income taxes	$ 0	$ 0	$ 795,000
Interest paid	$ 3,746,676	$ 5,633,283	$ 6,993,730
NONCASH ITEMS:			
Increase in foreclosed properties and decrease in loans	$ 2,193,311	$ 210,673	$ 2,638,633
Unrealized gain(loss) on securities AFS	$(35,212)	$ 566,821	$ 363,606
Unrealized gain(loss) on pension plan benefits	$ 642,621	$(1,492,140)	$(338,829
Net reclass between short and long-term debt	$ 5,000,000	$ 0	$ 0

See accompanying notes to consolidated financial statements.

SOUTHWEST GEORGIA FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Southwest Georgia Financial Corporation and Subsidiaries (the "Corporation") conform to generally accepted accounting principles and to general practices within the banking industry. The following is a description of the more significant of those policies.

Principles of Consolidation

The consolidated financial statements include the accounts of Southwest Georgia Financial Corporation and its wholly-owned direct and indirect Subsidiaries, Southwest Georgia Bank (the "Bank") and Empire Financial Services, Inc. ("Empire"). All significant intercompany accounts and transactions have been eliminated in the consolidation.

Nature of Operations

The Corporation offers comprehensive financial services to consumer, business, and governmental customers through its banking offices in southwest Georgia. Its primary deposit products are savings and certificates of deposit, and its primary lending products are consumer and commercial mortgage loans. The Corporation provides, in addition to conventional banking services, investment planning and management, trust management, mortgage banking, and commercial and individual insurance products. Insurance products and advice are provided by the Bank's Southwest Georgia Insurance Services Division. Mortgage banking for primarily commercial properties is provided by Empire, a mortgage banking services subsidiary.

The Corporation's primary business is providing banking services through the Bank to individuals and businesses principally in Colquitt County, Baker County, Thomas County, Worth County, and the surrounding counties of southwest Georgia. The Bank also operates Empire Financial Services, Inc. in Milledgeville, Georgia, and a loan production office located in Lowndes County. We are currently building a full-service banking center in Valdosta, Georgia.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with these evaluations, management obtains independent appraisals for significant properties.

A substantial portion of the Corporation's loans are secured by real estate located primarily in Georgia. Accordingly, the ultimate collection of these loans is susceptible to changes in the real estate market conditions of this market area.

Cash and Cash Equivalents and Statement of Cash Flows

For purposes of reporting cash flows, the Corporation considers cash and cash equivalents to include all cash on hand, deposit amounts due from banks, interest-bearing deposits in other banks, and federal funds sold. The Corporation maintains its cash balances in several financial institutions. Accounts at the financial institutions are secured by the Federal Deposit Insurance Corporation up to $250,000 (up from $100,000) through December 31, 2013. Uninsured deposits aggregate to $1,780,913 at December 31, 2009.

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held to maturity" and recorded at amortized cost. Securities not classified as held to maturity or trading, including equity securities with readily determinable fair values, are classified as "available for sale" and recorded at fair value with unrealized gains and losses reported in other comprehensive income.

Purchase premiums and discounts are recognized in interest income using the interest method over the terms of the securities. 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 Corporation 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 on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation has been calculated primarily using the straight-line method for buildings and building improvements over the assets estimated useful lives. Equipment and furniture are depreciated using the modified accelerated recovery system method over the assets estimated useful lives for financial reporting and income tax purposes for assets purchased on or before December 31, 2003. For assets acquired after 2003, the Corporation used the straight-line method of depreciation. The following estimated useful lives are used for financial statement purposes:

Land improvements	5 - 31 years
Building and improvements	10 - 40 years
Machinery and equipment	5 - 10 years
Computer equipment	3 - 5 years
Office furniture and fixtures	5 - 10 years

All of the Corporation's leases are operating leases and are not capitalized as assets for financial reporting purposes. Maintenance and repairs are charged to expense and betterments are capitalized.

Long-lived assets are evaluated regularly for other-than-temporary impairment. If circumstances suggest that their value may be impaired and the write-down would be material, an assessment of recoverability is performed prior to any write-down of the asset. Impairment on intangibles is evaluated at each balance sheet date or whenever events or changes in circumstances indicate that the carrying amount should be assessed. Impairment, if any, is recognized through a valuation allowance with a corresponding charge recorded in the income statement.

Loans and Allowances for Loan Losses

Loans are stated at principal amounts outstanding less unearned income and the allowance for loan losses. Interest income is credited to income based on the principal amount outstanding at the respective rate of interest except for interest on certain installment loans made on a discount basis which is recognized in a manner that results in a level-yield on the principal outstanding.

Accrual of interest income is discontinued on loans when, in the opinion of management, collection of such interest income becomes doubtful. Accrual of interest on such loans is resumed when, in management's judgment, the collection of interest and principal becomes probable.

Fees on loans and costs incurred in origination of most loans are recognized at the time the loan is placed on the books. Because loan fees are not significant, the results on operations are not materially different from the results which would be obtained by accounting for loan fees and costs as amortized over the term of the loan as an adjustment of the yield.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation 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 homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual consumer and residential loans for impairment disclosures.

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes the collection of the principal is unlikely. The allowance is an amount which management believes will be adequate to absorb estimated losses on existing loans that may become uncollectible based on evaluation of the collectibility of loans and prior loss experience. This evaluation takes into consideration such factors as changes in the nature and volume of the loan portfolios, current economic conditions that may affect the borrowers' ability to pay, overall portfolio quality, and review of specific problem loans.

Management believes that the allowance for loan losses is adequate. While management uses available information to recognize losses on loans, future additions to the allowance may be necessary based upon changes in economic conditions. Also, various regulatory agencies, as an integral part of their examination process, periodically review the Corporation's allowance for loan losses. Such agencies may require the Corporation to recognize additions to the allowance based on their judgments of information available to them at the time of their examination.

Foreclosed Assets

Properties acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of cost or fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Intangible Assets

Intangible assets are amortized over a determined useful life using the straight-line basis. These assets are evaluated annually as to the recoverability of the carrying value. The remaining intangibles have a remaining life of three to five years.

Credit Related Financial Instruments

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

Retirement Plans

The Corporation and its subsidiaries have pension plans covering substantially all employees. The Corporation makes annual contributions to the plans in amounts not exceeding the regulatory requirements.

Income Taxes

The Corporation and the Bank file a consolidated income tax return. The Bank's subsidiary provides for income taxes based on its contribution to income taxes (benefits) of the consolidated group.

Deferred income tax assets and liabilities result from temporary differences between the tax basis of assets and liabilities and their reportable amounts in the financial statements that will result in taxable or deductible amounts in future years. Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with certain temporary differences and tax credits will be realized.

The Corporation reports income under Accounting Standards Codification Topic 740, Income Taxes, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse.

The Corporation and the Bank file a consolidated income tax return. The Bank computes its income tax expense as if it filed an individual return except that it does not receive any portion of the surtax allocation. Any benefits or disadvantages of the consolidation are absorbed by the parent company. The Bank pays its allocation of federal income taxes to the parent company or receives payment from the parent company to the extent that tax benefits are realized.

The Corporation adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement 109 ("FIN 48"), as of June 30, 2006. A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50 percent likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded. The adoption had no effect on the Corporation's financial statement for the year ending December 31, 2009.

The Corporation recognizes penalties related to income tax matters in income tax expense. The Corporation is subject to U.S. federal and Georgia state income tax audit for returns for the tax periods ending December 31, 2009, 2008, and 2007.

The Corporation is currently undergoing an IRS examination for the tax years ending December 31, 2008 and 2007. A final notice of adjustment to quantify the additional tax liability has not been received from the examining authority and agreed to by the Corporation as of the date of the report. Initial proposed adjustments from the examiner approximated $330,000 and estimated penalties and interest on this amount will approximate $19,800. This amount is not material to the financial statements and has not been settled by the Corporation or the IRS as of the report date and thus, no FIN 48 liability has been recorded for the additional tax and interest and penalties. We are aware of no additional material uncertain tax positions which would require a FIN 48 liability to be recorded.

Recent Accounting Pronouncements

On June 30, 2009, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 168, The FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162, which was subsequently incorporated into ASC Subtopic 105-10, Generally Accepted Accounting Principles - Overall. This guidance replaces The Hierarchy of Generally Accepted Accounting Principles and establishes the FASB Accounting Standards Codification ("Codification") as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with U.S. GAAP. Rules and interpretive releases of the SEC under federal securities laws are also sources of authoritative U.S. GAAP for SEC registrants. All guidance contained in the Codification carries an equal level of authority. This guidance was effective for financial statements issued for interim and annual periods ending after September 15, 2009, and does not have a material impact on our financial position or results of operations.

On May 28, 2009, the FASB issued SFAS No. 165, "Subsequent Events" (SFAS 165) which was codified into ASC 855. ASC 855 provides general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In addition, SFAS 165 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. The adoption of ASC 855, effective September 30, 2009, did not impact the Corporation's financial condition and results of operations.

In April 2009, the Financial Accounting Standards Board ("FASB") issued FASB Staff Position No. 157-4 ("Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly") which was codified into ASC 820. This ASC provides guidance in determining fair values when there is no active market or where the price inputs being used represent distressed sales. It reaffirms what Statement 157 states is the objective of fair value measurement to reflect how much an asset would be sold for in an orderly transaction (as opposed to a distressed or forced transaction) at the date of the financial statements under current market conditions. Specifically, it reaffirms the need to use judgment to ascertain if a formerly active market has become inactive and in determining fair values when markets have become inactive. If it is determined that a transaction is not orderly, a reporting entity should place little, if any, weight on that transaction price when estimating fair value. The guidance in the ASC is effective for interim and annual periods ending after September 15, 2009 with early adoption permitted. The adoption of ASC 820 did not have an impact on our financial position or results of operation.

In April 2009, the Securities and Exchange Commission released Staff Accounting Bulletin (SAB) No. 111, which amends Topic 5.M. in the Staff Accounting Bulletin Series entitled Other Than Temporary Impairment of Certain Investments in Debt and Equity Securities ("Topic 5.M.") which was codified into ASC 320. ASC 320 maintains the SEC staff's previous views related to equity securities. It also amends Topic 5.M. to exclude debt securities from its scope. ASC 320 interpretive responded that the phrase "other than temporary" for equity securities classified as available-for-sale in FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, should not be interpreted to mean "permanent."

In April 2009, the FASB issued FASB Staff Position No. 115-2 and FAS No. 124-2 ("Recognition and Presentation of Other-Than-Temporary Impairments") which was codified into ASC 320. This ASC changes the other-than-temporary impairment guidance for debt securities. Prior to issuance of this ASC, if a debt security was impaired and an entity had the ability and intent to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value, then the impairment loss was not recognized in earnings. The guidance of this ASC indicates that if an entity does not intend to sell an impaired debt security that the entity should assess whether it is more likely than not that it will be required to sell the security before recovery. If the entity more likely than not, will be required to sell the security before recovery, an other-than-temporary impairment has occurred that would be recognized in earnings. If an entity more likely than not will not be required to sell the debt security, but does not expect to recover its cost, the entity should determine whether a credit loss exists, and if so, the credit loss should be recognized in earnings and the remaining impairment should be recognized in other comprehensive income. The guidance in the ASC is effective for interim and annual periods ending after September 15, 2009 with early adoption permitted. The adoption of ASC 320 did not have an impact on our financial position or results of operation.

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1 ("Interim Disclosures about Fair Value of Financial Instruments") which was codified into ASC 825. Prior to issuing this ASC, fair values for financial assets and liabilities were only disclosed once a year. The ASC now requires disclosures of these fair values on a quarterly basis, providing qualitative and quantitative information about fair value estimates for all those financial instruments not measured on the balance sheet at fair value. The guidance in the ASC is effective for interim and annual periods ending after September 15, 2009 with early adoption permitted. This ASC expands fair value annual disclosure to quarterly periods. The adoption of ASC 825 did not have an impact on our financial position or results of operation.

In January 2009, the FASB issued FASB Staff Position (FSP) EITF 99-20-1, "Amendments to the Impairment Guidance of EITF Issue No. 99-20." This FSP affects all entities with certain beneficial interests in securitized financial assets within the scope of EITF Issue No. 99-20. In determining other-than-temporary-impairment, Issue 99-20 requires reliance on market participant assumptions about future cash flows. While Statement of Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115) ,which was codified into ASC 320, uses these same assumptions, it permits the use of reasonable management judgment on the probability that the holder will be unable to collect all amounts due. This ASC brings the impairment model on beneficial interest held by a transferor in securitized financial assets, to be similar to the impairment model of ASC 320. The ASC is effective for interim and annual reporting periods ending after December 15, 2008. The adoption of this standard did not have an impact on our financial position or results of operations.

In December 2008, the FASB issued FSP FAS 132(R)-1, "Employer's Disclosures about Postretirement Benefit Plan Assets" which was codified into ASC 715. This ASC amends SFAS No. 132(R), "Employers' Disclosures about Pensions and Other Postretirement Benefits - An Amendment of FASB Statements No. 87, 88, and 106" to require more detailed disclosures about plan assets of a defined benefit pension or other postretirement plan, including investment strategies; major categories of plan assets; concentrations of risk within plan assets; inputs and valuation techniques used to measure the fair value of plan assets; and the effect of fair-value measurements using significant unobservable inputs on changes in plan assets for the period. ASC 715 is effective for fiscal years ending after December 15, 2009, with earlier application permitted. The adoption of this standard did not have and impact on our financial position or results of operations.

On November 21, 2008 the FDIC adopted the final rule relating to the Temporary Liquidity Guarantee Program ("TLG Program") which is also a part of EESA. Under the TLG program the FDIC will (1) guarantee certain newly issued senior unsecured debt and (2) provide full FDIC deposit insurance coverage for non-interest bearing transaction accounts, NOW accounts paying less than 0.5 percent interest per annum and Interest on Lawyers Trust Accounts held at participating FDIC insured institutions through June 30, 2010. The Corporation has elected to only participate in the full FDIC deposit insurance coverage program.

In response to the current financial crisis affecting the banking system and financial markets, the Emergency Economic Stabilization Act of 2008 ("EESA") was signed into law on October 3, 2008. This law established the Troubled

Asset Relief Program ("TARP"). As part of TARP, the Treasury established the Capital Purchase Program ("CPP") to provide up to $700 billion of funding to eligible financial institutions through the purchase of capital Stock and other financial instruments for the purpose of stabilizing and providing liquidity to the U.S. financial markets. After carefully reviewing and analyzing the terms and conditions of the CPP, the Board of Directors and management of the Corporation believed that, given its present financial condition, participation in the CPP was unnecessary and not in the best interests of the Corporation, its customers or shareholders.

In October 2008, the FASB issued FSP No. FAS 157-3, "Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active" (FSP FAS 157-3) which was codified into ASC 820. This ASC provides additional guidance regarding application of ASC 820, "Fair Value Measurements," in an inactive market and illustrates how an entity would determine fair value when the market for a financial asset is not active. ASC 820 is effective immediately upon issuance and applies to prior periods for which financial statements have not been issued. We adopted the provisions of ASC 820 as of September 30, 2008. The adoption of this standard did not have an impact on our financial position or results of operations.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159 (The Fair Value Option for Financial Assets and Financial Liabilities) which was codified into ASC 825. The statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The effective date for entities that elect to apply its provisions is as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Corporation elected not to apply its provisions.

Trust Department

Trust income is included in the accompanying consolidated financial statements on the cash basis in accordance with established industry practices. Reporting of such fees on the accrual basis would have no material effect on reported income.

Servicing and Origination Fees on Loans

The Corporation from the Bank's subsidiary, Empire, recognizes as income in the current period all loan origination and brokerage fees collected on loans originated and closed for investing participants. Loan servicing fees are based on a percentage of loan interest paid by the borrower and recognized over the term of the loan as loan payments are received. Empire does not directly fund any mortgages and acts as a service-oriented broker for participating mortgage lenders. Fees charged for continuing servicing fees are comparable with market rates charged in the industry. Based on these facts and after a thorough analysis and evaluation of deferred mortgage servicing costs as defined under ASC 860, they are insignificant and immaterial to be recognized. Late charges assessed on past due payments are recognized as income by the Corporation when collected.

Advertising Costs

It is the policy of the Corporation to expense advertising costs as they are incurred. The Corporation does not engage in any direct-response advertising and accordingly has no advertising costs reported as assets on its balance sheet. Costs that were expensed during 2009, 2008, and 2007 were $148,478,

$186,301 and $200,705, respectively.

2. INVESTMENT SECURITIES

Debt and equity securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost of securities as shown in the consolidated balance sheets and their estimated fair values at December 31 were as follows:

Securities Available For Sale:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2009				
State and municipal securities	$ 5,658,609	$ 286,208	$ 0	$ 5,944,817
Residential mortgage-backed securities	49,004,308	1,178,765	142,534	50,040,539
Corporate notes	6,220,813	113,275	456,901	5,877,187
Equity securities	234,664	0	89,163	145,501
Total	$61,118,394	$1,578,248	$ 688,598	$62,008,044
December 31, 2008				
U.S. Government Agency securities	$15,000,000	$ 36,000	$ 0	$15,036,000
State and municipal securities	10,512,936	308,128	52,961	10,768,103
Residential mortgage-backed securities	48,562,332	1,449,116	80	50,011,368
Corporate notes	7,941,486	69,038	726,874	7,283,650
Equity securities	270,663	0	157,503	113,160
Total	$82,287,417	$1,862,282	$ 937,418	$83,212,281

Securities Held to Maturity:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2009				
U.S. Government Agency securities	$ 998,003	$ 39,497	$ 0	$ 1,037,500
State and municipal securities	9,003,644	198,009	40,896	9,160,757
Residential mortgage-backed securities	14,193,730	0	214,594	13,979,136
Total	$24,195,377	$ 237,506	$ 255,490	$24,177,393
December 31, 2008				
U.S. Government Agency securities	$ 5,996,379	$ 146,211	$ 0	$ 6,142,590
State and municipal securities	6,111,661	62,073	142,220	6,031,514
Total	$12,108,040	$ 208,284	$ 142,220	$12,174,104

At December 31, 2009, securities with a carrying value of $41,314,406 and a market value of $42,148,819 were pledged as collateral for public deposits and other purposes as required by law. Of these amounts, approximately $12,000,000 was overpledged and could be released if necessary for liquidity needs. At December 31, 2008, securities with a carrying value of $69,395,794 and a market value of $71,021,520 were pledged for public deposits and Federal Home Loan Bank advances. Starting in 2009, we no longer pledge securities to secure Federal Home Loan Bank advances instead we are pledging 1-4 family mortgage loans. The Federal Home Loan Bank requires the Bank to hold a minimum investment of stock, based on membership and the level of activity. As of December 31, 2009 this stock investment was $1,649,900.

There were no investments in obligations of any state or municipal subdivisions which exceeded 10% of the Corporation's stockholders' equity at December 31, 2009.

The amortized cost and estimated fair value of securities at December 31, 2009, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalties.

Available for Sale:	Amortized Cost	Estimated Fair Value
Amounts maturing in:		
One year or less	$ 0	$ 0
After one through five years	7,309,747	7,322,090
After five through ten years	8,602,964	8,690,155
After ten years	44,971,019	45,850,297
Total debt securities	$ 60,883,730	$ 61,862,542
Equity securities	234,664	145,502
Total AFS securities	$ 61,118,394	$ 62,008,044

	Amortized Cost	Estimated Fair Value
Held to Maturity:		
Amounts maturing in:		
One year or less	$ 0	$ 0
After one through five years	3,921,028	4,048,133
After five through ten years	10,476,879	10,476,730
After ten years	9,797,470	9,652,530
Total HTM securities	$ 24,195,377	$ 24,177,393

For the years ended December 31, 2009, 2008, and 2007, proceeds from sales of securities available for sale amounted to $9,849,289, $0 and $0, respectively. Gross realized gains (losses) amounted to $255,324, $(4,104,901) and $0, respectively. The gain in 2009 was due to selling a portion of our longer-term residential mortgage-backed securities in order to shorten the duration of our earnings assets. The loss during 2008 was due to the impairment of equity securities.

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

December 31, 2009	Less Than Twelve Months		Twelve Months or More	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
Debt securities:				
U.S. Government Agency	$ 0	$ 0	$ 0	$ 0
State and municipal securities	0	0	0	0
Residential mortgage-backed securities	142,534	13,564,481	0	0
Corporate notes	0	0	456,901	2,758,627
Total debt securities	142,534	13,564,481	456,901	2,758,627
Equity securities	0	0	89,163	145,501

Total securities available for sale	$142,534	$13,564,481	$546,064	$2,904,128
Securities Held to Maturity				
State and municipal securities	$ 13,022	$ 1,784,816	$ 27,874	$ 557,125
Residential mortgage-backed securities	214,594	13,979,136	0	0
Total securities held to maturity	$227,616	$15,763,952	$ 27,874	$ 557,125

December 31, 2008	Less Than Twelve Months		Twelve Months or More	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
Debt securities:				
U.S. Government Agency	$ 0	$ 0	$ 0	$ 0
State and municipal securities	52,961	784,873	0	0
Residential mortgage-backed securities	80	20,435	0	0
Corporate notes	726,874	5,181,330	0	0
Total debt securities	779,915	5,986,638	0	0
Equity securities	157,503	113,160	0	0
Total securities available for sale	$937,418	$ 6,099,798	$ 0	$ 0
Securities Held to Maturity				
U.S. Government Agency	$ 0	$ 0	$ 0	$ 0
State and municipal securities	0	0	142,220	3,549,538
Total securities held to maturity	$ 0	$ 0	$142,220	$3,549,538

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 Corporation 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, 2009, the debt securities with unrealized losses have depreciated 2.6% from the Corporation's amortized cost basis. 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, its agencies, or other governments, 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.

3. LOANS AND ALLOWANCE FOR LOAN LOSSES

The composition of the Corporation's loan portfolio at December 31, 2009 and 2008 was as follows:

	2009	2008
Commercial, financial and agricultural loans	$ 25,731,119	$ 26,374,950
Real estate:		
Construction loans	15,597,473	18,357,251
Commercial mortgage loans	50,337,020	43,054,142
Residential loans	51,313,706	45,192,195

Agricultural loans	7,225,105	8,640,313
Deposit account overdrafts	86,257	175,438
Consumer loans	9,969,346	7,304,646
Loans Outstanding	160,260,026	149,098,935
Unearned discount	(29,773)	(29,594)
Allowance for loan losses	(2,532,856)	(2,375,713)
Net loans	$ 157,697,397	$ 146,693,628

The Corporation's only significant concentration of credit at December 31, 2009, occurred in real estate loans which totaled approximately $124 million. However, this amount was not concentrated in any specific segment within the market or geographic area.

At December 31, 2009 and 2008, impaired loans amounted to $1,756,997 and $2,428,095 respectively. Included in the allowance for loan losses was $0 related to impaired loans at December 31, 2009 and 2008. The amounts in the allowance for loan losses for impaired loans were primarily determined using the fair value of the loans' collateral.

For the years ended December 31, 2009 and 2008, the average recorded investment in impaired loans was $464,075 and $1,244,833, respectively. Interest income was recognized for cash payments received on loans while they were impaired of $7,853 and $0 for 2009 and 2008, respectively.

Loans placed on nonaccrual status amounted to $1,521,319 and $2,731,465 at December 31, 2009 and 2008 respectively. There were no past due loans over ninety days and still accruing at December 31, 2009 or 2008. The accrual of interest is discontinued when the loan is placed on nonaccrual. Interest income that would have been recorded on these nonaccrual loans in accordance with their original terms totaled $116,781 and $256,978 as of year-end 2009 and 2008, respectively. In the third quarter of 2009, a $1,282,905 loan was placed on interest nonaccrual. Settlement is expected to occur late in the first quarter or early in the second quarter of 2010. At year-end 2008, there was one large $2,428,000 loan in nonaccrual loans that had a partial charge-off of $785,000 in the fourth quarter of 2008.

Beginning in 2009, certain 1-4 family mortgage loans were pledged to Federal Home Loan Bank to secure outstanding advances. At December 31, 2009, $30,736,243 loans were pledged in this capacity.

Changes in the allowance for loan losses are as follows:

	2009	2008	2007
Balance, January 1	$ 2,375,713	$ 2,399,115	$ 2,417,140
Provision charged to operations	535,709	825,454	0
Loans charged off	(427,841)	(873,115)	(52,758)
Recoveries	49,275	24,259	34,733
Balance, December 31	$ 2,532,856	$ 2,375,713	$ 2,399,115

4. PREMISES AND EQUIPMENT

The amounts reported as bank premises and equipment at December 31, 2009 and 2008 are as follows:

	2009	2008

Land	$ 2,866,634	$ 1,177,059
Building	7,922,977	7,900,873
Furniture and equipment	6,698,338	6,506,423
Construction in process	727,578	0
	18,215,527	15,584,355
Less accumulated depreciation	(10,438,447)	(9,801,080)
Total	$ 7,777,080	$ 5,783,275

Depreciation of premises and equipment was $719,527, $758,785 and $743,695 in 2009, 2008, and 2007, respectively. The Corporation depreciates its long-lived assets on various methods over their estimated productive lives, as more fully described in Note 1, summary of significant accounting policies.

We are in the process of building a new full-service banking center in Valdosta, Georgia. This location is scheduled to open for business in the second quarter of 2010. As of December 31, 2009, building and land expenditures were $727,578 and $1,709,575, respectively. The total office building construction and equipment commitment currently stands at approximately $2,288,017.

5. INTANGIBLE ASSETS

The following table lists the Corporation's intangible assets at December 31, 2009 and 2008. Core deposit premiums have 4-5 years of remaining amortization, and customers' account base have 3-4 years remaining amortization.

	2009	2008
Amortizing intangible assets		
Core deposit premiums	$ 754,788	$ 936,529
Customers' account base	93,726	119,623
Total intangible assets	$ 848,514	$ 1,056,152

6. DEPOSITS

At December 31, 2009, the scheduled maturities of certificates of deposit are as follows:

	$ Amount
2010	$ 89,443,554
2011	11,861,953
2012	624,349
2013	289,794
2014 and thereafter	55,602
Total	$ 102,275,252

7. SHORT-TERM BORROWED FUNDS

Federal funds purchased generally mature within one to four days. On December 31, 2009, the Corporation did not have any federal funds purchased. Other short-term borrowed funds consist of Federal Home Loan Bank advances of $5,000,000 with interest at 2.78% as of December 31, 2009 and $15,000,000 with interest at 4.31% as of December 31, 2008.

Information concerning federal funds purchased and Federal Home Loan Bank short-term advances are summarized as follows:

	2009	2008
Average balance during the year	$ 5,455,334	$ 17,831,984
Average interest rate during the year	3.12%	4.44%
Maximum month-end bal. during the year	$ 15,000,000	$ 31,230,000

8. LONG-TERM DEBT

Long-term debt at December 31, 2009 and 2008 consisted of the following:

	2009	2008
Advance from Federal Home Loan Bank with a 3.39% fixed rate of interest maturing August 20, 2018. (convertible to a variable rate at option of Federal Home Loan Bank on August 22, 2011).	$ 5,000,000	$ 5,000,000
Advance from Federal Home Loan Bank with a 3.85% fixed rate of interest maturing April 30, 2014.	10,000,000	0
Advance from Federal Home Loan Bank with a 2.78% fixed rate of interest maturing September 10, 2018. (convertible to a variable rate at option of Federal Home Loan Bank on September 10, 2010). (transferred to short-term borrowings)	0	5,000,000
Advance from Federal Home Loan Bank with a 1.57% fixed rate of interest maturing July 25, 2011.	2,000,000	0
Advance from Federal Home Loan Bank with a 2.23% fixed rate of interest maturing July 30, 2012.	2,000,000	0
Advance from Federal Home Loan Bank with a 2.79% fixed rate of interest maturing July 29, 2013.	2,000,000	0
Total long-term debt	$21,000,000	$10,000,000

The advances from Federal Home Loan Bank are collateralized by the pledging of 1-4 family residential mortgages. At December 31, 2009, 1-4 family residential mortgage loans with a lendable collateral value of $30,736,243 were pledged to secure these advances. In 2008, the advances were secured by investment securities with a carrying value of $28,615,000. At December 31, 2009, the Corporation had approximately $46,500,000 of unused lines of credit with the Federal Home Loan Bank.

The following are maturities of long-term debt for the next five years. At December 31, 2009, there was no floating rate long-term debt; however, one of these advances has a convertible call feature.

Due in:	Fixed Rate $ Amount
2010	0
2011	2,000,000
2012	2,000,000
2013	2,000,000
2014	10,000,000
Later Years	5,000,000
Total long-term debt	$ 21,000,000

9. EMPLOYEE BENEFITS AND RETIREMENT PLANS

Pension Plan

The Corporation has a noncontributory defined benefit pension plan which covers most employees who have attained the age of 21 years and completed one year of continuous service. The Corporation is providing for the cost of this plan as benefits are accrued based upon actuarial determinations employing the aggregate funding method.

The table of actuarially computed benefit obligations and net assets and the related changes of the Plan at December 31, 2009, 2008, and 2007 is presented below.

	2009	2008	2007
Change in Benefit Obligation			
Benefit obligation at beginning of year	$ 12,180,640	$ 12,112,843	$ 11,183,684
Service cost	0	0	0
Interest cost	712,894	719,314	690,697
Amendments	0	0	0
Benefits paid	(769,841)	(719,618)	(678,445)
Other - net	125,156	68,101	916,907
Benefit obligation at end of year	$ 12,248,849	$ 12,180,640	$ 12,112,843
Change in Plan Assets			
Fair value of plan assets at beginning of year	$ 9,624,039	$ 11,048,382	$ 10,458,052
Actual return on plan assets	1,230,671	(1,250,812)	574,832
Employer contribution	250,000	546,087	693,943
Benefits paid	(769,841)	(719,618)	(678,445)
Fair value of plan assets at end of year	$ 10,334,869	$ 9,624,039	$ 11,048,382

	2009	2008	2007
Funded status	$(1,913,980)	$(2,556,601)	$(1,064,461)
Unrecognized net actuarial (gain)/loss	0	0	0
Unrecognized prior service cost	0	0	0
Pension liability included in other liabilities	$ (1,913,980)	$(2,556,601)	$(1,064,461)
Accumulated benefit obligation	$ 12,248,849	$ 12,180,640	$ 12,112,843

Amount recognized in consolidated balance sheet consist of the following:	2009	2008	2007
Accrued Pension	$ 1,913,980	$ 2,556,601	$ 1,064,461

Deferred tax assets	$ 650,754	$ 869,245	$ 361,917
Accumulated other comprehensive income	1,263,226	1,687,356	702,544
Total	$ 1,913,980	$ 2,556,601	$ 1,064,461

Components of Pension Cost	2009	2008	2007
Service cost	$ 0	$ 0	$ 0
Interest cost on benefit obligation	712,894	719,314	690,697
Expected return on plan assets	(744,127)	(859,318)	(826,839)
Other - net	373,001	135,169	74,003
Net periodic pension cost	$ 341,768	$(4,835)	$(62,139)

Other changes in plan assets and benefit obligations recognized in comprehensive income:

	2009	2008	2007
Net loss (gain)	$(642,621)	$ 1,492,140	$ 338,829
Prior service costs	0	0	0
Total recognized in other comprehensive income	$(642,621)	$ 1,492,140	$ 338,829
Net periodic pension cost	341,768	(4,835)	(62,139)
Total recognized in net periodic pension cost and other comprehensive income	$(300,853)	$ 1,487,305	$ 276,690

In years 2009 and 2008, the years after adopting ASC 960, Employer's Accounting for Deferred Benefit Pension Plan and Other Postretirement Plans, and freezing its pension retirement plan, the Corporation reduced the accrued pension liability by $642,621 in 2009 and recorded an additional accrued liability of $1,492,140 in 2008, and other comprehensive income (loss) of $424,130 for 2009 and ($984,812) for 2008 on a pre-tax basis. During 2009, the fair value of the plan assets increased $710,880.

At December 31, 2009, the plan assets included cash and cash equivalents, U.S. Treasury bonds and notes, U.S. Government Agency securities, and equity securities.

Assumptions used to determine the benefit obligation as of December 31, 2009 and 2008 respectively were:

Weighted-Average Assumptions As of December 31	2009	2008
Discount rate	6.00%	6.00%
Rate of compensation increase	N/A	N/A

For the years ended December 31, 2009, 2008, and 2007, the assumptions used to determine net periodic pension costs are as follows:

	2009	2008	2007
Discount rate	6.00%	6.25%	6.25%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	N/A	N/A	N/A

The expected rate of return represents the average rate of return to be earned on plan assets over the period the benefits included in the benefit obligation are to be paid. In determining the expected rate of return, the Corporation considers long-term compound annualized returns of historical market data as well as actual returns on the Corporation's plan assets, and applies adjustments that reflect more recent capital market experience.

	2009	2008
Planned Asset Allocation as of December 31		
Equity	24%	25%
Fixed income	56%	65%
Cash & cash equivalents	20%	10%
Total	100%	100%

The Corporation's pension plan investment objective is both security and long-term stability, with moderate growth. The investment strategies and policies employed provide for investments, other than "fixed-dollar" investments, to prevent erosion by inflation. Since the funds are intended for retirement, the investment time horizon is long-term by nature. Because of the long-term focus, short-term volatility is acceptable in an effort to provide for higher long-term returns. Sufficient funds are held in a liquid nature (money market, short-term securities) to allow for the payment of plan benefits and expenses, without subjecting the funds to loss upon liquidation. In an effort to provide a higher return with lower risk, the fund assets are allocated between stocks, fixed income securities, and cash equivalents. All plan investments and transactions are in compliance with ERISA and any other law applicable to employee benefit plans. The targeted investment portfolio is allocated up to 30% in equities, 50% to 90% in fixed-income investments, and up to 20% in cash equivalents investments.

All the Corporation's equity investments are in mutual funds with a Morningstar rating of 3 or higher, have at least $300 million in investments, and have been in existence 5 years or more. To reduce risk through efficient diversification and to provide for better liquidity, the stock portion of the portfolio is maintained with the use of mutual funds. No more than 10% of the market value of the plan is invested in any one mutual fund. Mutual funds investing in international stocks are allowed, but are limited to no more than 5% of the market value of the plan.

Fixed income securities include issues of the U.S. Government and its agencies, corporate bonds, certificates of deposit, and preferred stocks. Any corporate bond or preferred stock purchased have a rating (by Standard & Poor's or Moody's) of "A" or better. Investments in securities of a single issuer (with the exception of the U.S. Government, U.S. Government Agencies, and federal insured bank deposits) do not exceed 5% of the market value of the plan. The average maturity of the fixed income portion of the portfolio does not exceed 10 years.

Estimated Contributions

The employer expects to contribute $300,000 to this pension plan in 2010.

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service and decrements as appropriate, are expected to be paid for fiscal years beginning:

2010	$ 891,000

2011	883,000
2012	926,000
2013	912,000
2014	936,000
Years 2015 - 2019	$ 5,057,000

Southwest Georgia Bank 401(K) Plan

In place of the Corporation's frozen defined pension retirement plan, the Corporation is offering the employees a 401(K) Plan effective January 1, 2007. This 401(K) plan is a qualified defined contribution plan as provided for under Section 401(K) of the Internal Revenue Code. This plan is a "safe-harbor" plan meaning that the Corporation will match contributions dollar for dollar for the first four percent of salary participants defer into the plan. The plan does allow for discretionary match in excess of the four percent and that the participants are allowed to defer the maximum amount of salary. During 2009, the Corporation matched the employee participants for the first four percent of salary contributing $173,673 to the plan and $168,521 in 2008.

Employee Stock Ownership Plan

The Corporation has a nondiscriminatory Employee Stock Ownership Plan and Trust (ESOP) administered by a trustee. The plan was established to purchase and hold Southwest Georgia Financial Corporation stock for all eligible employees. Contributions to the plan are made solely by the Corporation and are at the discretion of the Board of Directors. There were no contributions in both 2009 and 2008. There were $309,809 contributions in 2007. Contributions to eligible participants are based on percentage of annual compensation. As of December 31, 2009, the ESOP holds 335,098 shares of the Corporation's outstanding shares of common stock. All 321,925 released shares are allocated to the participants. The 13,173 unreleased shares are pledged as collateral for a $129,423 long-term debt incurred from repurchasing participants' shares. Dividends paid by the Corporation on ESOP shares are allocated to the participants based on shares held. ESOP shares are included in the Corporation's outstanding shares and earnings per share computation.

Directors Deferred Compensation Plan

The Corporation has a voluntary deferred compensation plan for the Board of Directors administered by an insurance company. The plan stipulates that if a director participates in the Plan for four years, the Corporation will pay the director future monthly income for ten years beginning at normal retirement age, and the Corporation will make specified monthly payments to the director's beneficiaries in the event of his or her death prior to the completion of such payments. The plan is funded by life insurance policies with the Corporation as the named beneficiary. This plan is closed to new director enrollment and participation.

Directors and Executive Officers Stock Purchase Plan

The Corporation has adopted a stock purchase plan for the executive officers and directors of Southwest Georgia Financial Corporation. Under the plan, participants may elect to contribute up to $500 monthly of salary or directors' fees and receive corporate common stock with an aggregate value of 1.5 times their contribution. The expense incurred during 2009, 2008, and 2007 on the part of the Corporation totaled $71,900, $74,630 and $68,400, respectively.

Stock Option Plan

Effective March 19, 1997, the Corporation established a Key Individual Stock Option Plan which provides for the issuance of options to key employees and directors of the Corporation. In April 1997, the Plan was approved by the Corporation's shareholders, and it will be effective for ten years. In April of 2007, the Plan concluded as related to granting new stock options. Under the Plan, the exercise price of each option equals the market price of the Corporation's stock on the grant date for a term of ten years. All of these stock options are fully vested. The fair value of each stock option grant is estimated on the grant date using an option-pricing model using weighted-average assumptions. A maximum of 196,680 shares of common stock have been authorized for issuance with respect to options granted under the Plan. The Plan provides for the grant of incentive stock options and nonqualified stock options to key employees of the Corporation. The Plan is administered by the Personnel Committee of the Board of Directors.

The following table sets forth the number of stock options granted, the average fair value of options granted, and the weighted-average assumptions used to determine the fair value of the stock options granted.

	2009	2008	2007
Number of stock options granted	0	0	0
Average fair value of stock options granted	0	0	0
Number of option shares exercisable	25,100	37,552	107,165
Average price of stock options exercisable	$ 16.21	$ 15.59	$ 18.02

A summary of the status of the Corporation's Plan as of December 31, 2009, 2008 and 2007, and the changes in stock options during the years are presented below:

	No. of Shares	Average Price
Outstanding at December 31, 2006	113,105	$ 17.74
Granted	0	0
Expired	(660)	19.32
Exercised	(5,280)	11.88
Outstanding at December 31, 2007	107,165	$ 18.02
Granted	0	0
Expired	(69,613)	19.33
Exercised	0	0
Outstanding at December 31, 2008	37,552	$ 15.59
Granted	0	0
Expired	(12,452)	14.35
Exercised	0	0
Outstanding at December 31, 2009	25,100	$ 16.21

The following table summarizes information about fixed stock options outstanding and exercisable at December 31, 2009.

	Outstanding Stock Options			Exercisable Stock Options	
Exercise Price Range	Number Outstanding At 12/31/09	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable At 12/31/09	Weighted Average Exercise Price

$11 to $12	1,320	2.6 Years	$ 11.93	1,320	$ 11.93
$12 to $13	4,620	1.5 Years	12.09	4,620	12.09
$13 to $14	7,260	3.0 Years	13.12	7,260	13.12
$19 to $20	8,600	6.2 Years	19.65	8,600	19.65
$21 to $23	3,300	6.5 Years	21.52	3,300	21.52
$11 to $23	25,100		$ 16.21	25,100	$ 16.21

Dividend Reinvestment and Share Purchase Plan

In 1997, the Corporation's Board of Directors approved a dividend reinvestment and share purchase plan. Also, the Board amended this plan on September 16, 1998. The purpose of the plan is to provide shareholders of record of the Corporation's common stock, who elect to participate in the Plan, with a simple and convenient method of investing cash dividends and voluntary cash contributions in shares of the common stock without payment of any brokerage commissions or other charges. Eligible participants may purchase common stock through automatic reinvestment of common stock dividends on all or partial shares and make additional voluntary cash payments of not less than $5 nor more than $5,000 per month. The participant's price of common stock purchased with dividends or voluntary cash payments will be the average price of all shares purchased in the open market, or if issued from unissued shares or treasury stock the price will be the average of the high and low sales prices of the stock on the NYSE Amex on the dividend payable date or other purchase date. During the years ended December 31, 2009, 2008, and 2007, shares issued through the plan were 3,525, 12,140 and 10,821, respectively, at an average price of $9.08, $16.43 and $19.15, per share, respectively. These numbers of shares and average price per share are not adjusted by stock dividends.

10. INCOME TAXES

Components of income tax expense for 2009, 2008, and 2007 are as follows:

	2009	2008	2007
Current expense (benefit)	$(172,776)	$(37,033)	$ 321,785
Deferred taxes (benefit)	681,115	(1,622,425)	(14,842)
Total income taxes	$ 508,339	$(1,659,458)	$ 306,943

The reasons for the difference between the federal income taxes in the consolidated statements of income and the amount and percentage computed by the applying the combine statutory federal and state income tax rate to income taxes are as follows:

	2009		2008		2007	
	Amount	%	Amount	%	Amount	%
Taxes at statutory income tax rate	$ 789,118	34.0	$(998,931)	(34.0)	$ 688,517	34.0
Reductions in taxes resulting from						
exempt income	(296,863)	(12.8)	(353,732)	(12.0)	(292,724)	(14.4)
Other timing differences	16,084	0.7	(306,795)	(10.4)	(88,850)	(4.4)
Total income taxes	$ 508,339	21.9	$(1,659,458)	(56.4)	$ 306,943	15.2

The sources of timing differences for tax reporting purposes and the related deferred taxes recognized in 2009, 2008, and 2007 are summarized as follows:

	2009	2008	2007
Accretion of discount (net of maturities)	$ 39,905	$ 34,800	$ 5,800
Nonqualified retirement plan contribution / payments	9,348	9,348	8,600
Gain on disposition of discounted bonds	(27,110)	(31,017)	(15,300)
Bad debt expense in excess of tax	(53,429)	7,956	6,100
Deferred compensation	340,000	0	0
Book and tax depreciation difference	(64,399)	(1,552)	(20,042)
Realized impairment (loss) gain on equity securities	436,800	(1,641,960)	0
Total deferred taxes	$ 681,115	$(1,622,425)	$(14,842)

	December 31	
	2009	2008
Deferred tax assets:		
Bad debt expense in excess of tax	$ 513,413	$ 459,984
Pension plan	650,754	869,245
Realized loss on securities available for sale	1,205,160	1,641,960
Deferred compensation	2,121	351,469
Total deferred tax assets	2,371,448	3,322,658
Deferred tax liabilities:		
Accretion on securities	36,279	23,483
Depreciation on fixed assets	39,396	103,795
Unrealized gain on securities available for sale	302,482	314,425
Total deferred tax liabilities	378,157	441,703
Net deferred tax assets	$ 1,993,291	$ 2,880,955

11. RELATED PARTY TRANSACTIONS

The Employee Stock Ownership Plan and Trust of Southwest Georgia Financial Corporation presently holds 335,098 shares of the Corporation's stock of which 13,173 shares have been pledged. In the normal course of business, the Corporation's banking subsidiary has made loans at prevailing interest rates and terms to directors and executive officers of the Corporation and its subsidiaries, and to their affiliates. The aggregate indebtedness to the Bank of these related parties approximated $2,626,000 and $2,771,000 at December 31, 2009 and 2008, respectively. During 2009, approximately $555,000 of such loans were made, and repayments totaled approximately $700,000. None of these above mentioned loans were restructured, nor were any related party loans charged off during 2009 or 2008. Also, during 2009 and 2008, directors and executive officers had approximately $2,508,000 and $2,351,000, respectively, in deposits with the Bank.

12. COMMITMENTS, CONTINGENT LIABILITIES, AND FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK

In the normal course of business, various claims and lawsuits may arise against the Corporation. Management, after reviewing with counsel all actions and proceedings, considers that the aggregate liability or loss, if any, resulting there from will not be material.

The Corporation is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to reduce its own risk exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit in the form of loans or through letters of credit. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Consolidated Balance Sheets. The contract or notional amounts of the instruments reflect the extent of involvement the Corporation has in particular classes of financial instruments.

Commitments to extend credit are contractual obligations to lend to a customer as long as all established contractual conditions are satisfied. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee by a customer.

Standby letters of credit and financial guarantees are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Standby letters of credit and financial guarantees are generally terminated through the performance of a specified condition or through the lapse of time.

The Corporation's exposure to credit loss in the event of nonperformance by the other party to commitments to extend credit and standby letters of credit is represented by the contractual or notional amounts of these instruments. As these off-balance sheet financial instruments have essentially the same credit risk involved in extending loans, the Corporation generally uses the same credit and collateral policies in making these commitments and conditional obligations as it does for on-balance sheet instruments. Since many of the commitments to extend credit and standby letters of credit are expected to expire without being drawn upon, the contractual or notional amounts do not represent future cash requirements.

On July 10, 2009, the Corporation's subsidiary bank entered into an agreement with Consultant and Builders, Inc. to construct an office building in Valdosta, Georgia for $2,288,017.

The contractual or notional amounts of financial instruments having credit risk in excess of that reported in the Consolidated Balance Sheets are as follows:

	Dec. 31, 2009	Dec. 31, 2008
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 12,961,316	$ 18,884,612
Standby letters of credit and financial guarantees	$ 10,000	$ 10,000

13. FAIR VALUE MEASUREMENTS AND DISCOLSURES

Effective January 1, 2008, the Corporation adopted ASC 820, which provides a framework for measuring fair value under generally accepted accounting principles. ASC 820 applies to all financial statement elements that are being measured and reported on a fair value basis.

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available-for-sale are recorded at fair value on a recurring basis. From time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis, such as impaired loans and foreclosed real estate. Additionally, the Corporation is required to disclose, but not record, the fair value of other financial instruments.

Fair Value Hierarchy:
Under ASC 820, the Corporation groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 - Valuation is based upon quoted prices for identical instruments traded in active markets.

Level 2 - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.

Level 3 - Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Following is a description of valuation methodologies used for assets and liabilities which are either recorded or disclosed at fair value.

Cash and Cash Equivalents:
For disclosure purposes for cash, due from banks and federal funds sold, the carrying amount is a reasonable estimate of fair value.

Investment Securities Available for Sale:
Investment securities available for sale are recorded at fair value on a recurring basis. Fair value measurement is based upon quoted prices, if available. If quoted prices are not available, fair values are measured using independent pricing models or other model-based valuation techniques such as the present value of future cash flows, adjusted for the security's credit rating, prepayment assumptions and other factors such as credit loss assumptions. Level 1 securities include those traded on an active exchange, such as the New York Stock Exchange and U.S. Treasury securities that are traded by dealers or brokers in active over-the-counter market funds. Level 2 securities include mortgage-backed securities issued by government sponsored enterprises and state, county and municipal bonds. Securities classified as Level 3 include asset-backed securities in less liquid markets.

Investment Securities Held for Sale:
Investment securities held for sale are not recorded at fair value on a recurring basis. For disclosure purposes, fair value measurement is based upon quoted prices, if available.

Federal Home Loan Bank Stock:
For disclosure purposes the carrying value of other investments approximate fair value.

Loans:
The Corporation does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and a specific allocation is established within the allowance for loan losses. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with ASC 310, Accounting by Creditors for Impairment of a Loans, (ASC 310). The fair value of impaired loans is estimated using one of three methods, including

collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with ASC 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the impaired loan as nonrecurring Level 3.

For disclosure purposes, the fair value of fixed rate loans which are not considered impaired, 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 unimpaired variable rate loans, the carrying amount is a reasonable estimate of fair value for disclosure purposes.

Foreclosed Assets:
Other real estate properties are adjusted to fair value upon transfer of the loans to other real estate. Subsequently, other real estate assets are carried at the lower of carrying value or fair value. Fair value is based upon independent market prices, appraised values of the collateral or management's estimation of the value of the collateral. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the other real estate as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the other real estate asset as nonrecurring Level 3.

Deposits:
For disclosure purposes, the fair value of demand deposits, savings accounts, NOW accounts and money market deposits is the amount payable on demand at the reporting date, while the fair value of fixed maturity certificates of deposit is estimated by discounting the future cash flows using current rates at which comparable certificates would be issued.

Federal Funds Purchased:
For disclosure purposes the carrying amount for Federal funds purchased is a reasonable estimate of fair value due to the short-term nature of these financial instruments.

FHLB Advances:
For disclosure purposes the fair value of the FHLB fixed rate borrowing is estimated using discounted cash flows, based on the current incremental borrowing rates for similar types of borrowing arrangements.

Commitments to Extend Credit and Standby Letters of Credit:
Because commitments to extend credit and standby letters of credit are made using variable rates and have short maturities, the carrying value and the fair value are immaterial for disclosure.

Assets Recorded at Fair Value on a Recurring Basis:
The table below presents the recorded amount of assets measured at fair value on a recurring basis as of December 31, 2009.

Investment securities available for sale	$ 133,502	$ 61,874,542	$ 0	$ 62,008,044

Assets Recorded at Fair Value on a Nonrecurring Basis:
The Corporation may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with U.S. generally accepted accounting principles. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of December 31, 2009.

	Level 1	Level 2	Level 3	Total
Foreclosed assets	$ 0	$3,831,663	$ 0	$3,831,663
Impaired loans	0	1,756,997	0	1,756,997
Total assets at fair value	$ 0	$5,588,660	$ 0	$5,588,660

The carrying amount and estimated fair values of the Corporation's assets and liabilities which are required to be either disclosed or recorded at fair value at December 31, 2009 and 2008 are as follows:

	December 31, 2009		December 31, 2008	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
	(Dollars in thousands)		(Dollars in thousands)	
Assets:				
Cash and cash equivalents	$ 23,296	$ 23,296	$ 7,500	$ 7,500
Investment securities available for sale	62,008	62,008	83,212	83,212
Investment securities held to maturity	24,195	24,177	12,108	12,174
Federal Home Loan Bank stock	1,650	1,650	1,618	1,618
Loans	$ 157,697	$ 155,579	$ 146,694	$ 147,282
Liabilities:				
Deposits	$ 235,431	$ 235,859	$ 214,541	$ 215,349
Federal funds purchased	0	0	430	430
FHLB advances	$ 26,000	$ 28,430	$ 25,000	$ 25,817

Limitations:
Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial statement element. 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.

Fair value estimates included herein are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the fair value of assets and liabilities that are not required to be recorded or disclosed at fair value like 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.

14. SUPPLEMENTAL FINANCIAL DATA

Components of other operating expense in excess of one percent of gross revenue for the respective periods are as follows:

	Years Ended December 31		
	2009	2008	2007
Other professional fees	$200,662	$316,682	$257,378
Directors & board committee fees	$237,153	$246,152	$244,091

15. STOCKHOLDERS' EQUITY / REGULATORY MATTERS

Dividends paid by the Bank subsidiary are the primary source of funds available to the parent company for payment of dividends to its shareholders and other needs. Banking regulations limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agency. At December 31, 2009, approximately $945,494 of the Bank's net assets were available for payment of dividends without prior approval from the regulatory authorities.

The Federal Reserve Board requires that banks maintain reserves based on their average deposits in the form of vault cash and average deposit balances at the Federal Reserve Banks. For the year ended December 31, 2009, the Bank's reserve requirements were none, due to the Company's deposit reclassification which started in the fourth quarter of 2007.

The Corporation (on a consolidated basis) and the Bank are 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 Corporation's and Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Corporation and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). As of December 31, 2009 and 2008, the Corporation and the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2009, the most recent notification from the Federal Deposit Insurance Corporation categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios as set forth in the following tables. There are no conditions or events since the notification that management believes have changed the Bank's category. The Corporation's and the Bank's actual capital amounts and ratios as of December 31, 2009 and 2008 are also presented in the table.

As a result of regulatory limitations at December 31, 2009, approximately $23,177,345 of the parent company's investments in net assets of the subsidiary bank of $24,122,839, as shown in the accompanying condensed balance sheets in Note 16, was restricted from transfer by the subsidiary bank to the parent company in the form of cash dividends.

The Corporation's ratios under the above rules at December 31, 2009 and 2008 are set forth in the following table. The Corporation's leverage ratio at December 31, 2009 was 8.83%.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2009:						
Total capital (to risk-weighted assets)	$27,418,200	16.15%	$13,586,000	> 8.00%	$16,982,500	> 10.00%
Tier I capital (to risk-weighted assets)	$25,298,678	14.90%	$ 6,793,000	> 4.00%	$10,189,500	> 6.00%
Leverage (Tier I capital to average assets)	$25,298,678	8.83%	$ 8,594,979	> 3.00%	$14,324,964	> 5.00%
As of December 31, 2008:						
Total capital (to risk-weighted assets)	$25,205,394	15.55%	$12,967,760	> 8.00%	$16,209,700	> 10.00%
Tier I capital (to risk-weighted assets)	$23,183,069	14.31%	$ 6,483,880	> 4.00%	$ 9,725,820	> 6.00%
Leverage (Tier I capital to average assets)	$23,183,069	8.72%	$ 7,991,370	> 3.00%	$13,318,950	> 5.00%

16. PARENT COMPANY FINANCIAL DATA

Southwest Georgia Financial Corporation's condensed balance sheets as of December 31, 2009 and 2008, and its related condensed statements of operations and cash flows for the years ended are as follows:

Condensed Balance Sheets
as of December 31, 2009 and 2008
(Dollars in thousands)

	2009	2008
ASSETS		
Cash	$ 628	$ 363
Investment in consolidated wholly-owned bank subsidiary, at equity	24,123	22,406
Investment securities available for sale	3	6
Loans	129	75
Other assets	647	644
Total assets	$ 25,530	$ 23,494
LIABILITIES AND STOCKHOLDERS' EQUITY		
Dividends payable	$ 0	$ 178
Other liabilities	0	0
Total liabilities	0	178
Stockholders' equity:		
Common stock, $1 par value, 5,000,000 shares authorized, 4,293,835 shares for 2009 and 2008 issued	4,294	4,294

Additional paid-in capital	31,701	31,701
Retained earnings	16,325	14,512
Accumulated other comprehensive income	(676)	(1,077)
Treasury stock, at cost, 1,745,998 for 2009 and 2008	(26,114)	(26,114)
Total stockholders' equity	25,530	23,316
Total liabilities and stockholders' equity	$ 25,530	$ 23,494

16. PARENT COMPANY FINANCIAL DATA (continued)

Condensed Statements of Income and Expense
for the years ended December 31, 2009, 2008, and 2007
(Dollars in thousands)

	2009	2008	2007
Income:			
Dividend received from bank subsidiary	$ 577	$ 1,374	$ 1,500
Interest income	7	23	16
Other	0	1	34
Total income	584	1,398	1,550
Expenses:			
Other	135	163	169
Income before income taxes and equity in Undistributed income of bank subsidiary	449	1,235	1,381
Income tax expense (benefit) - allocated from consolidated return	(50)	(60)	(89)
Income before equity in undistributed income of subsidiary	499	1,295	1,470
Equity in undistributed income (loss) of subsidiary	1,314	(2,574)	248
Net income (loss)	1,813	(1,279)	1,718
Retained earnings - beginning of year	14,512	17,039	16,763
Cash dividend declared	0	(1,248)	(1,442)
Retained earnings - end of year	$ 16,325	$ 14,512	$ 17,039

16. PARENT COMPANY FINANCIAL DATA (continued)

Condensed Statements of Cash Flows
for the years ended December 31, 2009, 2008, and 2007
(Dollars in thousands)

	2009	2008	2007
Cash flow from operating activities:			
Net income (loss)	$ 1,813	$(1,279)	$ 1,718
Adjustments to reconcile net income to net cash provided (used) by operating activities:			

Equity (deficit) in undistributed earnings of Subsidiary	(1,314)	2,574	(248)
Changes in:			
Other assets	(2)	(44)	490
Other liabilities	0	27	16
Net cash provided for operating activities	497	1,278	1,976
Cash flow from investing activities:			
Net change in loans	(54)	(32)	158
Net cash provided (used) for investing activities	(54)	(32)	158
Cash flow from financing activities:			
Cash dividend paid to stockholders	(178)	(1,427)	(1,427)
Purchase of treasury stock	0	(64)	(1,793)
Proceeds from issuance of common stock	0	0	63
Net cash provided (used) for financing activities	(178)	(1,491)	(3,157)
Increase (decrease) in cash	265	(245)	(1,023)
Cash - beginning of year	363	608	1,631
Cash - end of year	$ 628	$ 363	$ 608

17. EARNINGS PER SHARE

Earnings per share are based on the weighted average number of common shares outstanding during the year.

	Year Ended December 31, 2009		
	Income	Weighted Average Shares	Per Share Amount
Basic earnings per share:			
Net income	$ 1,812,596	2,547,837	$ 0.71
Diluted earnings per share:			
Net income	$ 1,812,596	2,547,837	$ 0.71

	Year Ended December 31, 2008		
	Income	Weighted Average Shares	Per Share Amount
Basic earnings per share:			
Net income (loss)	$(1,278,574)	2,547,926	$ (0.50)
Diluted earnings per share:			
Net income (loss)	$(1,278,574)	2,552,486	$ (0.50)

	Year Ended December 31, 2007		
	Income	Weighted Average Shares	Per Share Amount

Basic earnings per share:			
Net income	$ 1,718,108	2,583,932	$ 0.66
Diluted earnings per share:			
Net income	$ 1,718,108	2,593,021	$ 0.66

18. QUARTERLY DATA

SOUTHWEST GEORGIA FINANCIAL CORPORATION
QUARTERLY DATA
(UNAUDITED)
(Dollars in Thousands)

	For the Year 2009			
	Fourth	Third	Second	First
Interest and dividend income	$ 3,476	$ 3,403	$ 3,348	$ 3,371
Interest expense	867	912	909	984
Net interest income	2,609	2,491	2,439	2,387
Provision for loan losses	150	140	60	186
Net interest income after provision for loan losses	2,459	2,351	2,379	2,201
Noninterest income	1,406	1,294	1,207	1,217
Noninterest expenses	2,828	3,020	3,406	2,937
Income (loss) before income taxes	1,037	625	180	481
Provision(benefit) for income taxes	331	158	(79)	100
Net income (loss)	$ 706	$ 467	$ 259	$ 381
Earnings (loss) per share of common stock:				
Basic	$ .28	$ .18	$ .10	$ .15
Diluted	$ .28	$ .18	$ .10	$ .15

	For the Year 2008			
	Fourth	Third	Second	First
Interest and dividend income	$ 3,643	$ 3,713	$ 3,794	$ 3,920
Interest expense	1,156	1,284	1,429	1,601
Net interest income	2,487	2,429	2,365	2,319
Provision for loan losses	825	0	0	0
Net interest income after provision for loan losses	1,662	2,429	2,365	2,319
Noninterest income	1,117	(2,841)	1,487	1,712
Noninterest expenses	2,998	4,233	2,900	3,057
Income (loss) before income taxes	(219)	(4,645)	952	974
Provision(benefit) for income taxes	(103)	(1,979)	188	235
Net income (loss)	$(116)	$(2,666)	$ 764	$ 739
Earnings (loss) per share of common stock:				
Basic	$(.04)	$(1.05)	$ .30	$ .29
Diluted	$(.04)	$(1.05)	$ .30	$ .29

19. SEGMENT REPORTING

The Corporation operations are divided into five reportable business segments: The Retail and Commercial Banking Services, Commercial Mortgage Banking Services, Insurance Services, Trust and Retail Brokerage Services, and Financial Management Services. These operating segments have been identified primarily based on the Corporation's organizational structure.

The Retail and Commercial Banking Services segment serves consumer and commercial customers by offering a variety of loan and deposit products, and other traditional banking services.

The Commercial Mortgage Banking Services segment originates and services commercial mortgage loans on properties that are located throughout the southeastern United States. This segment does not directly fund any mortgages and acts primarily as a servicer and broker for participating mortgage lenders.

The Insurance Services segment offers clients a full spectrum of commercial and personal lines insurance products including life, health, property, and casualty insurance.

The Trust and Retail Brokerage Services segment provides personal trust administration, estate settlement, investment management, employee retirement benefit services, and the Individual Retirement Account (IRA) administration. Also, this segment offers full-service retail brokerage which includes the sale of retail investment products including stocks, bonds, mutual funds, and annuities.

The Financial Management Services segment is responsible for the management of the investment securities portfolio. It also is responsible for managing financial risks, including liquidity and interest rate risk.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Corporation evaluates performance based on profit or loss from operations after income taxes not including nonrecurring gains or losses.

The Corporation's reportable segments are strategic business units that offer different products and services. They are managed separately because each segment appeals to different markets and, accordingly, requires different technology and marketing strategies.

The Corporation allocates capital and funds used or funds provided for each reportable business segment. Also, each segment is credited or charged for the cost of funds provided or used. These credits and charges are reflected as net intersegment interest income (expense) in the table below. The Corporation does allocate income taxes to the segments. Other revenue represents non-interest income, exclusive of the net gain (loss) on disposition of assets and expenses associated with administrative activities which are not allocated to the segments. Those expenses include audit, compliance, investor relations, marketing, personnel, and other executive or parent company expenditures.

19. SEGMENT REPORTING (continued)

The Corporation does not have operating segments other than those reported. Parent Company and the Administrative Offices financial information is included in the "Other" category, and is deemed to represent an overhead function rather than an operating segment. The Administrative Offices include audit, marketing, personnel, and the executive office.

The Corporation does not have a single external customer from which it derives 10% or more of its revenue and operates in one geographical area.

Information about reportable business segments, and reconciliation of such information to the consolidated financial statements for the years ended December 31, 2009, 2008, and 2007, are as follows:

Segment Reporting
For the year ended December 31, 2009

Trust and

	Retail and Commercial Banking	Commercial Mortgage Banking	Insurance Services	Retail Brokerage Services	Financial Management	Inter-segm Eliminati
			(Dollars in Thousands)			
Net Interest Income (expense) external customers	$ 6,675	(43)	1	0	3,285	
Net intersegment interest income (expense)	3,363	0	6	6	(3,375)	
Net Interest Income	10,038	(43)	7	6	(90)	0
Provision for Loan Losses	536					
Noninterest Income (expense) external customers	1,996	1,261	1,055	479	333	0
Intersegment noninterest income (expense)	36	(43)	7	38	0	(38)
Total Noninterest Income	2,032	1,218	1,062	517	333	(38)
Noninterest Expenses:						
Depreciation	478	58	21	22	49	
Amortization of intangibles	183	0	7	18	0	
Noninterest Income (expense)						
Other Noninterest expenses	6,047	1,640	858	557	504	0
Total Noninterest expenses	6,708	1,698	886	597	553	0
Pre-tax Income	4,826	(523)	183	(74)	(310)	(38)
Provision for Income Taxes	1,201	(199)	46	(15)	(71)	
Net Income	$ 3,625	(324)	137	(59)	(239)	(38)
Assets	$376,688	2,336	1,036	385	110,101	(200,317)
Expenditures for Fixed Assets	$ 2,640	69	35	1	2	

Amounts included in the "Other" column are as follows:

	Other
Net interest Income:	
Parent Company	$ 7
Noninterest Income:	
Executive office miscellaneous income	0
Noninterest Expenses:	
Parent Company corporate expenses	135
Executive office expenses not allocated to segments	1,615
Provison for Income taxes:	
Parent Company income taxes (benefit)	(50)
Executive office income taxes not allocated to segments	(404)
Net Income:	$ (1,289)
Segment assets:	
Parent Company assets, after intercomany elimination	$ 779

Segment Reporting
For the year ended December 31, 2008

	Retail and Commercial Banking	Commercial Mortgage Banking	Insurance Services	Trust and Retail Brokerage Services	Financial Management	Inter-segm Eliminati
	(Dollars in Thousands)					
Net Interest Income (expense) external customers	$ 5,127	(85)	7	0	4,527	
Net intersegment interest income (expense)	4,663	(29)	(13)	6	(4,627)	
Net Interest Incme	9,790	(114)	(6)	6	(100)	0
Provision for Loan Losses	825					
Noninterest Income (expense) external customers	1,682	2,106	1,096	611	(4,020)	0
Intersegment noninterest income (expense)	120	(114)	(6)	38		(38)
Total Noninterest Income	1,802	1,992	1,090	649	(4,020)	(38)
Noninterest Expenses:						
Depreciation	501	67	21	21	38	
Amortization of intangibles	182	20	32	18		(25)
Noninterest Income (expense)						
Other Noninterest expenses	5,991	2,714	874	585	537	0
Total Noninterest expenses	6,674	2,801	927	624	575	(25)
Pre-tax Income	4,093	(923)	157	31	(4,695)	(13)
Provision for Income Taxes	794	(351)	30	5	(1,765)	
Net Income	$ 3,299	(572)	127	26	(2,930)	(13)
Assets	$340,363	1,463	853	428	105,529	(182,765)
Expenditures for Fixed Assets	$ 204	15	14	12	7	

Amounts included in the "Other" column are as follows:

	Other
Net interest Income:	
Parent Company	$ 24
Noninterest Income:	
Executive office miscellaneous income	0
Noninterest Expenses:	
Parent Company corporate expenses	162
Executive office expenses not allocated to segments	1,450
Provison for Income taxes:	
Parent Company income taxes (benefit)	(59)
Executive office income taxes not allocated to segments	(313)
Net Income:	$ (1,216)
Segment assets:	
Parent Company assets, after intercomany elimination	$ 1,426

Segment Reporting
For the year ended December 31, 2007

	Retail and Commercial Banking	Commercial Mortgage Banking	Insurance Services	Trust and Retail Brokerage Services	Financial Management	Inter-segm Eliminati
	(Dollars in Thousands)					
Net Interest Income (expense) external customers	$ 4,597	(4)	20	0	4,250	
Net intersegment interest income (expense)	3,920	(6)	(18)	8	(3,904)	
Net Interest Income	8,517	(10)	2	8	346	
Provision for Loan Losses						
Noninterest Income (expense) external customers	2,072	2,784	1,136	632	80	0
Intersegment noninterest income (expense)	9	(11)	2	56		(56)
Total Noninterest Income	2,081	2,773	1,138	688	80	(56)
Noninterest Expenses:						
Depreciation	498	63	28	24	41	
Amortization of intangibles	182	261	32	18		(26)
Other Noninterest expenses	5,623	3,193	913	616	554	0
Total Noninterest Expenses	6,303	3,517	973	658	595	(26)
Pre-tax Income	4,295	(754)	167	38	(169)	(30)
Provision for Income Taxes	879	(285)	42	5	(42)	
Net Income	$ 3,416	(469)	125	33	(127)	(30)
Assets	$314,612	4,053	1,257	459	139,161	(188,483)
Expenditures for Fixed Assets	$ 373	72	7	2	5	

Amounts included in the "Other" column are as follows:

	Other
Net interest Income:	
Parent Company	$ 50
Noninterest Income:	
Administrative office expenses related to loss on disposition of assets	11
Noninterest Expenses:	
Parent Company corporate expenses	169
Administrative office expenses not allocated to segments	1,414
Provison for Income taxes:	
Parent Company income taxes (benefit)	(89)
Administrative office income taxes not allocated to segments	(203)
Net Income:	$ (1,230)

Segment assets:	
Parent Company assets, after intercomany elimination	$ 594

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

During the past three years, the Corporation did not change accountants nor have any disagreements with its accountants on any matters of accounting practices or principles or financial statement disclosure.

ITEM 9A(T). CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Corporation's management, including the Chief Executive Officer and Chief Financial Officer, supervised and participated in an evaluation of the effectiveness of the Corporation's disclosure controls and procedures (as defined in federal securities rules) as of December 31, 2009. Based on, and as of the date of, that evaluation, the Corporation's Chief Executive Officer and Chief Financial Officer have concluded that the Corporation's disclosure controls and procedures were effective in accumulating and communicating information to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures of that information under the Securities and Exchange Commission's rules and forms and that the Corporation's disclosure controls and procedures are designed to ensure that the information required to be disclosed in reports that are filed or submitted by the Corporation under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Management's Annual Report on Internal Control over Financial Reporting.

The Corporation's management is responsible for establishing and maintaining adequate internal control over financial reporting. Management's assessment of the effectiveness of the Corporation's internal control over financial reporting as of December 31, 2009 is included in Item 8 of this Report under the heading "Management's Report on Internal Controls Over Financial Reporting".

Changes in Internal Control Over Financial Reporting

No changes were made to the Corporation's internal control over financial reporting during the last fiscal quarter that materially affected or could reasonably likely to materially affect the Corporation's internal controls over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information contained under the heading "Information About Nominees For Director" and "Compliance with Section 16(a) of the Exchange Act" in the definitive Proxy Statement to be used in connection with the solicitation of proxies for the Corporation's annual meeting of shareholders to be held on

May 25, 2010, to be filed with the Commission, is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information contained under the heading "Executive Compensation" in the definitive Proxy Statement to be used in connection with the solicitation of proxies for the Corporation's annual meeting of shareholders to be held on May 25, 2010, to be filed with the Commission, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information contained under the heading "Voting Securities and Principal Holders" and "Equity Compensation Plan Information" in the definitive Proxy Statement to be used in connection with the solicitation of proxies for the Corporation's annual meeting of shareholders to be held on May 25, 2010, to be filed with the Commission, is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information contained under the heading "Certain Relationships and Related Transactions" in the definitive Proxy Statement to be used in connection with the solicitation of proxies for the Corporation's annual meeting of shareholders to be held on May 25, 2010, to be filed with the Commission, is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information contained under the heading "Information Concerning the Company's Accountants" in the definitive Proxy Statement to be used in connection with the solicitation of proxies for the Corporation's annual meeting of shareholders to be held on May 25, 2010, to be filed with the Commission, is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1). Financial Statements

The following consolidated financial statements and supplementary information for the fiscal years ended December 31, 2009, 2008, and 2007 are included in Part II, Item 8 herein:

(i) Report of Independent Auditors

(ii) Consolidated Balance Sheets - December 31, 2009 and 2008

(iii) Consolidated Statements of Income - Years ended December 31, 2009, 2008, and 2007

(iv) Consolidated Statements of Changes in Stockholders' Equity - Years ended December 31, 2009, 2008, and 2007

(v) Consolidated Statements of Cash Flows - Years ended December 31, 2009, 2008, and 2007

(vi) Notes to Consolidated Financial Statements - December 31, 2009 (a)(2). Financial Statement Schedules

All applicable financial statement schedules required have been included in the Notes to the Consolidated Financial Statements.

(b)(3). Exhibits:

The exhibits filed as part of this registration statement are as follows:

Exhibit Number	Description Of Exhibit
3.1	Articles of Incorporation of Southwest Georgia Financial Corporation, as amended and restated (included as Exhibit 3.1 to the Corporation's Form 10-KSB dated December 31, 1996, previously filed with the commission and incorporated herein by reference).
3.2	Bylaws of the Corporation as amended (included as Exhibit 3.2 to the Corporation's Form 10-KSB dated December 31, 1995, previously filed with the Commission and incorporated herein by reference).
10.1	Pension Retirement Plan of the Corporation, as amended and restated effective as of January 1, 2009. *
10.2	Form of Directors' Deferred Compensation Plan of the Corporation (included as Exhibit 10.3 to the Corporation's Form S-18 dated January 23, 1990, previously filed with the Commission and incorporated herein by reference).*
10.3	Directors' and Executive Officers' Stock Purchase Plan of the Corporation dated March 18, 1992 (included as Exhibit 10.7 to the Corporation's Form 10-KSB dated December 31, 1992, previously filed with the Commission and incorporated herein by reference).*
10.4	Supplemental Retirement Plan of the Corporation dated December 21, 1994 (included as Exhibit 10.11 to the Corporation's Form 10-KSB dated December 31, 1994, previously filed with the Commission and incorporated herein by reference).*
10.5	Trust under the Corporation's Supplemental Retirement Plan, as amended (included as Exhibit 10.6b to the Corporation's Form 10-K dated December 31, 1997, previously filed with the Commission and incorporated herein by reference).*
10.6	Employee Stock Ownership Plan and Trust of the Corporation as amended and restated effective as of January 1, 2009.*
10.7	Dividend Reinvestment and Share Purchases Plan of the Corporation as amended and restated by Amendment No. 1 (included as Exhibit 99 to the Corporation's Form S-3DPOS dated September 30, 1998, previously filed with the Commission and incorporated herein by reference).
10.8	Key Individual Stock Option Plan of the Corporation dated March 19, 1997 (included as Exhibit 10.9 to the Corporation's Form 10-K dated December 31, 1997, previously filed with the Commission and incorporated herein by

	reference).*
10.9	Employment Agreement of DeWitt Drew (included as Exhibit 10.11 to the Corporation's Form S-4 dated January 6, 2004, previously filed with the Commission and incorporated herein by reference).*
10.10	Form of Employment Agreement by and between the Corporation and Bank and John J. Cole, Jr. and George R. Kirkland (included as Exhibit 10.16 to the Corporation's Form 10-K dated December 31, 2005, previously filed with the Commission and incorporated herein by reference).*
10.11	Southwest Georgia Bank 401(K) Plan as adopted by the Board of Directors on November 15, 2006 (included as Exhibit 10.17 to the Corporation's Form 10-K dated December 31, 2006, previously filed with the Commission and incorporated herein by reference). *
10.12	Form of Employment Agreement by and between Charles R. Lemons and Empire (included as Exhibit 10.12 to the Corporation's Form 10-K dated December 31, 2008, previously filed with the Commission and incorporated herein by reference).*
10.13	Guarantee of Empire's financial performance obligation by the Bank as it relates to Charles R. Lemons Employment Agreement.*
14	Code of Ethical Conduct dated February 27, 2008 (included as Exhibit 14 to the Corporation's Form 8-K dated February 27, 2008, previously filed with the Commission and incorporated herein by reference).
21	Subsidiaries of the Corporation (included as Exhibit 21 to the Corporation's Form 10-K dated December 31, 2002, previously filed with the Commission, incorporated herein by reference).
23.1	Consent of Thigpen, Jones, Seaton & Co., P.C.
31.1	Section 302 Certification of Periodic Financial Report by Chief Executive Officer.
31.2	Section 302 Certification of Periodic Financial Report by Chief Financial Officer.
32.1	Section 906 Certification of Periodic Financial Report by Chief Executive Officer.
32.2	Section 906 Certification of Periodic Financial Report by Chief Financial Officer.

* Management contract or compensatory plan or arrangement required to be filed as an exhibit to this form.

SIGNATURES

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

Southwest Georgia Financial Corporation
(Corporation)

Date: March 31, 2010

By:/s/ DeWitt Drew
DEWITT DREW
President and Chief Executive Officer

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

/s/ DeWitt Drew DEWITT DREW President and Chief Executive Officer [Principal Executive Officer]	Date: March 31, 2010
/s/ George R. Kirkland GEORGE R. KIRKLAND Senior Vice-President and Treasurer [Principal Financial and Accounting Officer]	Date: March 31, 2010
/s/ Michael J. McLean MICHAEL J. MCLEAN Chairman	Date: March 31, 2010
/s/ Richard L. Moss RICHARD L. MOSS Vice Chairman	Date: March 31, 2010
/s/ Cecil H. Barber CECIL H. BARBER Director	Date: March 31, 2010
/s/ John J. Cole, Jr. JOHN J. COLE, JR. Director	Date: March 31, 2010

SIGNATURES, continued

/s/ Roy Reeves ROY REEVES Director	Date: March 31, 2010
/s/ Johnny R. Slocumb JOHNNY R. SLOCUMB Director	Date: March 31, 2010
/s/ M. Lane Wear M. LANE WEAR Director	Date: March 31, 2010
/s/ Marcus R. Wells MARCUS R. WELLS Director	Date: March 31, 2010

Exhibit Index

Exhibit Number	Description of Exhibit
10.1	Pension Retirement Plan of the Registrant, as amended and restated effective as of January 1, 2009.
10.6	Employee Stock Ownership Plan and Trust of the Registrant, as amended and restated effective as of January 1, 2009.
10.13	Guarantee of Empire's financial performance obligation by the Bank as it relates to Charles R. Lemons Employment Agreement.
23.1	Consent of Thigpen, Jones, Seaton & Co., P.C.
31.1	Section 302 Certification of Periodic Financial Report by Chief Executive Officer.
31.2	Section 302 Certification of Periodic Financial Report by Chief Financial Officer.
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