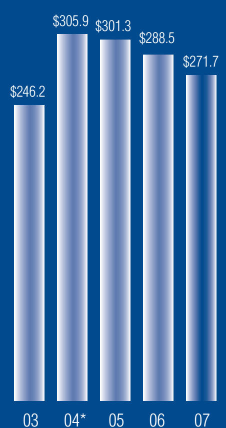
SGB

Southwest Georgia Financial Corporation

2007 ANNUAL REPORT

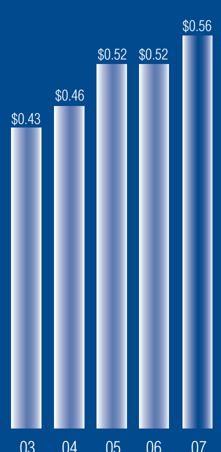
Earnings Per Share (diluted)

Total Assets (in millions)



*Includes the $47.5 million from acquisition of Sylvester Banking Company.

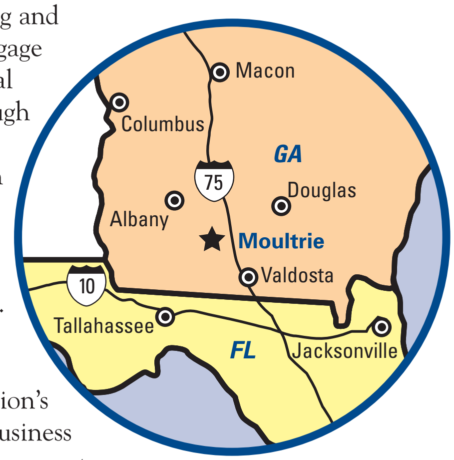
Dividends Declared Per Share



Company Profile and Strategy

Offering comprehensive financial services to consumer, business and government customers, Southwest Georgia Financial Corporation (AMEX: SGB) is a state-chartered bank holding company. Its subsidiary, Southwest Georgia Bank, has served the community of Moultrie, Georgia in Colquitt County since 1928. Over the years, Southwest Georgia Financial Corporation has continued to grow and advance, while constantly maintaining a strong leadership role in the communities we serve. The Corporation has $272 million in assets.

We operate four banking offices in a four county area with additional automated teller machines for the convenience of our customers. The Corporation offers investment planning and management, trust management, mortgage banking and commercial and individual insurance products and services. Through Empire Financial Services, Inc., our mortgage banking services subsidiary in Milledgeville, GA, we service over $364 million in non-recourse commercial mortgages and provide commercial mortgage banking services.



Our Strategy

Southwest Georgia Financial Corporation's strategy for growth is to diversify our business base in order to broaden our revenue sources; to strengthen our sales and marketing efforts in order to deliver quality service to our customers; to maintain our strong market share through commitment to our communities; and to expand our current geographic footprint.

Our Mission Statement

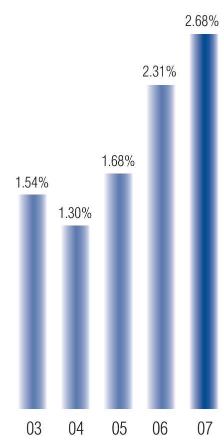
To grow the value of and enhance the long-term return on each stockholder's investment by providing high quality customer service through a staff of highly-trained, motivated, dedicated and well-managed employees, and by continuing a record of outstanding financial performance.

Performance Highlights

For The Year (in thousands, except per share data)	2007	2006	2005	2004	2003
Interest income	**$ 15,886**	$ 16,030	$ 14,818	$ 13,822	$ 13,126
Interest expense	**6,973**	6,380	4,576	3,401	3,387
Non-interest income	**6,715**	7,110	7,865	6,754	4,545
Non-interest expense	**13,603**	12,986	12,382	12,073	10,267
Net income	**1,718**	3,040	4,329	3,865	2,480
Earnings per share – diluted	**$ 0.66**	$ 0.96	$ 1.31	$ 1.18	$ 0.80
Weighted average shares outstanding – diluted	**2,593**	3,153	3,294	3,281	3,084
Dividends declared per share	**$ 0.56**	$ 0.52	$ 0.52	$ 0.46	$ 0.43
At Year End					
Total assets	**$ 271,653**	$ 288,516	$ 301,274	$ 305,900	$ 246,153
Loans, less unearned income	**119,008**	125,492	104,634	99,915	97,115
Deposits	**216,793**	226,709	221,844	222,488	182,876
Shareholders' equity	**26,518**	27,957	39,853	38,952	32,988
Book value per share	**10.40**	10.59	12.23	11.88	10.83
Tangible book value per share	**$ 9.90**	$ 9.93	$ 11.31	$ 10.77	$ 10.16
Common shares outstanding	**2,550**	2,640	3,258	3,279	3,047
Selected Average Balances					
Average total assets	**$ 287,718**	$ 304,886	$ 300,394	$ 287,868	$ 241,861
Average loans	**127,267**	119,213	104,552	102,208	99,589
Average deposits	**222,527**	227,095	221,113	218,366	185,921
Average shareholders' equity	**$ 27,845**	$ 37,973	$ 39,608	$ 38,183	$ 33,237
Asset Quality					
Non-performing assets to total assets	**1.22 %**	0.82 %	0.04 %	0.46 %	0.90 %
Non-performing assets	**$ 3,312**	$ 2,357	$ 108	$ 1,405	$ 2,215
Net loan charge-offs (recoveries)	**$ 18**	$ 37	$ 133	$ 98	$ 79
Net loan charge-offs (recoveries) to average loans	**0.01 %**	0.03 %	0.13 %	0.10 %	0.08 %
Reserve for loan losses to loans	**2.02 %**	1.93 %	2.35 %	2.51 %	2.41 %
Performance Ratios					
Return on average total assets	**0.60 %**	1.00 %	1.44 %	1.34 %	1.03 %
Return on average shareholders' equity	**6.17 %**	8.01 %	10.93 %	10.12 %	7.46 %
Average shareholders' equity to average total assets	**9.68 %**	12.45 %	13.19 %	13.26 %	13.74 %
Efficiency ratio	**84.33 %**	75.48 %	66.81 %	68.54 %	69.94 %
Net interest margin	**3.62 %**	3.66 %	3.91 %	4.14 %	4.61 %
Dividend payout ratio	**83.96 %**	50.50 %	39.22 %	38.79 %	53.57 %

Contents

Cost Of Funds



Letter to Our Shareholders

Dear Shareholders,

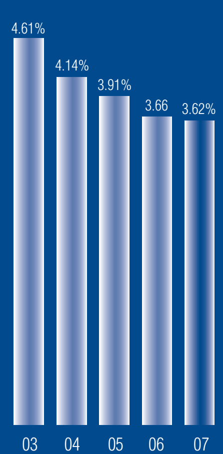
The results of 2007 were disappointing, and quite different than what we had expected going into the year. For the year, net income was $1.718 million, down from $3.040 million in 2006. We faced significant challenges at our mortgage banking subsidiary, Empire Financial Services, where revenue was down 30 percent and a $1.5 million pre-tax loss was realized settling claims of participant lenders resulting from a transaction entered into during the first quarter of 2006. Also, the affect of a lower earning asset base, resulting from our late 2006 tender offer to repurchase stock, became apparent. On a diluted per share basis, earnings were $0.66 compared with $0.96 last year.

Impacting Empire's revenue were economic conditions that deteriorated considerably during the year. In addition, liquidity in the banking system became scarce. As a result of these conditions, loan originations slowed considerably in the second half of the year.

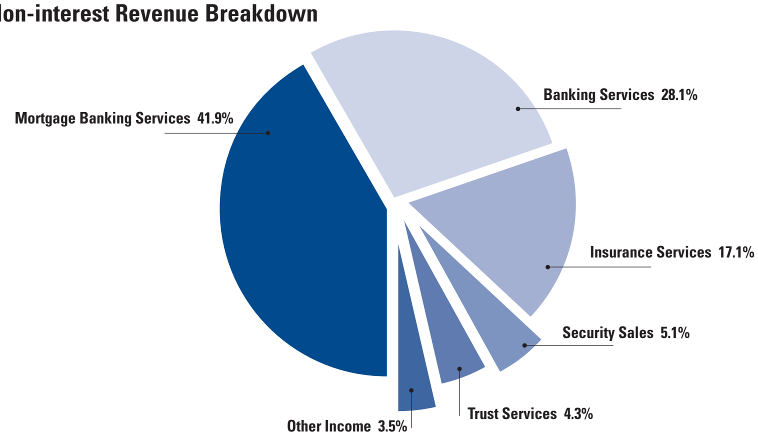
During the month of December, Empire sold the collateral that was securing a $22 million loan, and the sale resulted in a $1.587 million loss to the participant lenders. Empire elected to cover that loss, because of actions taken by a former employee involved in the origination, and has filed a claim with our insurance carrier.

On a slightly more positive note, our core banking business performed about on par with 2006, despite being disadvantaged in 2007 with a lower earning asset base. In the third quarter of 2006, we used $13.2 million of equity to repurchase 575,000 shares of our common stock by tender offer. The tender offer was funded by liquidating a portion of the Bank's bond portfolio, thereby reducing our earning asset base.

Net Interest Margin

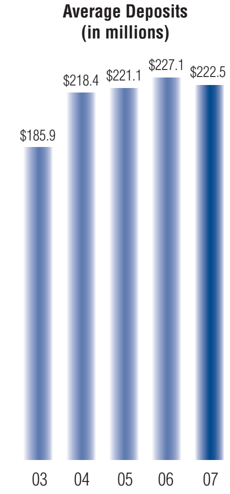


Non-interest Revenue Breakdown



2007 Non-interest Revenue: $6,715 (in thousands)

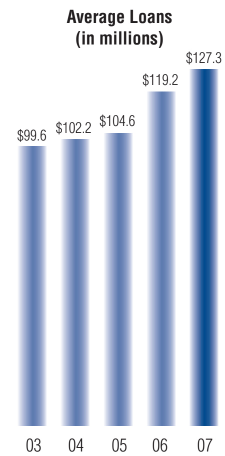
Moreover, we have realized moderate growth over the last several years. Since 2003, our average deposit base has grown 19.7 percent. We have a solid core deposit base that provides for low cost funding for our lending activities. Overall our cost of funds was 2.7 percent in 2007, which we believe is significantly lower than most banks. During this time, we have also had growth in our average loan portfolio of 27.8 percent. As a result, our loan to deposit ratio has gradually improved to 55 percent at the end of 2007.



As to the quality of the Bank's loans, the deterioration in our loan portfolio was due to one large credit. Our nonaccruals increased to $3.2 million at the end of the year, up from $2.3 million in 2006. We do not currently anticipate a loss on that loan. It is important to note that our net charge off ratio was a very low 0.01 percent at the end of the year, and has averaged just 0.07 percent over the past five years.

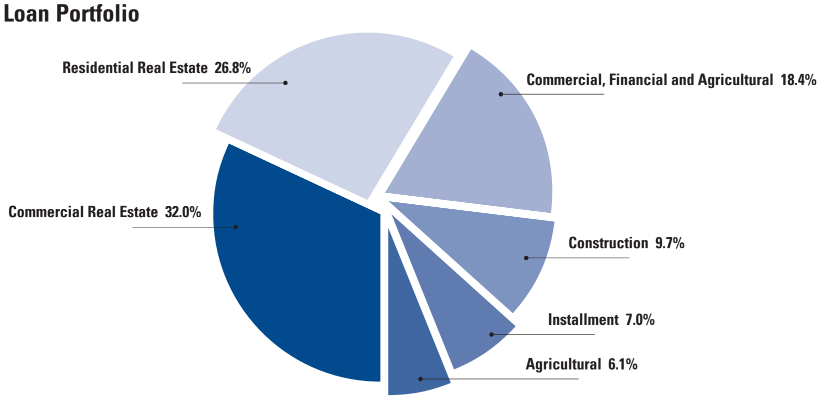
Challenges, Improving Performance and Expansion

We remain cautious, watch closely the changing economic conditions, and manage our balance sheet accordingly. We anticipate a tough economic environment throughout 2008. While Georgia has experienced foreclosure and default rates that rank among the highest in the country, Colquitt County, where approximately 80 percent of our deposits reside, has proven to be a relatively resilient and stable market.



Despite the grim U.S. economic outlook, we believe there may be opportunities for slightly improving margins late in 2008. The difference between short-term and long-term rates has widened. Our solid base of very low cost core deposits may enable us to take advantage of a steepened yield curve. We also expect that Empire will put the balance of their issues behind them, and that its performance should improve. Empire has about $300 million in their current pipeline, and despite unsettled economic conditions, should originate a significant volume of loans.

Loan Portfolio



Trust and Brokerage Division

We plan to expand outside of the Bank's current footprint in 2008. We have already hired talented and experienced management to provide the leadership necessary to move into Lowndes County, where we plan to immediately develop a full service banking operation in Valdosta. We continue to pursue merger opportunities, and believe if we maintain our discipline, the right business combination at the right price will be found.

Empire Financial Services

Strategic Focus

We are focused on maintaining a strong, solid franchise and on expanding the Company. We remain committed to providing our customers with the high quality, personal service they have come to expect and to developing our employees' skill sets.

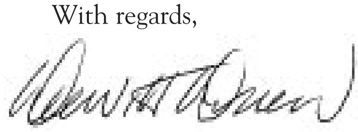
We have sufficient capital to invest in growth, and we believe we have the menu of services that best allows us to maximize our relationships with our customers. We are well positioned to meet the challenges the current environment provides. Our strategies are designed to balance the desire for growth with preserving the value of our Company.

Retiring Director

Broughton Williams, who has served on Southwest Georgia Financial's Board of Directors for nine years, will be retiring from the board this year. He has provided beneficial counsel, balanced perspectives and innovative thinking during his years of service. He will, on a personal basis, continue to provide sage advice and be a valuable resource that we can call upon. We are grateful for his many contributions and thank him for his service.

Thank you for your support of, and interest in, Southwest Georgia Financial Corporation.

With regards,

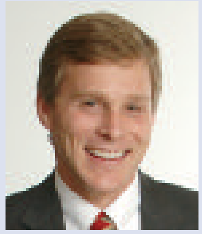


DeWitt Drew
President and Chief Executive Officer
March 20, 2008

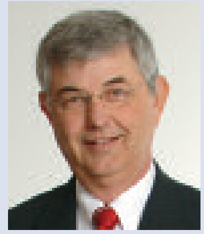
Board of Directors

[2,3] **Michael McLean**
Chairman
Owner
McLean Engineering Company, Inc.

[1,3] **Richard L. Moss**
Vice Chairman
President
Moss Farms, Inc.



[3,4] **Cecil H. Barber**
Vice President
Barber Contracting Company



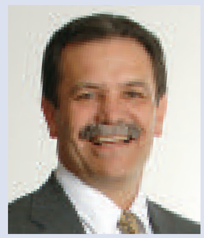
[2,4] **John J. Cole, Jr.**
Executive Vice President
Southwest Georgia Financial Corporation and Southwest Georgia Bank

[2,4] **DeWitt Drew**
President and Chief Executive Officer
Southwest Georgia Financial Corporation and Southwest Georgia Bank

[2,4] **Roy H. Reeves**
Partner
Reeves Properties, LP

[1,4] **Johnny R. Slocumb**
Owner
Slocumb Company

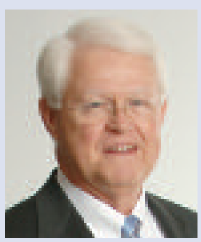
[1,3] **M. Lane Wear**
CPA
Vines, Wear & Mangum, LLP



[3,4] **Marcus Wells**
Moultrie Physical Therapy

[1,2] **C. Broughton Williams, Jr.**
Member
F & W Properties, LLC
Owner
Williams Consulting & Development Co.

Sylvester Advisory Board



Morris I. Bryant
Senior Vice President
Southwest Georgia Bank

Johnny T. Cochran
Farmer

William J. Yearta
Owner
Fletcher–Yearta Jewelers

President and Executive Vice Presidents

DeWitt Drew
President and Chief Executive Officer

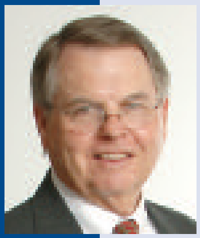
C. Wallace Sansbury
Executive Vice President

John J. Cole, Jr.
Executive Vice President

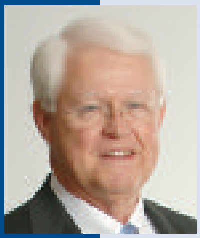
1. Audit Committee
2. Loan Committee
3. Personnel Committee
4. Trust and Brokerage Committee

Management

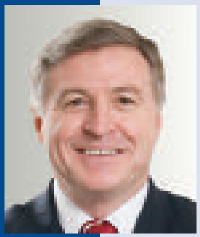
J. Larry Blanton
Senior Vice President



Morris I. Bryant
Senior Vice President

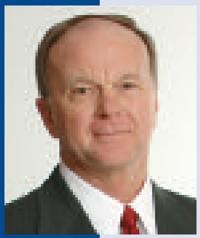


George R. Kirkland
Senior Vice President and Treasurer



Geraldine Ferrone Luff
Senior Vice President

Vayden "Sonny" Murphy, Jr.
Senior Vice President



R. L. "Andy" Webb, Jr.
Senior Vice President

Southwest Georgia Financial Corporation

DeWitt Drew
President and Chief Executive Officer

John J. Cole, Jr.
Executive Vice President

C. Wallace Sansbury
Executive Vice President

George R. Kirkland
Senior Vice President and Treasurer

Robert H. Craft
Vice President and Secretary

Barbara P. Hall
Vice President

Southwest Georgia Bank

DeWitt Drew
President and Chief Executive Officer

John J. Cole, Jr.
Executive Vice President and Cashier

C. Wallace Sansbury
Executive Vice President

J. Larry Blanton
Senior Vice President

Morris I. Bryant
Senior Vice President

J. David Dyer, Jr.
Senior Vice President

Geraldine Ferrone Luff
Senior Vice President and Trust Officer

George R. Kirkland
Senior Vice President and Comptroller

Vayden "Sonny" Murphy, Jr.
Senior Vice President

R. L. "Andy" Webb, Jr.
Senior Vice President

Robert H. Craft
Vice President and Secretary

Robert J. Dyer
Vice President

Kathy Fulford
Vice President

Shirley M. Griner
Vice President

Barbara P. Hall
Vice President and Auditor

Richard Holland
Vice President and Trust Officer

Steve C. Johnson
Vice President

G. Larry Kirkland
Vice President

Judy M. Owens
Vice President

Dennard Robison
Vice President

David L. Shiver
Vice President

Danny E. Singley
Vice President

J. David Dyer, Jr.
President and Chief Executive Officer of Empire Financial

Charles R. Lemons
Executive Vice President of Empire Financial

Empire Financial

J. David Dyer, Jr.
President and Chief Executive Officer

Charles R. Lemons
Executive Vice President

Laverne Allison
Vice President and Secretary

J. David Dyer, III
Vice President

Nancy Buchanan
Vice President

Richard Pitts
Vice President

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, 2007

[ ] 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	American Stock Exchange
(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 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. [ ]

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, 2007: $38,001,882 based on 1,933,938 shares at the price of $19.65 per share.

As of March 24, 2008, 4,293,835 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 2008 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 to individuals and businesses principally in Colquitt County, Baker County, Thomas County, Worth County, and the surrounding counties of southwest Georgia through the Bank. The Bank also operates Empire Financial Services, Inc. ("Empire"), a commercial mortgage banking firm. 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, MasterCard and VISA 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 and 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.

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 in the Bank's market. In addition, manufacturing firms, service industries, and retail stores employ a large number of residents. Apparel, lumber and wood products, and textile manufacturers are among the various types of manufacturers located in the Bank's market. 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, 2007, the Corporation's deposit base, totaling $216,792,690, consisted of $35,373,243 in noninterest-bearing demand deposits (16.3% of total deposits), $65,116,959 in interest-bearing demand deposits including money market accounts (30.0% of total deposits), $20,560,963 in savings deposits (9.5% of total deposits), $66,152,788 in time deposits in amounts less than $100,000 (30.5% of total deposits), and $29,588,737 in time deposits of $100,000 or more (13.7 % 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, 2007, consumer installment, real estate (including construction and mortgage loans), and commercial (including financial and agricultural) loans represented approximately 7.0%, 74.6% and 18.4%, 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 2007, Bank revenue received from mortgage banking services was $2,814,065 compared with $3,978,271 in 2006. All of this income was from Empire except for $40,438 in 2007 and $34,091 in 2006, 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 115 full-time employees at December 31, 2007. 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 first in deposit market share in Colquitt County and third in Worth County. The Bank is the only bank operating in Baker County and has a growing presence in Thomas County.

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, 2007, net assets available from the Bank to pay dividends without prior approval from regulatory authorities totaled approximately $1.6 million. For 2007, the Corporation's cash dividend payout to stockholders was $1.4 million, or 84% of net income.

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 American Stock Exchange (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 of, and is regularly examined by, 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, 2007 and 2006, 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 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.

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. You may also obtain copies of the reports, proxy statements, and other information 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 with the Corporation, and terms of office as of January 31, 2008, are as follows:

Name (Age)	Principal Position of Corporation and Bank	Officer of the Corporation and Bank Since
DeWitt Drew (51)	Chief Executive Officer and President of the Corporation and Bank	1999
John J. Cole, Jr. (57)	Executive Vice President of the Corporation and Executive Vice President and Cashier of the Bank	1984
C. Wallace Sansbury (65)	Executive Vice President of the Corporation and Bank	1996
George R. Kirkland (57)	Senior Vice President and Treasurer of the Corporation and Senior Vice President and Comptroller of the Bank	1991

Name (Age)	Principal Position of Bank	Officer of The Bank Since
J. David Dyer, Jr. (60)	Senior Vice President of the Bank and Chief Executive Officer and President of Empire	2002
Randall L. Webb, Jr. (59)	Senior Vice President of the Bank	1994
Geraldine Ferrone Luff (61)	Senior Vice President of the Bank	1995
J. Larry Blanton (61)	Senior Vice President of the Bank	2000
Vayden (Sonny) Murphy, Jr. (55)	Senior Vice President of the Bank	2000
Morris I. Bryant (66)	Senior Vice President of the Bank	2004

The following is a brief description of the business experience of the principal executive officers of the Corporation and Bank. 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 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. Dyer became Senior Vice President of the Bank in 2002. He also serves as Chief Executive Officer and President of Empire, a wholly owned subsidiary of the Bank. Mr. Dyer has served as Chief Executive Officer and President of Empire since forming the firm in 1985.

Mr. Webb became Senior Vice President of the Bank in 1997. Previously, he had been Vice President of the Bank since 1994 and 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 and Corporation 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.

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, 2007, 2006, and 2005, 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, 2007		
	Average Balance	Interest	Rate
ASSETS		(Dollars in thousands)	
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%
Federal funds sold	0	0	
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 $405,000.

(c) Reflects taxable equivalent adjustments using a tax rate of 34 %.

	Year Ended December 31, 2006		
	Average Balance	Interest	Rate
ASSETS		(Dollars in thousands)	
Cash and due from banks	$ 12,477	$ -	- %
Earning assets:			
Interest-bearing deposits with banks	3,609	171	4.74%
Loans, net (a) (b) (c)	116,782	9,365	8.02%
Taxable investment securities held to maturity	129,619	5,350	4.13%
Nontaxable investment securities held to maturity (c)	5,237	307	5.86%
Nontaxable investment securities available for sale (c)	14,408	954	6.62%
Other investment securities	2,201	125	5.68%
Federal funds sold	4,284	202	4.72%
Total earning assets	276,140	16,474	5.97%
Premises and equipment	6,766		
Other assets	9,503		
Total assets	$ 304,886		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest bearing demand deposits	$ 36,032	$ -	- %
Interest-bearing liabilities:			
NOW accounts	55,023	315	0.57%
Money market deposit accounts	21,759	827	3.80%
Savings deposits	23,928	449	1.88%
Time deposits	90,353	3,587	3.97%
Federal funds purchased	476	26	5.46%
Other borrowings	34,475	1,176	3.41%
Total interest-bearing liabilities	226,014	6,380	2.82%
Other liabilities	4,868		
Total liabilities	266,914		
Common stock	4,274		
Surplus	31,385		
Retained earnings	14,975		
Less treasury stock	(12,662)		
Total shareholders' equity	37,972		
Total liabilities and shareholders' equity	$ 304,886		
Net interest income and margin		$ 10,094	3.66%

(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 $409,000.

(c) Reflects taxable equivalent adjustments using a tax rate of 34 %.

	Year Ended December 31, 2005		
	Average Balance	Interest	Rate
		(Dollars in thousands)	
ASSETS			
Cash and due from banks	$ 11,462	$ -	- %
Earning assets:			
Interest-bearing deposits with banks	5,715	182	3.18%
Loans, net (a) (b) (c)	102,071	7,719	7.56%
Taxable investment securities held to maturity	142,654	5,973	4.19%
Nontaxable investment securities held to maturity (c)	5,313	314	5.91%
Nontaxable investment securities available for sale (c)	14,690	955	6.50%
Other investment securities	2,215	92	4.15%
Federal funds sold	253	10	3.95%
Total earning assets	272,911	15,245	5.59%
Premises and equipment	6,771		
Other assets	9,250		
Total assets	$ 300,394		
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest bearing demand deposits	$ 35,422	$ -	- %
Interest-bearing liabilities:			
NOW accounts	53,453	253	0.47%
Money market deposit accounts	13,458	302	2.24%
Savings deposits	27,565	354	1.28%
Time deposits	91,215	2,485	2.72%
Federal funds purchased	256	9	3.52%
Other borrowings	34,968	1,173	3.35%
Total interest-bearing liabilities	220,915	4,576	2.07%
Other liabilities	4,449		
Total liabilities	260,786		
Common stock	4,264		
Surplus	31,220		
Retained earnings	13,566		
Less treasury stock	(9,442)		
Total shareholders' equity	39,608		
Total liabilities and shareholders' equity	$ 300,394		
Net interest income and margin		$ 10,669	3.91%

(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 $534,000.
(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.

				Due To Changes In (a)	
	2007	2006	Increase (Decrease)	Volume	Rate
			(Dollars in thousands)		
Interest earned on:					
Interest-bearing deposits with banks	$ 174	$ 171	$ 3	$ (3)	$ 6
Loans, net (b)	10,352	9,365	987	664	323
Taxable investment securities held to maturity	4,535	5,350	(815)	(751)	(64)
Nontaxable investment securities held to maturity (b)	307	307	0	0	0
Nontaxable investment securities available for sale (b)	901	954	(53)	(70)	17
Other investment securities	121	125	(4)	(10)	6
Federal funds sold	0	202	(202)	(101)	(101)
Total interest income	16,390	16,474	(84)	(271)	187
Interest paid on:					
NOW accounts	263	315	(52)	(36)	(16)
Money market deposit accounts	605	827	(222)	(19)	(203)
Savings deposits	399	449	(50)	(27)	(23)
Time deposits	4,316	3,587	729	159	570
Federal funds purchased	101	26	75	75	0
Other borrowings	1,289	1,176	113	(67)	180
Total interest expense	6,973	6,380	593	85	508
Net interest earnings	$ 9,417	$ 10,094	$ (677)	$ (356)	$ (321)

(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 2007, 2006 in adjusting interest on nontaxable loans and securities to a fully taxable basis.

	2006	2005	Increase (Decrease)	Due To Changes In (a) Volume	Rate
			(Dollars in thousands)		
Interest earned on:					
Interest-bearing deposits with banks	$ 171	$ 182	$ (11)	$ 34	$ (45)
Loans, net (b)	9,365	7,719	1,646	1,157	489
Taxable investment securities held to maturity	5,350	5,973	(623)	(538)	(85)
Nontaxable investment securities held to maturity (b)	307	314	(7)	(4)	(3)
Nontaxable investment securities available for sale (b)	954	955	(1)	0	(1)
Other investment securities	125	92	33	(1)	34
Federal funds sold	202	10	192	190	2
Total interest income	16,474	15,245	1,229	838	391
Interest paid on:					
NOW accounts	315	253	62	7	55
Money market deposit accounts	827	302	525	247	278
Savings deposits	449	354	95	(38)	133
Time deposits	3,587	2,485	1,102	(23)	1,125
Federal funds purchased	26	9	17	10	7
Other borrowings	1,176	1,173	3	(13)	16
Total interest expense	6,380	4,576	1,804	190	1,614
Net interest earnings	$ 10,094	$ 10,669	$ (575)	$ 648	$ (1,223)

(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 2006, 2005 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,		
	2007	2006	2005
	(Dollars in thousands)		
Securities held to maturity:			
U. S. Government Agencies	$ 82,991	$ 96,997	$100,002
State and municipal	5,235	5,236	6,777
Total securities held to maturity	$ 88,226	$102,233	$106,779
Securities available for sale:			
Equity securities	$ 30	$ 1,059	$ 1,043
U. S. Government Agencies	17,890	18,473	32,925
State and municipal	12,973	13,381	13,500
Mortgage backed	295	410	575
Total securities available for sale	$ 31,188	$ 33,323	$ 48,043

The following table shows the expected maturities of debt securities at December 31, 2007, 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	$ 18,952	3.46%	$81,929	4.15%	$ -	- %	$ -	- %
State and municipal	3,818	6.90%	13,048	6.40%	1,342	7.04%	-	- %
Mortgage backed	-	- %	183	5.92%	112	6.47%	-	- %
Total	$ 22,770	4.04%	$95,160	4.46%	$ 1,454	7.00%	$ -	- %

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, 2007 and 2006, securities carried at approximately $25,697,000, and $37,312,000 were pledged to secure public and trust deposits as required by law, and $32,000,000 and $30,343,000 were pledged to secure Federal Home Loan Bank 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,				
	2007	2006	2005	2004	2003
	(Dollars in thousands)				
Commercial, financial and agricultural	$ 21,851	$ 20,938	$ 12,370	$ 7,395	$ 8,312
Real estate:					
Construction loans	11,564	13,238	10,669	3,793	1,235
Commercial mortgage loans	38,038	45,506	33,869	40,385	42,969
Residential loans	31,936	31,942	33,773	33,968	30,244
Agricultural loans	7,258	5,576	5,851	5,621	4,851
Consumer & Other	8,397	8,336	8,143	8,795	9,550
Total loans	119,044	125,536	104,675	99,957	97,161
Less:					
Unearned income	36	44	40	42	46
Allowance for loan losses	2,399	2,417	2,454	2,507	2,338
Net loans	$ 116,609	$ 123,075	$ 102,181	$97,408	$ 94,777

The following table shows maturities and interest sensitivity of the commercial, financial, agricultural, and construction loan portfolio at December 31, 2007.

	Commercial, Financial Agricultural, and Construction (Dollars in thousands)
Distribution of loans which are due:	
In one year or less	$ 13,391
After one year but within five years	14,628
After five years	5,396
Total	$ 33,415

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, 2007.

	Loans With Predetermined Rates	Loans With Floating Rates	Total
		(Dollars in thousands)	
Commercial, financial, agricultural and construction	$ 16,219	$ 3,805	$ 20,024

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, 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
December 31, 2004	$ 1,387	$ 4	$ 9	$ 163	$ 1,563	$ 14
December 31, 2003	$ 1,012	$ 0	$ 60	$ 414	$ 1,486	$ 1,203

At December 31, 2007, there was one large $3,203,000 fully secured loan in nonaccrual loans of which no loss is anticipated. Also, at December 31, 2006, one large $2,250,000 loan attributed to the increase of nonaccrual loans which was foreclosed and sold with a loss of $110,000 in the fourth quarter of 2007.

The Corporation follows a policy of continuing to accrue interest on consumer loans that are contractually past due over 90 days up to the time the loans are considered uncollectible and the loan amount is charged against the allowance for loan losses.

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,				
	2007	2006	2005	2004	2003
			(Dollars in thousands)		
Average loans outstanding	$ 127,267	$ 119,213	104,552	$ 102,208	$ 99,589
Amount of allowance for loan losses at beginning of period	$ 2,417	$ 2,454	$ 2,507	$ 2,338	$ 1,900
Amount of loans charged off during period:					
Commercial, financial and agricultural	0	0	24	0	37
Real estate:					
Commercial	0	0	0	79	0
Residential	7	0	51	25	71
Agricultural	0	0	0	0	0
Installment	45	60	151	176	169
Total loans charged off	52	60	226	280	277
Amount of recoveries during period:					
Commercial, financial, and agricultural	0	0	1	88	147
Real estate:					
Commercial	1	0	61	17	0
Residential	0	0	1	13	14
Agricultural	0	0	0	0	0
Installment	33	23	30	65	37
Total loans recovered	34	23	93	183	198
Net loans charged off during period	18	37	133	97	79
Additions to allowance for loan losses charged to operating expense during period	0	0	80	92	517
Purchased reserve	0	0	0	174	0
Amount of allowance for loan losses at end of period	$ 2,399	$ 2,417	$ 2,454	$ 2,507	$ 2,338
Ratio of net charge-offs during period to average loans outstanding for the period	.01%	.03%	.13%	.10%	.08%

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.

Category	December 31, 2007 Allocation	December 31, 2007 % of Total Loans	December 31, 2006 Allocation	December 31, 2006 % of Total Loans	December 31, 2005 Allocation	December 31, 2005 % of Total Loans
			(Dollars in thousands)			
Commercial, financial and agricultural	$ 441	18.4%	$ 403	16.7%	$ 290	11.8%
Real estate:						
Construction	233	9.7%	254	10.5%	250	10.2%
Commercial	768	32.0%	875	36.2%	793	32.3%
Residential	643	26.8%	614	25.4%	793	32.3%
Agricultural	146	6.1%	106	4.4%	137	5.6%
Installment	168	7.0%	165	6.8%	191	7.8%
Total	$ 2,399	100.0%	$ 2,417	100.0%	$ 2,454	100.0%

Category	December 31, 2004 Allocation	December 31, 2004 % of Total Loans	December 31, 2003 Allocation	December 31, 2003 % of Total Loans
		(Dollars in thousands)		
Commercial, financial and agricultural	$ 186	7.4%	$ 199	8.5%
Real estate:				
Construction	95	3.8%	30	1.3%
Commercial	1,016	40.4%	1,034	44.2%
Residential	852	34.1%	727	31.1%
Agricultural	140	5.6%	117	5.0%
Installment	218	8.7%	231	9.9%
Total	$ 2,507	100.0%	$ 2,338	100.0%

The calculation is based upon total loans including unearned interest. Management believes that the portfolio is well 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,		
	2007	2006	2005
	(Dollars in thousands)		
Noninterest-bearing demand deposits	$ 36,060	$ 36,032	$ 35,422
NOW accounts	48,601	55,023	53,453
Money market deposit accounts	21,257	21,759	13,458
Savings	22,371	23,928	27,565
Time deposits	94,238	90,353	91,215
Total interest-bearing	186,467	191,063	185,691
Total average deposits	$ 222,527	$ 227,095	$ 221,113

The maturity of certificates of deposit of $100,000 or more as of December 31, 2007, are presented below.

	(Dollars in thousands)
3 months or less	$ 3,436
Over 3 months through 6 months	4,544
Over 6 months through 12 months	16,232
Over 12 months	5,376
Total outstanding certificates of deposit of $100,000 or more	$ 29,588

Return on Equity and Assets
Certain financial ratios are presented below.

	Year Ended December 31,		
	2007	2006	2005
Return on average assets	.60%	1.00%	1.44%
Return on average equity	6.17%	8.01%	10.93%
Dividend payout ratio (dividends declared divided by net income)	83.96%	50.50%	39.22%
Average equity to average assets ratio	9.68%	12.45%	13.19%

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.

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 $11.6 million at December 31, 2007, 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 us 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.

The Corporation may not be able to sustain its profitability. Various factors, such as economic conditions, regulatory and legislative considerations, competition and the ability to find and retain talented people, may impede its 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 75% 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. For additional information regarding interest rate risk, see Part II, Item 7A, "Quantitative and Qualitative Disclosures About

Market Risk." 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. 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 agriculture 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, J. David Dyer, Senior Vice President and President of Empire, C. Wallace Sansbury, Executive Vice President and George R. Kirkland, Senior Vice President & Treasurer, 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 10 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	10 Second Avenue, SE, Moultrie, GA 31768	5,000
Trust & Investment Office	25 Second Avenue, SE, 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, Newton, GA 31717	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.

ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings to which the Corporation or the Bank is a party or to which any of their property is subject.

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

There were no matters submitted during the fourth quarter of 2007 for a vote of the security holders through the solicitation of proxies or otherwise.

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 American Stock Exchange under the symbol "SGB". The closing price on December 31, 2007, was $17.75. Below is a schedule of the high and low stock prices for each quarter of 2007 and 2006.

2007				
For The Quarter	Fourth	Third	Second	First
High	$18.75	$19.95	$19.75	$20.13
Low	$16.57	$18.50	$17.80	$18.80

2006				
For The Quarter	Fourth	Third	Second	First
High	$22.75	$22.65	$24.70	$25.70
Low	$18.50	$18.00	$20.00	$21.37

As of December 31, 2007, there were 540 record holders of the Corporation's common stock. Also, there were approximately 225 additional shareholders who held shares through trusts and brokerage firms.

Dividends

Cash dividends paid on the Corporation's common stock were $.56 in 2007 and $.52 in 2006. Our dividend policy objective is to pay out a portion of earnings in dividends to our shareholders in a consistent manner over time, and we intend to continue paying dividends. 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 seventy-nine consecutive years.

In 2006, we repurchased 575,000 shares of our common stock through a tender offer with a total cost of $13,225,000. Because of our strong capital condition, we continued through 2007 the stock repurchase program that began in January 2000. In 2007, 95,286 shares were repurchased through the repurchase program. Through the end of 2007, a total of 707,381 shares have been repurchased since the beginning of the repurchase program. The share repurchase program was not extended by the Board of Directors at their meeting in January 2008.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table presents information as of December 31, 2007, 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)	107,165	$18.02	0
Equity compensation plans not approved by shareholders(2)	0	0.00	0
Total	107,165	18.02	0

(1) The Key Individual Stock Option Plan

(2) Excludes shares issued under the 401(k) Plan.

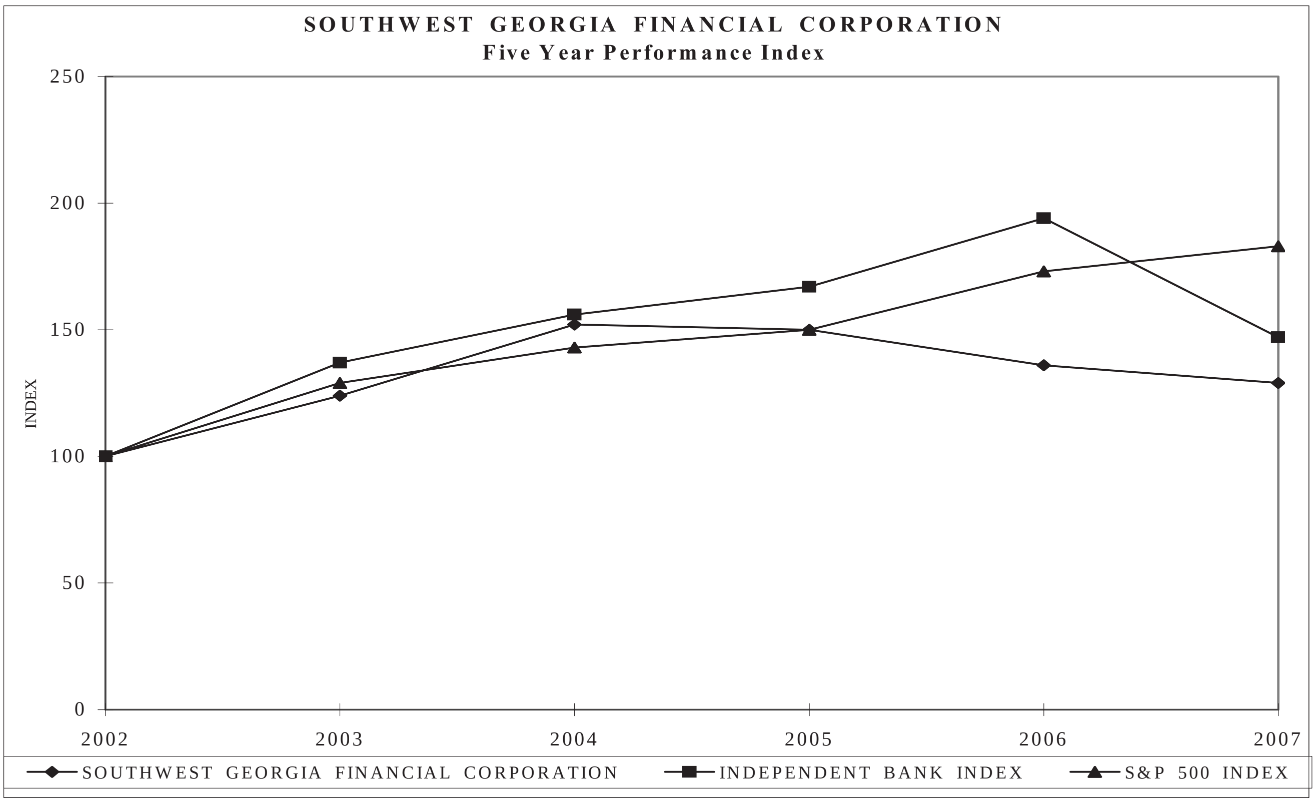
Sales of Unregistered Securities

The Corporation has not sold any unregistered securities in the past three 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 27 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, 2002, 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 January 1, 2002.

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.



	2002	2003	2004	2005	2006	2007
SOUTHWEST GEORGIA FINANCIAL CORPORATION	100	124	152	150	136	129
INDEPENDENT BANK INDEX	100	137	156	167	194	147
S&P 500 INDEX	100	129	143	150	173	183

ITEM 6. SELECTED FINANCIAL DATA

Five-Year Selected Financial Data (1) (Dollars in thousands, except per share data and ratios)	2007	2006	2005	2004	2003
For The Year: Earnings & Share Data					
Interest income	$ 15,886	$ 16,030	$ 14,818	$ 13,822	$ 13,126
Interest expense	6,973	6,380	4,576	3,401	3,387
Non-interest income	6,715	7,110	7,865	6,754	4,545
Non-interest expense	13,603	12,986	12,382	12,073	10,267
Net income	1,718	3,040	4,329	3,865	2,480
Earnings per share – diluted	0.66	0.96	1.31	1.18	0.80
Weighted average shares outstanding – diluted (2)	2,593	3,153	3,294	3,281	3,084
Dividends declared per share	$ 0.56	$ 0.52	$ 0.52	$ 0.46	$ 0.43
At Year End: Balance Sheet Data					
Total assets	$ 271,653	$ 288,516	$ 301,274	$ 305,900	$ 246,153
Loans, less unearned income	119,008	125,492	104,634	99,915	97,115
Deposits	216,793	226,709	221,844	222,488	182,876
Shareholders' equity (2)	26,518	27,957	39,853	38,952	32,988
Book value per share (2)	10.40	10.59	12.23	11.88	10.83
Tangible book value per share (2)	$ 9.90	$ 9.93	$ 11.31	$ 10.77	$ 10.16
Common shares outstanding (2)	2,550	2,640	3,258	3,279	3,047
Selected Average Balances					
Average total assets	$ 287,718	$ 304,886	$ 300,394	$ 287,868	$ 241,861
Average loans	127,267	119,213	104,552	102,208	99,589
Average deposits	222,527	227,095	221,113	218,366	185,921
Average shareholders' equity	$ 27,845	$ 37,973	$ 39,608	$ 38,183	$ 33,237
Asset Quality					
Non-performing assets to total assets	1.22%	.82%	.04%	.46%	.90%
Non-performing assets	$ 3,312	$ 2,357	$ 108	$ 1,405	$ 2,215
Net loan charge-offs (recoveries)	$ 18	$ 37	$ 133	$ 98	$ 79
Net loan charge-offs (recoveries) to average loans	0.01%	0.03%	0.13%	0.10%	0.08%
Reserve for loan losses to loans	2.02%	1.93%	2.35%	2.51%	2.41%
Performance Ratios					
Return on average total assets	.60%	1.00%	1.44%	1.34%	1.03%
Return on average shareholders' equity	6.17%	8.01%	10.93%	10.12%	7.46%
Average shareholders' equity to average total assets	9.68%	12.45%	13.19%	13.26%	13.74%
Efficiency ratio	84.33%	75.48%	66.81%	68.54%	69.94%
Net interest margin	3.62%	3.66%	3.91%	4.14%	4.61%
Dividend payout ratio	83.96%	50.50%	39.22%	38.79%	53.57%

(1) On October 29, 2004, the Corporation paid a 20% stock dividend to shareholders of record as of October 7, 2004. All per share information has been adjusted to take into account the stock dividend.
(2) On October 24, 2006, the Corporation repurchased 575,000 shares of our common stock through a tender offer with a total cost of $13,225,000. The tender offer caused a decrease in the number of shares outstanding, stockholder's equity and book and tangible book value per share.

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 - 30 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, Thomas, and Worth Counties, each contiguous with Colquitt County, and the surrounding counties of southwest Georgia. We have four full service banking facilities 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 through acquisitions into areas proximate to our current market area.

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. After holding bank's overnight borrowing rate at 5.25% for eight months of 2007, the Federal Reserve Bank decreased short-term interest rates by 1% to 4.25% from September 2007 to year end.

Our profitability is impacted as well by operating expenses such as salaries and 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 is outside of our control. As a result of our strategy to diversify revenue, noninterest income has grown over the last few years and was 75.3% of 2007 net interest income. Sources of noninterest income include our insurance agency and Empire, the Corporation's commercial mortgage banking subsidiary, as well as fees on customer accounts, trust and retail brokerage services.

In 2007, we continued to focus on asset quality following significant improvements two years ago made with respect to overall asset quality. At the end of 2007, we had one large $3.2 million fully secured loan in nonaccrual loans of which no loss is anticipated. In 2006, we had a single $2.2 million nonaccrual loan which foreclosed and the collateral property was sold for a loss of $110,000 during the fourth quarter of 2007.

Tender Offer

On October 24, 2006, the Corporation repurchased 575,000 shares of our common stock through a tender offer with a total cost of $13.225 million. The tender offer caused a decrease in the number of shares outstanding, stockholders' equity and book and tangible book value per share. The Corporation's management and directors pursued the stock tender offer as an appropriate use of capital considering our lack of expansion opportunities, changes in our shareholder base, and our strong capital level which is significantly above minimum legal requirements. We believed that the offer resulted in a balance sheet and capital structure more appropriate for the size and volume of the Corporation's current operations.

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, 2007 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 2007 was $1.7 million, a decrease of approximately $1.3 million, or 43%, when compared with $3.0 million in 2006. Our net income was down primarily as a result of a $1.6 million loss sustained during the fourth quarter by the Corporation's commercial mortgage banking subsidiary realized as a result of covering the shortfall of participant banks related to a sale of foreclosed commercial property. Also, other decreases in annual net income were attributable to a decrease in interest income related to a lower earning asset base and a 30% decline in revenue from mortgage banking services. This decline was partially offset by a $248,000 gain on the sale of the Corporation's retail credit card portfolio in September 2007. The sale of the credit card portfolio was a move to reduce the risk profile of the Bank.

Net income for 2006 was $3.0 million, a decrease of approximately $1.3 million, or 30%, when compared with $4.3 million in 2005. Our net income was down primarily as a result of a $564,000 loss recognized in our investment securities portfolio in connection with funding the tender offer as well as $183,000 in administrative expenses related to the tender offer. Net income was also negatively impacted by a $439,000 decrease in mortgage banking income due to numerous payoffs of serviced loans at Empire and accelerated amortization related to such payoffs of $429,000, a one-time $690,000 pension contribution incurred in connection with the freezing of the pension plan and a decline in our net interest margin. On a per share basis, net income for 2006 was down to $0.96 per diluted share compared with $1.31 per diluted share for 2005.

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

	2007	2006	2005
Return on average total assets	.60%	1.00%	1.44%
Return on average shareholders' equity	6.17%	8.01%	10.93%
Average shareholders' equity to average total assets	9.68%	12.45%	13.19%
Net interest margin (tax equivalent)	3.62%	3.66%	3.91%

Net Interest Income

Net interest income for 2007 decreased $737,000, or 7.6%, compared with 2006. Major factors contributing to the decline in net interest income compared with 2006 were (1) a decline of $854,000 in interest income on a lower volume of investment securities. This lower average volume is mainly due to the selling of $14 million of investment securities in the last half of 2006 to fund the stock tender offer and investment securities maturing in 2007 from which proceeds were not reinvested in new investment securities, and (2) a $593,000 increase in interest expense primarily related to higher rates on deposits and debt. An increase of 61 basis points were paid on $94 million of average time deposits and 57 basis points increase were paid on $32 million of average debt.

Partly offsetting the lower interest income on investment securities and higher interest expense was increased interest income from loans in 2007 compared with 2006. The majority of the increase in loan interest income for the year resulted from a combination of volume and yield components. Average loan volumes increased $8.1 million, or 6.9%, and the yield increased 27 basis points to 8.29%, resulting in an increase in interest income of $914,000.

Net interest income for 2006 decreased $593,000, or 5.8%, compared with 2005. The largest factor contributing to the decline in net interest income was the $1.8 million, or 39.4%, increase in interest expense in 2006 compared with 2005 which resulted primarily from a (1) 156 basis point increase in the average rate paid on money market deposit accounts, a 60 basis point increase on the average rate paid on savings deposits and a 125 basis point increase in the average rate paid on time deposits caused by rising rates generally and competitive pressure in our markets, and (2) an increase in average money market deposit accounts of $8.3 million, or 62%, resulting from the impact of the migration from non-interest bearing accounts and time deposits in a rising rate environment and the addition of a cash management program for our business customers. In addition, average noninterest bearing deposits increased $610,000, or 1.7%.

Offsetting in part the increased interest expense was increased interest income from earning assets of $1.211 million, or 8.2%, in 2006 compared with 2005. The majority of the $1.211 million increase in interest income for the year resulted from a combination of volume and yield components. Average loan volumes increased $14.7 million, or 14.4%, and the yield increased 46 basis points to 8.02%, resulting in an increase in interest income of $1.646 million. Average investment volumes decreased $13.4 million, or 8.1%, primarily due to the sale of securities to fund the tender offer.

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 was 3.62% for 2007, a 4 basis point decrease from 3.66% in 2006. The net interest margin in 2006 was down 25 basis points compared with the net interest margin of 3.91% in 2005. Our net interest margin declines in each year were primarily due to higher funding costs and the shifting from long-term debt to short-term debt with higher rates. The flat to somewhat inverted yield curve in most of 2007 made it a challenging earnings environment.

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:

	2007		2006		2005	
			(Dollars in Thousands)			
	Amount	% Change	Amount	% Change	Amount	% Change
Service charges on deposit accounts	$1,736	1.2%	$1,716	10.5%	$1,553	*%
Income from trust services	286	(3.1)	295	(3.3)	305	(1.6)
Income from retail brokerage services	346	16.9	296	11.7	265	8.2
Income from insurance services	1,150	(1.5)	1,167	4.9	1,113	1.0
Income from mortgage banking services	2,814	(29.3)	3,978	(9.9)	4,417	22.3
Gain (loss) on the sale or abandonment of assets	(97)		15	87.5	8	102.9
Gain (loss) on the sale of credit card portfolio	248	100.0	0	0	0	0
Gain (loss) on the sale of securities	0	100.0	(564)	(100.0)	0	(100.0)
Other income	232	12.1	207	1.5	204	(1.9)
Total noninterest income	$6,715	(5.6)%	$7,110	(9.6)%	$7,865	16.4%

* less than .1%

For the year 2007, total noninterest income was $6.715 million compared with $7.110 million for 2006. The majority of the decline occurred in mortgage banking services revenue, which decreased $1.164 million, or 29.3%, from the same period last year. Also, there was a net loss of $97,000 in sales of foreclosed property primarily related to the sale of one large commercial property. Other year over year decreases in revenue included trust services and insurance services. The declines in revenue were partially offset by a $248,000 gain on the sale of the retail credit card portfolio in 2007. In addition, retail brokerage services income had growth of $50,000, or 16.9%, and income from service charges on deposit accounts grew $20,000, or 1.2%, when compared with the prior year. Additionally, noninterest income in 2006 was negatively impacted by a nonrecurring $564,000 loss on the sale of securities to fund the Corporation's stock tender offer in that year.

Noninterest income in 2006 decreased $755,000 compared with 2005. The decline was primarily the result of a decrease of $439,000 in mortgage banking income, the single largest component of the Corporation's noninterest income, due to numerous payoffs of serviced loans at Empire. The mortgage banking servicing portfolio at Empire is comprised of non-recourse loans which we service for participating commercial mortgage lenders, and at December 31, 2006, was approximately $422 million, an 11% decrease from the balance at December 31, 2005. This decline was primarily due to numerous payoffs of serviced loans. Also, noninterest income was negatively impacted in 2006 by the loss on the sale of securities to fund the tender offer and a 3.3% decrease in fees from trust services.

Offsetting, in part, the declines in noninterest income, deposit service charge income in 2006 increased $163,000 or 10.5%, over 2005 related primarily to increased fees from our new cash management program for our business customers and increased fees related to our overdraft protection program. Other increases resulted from 4.9% growth in fees related to insurance services and an 11.7% increase in fees related to retail brokerage services.

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:

	2007		2006		2005	
			(Dollars in Thousands)			
	Amount	% Change	Amount	% Change	Amount	% Change
Salaries and employee benefits	$ 7,011	(3.6)%	$ 7,276	(0.7)%	$ 7,324	9.8 %
Occupancy expense	840	0.6	835	3.1	810	10.2
Equipment expense	648	2.7	631	(3.8)	656	(0.6)
Data processing expense	686	(1.2)	694	(4.3)	725	(5.4)
Amortization of intangible assets	467	(49.1)	917	86.8	491	(2.2)
Losses related to mortgage banking services	1,587	100.0	0	0	0	0
Other operating expenses	2,364	(10.2)	2,632	10.8	2,376	(13.3)
Total noninterest expense	$13,603	4.8 %	$12,985	4.9 %	$12,382	2.6 %

Total noninterest expense increased $618,000, or 4.8%, in 2007 compared with 2006. The majority of this increase was related to the $1.587 million loss sustained during the fourth quarter by the Corporation's commercial mortgage banking subsidiary realized as a result of covering the shortfall of participant banks related to the sale of foreclosed commercial property.

This increase is partially offset by decreases in salary and employee benefits, amortization of intangible assets, and other operating expenses. Salaries and employee benefits decreased as a result of a lower amount required to fund the pension plan in 2007 of $520,000, compared with $1.184 million in 2006. Also, 2006 was the last year of contributions to the deferred compensation plan, resulting in a $200,000 expense reduction in 2007. Another factor in the decrease in salaries and employee benefits was the decrease in officer performance compensation primarily related to the mortgage banking subsidiary's lower profitability in 2007 compared with 2006. In 2007, the officer performance compensation was $367,000 compared with $676,000 in 2006. Amortization of intangible assets decreased $450,000 to $467,000 in 2007. This reduction resulted from returning to a normal level after accelerating the amortization of our mortgage servicing assets due to the large payoffs of serviced loans in 2006. Other operating expenses declined $268,000 compared with 2006 due to professional services related to the tender offer and to pension consulting expenses in 2006.

Total noninterest expense increased $603,000, or 4.9%, in 2006 compared with 2005. The majority of this increase of $429,000 was from the increased amortization of intangible assets described above. Also, a 10.8% increase occurred in other operating expenses due to higher professional service fees related to the tender offer and to pension consulting. Occupancy expense increased 3.1% due to normal inflationary adjustments.

These 2006 increases in noninterest expenses were partially offset by a 4.3% decrease in data processing fees due to the expiration of a contract related to our overdraft protection program. Equipment expenses were down in 2006 3.8% due to normal adjustments to operations. Salaries and employee benefits decreased slightly due to a reduction in the number of full time employees from 118 to 114, partially offset by an additional pension contribution of $690,000. The additional pension funding was a one-time charge incurred in connection with freezing the pension plan and was necessary for the required minimum contribution.

The efficiency ratio (noninterest expense divided by total noninterest income plus net interest income), a measure of productivity, increased to 84.3% for 2007, from 75.5% for 2006 and 66.8% for 2005. The higher efficiency ratio was primarily due to the loss related to mortgage banking services and to lower revenue.

Federal Income Tax Expense

The Corporation expensed $307,000, $734,000 and $1.32 million for federal income taxes for the years ending December 31, 2007, 2006, and 2005, respectively. These amounts resulted in an effective tax rate of 15.2%, 19.5%, and 23.3%, for 2007, 2006, and 2005, 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 2007, total average assets decreased $17.2 million, or 5.6%, to $287.7 million. The Corporation's earning assets, which include loans, investment securities, deposits at the Federal Home Loan Bank, and federal funds sold averaged $260.2 million in 2007, a 5.8% decrease over $276.1 million in 2006. This decrease was primarily the result of decreased average volume in investment securities and federal funds sold, which was offset by improved average loan volume. The earning asset mix shifted towards higher average loans. For 2007, average earning assets were comprised of 48% loans, 51% investment securities, and 1% federal funds sold and funds at the Federal Home Loan Bank. The ratio of average earning assets to average total assets decreased slightly to 90.4% for 2007 compared with 90.6% for 2006.

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 2007, average loans represented 48% of average earning assets and 43% of average total assets.

The composition of the Corporation's loan portfolio at December 31, 2007, 2006, and 2005 was as follows:

	2007		2006		2005	
			(Dollars in Thousands)			
Category	Amount	% Change	Amount	% Change	Amount	% Change
Commercial, financial, and agricultural	$ 21,851	4.4 %	$ 20,938	69.3 %	$ 12,370	67.3 %
Real estate:						
Construction	11,564	(12.6)%	13,238	24.1 %	10,669	181.3 %
Commercial	38,038	(16.4)%	45,506	34.4 %	33,869	(16.1)%
Residential	31,936	0 %	31,942	(5.4)%	33,773	(0.6)%
Agricultural	7,258	30.2 %	5,576	(4.7)%	5,851	4.1 %
Installment	8,397	0.7 %	8,336	2.9 %	8,143	(7.4)%
Total loans	$119,044	(5.2)%	$125,536	20.0 %	$104,675	4.7 %

Even though, year-over year loan balances are down due to recent payoffs, average total loans increased $8.1 million in 2007 due to an increase in local loan demand mainly in construction and commercial loans. The ratio of total loans to total deposits at year end slightly decreased to 54.9% in 2007 compared with 55.4% in 2006. The loan portfolio mix at year end 2007 consisted of 9.7% loans secured by construction real estate, 32% loans secured by commercial real estate, 26.8% of loans secured by residential real estate, and 6.1% of loans secured by agricultural real estate. The loan portfolio also included other commercial, financial, and agricultural purposes of 18.4% and installment loans to individuals for consumer purposes of 7%.

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, 2007.

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 $2.4 million, or 2% of total loans outstanding, as of December 31, 2007. This level represented an $18,000 decrease from the corresponding 2006 year-end amount which was 1.9% of total loans outstanding.

There was no provision for loan losses in 2007 and 2006. In 2005, we had an $80,000 provision for loan losses. Our assessment of the adequacy of the allowance to absorb possible losses in the loan portfolio resulted in not having to provide for losses during the year. 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 primarily of U.S. Government Agency securities. 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 staggered maturities ranging from one to five years.

The following table summarizes the contractual maturity of investment securities as of December 31, 2007:

Amounts Maturing In: (Dollars in Thousands)	Securities Available for Sale	Securities Held to Maturity
One year or less	$ 7,361	$ 12,000
After one through five years	16,739	70,991
After five through ten years	6,763	5,235
After ten years	0	0
Equity & mortgage-backed securities	325	0
Total investment securities	$31,188	$ 88,226

The total investment portfolio decreased to $121.1 million from $137.5 million at year-end 2007 compared with year-end 2006, a decrease of $16.4 million, or 12%. The majority of this decrease was due to the maturing of $10 million of U.S. Government Agency securities and the calling, by the issuer, of $5 million of U.S. Government Agency securities. The average total investment portfolio decreased to $131.8 million in 2007 compared with $151.4 million for 2006.

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 $865,000 at year-end 2007 compared with year-end 2006. This increase primarily resulted from large single loans held in nonaccrual loans at year end. At the end of 2007, we had one large $3.2 million fully secured loan in nonaccrual loans on which no loss is anticipated. In 2006, we had a single $2.2 million nonaccrual loan which foreclosed and the collateral property was sold for a loss of $110,000 during the fourth quarter of 2007. Nonperforming assets were approximately $3.222 million, or 1.22% of total assets as of December 31, 2007, compared with $2.357 million, or 0.82% of total assets at year-end 2006.

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 2007, average deposits decreased 2.0% compared with 2006, from $227.1 million to $222.5 million. The majority of the decrease in average deposits occurred in average money market deposit accounts and NOW account deposits. Competitive interest rates during 2007 resulted in change in the deposit mix. The majority of the decreases in money market accounts were attributable to distributing money market funds held in a large estate account administered by our trust department. Our strong level of money market accounts are related to commercial customers using our cash management program which provided money market rates of return for large cash balances. During the latter part of the fourth quarter of 2007, many of our NOW accounts with low transaction volume were reclassified to money market accounts. As of December 31, 2007, the Corporation had a total of $29.6 million in certificates of deposit of $100,000 or more each. This was a 15% increase over the $25.7 million total in 2006.

We have used borrowings from the Federal Home Loan Bank to support our residential mortgage lending activities. During 2007, the Corporation borrowed $11.5 million as advances from the Federal Home Loan Bank and repaid $21.5 million of short-term advances, and $10.1 million of advances will be paid in 2008. Total long-term advances with the Federal Home Loan Bank were $15 million at December 31, 2007. 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 2007, operating and investing activities generated cash flows of $24.5 million, while financing activities used $18.2 million resulting in an increase in cash and cash equivalents balances of $6.3 million. Net cash provided by operations continues to provide cash for the payment of dividends and common stock repurchases.

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 public funds and 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 79.4% of total deposits on December 31, 2007, compared with 79.9% in 2006.

Asset liquidity is provided through ordinary business activity, such as cash which is received from interest and fee payments as well as from maturing loans and investments. Additional sources include marketable securities and short-term investments which can be easily converted to cash without significant loss. The Corporation’s investment securities maturing within one year or less were $19.4 million on December 31, 2007, which represented 16% of the investment debt securities portfolio. Also, the Corporation has $82 million of investment securities callable at the option of the issuer and many are likely to be called during 2008 if interest rates drop more than 1%. These maturing and callable investment securities are sources for repayment of our short-term and long-term debt obligations.

Due to the recent 2% drop in the short-term rate by the Federal Reserve, we expect the majority of our callable securities to be called in 2008. If these investment securities are called by the issuers, we anticipate that we can improve our net interest income and profitability by repositioning our callable securities balance. We expect to reinvest these proceeds from called investment securities in new loans, new investment securities, and to repay debt. We are not aware of any 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, 2007.

The majority of the Corporation's outstanding contractual obligations were long-term debt. The remaining contractual obligations were comprised of telephone operating leases and purchase obligations for data processing services. We have no capital lease obligations.

	Payments Due by Period				
Contractual Obligations (Dollars in Thousands)	Total	Less than 1 year	1-3 Years	4-5 years	After 5 Years
Long-term debt	$15,000	$ 0	$5,000	$0	$10,000
Operating leases	44	19	25	0	0
Total contractual obligations	$15,044	$ 19	$5,025	$0	$10,000

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):	2007	2006
Commitments to extend credit	$ 12,439	$ 20,471
Standby letters of credit	$ 10	$ 10

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

Capital Resources and Dividends

Our average equity to average assets ratio was 9.68% in 2007 and 12.45% in 2006. 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 2007, we were well in excess of the minimum requirements under the guidelines with a total risk-based capital ratio of 19.39%, a Tier I risk-based capital ratio of 18.13%, and a leverage ratio of 8.98%. 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 2007 and 2006 in comparison to the minimum regulatory guidelines:

Risk Based Capital Ratios	Dec. 31, 2007	Dec. 31, 2006	Minimum Regulatory Guidelines
Tier I capital	18.13%	17.98%	4.00%
Total risk-based capital	19.39%	19.23%	8.00%
Leverage	8.98%	8.88%	3.00%

Forward-Looking Statements

In addition to historical information, this 2007 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 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 and 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; 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation's primary market risk is exposure to interest rate movements. 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 staggers maturities and 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.

The table below provides information about the Corporation's financial assets and liabilities that are sensitive to changes in interest rates. For each rate-sensitive asset and liability listed, the table presents principal balances and weighted average interest rates by expected maturity or the earliest possible repricing opportunity dates.

One of the indicators for our interest rate sensitivity position is the measurement of the difference between its rate-sensitive assets and rate-sensitive liabilities, which is referred to as the "gap." A gap analysis displays the earliest possible repricing opportunity for each asset and liability category based upon contractual maturities and repricing.

At year-end 2007, our sensitivity ratio, or one-year cumulative rate-sensitive assets relative to cumulative rate-sensitive liabilities, was 102% compared with 72% for 2006. This change in the sensitivity ratio was a result of the Corporation's management of its exposure to interest rate risk. We are more asset-sensitive at the one year gap position compared with being liability-sensitive in the previous year. These changes in assets and liabilities occurred in: (1) increase in investment securities that will mature or have the potential of being called within one year, (2) increase in short-term investments, and (3) decrease in money market deposit type of accounts. This asset sensitive position will increase the Corporation's exposure to falling interest rates.

All interest rates and yields do not adjust at the same pace; therefore, the sensitivity ratio is only a general indicator of the potential effects of interest rate changes on net interest income. We monitor our asset and liability mix in an effort to ensure that the effects of interest rate movements in either direction are not significant over time.

Interest Rate Sensitivity

	December 31, 2007							
	Expected Maturity/Repricing Dates (Dollars in thousands)							
Rate-sensitive Assets: *	2008	2009	2010	2011	2012	2013 & Beyond	Total	Fair Value
Short-term Investments	$ 9,998	$	$	$	$	$	$ 9,998	$ 9,998
Average interest rate	4.25%						4.25%	
Securities available for sale	10,589	6,928	27	7,115	1,484	5,045	31,188	31,188
Average interest rate	5.02%	5.25%	5.15%	5.00%	4.79%	5.02%	5.06%	
Securities held to maturity**	15,000	36,000	25,000	7,000		5,226	88,226	88,124
Average interest rate	4.17%	4.02%	4.22%	4.29%		4.00%	4.12%	
Federal Home Loan Bank stock	1,653						1,653	1,653
Average interest rate	6.00%						6.00%	
Fixed-rate loans	30,655	11,693	10,006	5,893	4,121	10,820	73,188	71,562
Average interest rate	7.89%	7.66%	7.61%	7.67%	7.66%	6.71%	7.61%	
Variable-rate loans	40,829	3,971	518	182	253	67	45,820	45,402
Average interest rate	7.35%	6.05%	6.51%	6.51%	6.06%	5.25%	7.21%	
Total Rate-sensitive Assets	$ 108,724	$ 58,592	$ 35,551	$ 20,190	$ 5,858	$ 21,158	$ 250,073	$ 247,927
Average interest rate	6.53%	5.03%	5.21%	5.55%	6.86%	5.63%	5.84%	
Rate-sensitive Liabilities:								
Time deposits	$ 80,110	$ 13,821	$ 903	$ 376	$ 532		$ 95,742	$ 96,108
Average interest rate	4.58%	4.45%	4.68%	5.03%	5.03%		4.56%	
Other interest-bearing deposits ***	16,554	20,737	20,737	6,912	6,912	13,826	85,678	85,678
Average interest rate	3.02%	0.85%	0.85%	0.85%	0.85%	0.85%	1.27%	
Short-term borrowings	10,114						10,114	10,094
Average interest rate	3.93%						3.93%	
Long-term borrowings		5,000				10,000	15,000	15,054
Average interest rate		5.24%				3.85%	4.31%	
Total Rate-sensitive Liabilities	$ 106,778	$ 39,558	$ 21,640	$ 7,288	$ 7,444	$ 23,826	$ 206,534	$ 206,934
Average interest rate	4.28%	2.66%	1.01%	1.07%	1.15%	2.11%	3.14%	
GAP	$ 1,946	$ 19,034	$ 13,911	$ 12,902	$ (1,586)	$ (2,668)	$ 43,539	
Sensitivity Ratio	102%	114%	121%	127%	125%	121%		

* All rates are tax-equivalent rates
** Repricing date is first call date
*** Interest-bearing deposits with no maturity are distributed over the average estimated life of the accounts.

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, 2007.

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 18, 2008

Thigpen, Jones, Seaton & Co., P.C.
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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, 2007 and 2006, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the years in the three year period ended December 31, 2007. 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, 2007 and 2006, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

Thigpen, Jones, Seaton & Co., PC

Dublin, Georgia
March 18, 2008

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
December 31, 2007 and 2006

	2007	2006
ASSETS		
Cash and due from banks	$ 8,736,079	$ 11,969,567
Interest-bearing deposits in other banks	9,997,889	83,210
Federal funds sold	0	332,000
Cash and cash equivalents	18,733,968	12,384,777
Investment securities available for sale, at fair value	31,188,277	33,322,855
Investment securities to be held to maturity (fair value approximates $88,124,110 and $100,283,068)	88,226,049	102,232,804
Federal Home Loan Bank stock, at cost	1,652,800	1,966,900
Loans, net of allowance for loan losses of $2,399,115 and $2,417,140	116,609,060	123,074,652
Premises and equipment, net	6,290,658	6,578,997
Foreclosed assets, net	90,000	0
Intangible assets	1,283,096	1,750,511
Other assets	7,579,289	7,204,926
Total assets	$ 271,653,197	$ 288,516,422
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
NOW accounts	$ 23,085,509	$ 55,013,082
Money market	42,031,450	24,376,607
Savings	20,560,963	22,228,442
Certificates of deposit $100,000 and over	29,588,737	25,725,026
Other time accounts	66,152,788	65,977,976
Total interest-bearing deposits	181,419,447	193,321,133
Noninterest-bearing deposits	35,373,243	33,387,979
Total deposits	216,792,690	226,709,112
Short-term borrowed funds	10,114,286	15,000,000
Long-term debt	15,000,000	15,228,571
Other liabilities	3,228,229	3,621,820
Total liabilities	245,135,205	260,559,503
Stockholders' equity:		
Common stock – $1 par value, 5,000,000 shares authorized, 4,293,835 and 4,288,555 shares issued	4,293,835	4,288,555
Additional paid-in capital	31,701,533	31,644,063
Retained earnings	17,038,881	16,763,299
Accumulated other comprehensive income	(466,235)	(482,588)
Treasury stock, at cost 1,744,198 shares for 2007 and 1,648,912 shares for 2006	(26,050,022)	(24,256,410)
Total stockholders' equity	26,517,992	27,956,919
Total liabilities and stockholders' equity	$ 271,653,197	$ 288,516,422

See accompanying notes to consolidated financial statements.

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME
for the years ended December 31, 2007, 2006, and 2005

	2007	2006	2005
Interest income:			
Interest and fees on loans	$ 10,256,774	$ 9,343,246	$ 7,718,967
Interest on debt securities: Taxable	4,536,729	5,352,040	5,974,676
Interest on debt securities: Tax-exempt	798,961	837,648	842,897
Dividends	119,088	123,520	90,120
Interest on deposits in other banks	174,395	171,065	181,515
Interest on other short-term investments	427	201,951	10,274
Total interest income	15,886,374	16,029,470	14,818,449
Interest expense:			
Deposits	5,583,588	5,177,729	3,393,485
Federal funds purchased	100,542	25,982	9,372
Other short-term borrowings	594,358	303,925	71,000
Long-term debt	694,642	872,229	1,101,787
Total interest expense	6,973,130	6,379,865	4,575,644
Net interest income	8,913,244	9,649,605	10,242,805
Provision for loan losses	0	0	80,000
Net interest income after provision for loan losses	8,913,244	9,649,605	10,162,805
Noninterest income:			
Service charges on deposit accounts	1,735,430	1,716,296	1,553,199
Income from trust services	286,217	295,133	305,483
Income from security sales	346,255	295,859	264,761
Income from insurance services	1,150,336	1,166,966	1,113,299
Income from mortgage banking services	2,814,065	3,978,271	4,416,543
Net gain (loss) on disposition of assets	(96,925)	15,047	7,595
Gain on sale of credit card portfolio	247,531	0	0
Net gain (loss) on sale of securities	0	(564,455)	0
Other income	232,150	207,179	203,770
Total noninterest income	6,715,059	7,110,296	7,864,650
Noninterest expense:			
Salaries and employee benefits	7,011,376	7,276,174	7,324,312
Occupancy expense	839,603	834,863	810,407
Equipment expense	647,561	631,586	656,071
Data processing expense	686,078	693,683	724,846
Amortization of intangible assets	467,416	917,054	490,884
Losses related to mortgage banking	1,587,253	0	0
Other operating expenses	2,363,965	2,632,006	2,375,725
Total noninterest expenses	13,603,252	12,985,366	12,382,245
Income before income taxes	2,025,051	3,774,535	5,645,210
Provision for income taxes	306,943	734,375	1,316,680
Net income	$ 1,718,108	$ 3,040,160	$ 4,328,530
Basic earnings per share:			
Net income	$ 0.66	$ 0.97	$ 1.32
Weighted average shares outstanding	2,583,932	3,134,741	3,267,169
Diluted earnings per share:			
Net income	$ 0.66	$ 0.96	$ 1.31
Weighted average shares outstanding	2,593,021	3,153,449	3,293,534

See accompanying notes to consolidated financial statements.

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
for the years ended December 31, 2007, 2006, and 2005

	Common Stock	Additional paid-in capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance at Dec. 31, 2004	$4,262,520	$31,187,722	$12,627,466	$ 33,711	$ (9,159,142)	$38,952,277
Comprehensive income:						
Net Income	-	-	4,328,530	-	-	4,328,530
Changes in net gain(loss) on securities available for sale	-	-	-	(812,742)	-	(812,742)
Changes in net gain(loss) on pension plan benefits	-	-	-	(444,221)	-	(444,221)
Total comprehensive income	-	-	-	-	-	3,071,567
Common stock acquired through purchase program	-	-	-	-	(555,070)	(555,070)
Cash dividend declared $.52 per share	-	-	(1,697,608)	-	-	(1,697,608)
Exercise and issuance of stock options	4,160	77,494		-	-	81,654
Balance at Dec. 31, 2005	4,266,680	31,265,216	15,258,388	(1,223,252)	(9,714,212)	39,852,820
Comprehensive income:						
Net Income	-	-	3,040,160	-	-	3,040,160
Changes in net gain(loss) on securities available for sale	-	-	-	283,880	-	283,880
Total comprehensive income	-	-	-	-	-	3,324,040
Adjustment to initially apply FASB statement No. 158, net of tax	-	-	-	456,784	-	456,784
Common stock acquired through purchase program	-	-	-	-	(14,542,198)	(14,542,198)
Cash dividend declared $.52 per share	-	-	(1,535,249)	-	-	(1,535,249)
Exercise and issuance of stock options	21,875	378,847		-	-	400,722
Balance at Dec. 31, 2006	4,288,555	31,644,063	16,763,299	(482,588)	(24,256,410)	27,956,919
Comprehensive income:						
Net Income	-	-	1,718,108	-	-	1,718,108
Changes in net gain(loss) on securities available for sale	-	-	-	239,980	-	239,980
Changes in net gain(loss) on pension plan benefits	-	-	-	(223,627)	-	(223,627)
Total comprehensive income	-	-	-	-	-	1,734,461
Common stock acquired through purchase program	-	-	-	-	(1,793,612)	(1,793,612)
Cash dividend declared $.56 per share	-	-	(1,442,526)	-	-	(1,442,526)
Exercise and issuance of stock options	5,280	57,470		-	-	62,750
Balance at Dec. 31, 2007	$ 4,293,835	$ 31,701,533	$ 17,038,881	$ (466,235)	$ (26,050,022)	$ 26,517,992

See accompanying notes to consolidated financial statements.

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended December 31, 2007, 2006, and 2005

	2007	2006	2005
Cash flows from operating activities:			
Net income	$ 1,718,108	$ 3,040,160	$ 4,328,530
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Provision for loan losses	0	0	80,000
Depreciation	743,695	758,970	749,278
Net amortization and (accretion) of investment securities	(10,494)	(3,476)	14,371
Amortization of intangibles	467,416	917,054	490,884
Net loss (gain) on sale of credit card portfolio	(247,531)	0	0
Net loss (gain) on sale and disposal of assets	96,925	559,078	(7,595)
Funds held related to mortgage banking activities	(88,006)	100,226	(2,125,225)
Changes in:			
Other assets	(382,788)	(598,530)	(669,669)
Other liabilities	(659,020)	123,341	146,136
Net cash provided by operating activities	1,638,305	4,896,823	3,006,710
Cash flows from investing activities:			
Proceeds from maturities of securities held to maturity	14,125,435	6,540,000	11,585,000
Proceeds from maturities of securities available for sale	3,216,400	1,396,284	5,620,945
Proceeds from sale of securities available for sale	0	13,435,545	0
Purchase of securities held to maturity	0	(2,000,000)	(2,325,000)
Purchase of securities available for sale	(512,300)	0	(255,400)
Proceeds from sale of credit card portfolio	1,805,006	0	0
Net change in loans	2,269,484	(20,893,937)	(5,092,257)
Purchase of premises and equipment	(459,142)	(498,343)	(762,141)
Proceeds from sales of other assets	2,455,493	29,351	283,186
Net cash provided (used) for investing activities	22,900,376	(1,991,100)	9,054,333
Cash flows from financing activities:			
Net change in deposits	(9,916,422)	4,864,721	(643,711)
Payment of short-term debt and short-term portion of long-term debt	(21,500,000)	(5,000,000)	(8,000,000)
Proceeds from issuance of short-term debt	11,500,000	0	0
Payment of long-term debt	(114,286)	(114,286)	(174,286)
Proceeds from issuance of long-term debt	5,000,000	0	5,000,000
Cash dividends paid	(1,427,920)	(1,535,249)	(1,697,608)
Proceeds from the exercise of stock options	62,750	400,722	81,654
Payment for common treasury stock	(1,793,612)	(14,542,198)	(555,070)
Net cash provided (used) for financing activities	(18,189,490)	(15,926,290)	(5,989,021)
Increase (decrease) in cash and cash equivalents	6,349,191	(13,020,567)	6,072,022
Cash and cash equivalents - beginning of year	12,384,777	25,405,344	19,333,322
Cash and cash equivalents - end of year	$ 18,733,968	$ 12,384,777	$ 25,405,344
Cash paid during the year for:			
Income taxes	$ 795,000	$ 1,265,000	$ 1,637,554
Interest paid	$ 6,993,730	$ 6,238,088	$ 4,501,839

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS, continued

	2007	2006	2005
NONCASH ITEMS:			
Increase in foreclosed properties and decrease in loans	$ 2,638,633	$ 0	$ 239,434
Unrealized gain(loss) on securities AFS	$ 363,606	$ 430,121	$ (1,231,427)
Unrealized gain(loss) on pension plan benefits	$ (338,829)	$ 981,792	$ (673,062)

See accompanying 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.

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 $100,000. Uninsured deposits aggregate to $5,589,000 at December 31, 2007.

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.

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.

Recent Accounting Pronouncements

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). 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 effect of applying the provisions of this statement should the Corporation elect to apply its provisions have not been determined.

On December 31, 2006, the Corporation adopted Statement of Financial Accounting Standards No. 158, Employer's Accounting for Deferred Benefit Pension and Other Postretirement Plans. The adoption date requirement for this standard was for fiscal year ending after December 15, 2006. This standard requires an employer to recognize in its statement of financial position an asset for a pension retirement plan's overfunded status or a liability for an underfunded status. The Corporation's funded status of pension retirement plan is the difference between the fair value of the plan assets and the projected benefit obligation on December 31, 2007 and 2006.

In September 2006, the Emerging Issue Task Force (EITF) issued EITF Issue No. 06-4, "Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements," (EITF 06-4). EITF 06-4 requires the accrual of post-retirement benefit over the service period. EITF 06-4 is effective for fiscal years beginning after December 31, 2007. The Corporation does not anticipate the new accounting principle to have a material effect on its financial position or results of operation.

In June 2006, the Financial Accounting Standards Board issued Interpretation No. 48 (Accounting for Uncertainty in Income Taxes). This document is an interpretation of Statement No. 109 (Accounting for Income Taxes). The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The interpretation was initially effective for fiscal years beginning after December 15, 2006 but has been extended until 2008. The effect of applying the provisions of the interpretation has not been determined.

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment". SFAS No. 123(R) replaces SFAS No. 123, "Accounting for Stock-Based Compensation", and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". This Statement requires compensation costs related to share-based payment transactions to be recognized in the financial statements over the period that an employee provides service in exchange for the award. Public companies are required to adopt the new standard using either a modified prospective method or may elect to restate prior periods using the modified retrospective method. Under the modified prospective method, companies are required to record compensation cost for new and modified awards over the related vesting period of such awards prospectively and record compensation cost prospectively for the unvested portion, at the date of adoption, of previously issued and outstanding awards over the remaining vesting period of such awards. No change to prior periods presented is permitted under the modified prospective method. SFAS No. 123(R) is effective for periods beginning after June 15, 2005. Effective July 1, 2005, the Corporation has adopted this new standard using the modified prospective method. All required details of stock option awards are disclosed in Note 9 of the consolidated financial statements.

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 FASB 122 and amended by FASB 140, 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 2007, 2006, and 2005 were $200,705, $191,625, and $176,341, 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, 2007				
Equity securities	$ 24,265	$ 6,121	$ 0	$ 30,386
State and municipal securities	12,528,297	444,826	0	12,973,123
U.S. Government Agency Securities	17,990,946	8,184	108,817	17,890,313
Mortgage-backed securities	286,726	7,729	0	294,455
Total	$ 30,830,234	$ 466,860	$ 108,817	$ 31,188,277
December 31, 2006				
Equity securities	$ 1,024,265	$ 34,612	$ 0	$ 1,058,877
State and municipal securities	12,915,079	466,207	0	13,381,286
U.S. Government Agency Securities	18,986,568	0	513,443	18,473,125
Mortgage-backed securities	402,506	7,171	110	409,567
Total	$ 33,328,418	$ 507,990	$ 513,553	$ 33,322,855

Securities Held to Maturity:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
December 31, 2007				
U.S. Government Agency Securities	$ 82,990,819	$ 38,747	$ 151,889	$ 82,877,677
State and Municipal Securities	5,235,230	54,032	42,829	5,246,433
Total	$ 88,226,049	$ 92,779	$ 194,718	$ 88,124,110
December 31, 2006				
U.S. Government Agency Securities	$ 96,996,715	$ 14,659	$ 1,985,807	$ 95,025,567
State and Municipal Securities	5,236,089	45,072	23,660	5,257,501
Total	$ 102,232,804	$ 59,731	$ 2,009,467	$ 100,283,068

At December 31, 2007 and 2006, securities with a carrying value of $25,697,000 and $37,312,000, respectively were pledged as collateral for public deposits and other purposes as required by law. Also, securities with a carrying value of $32,000,000 and $30,343,000 were pledged to secure Federal Home Loan Bank advances at December 31, 2007 and 2006, respectively. The Federal Home Loan Bank requires the Bank to hold a minimum investment of stock, based on the level of activity. As of December 31, 2007 this stock investment was $1,652,800.

There were no investments in obligations of any state or municipal subdivisions which exceeded 10 % of the Corporation's stockholders' equity at December 31, 2007.

The amortized cost and estimated fair value of securities at December 31, 2007, 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	$ 7,403,980	$ 7,360,748
After one through five years	16,609,739	16,739,507
After five through ten years	6,505,524	6,763,181
After ten years	0	0
Total debt securities	$ 30,519,243	$ 30,863,436
Mortgage-backed securities	286,726	294,455
Equity securities	24,265	30,386
Total AFS securities	$ 30,830,234	$ 31,188,277

Held to Maturity:	Amortized Cost	Estimated Fair Value
Amounts maturing in:		
One year or less	$ 11,999,510	$ 11,954,429
After one through five years	70,991,309	70,923,248
After five through ten years	5,235,230	5,246,433
After ten years	0	0
Total HTM securities	$ 88,226,049	$ 88,124,110

For the years ended December 31, 2007, 2006, and 2005, proceeds from sales of securities available for sale amounted to $0, $13,435,545, and $0, respectively. Gross realized gains (losses) amounted to $0, $(564,455), and $0, respectively. The loss during 2006 was due to liquidating securities to fund a tender stock offer.

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, 2007	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
Debt securities:				
U.S. Government and federal agency	$ 0	$ 0	$ 108,817	$ 14,890,312
State and municipal securities	0	0	0	0
Mortgage-backed securities	0	0	0	0
Total debt securities	0	0	108,817	14,890,312
Equity securities	0	0	0	0
Total securities available for sale	$ 0	$ 0	$ 108,817	$ 14,890,312
Securities Held to Maturity				
U.S. Government and federal agency	$ 0	$ 0	$ 151,889	$ 44,846,180
State and municipal securities	0	0	42,829	2,333,528
Total securities held to maturity	$ 0	$ 0	$ 194,718	$ 47,179,708

December 31, 2006	Less Than Twelve Months		Over Twelve Months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
Debt securities:				
U.S. Government and federal agency	$ 1,253	$ 998,125	$ 512,190	$ 17,475,000
State and municipal securities	0	0	0	0
Mortgage-backed securities	0	0	110	103,287
Total debt securities	1,253	998,125	512,300	17,578,287
Equity securities	0	0	0	0
Total securities available for sale	$ 1,253	$ 998,125	$ 512,300	$ 17,578,287
Securities Held to Maturity				
U.S. Government and federal agency	$ 440	$ 1,999,560	$ 1,985,367	$ 91,000,996
State and municipal securities	0	0	23,660	2,352,343
Total securities held to maturity	$ 440	$ 1,999,560	$ 2,009,027	$ 93,353,339

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, 2007, the debt securities with unrealized losses have depreciated .5% 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, 2007, 2006, and 2005 was as follows:

	2007	2006	2005
Commercial, financial and agricultural loans	$ 21,850,674	$ 20,937,732	$ 12,369,529
Real estate:			
Construction loans	11,563,650	13,238,346	10,669,442
Commercial mortgage loans	38,037,762	45,506,441	33,869,136
Residential loans	31,936,066	31,942,371	33,773,198
Agricultural loans	7,257,608	5,576,468	5,850,641
Deposit account overdrafts	98,475	99,516	99,295
Consumer loans	8,299,787	8,234,881	8,044,000
Loans Outstanding	119,044,022	125,535,755	104,675,241
Unearned discount	(35,847)	(43,963)	(40,837)
Allowance for loan losses	(2,399,115)	(2,417,140)	(2,453,689)
Net loans	$ 116,609,060	$ 123,074,652	$ 102,180,715

The Corporation's only significant concentration of credit at December 31, 2007, occurs in real estate loans which totaled approximately $89 million. However, this amount is not concentrated in any specific segment within the market or geographic area.

At December 31, 2007 and 2006, impaired loans amounted to $61,574 and $77,045 respectively. Included in the allowance for loan losses is $10,794 related to impaired loans at December 31, 2007, and $17,767 related to impaired loans at December 31, 2006. 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, 2007, 2006, and 2005, the average recorded investment in impaired loans was $69,308, $125,520, and $191,722, respectively. Interest income was recognized for cash payments received on loans while they were impaired of $7,112 for 2007, $8,891 for 2006, and $14,361 for 2005.

Loans placed on nonaccrual status amounted to $3,221,569 and $2,347,347 at December 31, 2007 and 2006 respectively. Past due loans over ninety days and still accruing at December 31, 2007 and 2006 were $0 and $9,670, respectively. At year-end 2007, there was one large $3,203,000 fully secured loan in nonaccrual loans on which no loss is anticipated. At year-end 2006, there was one large $2,250,000 loan in nonaccrual loans which was foreclosed and sold at a loss of $110,000 in the fourth quarter of 2006.

Changes in the allowance for loan losses are as follows:

	2007	2006	2005
Balance, January 1	$ 2,417,140	$ 2,453,689	$ 2,506,837
Provision charged to operations	0	0	80,000
Loans charged off	(52,758)	(59,505)	(226,641)
Recoveries	34,733	22,956	93,493
Purchased reserve	0	0	0
Balance, December 31	$ 2,399,115	$ 2,417,140	$ 2,453,689

4. PREMISES AND EQUIPMENT

The amounts reported as bank premises and equipment at December 31, 2007 and 2006 are as follows:

	2007	2006
Land	$ 1,177,059	$ 1,177,059
Building	7,875,208	7,872,203
Furniture and equipment	6,415,108	6,000,498
	15,467,375	15,049,760
Less accumulated depreciation	(9,176,717)	(8,470,763)
Total	$ 6,290,658	$ 6,578,997

Depreciation of premises and equipment was $743,695, $758,970, and $749,278 in 2007, 2006, and 2005, 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.

5. INTANGIBLE ASSETS

The following table lists the Corporation's intangible assets at December 31, 2007 and 2006. Core deposit premiums have 6-7 years of remaining amortization, and customers' account base have 7-8 years remaining amortization while mortgage banking has two remaining months to amortize. During 2006, the Corporation accelerated the amortization of the mortgage banking intangible asset by $429,000 due to numerous payoffs for serviced loans.

	2007	2006
Amortizing intangible assets		
Core deposit premiums	$ 1,118,272	$ 1,300,012
Customers' account base	145,519	171,416
Mortgage banking	19,305	279,083
Total intangible assets	$ 1,283,096	$ 1,750,511

6. DEPOSITS

At December 31, 2007, the scheduled maturities of certificates of deposit are as follows:

	$ Amount
2008	$ 74,712,986
2009	19,048,170
2010	1,048,829
2011	383,809
2012 and thereafter	547,731
Total	$ 95,741,525

7. SHORT-TERM BORROWED FUNDS

Federal funds purchased generally mature within one to four days. On December 31, 2007, the Corporation had no federal funds purchased. Other short-term borrowed funds consist of Federal Home Loan Bank advances of $10,114,286 with interest at 3.93 % as of December 31, 2007 and $15,000,000 with interest at 3.43 % as of December 31, 2006.

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

	2007	2006	2005
Average balance during the year	$ 14,205,793	$ 10,475,611	$ 3,124,427
Average interest rate during the year	4.18%	3.15%	2.57%
Maximum month-end bal. during the year	$ 16,500,000	$ 20,000,000	$ 5,000,000

8. LONG-TERM DEBT

Long-term debt at December 31, 2007 and 2006 consisted of the following:

	2007	2006
Advance from Federal Home Loan Bank with a 2.85% fixed rate of interest maturing March 11, 2013. (convertible to a variable rate at option of Federal Home Loan Bank on March 11, 2008), (transferred to short-term borrowings).	$ 0	$ 5,000,000
Advance from Federal Home Loan Bank with a 3.85% fixed rate of interest maturing April 30, 2014, (convertible to a variable rate at option of Federal Home Loan Bank on April 30, 2009).	10,000,000	10,000,000
Advance from Federal Home Loan Bank with a 5.24% fixed rate of interest maturing February 6, 2009.	5,000,000	0
Advance from Federal Home Loan Bank with a 5.21% fixed rate of interest due in annual installments maturing December 17, 2008, (transferred to short-term borrowings).	0	228,571
Total long-term debt	$15,000,000	$15,228,571

The advances from Federal Home Loan Bank are collateralized by the pledging of investment securities. At December 31, 2007 and 2006, securities with a carrying value of $32,000,000 and $30,343,000, respectively, were pledged to secure these advances. There were no 1-4 family residential mortgages pledged to secure Federal Home Loan Bank advances. At December 31, 2007, the Corporation had approximately $45,000,000 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, 2007, there was no floating rate long-term debt; however, some of the advances have convertible call features.

Due in:	Fixed Rate $ Amount
2008	$ 0
2009	5,000,000
2010	0
2011	0
2012	0
Later Years	10,000,000
Total long-term debt	$15,000,000

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, 2007, 2006, and 2005 is presented below.

Change in Benefit Obligation	2007	2006	2005
Benefit obligation at beginning of year	$11,183,684	$11,894,280	$11,053,754
Service cost	0	499,562	405,783
Interest cost	690,697	734,225	688,756
Amendments	0	(1,452,854)	0
Benefits paid	(678,445)	(678,512)	(563,171)
Other – net	916,907	186,983	309,158
Benefit obligation at end of year	$ 12,112,843	$ 11,183,684	$ 11,894,280
Change in Plan Assets			
Fair value of plan assets at beginning of year	$ 10,458,052	$ 9,450,986	$ 9,233,482
Actual return on plan assets	574,832	675,672	286,943
Employer contribution	693,943	1,009,906	493,732
Benefits paid	(678,445)	(678,512)	(563,171)
Fair value of plan assets at end of year	$ 11,048,382	$ 10,458,052	$ 9,450,986

	2007	2006	2005
Funded status	$ (1,064,461)	$ (725,632)	$ (2,443,294)
Unrecognized net actuarial (gain)/loss	0	1,380,424	2,686,806
Unrecognized prior service cost	0	0	289,695
Pension liability included in other liabilities	$ (1,064,461)	$ 654,792	$ 533,207
Accumulated benefit obligation	$ 12,112,843	$ 11,183,684	$ 10,625,203

Amount recognized in consolidated balance sheet consist of the following:	2007	2006	2005
Accrued Pension	$ 1,064,461	$ 725,632	$ 1,707,424
Intangible assets	$ 0	$ 0	$ 289,695
Deferred tax assets	361,917	246,715	482,028
Accumulated other comprehensive income	702,544	478,917	935,701
Total	$ 1,064,461	$ 725,632	$ 1,707,424

Components of Pension Cost	2007	2006	2005
Service cost	$ 0	$ 499,562	$ 405,783
Interest cost on benefit obligation	690,697	734,225	688,756
Expected return on plan assets	(826,839)	(792,327)	(739,352)
Other - net	74,003	187,501	97,194
Net periodic pension cost	$ (62,139)	$ 628,961	$ 452,381

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

	2007	2006	2005
Net loss (gain)	$ 338,829	$ (981,792)	$ 962,737
Prior service costs	0	0	0
Total recognized in other comprehensive income	$ 338,829	$ (981,792)	$ 962,737
Net periodic pension cost	(62,139)	628,961	452,381
Total recognized in net periodic pension cost and other comprehensive income	$ 276,690	$ (352,831)	$ 1,415,118

In 2007, the year after adopting Financial Accounting Standard No. 158, Employer's Accounting for Deferred Benefit Pension Plan and Other Postretirement Plans, and freezing its pension retirement plan, the Corporation accrued $519,635 funding contributions to the plan. Also, the Corporation recorded additional accrued pension liability of $338,829 and other comprehensive income (loss) of ($338,829) or ($223,627) on a pre-tax basis. The additional actuarial loss of $916,907 during 2007 was due to an updated mortality table which reflected longer lives for participants in the plan.

On December 31, 2006, the Corporation adopted Statement of Financial Accounting Standards No. 158, Employer's Accounting for Deferred Benefit Pension and Other Postretirement Plans. The adoption date requirement for this standard was for fiscal year ending after December 15, 2006. This standard requires an employer to recognize in its statement of financial position an asset for a pension retirement plan's overfunded status or a liability for an underfunded status. The Corporation's funded status of pension retirement plan is the difference between the fair value of the plan assets and the projected benefit obligation on December 31, 2006.

Incremental Effect of Applying SFAS No. 158 and curtailment of the Plan on Individual Line Items in the Statement of Financial Position at December 31, 2006:

	Before	Adjustments	After
Intangible Assets	$ 2,040,206	$ (289,695)	$ 1,750,511
Other assets including deferred tax assets	7,440,239	(235,313)	7,204,926
Total assets	289,041,430	(525,008)	288,516,422
Other liabilities including pension liability	4,603,612	(981,792)	3,621,820
Accumulated other comprehensive income	(939,372)	456,784	(482,588)
Total stockholder's equity	$ 27,500,135	$ 456,784	$ 27,956,919

During the fourth quarter of 2006, the Corporation froze its pension retirement plan due to deterioration of its funding status and the increasing costs to keep it funded. In December, the Corporation accrued $174,308 additional contributions to the Plan in order to make the required minimum contribution for 2006 of $1,184,214. According to SFAS No. 88, Employer's Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits, there is no gain to be recognized in 2006 due to freezing the plan. The table below shows the effects of before and after the curtailment of the pension plan.

SFAS No. 88 as of December 31, 2006

	Before Curtailment	Effect of Curtailment	After Curtailment
Projected Benefit Obligation	$12,636,538	$(1,452,854)	$11,183,684
Less Market Value of Assets	10,458,052	0	10,458,052
Funded Status	$ (2,178,486)	$ 1,452,854	$ (725,632)
Unrecognized Net Prior Service Cost	259,360	(259,360)	0
Unrecognized Net (Gain) or Loss	2,833,278	(1,452,854)	1,380,424
Prepaid/(Accrued) Pension Cost	$ 914,152	$ (259,360)	$ 654,792

In 2006, the Corporation recorded the combined non-cash adjustments for changes before and after the curtailment to the equity through accumulated other comprehensive income of ($692,097), or ($456,784) on a pre-tax basis, accrued pension liability of ($981,792), and intangible assets of ($289,695). The initial year of adoption required the adjustments to only be made to accumulated comprehensive income in equity.

In years prior to 2006, SFAS No. 87, Employees Accounting for Pension, requires the recognition of a minimum pension liability for the defined benefit pension plans whose accumulated benefit obligations exceed the fair value of the plan assets at the end of the year. In 2005, the Corporation recorded a non-cash adjustment to the equity through accumulated other comprehensive income of $444,221 ($673,062 on a pretax basis), accrued pension liability of $540,211 and intangible assets of ($132,851).

At December 31, 2007, the plan assets included cash and cash equivalents, U. S. Treasury bonds and notes, other government agency securities, and equity securities.

Assumptions used to determine the benefit obligation as of December 31, 2007 and 2006, respectively were:

Weighted-Average Assumptions As of December 31	2007	2006
Discount rate	6.25%	6.25%
Rate of compensation increase	N/A	N/A

For the years ended December 31, 2007, 2006, and 2005, the assumptions used to determine net periodic pension costs are as follows:

	2007	2006	2005
Discount rate	6.25%	6.25%	6.50%
Expected return on plan assets	8.00%	8.00%	8.00%
Rate of compensation increase	N/A	5.00%	5.00%

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.

Planned Asset Allocation as of December 31	2007	2006
Equity	25%	25%
Fixed income	62%	70%
Cash & cash equivalents	13%	5%
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 $250,000 to this pension plan in 2008.

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:

2008	$ 808,100
2009	814,000
2010	869,800
2011	861,900
2012	897,300
Years 2013 – 2017	$ 4,561,300

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 2007, the Corporation matched the employee participants for the first four percent of salary contributing $164,170 to the plan.

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. The contributions were $309,809 in 2007, $0 in 2006, and $538,675 in 2005. Contributions to eligible participants are based on percentage of annual compensation. As of December 31, 2007, the ESOP holds 327,478 shares of the Corporation's outstanding shares of common stock. All 326,914 released shares are allocated to the participants. The 564 unreleased shares are pledged as collateral for a $10,000 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.

Deferred Compensation Agreement

The Corporation has entered into an employment agreement with an executive officer of Empire as of January 1, 2002 and that was amended on November 15, 2006. Under this employment agreement the executive officer shall be credited with Deferred Compensation for his service and covenants in the amount of $200,000 on December 31, 2002 and $200,000 on each anniversary date thereafter to 2006. The executive officer has irrevocably elected to waive participation in the Pension and Employee Stock Ownership Plans. Based on the agreement, annual contributions ended in 2006; therefore, no contributions were made in 2007. Also, under the amended agreement monthly installment payments commence six months after the date of the executive officer's termination and continue each month thereafter until the deferred compensation account is exhausted.

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 2007, 2006, and 2005 on the part of the Corporation totaled $68,400, $62,100, and $64,550, 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. 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.

In April of 2007, the Key Individual Stock Option Plan, which was effective for ten years, concluded as related to granting new stock options. In 2007, there were no stock options granted to the Corporation's key employees and/or directors. In 2006, 4,500 incentive stock options (ISO) were granted, and in 2005, the Corporation granted 1,500 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.

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.

	2007	2006	2005
Number of stock options granted	0	4,500	1,500
Average fair value of stock options granted	0	$ 3.90	$ 4.11
Number of option shares exercisable	107,165	108,605	131,480
Average price of stock options exercisable	$ 18.02	$ 17.66	$ 17.67
Weighted-average assumptions:			
Dividend yield	2.9%	2.6%	2.4%
Risk-free interest rate	4.5%	4.8%	3.9%
Volatility rate	20.0%	20.0%	20.0%
Expected life	5 years	5 years	5 years

A summary of the status of the Corporation's Plan as of December 31, 2007, 2006 and 2005, and the changes in stock options during the years are presented below:

	No. of Shares	Average Price
Outstanding at December 31, 2004	138,640	$ 17.76
Granted	1,500	22.05
Expired	(3,000)	21.08
Exercised	(4,160)	18.19
Outstanding at December 31, 2005	132,980	17.72
Granted	4,500	19.84
Expired	(2,500)	22.17
Exercised	(21,875)	17.52
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

The following table summarizes information about fixed stock options outstanding and exercisable at December 31, 2007.

	Outstanding Stock Options			Exercisable Stock Options	
Exercise Price Range	Number Outstanding At 12/31/07	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable At 12/31/07	Weighted Average Exercise Price
$11 to $12	1,320	4.5 Years	$ 11.93	1,320	$ 11.63
$12 to $13	4,620	3.5 Years	12.09	4,620	12.09
$13 to $14	17,160	3.4 Years	13.09	17,160	13.09
$19 to $20	80,765	2.8 Years	19.37	80,765	19.37
$21 to $23	3,300	8.5 Years	21.52	3,300	21.52
$11 to $23	107,165		$ 18.02	107,165	$ 18.02

As of July 1, 2005, the Corporation adopted SFAS No. 123R which requires recording stock option awards as compensation cost based on the fair value of the stock options over the vesting period. In 2005, the year of adopting the new standard, the Corporation had no effect from the change on income before taxes, net income, cash flow from operations, and basic and diluted earnings per share. The corporation granted no stock options in 2007. The Corporation granted 4,500 ISO's at a fully vested fair value of $17,570 during 2006 and granted 1,500 ISO's fully vested at a fair value of $6,165 to employees in December 2005. The fair value of these ISO's which are classified as equity is required to be recorded in the financial statements as compensation cost.

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 American Stock Exchange on the dividend payable date or other purchase date. During the years ended December 31, 2007, 2006, and 2005, 10,821, 11,782, and 12,747, respectively, shares were issued through the plan at an average of $19.15, $21.89, and $22.84, 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 2007, 2006, and 2005 are as follows:

	2007	2006	2005
Current payable	$ 321,785	$ 1,051,925	$ 1,716,781
Deferred taxes (benefit)	(14,842)	(317,550)	(400,101)
Total income taxes	$ 306,943	$ 734,375	$ 1,316,680

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:

	2007		2006		2005	
	Amount	%	Amount	%	Amount	%
Taxes at statutory income tax rate	$ 688,517	34.0	$ 1,283,342	34.0	$ 1,919,371	34.0
Reductions in taxes resulting from exempt income	(292,724)	(14.4)	(254,729)	(6.7)	(250,890)	(4.5)
Other timing differences	(88,850)	(4.4)	(294,238)	(7.8)	(351,801)	(6.2)
Total income taxes	$ 306,943	15.2	$ 734,375	19.5	$ 1,316,680	23.3

The sources of timing differences for tax reporting purposes and the related deferred taxes recognized in 2007, 2006, and 2005 are summarized as follows:

	2007	2006	2005
Accretion of discount (net of maturities)	$ 5,800	$ 8,200	$ 13,700
Nonqualified retirement plan contribution / payments	8,600	(7,500)	9,300
Gain on disposition of discounted bonds	(15,300)	(16,900)	(34,600)
Bad debt expense in excess of tax	6,100	(198,840)	(275,200)
Deferred compensation	0	(68,000)	(67,900)
Book and tax depreciation difference	(20,042)	(34,510)	(45,401)
Total deferred taxes	$ (14,842)	$ (317,550)	$ (400,101)

	December 31 2007	December 31 2006
Deferred tax assets:		
Bad debt expense in excess of tax	$ 467,940	$ 474,040
Pension plan	361,917	246,715
Unrealized loss on securities available for sale	0	1,891
Deferred compensation	360,817	369,500
Total deferred tax assets	1,190,674	1,092,146
Deferred tax liabilities:		
Accretion on securities	19,700	29,200
Depreciation on fixed assets	105,347	125,472
Unrealized gain on securities available for sale	121,735	0
Total deferred tax liabilities	246,782	154,672
Net deferred tax assets	$ 943,892	$ 937,474

11. RELATED PARTY TRANSACTIONS

The Employee Stock Ownership Plan and Trust of Southwest Georgia Financial Corporation presently holds 327,478 shares of the Corporation's stock of which 564 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 $2,885,000 and $2,647,000 at December 31, 2007 and 2006, respectively. During 2007, approximately $2,276,000 of such loans were made, and repayments totaled approximately $2,038,000. None of these above mentioned loans were restructured, nor were any related party loans charged off during 2007 or 2006. Also, during 2007 and 2006, directors and executive officers had approximately $2,030,000 and $2,017,000, 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.

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, 2007	Dec. 31, 2006
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 12,439,064	$ 20,471,344
Standby letters of credit and financial guarantees	$ 10,000	$ 10,000

13. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following information and tables present the carrying amounts and fair values of the Corporation's financial instruments at December 31, 2007 and 2006. Where quoted prices are not available, fair values are based on estimates using discounted cash flows and other valuation techniques. Those techniques can be significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Corporation.

Cash and Short-Term Investments

For those short-term investments, the carrying amount is a reasonable estimate of fair value.

Investment Securities

For U. S. Government and U. S. Government Agency securities, fair values are based on market prices or dealer quotes. For other investment securities, fair value equals quoted market price if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities as the basis for a pricing matrix.

Loans

For all homogenous categories of loans, the fair value 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 and for the same remaining maturities.

Deposits

The fair value of demand deposits, savings accounts, and certain money market deposits is the amount payable on demand at December 31, 2007. The fair value of fixed-maturity certificates of deposit is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

Short-Term Borrowings and Securities Sold Under Repurchase Agreements

For those short-term borrowings, the carrying amount is a reasonable estimate of fair value. The fair value of securities sold under repurchase agreements is estimated by discounting the future cash flow using the rates currently offered for securities sold under repurchase agreements of similar remaining maturities.

Long-Term Debt

Rates currently available to the Corporation for debt with similar terms and remaining maturities are used to estimate fair value of existing debt.

Commitments to Extend Credit and Standby Letters of Credit

The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements, and the present credit worthiness of the counter parties. For fixed rate loan commitments, fair value also considers the difference between current levels of interest rates and the committed rates. The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counter parties.

Limitations

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

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

	December 31, 2007		December 31, 2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(Dollars in thousands)		(Dollars in thousands)	
Financial assets:				
Cash and cash equivalents	$ 18,734	$ 18,734	$ 12,385	$ 12,385
Securities available for sale	31,188	31,188	33,323	33,323
Securities held to maturity	88,226	88,124	102,233	100,283
Federal Home Loan Bank stock	1,653	1,653	1,967	1,967
Loans	119,008	116,964	125,492	123,114
Less: allowance for loan losses	2,399	2,399	2,417	2,417
Financial liabilities:				
Deposits	216,793	217,159	226,709	226,887
Short-term borrowings	10,114	10,094	15,000	14,818
Long-term debt	15,000	15,054	15,229	14,934
Unrecognized financial instruments:				
Commitments to extend credit	12,439	12,439	20,471	20,471
Standby letters of credit	10	10	10	10

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		
	2007	2006	2005
Other professional fees	$257,378	$475,580	$306,271
Directors & board committee fees	$244,091	$239,916	$227,500

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, 2007, approximately $874,000 of the Bank's net assets was 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, 2007, the Bank's reserve requirements averaged approximately $4,925,000.

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). Management believes, as of December 31, 2007 and 2006, that the Corporation and the Bank meets all capital adequacy requirements to which they are subject.

As of December 31, 2007, 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, 2007 and 2006 are also presented in the table.

As a result of regulatory limitations at December 31, 2007, approximately $24,725,000 of the parent company's investment in net assets of the subsidiary bank of $25,584,000, 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, 2007 and 2006 are set forth in the following table. The Corporation's leverage ratio at December 31, 2007 was 8.98%. The capital ratios are reduced because we funded a tender stock offering through equity.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2007:						
Total capital (to risk-weighted assets)	$27,498,970	19.39%	$11,345,440	≥ 8.00%	$14,181,800	≥ 10.00%
Tier I capital (to risk-weighted assets)	$25,718,507	18.13%	$ 5,672,720	≥ 4.00%	$ 8,509,080	≥ 6.00%
Tier I capital (to average assets)	$25,718,507	8.98%	$ 8,588,929	≥ 3.00%	$14,314,882	≥ 5.00%
As of December 31, 2006:						
Total capital (to risk-weighted assets)	$28,820,209	19.23%	$11,989,280	≥ 8.00%	$14,986,600	≥ 10.00%
Tier I capital (to risk-weighted assets)	$26,940,172	17.98%	$ 5,994,640	≥ 4.00%	$ 8,991,960	≥ 6.00%
Tier I capital (to average assets)	$26,940,172	8.88%	$ 9,101,594	≥ 3.00%	$15,169,323	≥ 5.00%

16. PARENT COMPANY FINANCIAL DATA

Southwest Georgia Financial Corporation's condensed balance sheets as of December 31, 2007 and 2006, and its related condensed statements of operations and cash flows for the years ended are as follows:

Condensed Balance Sheets
as of December 31, 2007 and 2006
(Dollars in thousands)

	2007	2006
ASSETS		
Cash	$ 608	$ 1,631
Investment in consolidated wholly-owned bank subsidiary, at equity	25,582	25,308
Investment securities available for sale	18	32
Loans	42	200
Other assets	627	1,167
Total assets	$ 26,877	$ 28,338
LIABILITIES AND STOCKHOLDERS' EQUITY		
Dividends payable	$ 357	$ 343
Other liabilities	2	38
Total liabilities	359	381
Stockholders' equity:		
Common stock, $1 par value, 5,000,000 shares authorized, 4,293,835 shares for 2007 and 4,288,555 for 2006 issued	4,294	4,289
Additional paid-in capital	31,701	31,644
Retained earnings	17,039	16,763
Accumulated other comprehensive income	(466)	(483)
Treasury stock, at cost, 1,744,198 for 2007 and 1,648,912 shares for 2006	(26,050)	(24,256)
Total stockholders' equity	26,518	27,957
Total liabilities and stockholders' equity	$ 26,877	$ 28,338

16. PARENT COMPANY FINANCIAL DATA (continued)

Condensed Statements of Income and Expense
for the years ended December 31, 2007, 2006, and 2005
(Dollars in thousands)

	2007	2006	2005
Income:			
Dividend received from bank subsidiary	$ 1,500	$ 15,000	$ 3,000
Interest on loan	16	42	3
Other	34	69	61
Total income	1,550	15,111	3,064
Expenses:			
Other	169	357	97
Income before income taxes and equity in Undistributed income of bank subsidiary	1,381	14,754	2,967
Income tax expense – allocated from consolidated return	(89)	(147)	(91)
Income before equity in undistributed income of subsidiary	1,470	14,901	3,058
Equity in undistributed income of subsidiary	248	(11,861)	1,271
Net income	1,718	3,040	4,329
Retained earnings – beginning of year	16,763	15,258	12,627
Cash dividend declared	(1,442)	(1,535)	(1,698)
Retained earnings – end of year	$ 17,039	$ 16,763	$ 15,258

16. PARENT COMPANY FINANCIAL DATA (continued)

Condensed Statements of Cash Flows
for the years ended December 31, 2007, 2006, and 2005
(Dollars in thousands)

	2007	2006	2005
Cash flow from operating activities:			
Net income	$ 1,718	$ 3,040	$ 4,329
Adjustments to reconcile net income to net cash provided (used) by operating activities:			
Equity (deficit) in undistributed earnings of Subsidiary	(248)	11,861	(1,271)
Changes in:			
Other assets	490	953	(1,079)
Other liabilities	16	(92)	56
Net cash provided for operating activities	1,976	15,762	2,035
Cash flow from investing activities:			
Net change in loans	158	(195)	20
Net cash provided (used) for investing activities	158	(195)	20
Cash flow from financing activities:			
Cash dividend paid to stockholders	(1,427)	(1,535)	(1,698)
Purchase of treasury stock	(1,793)	(14,542)	(555)
Proceeds from issuance of common stock	63	401	75
Net cash provided (used) for financing activities	(3,157)	(15,676)	(2,178)
Increase (decrease) in cash	(1,023)	(109)	(123)
Cash – beginning of year	1,631	1,740	1,863
Cash – end of year	$ 608	$ 1,631	$ 1,740

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, 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

	Year Ended December 31, 2006		
	Income	Weighted Average Shares	Per Share Amount
Basic earnings per share:			
Net income	$ 3,040,160	3,134,741	$ 0.97
Diluted earnings per share:			
Net income	$ 3,040,160	3,153,449	$ 0.96

	Year Ended December 31, 2005		
	Income	Weighted Average Shares	Per Share Amount
Basic earnings per share:			
Net income	$ 4,328,530	3,267,169	$ 1.32
Diluted earnings per share:			
Net income	$ 4,328,530	3,293,534	$ 1.31

18. QUARTERLY DATA

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

	For the Year 2007			
	Fourth	Third	Second	First
Interest and dividend income	$ 3,751	$ 4,093	$ 4,049	$ 3,993
Interest expense	1,735	1,828	1,723	1,687
Net interest income	2,016	2,265	2,326	2,306
Provision for loan losses	0	0	0	0
Net interest income after provision for loan losses	2,016	2,265	2,326	2,306
Noninterest income	1,176	1,779	1,444	2,316
Noninterest expenses	4,441	2,995	2,967	3,200
Income before income taxes	(1,249)	1,049	803	1,422
Provision(benefit) for income taxes	(557)	271	182	411
Net income (loss)	$ (692)	$ 778	$ 621	$ 1,011
Earnings (loss) per share of common stock:				
Basic	$ (.27)	$ .30	$ .24	$ .39
Diluted	$ (.27)	$ .30	$ .24	$ .39

	For the Year 2006			
	Fourth	Third	Second	First
Interest and dividend income	$ 4,095	$ 4,145	$ 3,965	$ 3,824
Interest expense	1,745	1,726	1,541	1,368
Net interest income	2,350	2,419	2,424	2,456
Provision for loan losses	0	0	0	0
Net interest income after provision for loan losses	2,350	2,419	2,424	2,456
Noninterest income	1,415	1,246	2,402	2,046
Noninterest expenses	3,150	3,654	3,142	3,038
Income before income taxes	615	11	1,684	1,464
Provision(benefit) for income taxes	76	(187)	466	379
Net income	$ 539	$ 198	$ 1,218	$ 1,085
Earnings per share of common stock:				
Basic	$ .20	$ .06	$ .38	$ .33
Diluted	$ .20	$ .06	$ .37	$ .33

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, and 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, 2007, 2006, and 2005, are as follows:

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-segment Elimination	Other	Totals
				(Dollars in Thousands)				
Net Interest Income (expense) external customers	$ 4,597	(4)	20	0	4,250		50	$ 8,913
Net intersegment interest income (expense)	3,920	(6)	(18)	8	(3,904)			
Net Interest Income	8,517	(10)	2	8	346	0	50	8,913
Provision for Loan Losses								
Noninterest Income (expense) external customers	2,072	2,784	1,136	632	80	0	11	6,715
Intersegment noninterest income (expense)	9	(11)	2	56		(56)		
Total Noninterest Income	2,081	2,773	1,138	688	80	(56)	11	6,715
Noninterest Expenses:								
Depreciation	498	63	28	24	41		90	744
Amortization of intangibles	182	261	32	18		(26)		467
Other Noninterest expenses	5,623	3,193	913	616	554	0	1,493	12,392
Total Noninterest expenses	6,303	3,517	973	658	595	(26)	1,583	13,603
Pre-tax Income	4,295	(754)	167	38	(169)	(30)	(1,522)	2,025
Provision for Income Taxes	879	(285)	42	5	(42)		(292)	307
Net Income	$ 3,416	(469)	125	33	(127)	(30)	(1,230)	$ 1,718
Assets	$ 314,612	4,053	1,257	459	139,161	(188,483)	594	$ 271,653
Expenditures for Fixed Assets	$ 373	72	7	2	5			$ 459

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

	Other
Net interest Income:	
Parent Company	$ 50
Noninterest Income:	
Executive office miscellaneous income	11
Noninterest Expenses:	
Parent Company corporate expenses	169
Executive office expenses not allocated to segments	1,414
Provison for Income taxes:	
Parent Company income taxes (benefit)	(89)
Executive office income taxes not allocated to segments	(203)
Net Income:	$ (1,230)
Segment assets:	
Parent Company assets, after intercomany elimination	$ 594

Segment Reporting
For the year ended December 31, 2006

	Retail and Commercial Banking	Commercial Mortgage Banking	Insurance Services	Trust and Retail Brokerage Services	Financial Management	Inter-segment Elimination	Other	Totals
				(Dollars in Thousands)				
Net Interest Income (expense) external customers	$ 4,743		18	(723)	5,501		111	$ 9,650
Net intersegment interest income (expense)	3,873	(24)	(29)	660	(4,480)			
Net Interest Income	8,616	(24)	(11)	(63)	1,021		111	9,650
Provision for Loan Losses								
Noninterest Income (expense) external customers	1,872	3,968	1,174	591	(495)	0	0	7,110
Intersegment noninterest income (expense)	36	(24)	(12)	40		(40)		
Total Noninterest Income	1,908	3,944	1,162	631	(495)	(40)	0	7,110
Noninterest Expenses:								
Depreciation	508	47	35	28	44		96	758
Amortization of intangibles	182	707	35	18		(25)		917
Other Noninterest expenses	5,502	1,948	848	603	607	0	1,803	11,311
Total Noninterest expenses	6,192	2,702	918	649	651	(25)	1,899	12,986
Pre-tax Income	4,332	1,218	233	(81)	(125)	(15)	(1,788)	3,774
Provision for Income Taxes	930	473	45	(13)	(124)		(576)	734
Net Income	$ 3,402	745	188	(68)	(1)	(15)	(1,212)	$ 3,040
Assets	$ 331,178	3,513	1,614	1,750	145,732	(196,021)	750	$ 288,516
Expenditures for Fixed Assets	$ 458	24	2	12	13			$ 509

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

	Other
Net interest Income:	
Parent Company	$ 111
Noninterest Income:	
Executive office miscellaneous income	0
Noninterest Expenses:	
Parent Company corporate expenses	357
Executive office expenses not allocated to segments	1,542
Provison for Income taxes:	
Parent Company income taxes (benefit)	(148)
Executive office income taxes not allocated to segments	(428)
Net Income:	$ (1,212)
Segment assets:	
Parent Company assets, after intercomany elimination	$ 750

Segment Reporting

For the year ended December 31, 2005

	Retail and Commercial Banking	Commercial Mortgage Banking	Insurance Services	Trust and Retail Brokerage Services	Financial Management	Inter-segment Elimination	Other	Totals
				(Dollars in Thousands)				
Net Interest Income (expense) external customers	$ 4,741		9	(510)	5,941		62	$ 10,243
Net intersegment interest income (expense)	4,254	(35)	(33)	727	(4,913)			
Net Interest Income	8,995	(35)	(24)	217	1,028		62	10,243
Provision for Loan Losses	80							80
Noninterest Income (expense) external customers	1,697	4,417	1,114	570	64		3	7,865
Intersegment noninterest income (expense)	58	(44)	(14)	41		(41)		
Total Noninterest Income	1,755	4,373	1,100	611	64	(41)	3	7,865
Noninterest Expenses:								
Depreciation	491	45	32	28	56		96	748
Amortization of intangibles	182	278	38	18		(25)		491
Other Noninterest expenses	5,527	2,032	862	588	561	0	1,574	11,144
Total Noninterest expenses	6,200	2,355	932	634	617	(25)	1,670	12,383
Pre-tax Income	4,470	1,983	144	194	475	(16)	(1,605)	5,645
Provision for Income Taxes	1,021	754	30	46	114		(649)	1,316
Net Income	$ 3,449	1,229	114	148	361	(16)	(956)	$ 4,329
Assets	$ 292,164	3,648	1,193	23,036	179,472	(198,769)	530	$ 301,274
Expenditures for Fixed Assets	$ 536	78	6	7	5			$ 632

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

	Other
Net interest Income:	
Parent Company	$ 62
Noninterest Income:	
Executive office miscellaneous income	3
Noninterest Expenses:	
Parent Company corporate expenses	96
Executive office expenses not allocated to segments	1,574
Provison for Income taxes:	
Parent Company income taxes (benefit)	(91)
Executive office income taxes not allocated to segments	(558)
Net Income:	$ (956)
Segment assets:	
Parent Company assets, after intercomany elimination	$ 530

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, 2007. 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, 2007 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 AND 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 27, 2008, 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 27, 2008, to be filed with the Commission, is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND STOCK RELATED 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 27, 2008, 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 27, 2008, 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 27, 2008, 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, 2007, 2006, and 2005 are included in Part II, Item 8 herein:

(i) Report of Independent Auditors

(ii) Consolidated Balance Sheets – December 31, 2007 and 2006

(iii) Consolidated Statements of Income – Years ended December 31, 2007, 2006, and 2005

(iv) Consolidated Statements of Changes in Stockholders' Equity – Years ended December 31, 2007, 2006, and 2005

(v) Consolidated Statements of Cash Flows – Years ended December 31, 2007, 2006, and 2005

(vi) Notes to Consolidated Financial Statements – December 31, 2007

(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 effective as of November 15, 2006 (included as Exhibit 10.1 to the Corporation's Form 10-K dated December 31, 2006, previously filed with the Commission and incorporated herein by reference). *
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	Advances, specific collateral pledged, and security agreement between the Federal Home Loan Bank of Atlanta and the Bank dated January 27, 1992, and confirmation of credit services transaction for new money advances in the amount of $4,000,000 dated February 10, 1992, $2,500,000 dated September 4, 1992, and $1,500,000 dated September 8, 1992 (included as Exhibit 10.10 to the Corporation's Form 10-KSB dated December 31, 1992, previously filed with the Commission and incorporated herein by reference).
10.5	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).*
10.6	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).*
10.7	Employee Stock Ownership Plan and Trust of the Corporation as amended and restated (included as Exhibit 10.7 to the Corporation's Form 10-K dated December 31, 2005, previously filed with the Commission and incorporated herein by reference).*
10.8	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).
10.9	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).*
10.10	Employment Agreement of J. David Dyer, Jr. (included as Exhibit 10.10 to the Corporation's Form 10-K dated December 31, 2002, previously filed with the Commission and incorporated herein by reference).*
10.11	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).*
10.15	Consulting Agreement of John H. Clark (included as Exhibit 10.15 to the Corporation's Form S-4 dated January 6, 2004, previously filed with the Commission and incorporated herein by reference).*
10.16	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).*

10.17	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). *
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 28, 2008

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 — Date: March 28, 2008
DEWITT DREW
President and Chief Executive Officer
[Principal Executive Officer]

/s/ George R. Kirkland — Date: March 28, 2008
GEORGE R. KIRKLAND
Senior Vice-President and Treasurer
[Principal Financial and Accounting Officer]

/s/ Michael J. McLean — Date: March 28, 2008
MICHAEL J. MCLEAN
Chairman

/s/ Richard L. Moss — Date: March 28, 2008
RICHARD L. MOSS
Vice Chairman

/s/ Cecil H. Barber — Date: March 28, 2008
CECIL H. BARBER
Director

/s/ John J. Cole, Jr. — Date: March 28, 2008
JOHN J. COLE, JR.
Director

/s/ Roy Reeves — Date: March 28, 2008
ROY REEVES
Director

/s/ Johnny R. Slocumb — Date: March 28, 2008
JOHNNY R. SLOCUMB
Director

/s/ M. Lane Wear — Date: March 28, 2008
M. LANE WEAR
Director

/s/ Marcus R. Wells — Date: March 28, 2008
MARCUS R. WELLS
Director

/s/ C. Broughton Williams — Date: March 28, 2008
C. BROUGHTON WILLIAMS
Director

Exhibit Index

Exhibit Number	Description of Exhibit
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.

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Corporate Headquarters

Southwest Georgia Financial Corporation
201 First Street, Southeast
Moultrie, GA 31768
Phone: 229.985.1120
Fax: 229.985.0251

Annual Meeting

Tuesday, May 27, 2008
4:30 p.m.
Southwest Georgia Bank
Administrative Services Building
205 Second Street, Southeast
Moultrie, GA 31768

Stock Trading

Southwest Georgia Financial Corporation common stock is traded on the American Stock Exchange under the symbol SGB.

SGB Quarterly Common Stock Prices and Dividends

Quarter Ended	Market Price High	Low	Close	Dividends Paid
2007				
December 31	$18.75	$16.57	$17.75	$0.14
September 30	$19.95	$18.50	$18.60	$0.14
June 30	$19.75	$17.80	$19.65	$0.14
March 31	$20.13	$18.80	$19.65	$0.14
2006				
December 31	$22.75	$18.50	$19.30	$0.13
September 30	$22.65	$18.00	$22.50	$0.13
June 30	$24.70	$20.00	$20.25	$0.13
March 31	$25.70	$21.37	$24.50	$0.13

Shareholders of Record

Southwest Georgia Financial had 540 shareholders of record as of December 31, 2007. There are approximately 225 additional shareholders holding shares through trust and brokerage firms.

Shareholder Services

Shareholder inquiries to change name, address, or stock ownership, to report lost certificates, or to consolidate accounts should be directed to the Transfer Agent:

American Stock Transfer & Trust Company
59 Maiden Lane
New York City, NY 10038
Phone: 800.937.5449
Fax: 718.236.2641

Dividend Reinvestment Plan

The Dividend Reinvestment Plan offers a convenient, low-cost method for shareholders to purchase additional shares of Southwest Georgia Financial. For more information or to participate in this opportunity contact:

American Stock Transfer & Trust Company
59 Maiden Lane
New York City, NY 10038
Phone: 800.937.5449
Fax: 718.236.2641

Independent Accountants

Thigpen, Jones, Seaton & Co., P.C.
1004 Hillcrest Parkway
P.O. Box 400
Dublin, GA 31040-0400

Investor Relations

To obtain further information on Southwest Georgia Financial, contact:

George R. Kirkland
Senior Vice President and Treasurer
Southwest Georgia Financial Corporation
P.O. Box 3488
Moultrie, GA 31776-3488
Phone: 229.873.3830
Fax: 229.890.2211
Email: investorinfo@sgfc.com

SGB

For information online, visit www.sgfc.com.

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