

Southwest Georgia Financial Corporation
201 First Street S.E.
Moultrie, GA 31768
PH: (229) 985-1120
FX: (229) 985-0251



News Release

INVESTOR AND MEDIA CONTACT:

George R. Kirkland
Senior Vice President and Treasurer
Phone: (229) 873-3830
investorinfo@sgfc.com

For Immediate Release

Southwest Georgia Financial Corporation Announces Earnings per Share of \$0.18 for the Third Quarter of 2009

- *Total loans grew 9.8% year-over-year*
- *Total deposits were up 6.7%*
- *Loan loss reserve coverage at 1.54%*
- *Book value expands 9% to \$9.83 per share from prior year*

MOULTRIE, GEORGIA, October 26, 2009 -- Southwest Georgia Financial Corporation (NYSE Amex: SGB), a full service community bank holding company, today reported net income of \$467 thousand, or \$0.18 per diluted share, for the third quarter of 2009, up from a net loss of \$2.67 million, or \$1.05 per diluted share, for the third quarter of 2008. Reductions in salary and employee benefits of \$264 thousand, or 13%, in the recent quarter helped to offset the effect of a \$140 thousand provision for loan loss. Last year's third quarter results were negatively impacted by a \$4.11 million non-cash loss related to the impairment of equity securities and a \$1.00 million loss sustained by the commercial mortgage banking subsidiary.

DeWitt Drew, President and CEO commented, "Our position in our markets enabled us to attract new relationships resulting in another quarter of solid loan and core deposit growth. We were very pleased with our ability to manage and improve our funding costs. However, persistent economic and financial challenges for our customers and the markets we serve continue to impact credit quality and therefore, in the third quarter of 2009, we recorded a \$140 thousand loan loss provision. For the nine-month period, we have provisioned \$386 thousand. This compares with no provision in the corresponding periods of 2008 and is directly reflective of the weak economic environment in Georgia."

Return on average equity for the third quarter of 2009 was 7.71% compared with a negative 42.53% for the same period in 2008. Return on average assets for the quarter was 0.67%, an increase from negative 3.99% when compared with the same period in 2008.

Balance Sheet Trends and Asset Quality

At September 30, 2009, total assets were \$278.4 million, compared with \$266.1 million at the end of last year's third quarter. This increase was primarily due to loan and core deposit growth. Total net loans increased \$13.9 million, or 9.8%, to \$154.9 million compared with \$141.1 million at September 30, 2008. Year-over-year quarter-end total deposits were up \$14.1 million, or 6.7%, to \$223.2 million.

The loan loss reserve coverage over total loans declined to 1.54%, while nonperforming assets to total assets grew to 1.94%, a 54 basis point increase over last year. The level of nonperforming assets was due primarily to one large foreclosed commercial property. That property has been under construction and the cost of improvements are now

fully funded. Southwest Georgia Financial Corporation's total risk-based capital ratio was 15.74% at September 30, 2009, significantly exceeding the regulatory guidelines for a well capitalized financial institution (see accompanying table).

Shareholders' equity was \$25.0 million as of September 30, 2009, up from \$22.9 million at September 30, 2008. On a per share basis, book value at quarter end was \$9.83, up from \$8.98 at the end of the 2008 third quarter. The increase in shareholders' equity and book value per share were primarily due to the net income retained in the current year. The Company has approximately 2.55 million shares of common stock outstanding.

Revenue and Expenses

Net interest income for the third quarter of 2009 improved slightly to \$2.49 million compared with \$2.43 million for the same period in 2008, as lower costs of deposits and borrowings more than offset the decline in interest income. Net interest income after a \$140 thousand provision for loan losses for the third quarter of 2009 was \$2.35 million. The Company did not recognize a provision in the 2008 third quarter. For the third quarter of 2009, total interest income was \$3.40 million and total interest expense was \$912 thousand compared with \$3.71 million and \$1.28 million, respectively, from the same period a year ago. The Company's net interest margin was 4.13% for the third quarter of 2009, down slightly from the same period last year.

Noninterest income, which was 27.5% of the Company's total revenue for the quarter, increased to \$1.29 million when compared with a negative \$2.84 million for the third quarter of 2008. As previously noted, the 2008 third quarter was impacted by a \$4.11 million non-cash loss on the impairment of equity securities. Excluding the non-cash charge, noninterest income in the third quarter of 2009 improved \$30 thousand over the prior year period. Mortgage banking services revenue was relatively flat when compared with the third quarter of 2008. Trust services and retail brokerage services revenue decreased \$32 thousand and \$33 thousand, respectively, in the third quarter of 2009. These decreases were offset by an increase in service charges on deposit accounts of \$72 thousand, or 18.0%, when compared with last year's third quarter.

Total noninterest expense for the third quarter of 2009 decreased \$1.21 million, or 28.7%, to \$3.02 million from \$4.23 million for the third quarter of last year. Excluding the \$1.0 million loss related to mortgage banking services in the third quarter of 2008, total noninterest expense improved \$211 thousand over last year. In the third quarter of 2009, salaries and employee benefits decreased \$264 thousand, or 13.5%. Other operating expenses increased \$58 thousand when compared with the prior year's third quarter mainly due to \$41 thousand in higher legal expenses, which were related to the mortgage banking services loss, and an \$87 thousand increase in FDIC insurance assessment.

Mr. Drew continued, "Our growth in loans, deposits and our ability to maintain a solid net interest margin reflect the success we are having in this challenging environment. The bank remains very well-capitalized, and by continuing to provide our customers with superior products and services, we believe we are well-positioned to take advantage of the current market and grow our balance sheet as we extend our footprint into the Valdosta market. We continue to pursue acquisition opportunities, but recognize our limitations. We are not willing to overextend ourselves and jeopardize our current franchise for growth."

Review of First Nine Months of 2009

For the first nine months of 2009, net income was \$1.11 million, or \$0.43 per diluted share, compared with a net loss of \$1.16 million, or \$0.46 per diluted share, for the same period in 2008. Negatively impacting the 2009 year-to-date results were a \$677 thousand decline in income from mortgage banking services and a \$386 thousand increase in loan loss provision. The first nine months of 2008 were impacted by the unusual losses at our mortgage banking subsidiary and on the impairment of equity securities.

For the first nine months of this year, return on average equity increased to 6.19% compared with negative 5.89% for the same period last year. Return on average assets increased to 0.54% for the current nine-month period, compared with negative 0.56% for the same period in 2008.

Reduced interest paid on deposits and borrowings for the first nine months of 2009 more than offset the \$1.31 million decline in total interest income when compared with the same period in 2008. This resulted in a \$203 thousand increase in net interest income to \$7.32 million for the first nine months of 2009, compared with \$7.11 million for the same period in 2008. The Company recognized a \$386 thousand provision for loan losses which reduced net interest income after provision to \$6.93 million for the nine months of 2009, compared with \$7.11 million for the same period in 2008. Net interest margin improved 15 basis points to 4.11% for the first nine months of 2009, when compared with the same period a year ago.

For the first nine months of 2009, noninterest income was \$3.72 million, up from \$358 thousand in the same period of 2008. Excluding last year's loss on the impairment of equity securities of \$4.11 million, 2009 year-to-date noninterest income was down \$745 thousand when compared with the same period last year. The majority of the decline was a result of a drop in mortgage banking services revenue of \$677 thousand, or 39.5%, when compared with same period last year. Other contributing factors included income from insurance services which decreased \$67 thousand and revenue from trust services and retail brokerage services which decreased \$55 thousand and \$85 thousand, respectively. These decreases were partially offset by an increase in service charges on deposit accounts of \$116 thousand in the first nine months of 2009, when compared with the same period last year.

Noninterest expense decreased \$826 thousand to \$9.36 million for the first nine months of 2009 compared with the same period last year, primarily due to a nonrecurring third quarter 2008 mortgage banking loss of \$1.00 million. Excluding this loss, noninterest expense increased \$176 thousand when compared with the nine months ended September 30, 2008. Driving the increase were other operating expenses which were higher due to increased legal and FDIC insurance fees of \$774 thousand and \$341 thousand, respectively, offset partially by a decrease in salary and employee benefits of \$628 thousand. The salary and employee benefits decline was primarily a result of staff reductions.

Dividends

In March of 2009, the Company suspended its regular cash dividend. The decision enabled the Company to have financial flexibility by retaining equity necessary to support efforts to capture greater market share, grow its loan portfolio, and expand outside of its historic footprint. Conditions will continue to be evaluated, and when the economic environment stabilizes, the Company will consider a dividend payout.

About Southwest Georgia Financial Corporation

Southwest Georgia Financial Corporation is a state-chartered bank holding company with approximately \$278 million in assets headquartered in Moultrie, Georgia. Its primary subsidiary, Southwest Georgia Bank, offers comprehensive financial services to consumer, business, and governmental customers. The current banking facilities include the main office located in Colquitt County, and branch offices located in Baker County, Thomas County, and Worth County, and a loan production office located in Lowndes County. In addition to conventional banking services, the bank provides investment planning and management, trust management, mortgage banking, and commercial and individual insurance products. Insurance products and advice are provided by Southwest Georgia Insurance Services which is located in Colquitt County. Mortgage banking for primarily commercial properties is provided by Empire Financial Services, Inc., a mortgage banking services firm.

More information on Southwest Georgia Financial Corp. and Southwest Georgia Bank can be found at its website:
www.sgfc.com.

SAFE HARBOR STATEMENT

This news release contains certain brief forward-looking statements concerning the Company's outlook. The Company cautions that any forward-looking statements are summary in nature involve risks and uncertainties and are subject to change based on various important factors, many of which may be beyond the Company's control. Accordingly, the Company's future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. The following factors, among others, could affect the Company's actual results and could cause actual results in the future to differ materially from those expressed or implied in any forward-looking statements included in this release: the ability of the bank to manage the interest rate environment, the success of reducing operating costs, overall economic conditions, customer preferences, the impact of competition, the ability to execute its strategy for growth. Additional

information regarding these risks and other factors that could cause the Company's actual results to differ materially from our expectations is contained in the Company's filings with the Securities and Exchange Commission. Except as otherwise required by federal securities laws, Southwest Georgia Financial undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Financial tables follow.

SOUTHWEST GEORGIA FINANCIAL CORPORATION

CONSOLIDATED STATEMENT OF CONDITION

(Dollars in thousands except per share data)

	(Unaudited) September 30, 2009	(Audited) December 31, 2008	(Unaudited) September 30, 2008
ASSETS			
Cash and due from banks	\$ 8,542	\$ 7,470	\$ 6,951
Interest-bearing deposits in banks	4,151	30	28
Investment securities available for sale	78,674	83,212	87,282
Investment securities held to maturity	9,653	12,108	13,108
Federal Home Loan Bank stock, at cost	1,650	1,618	1,618
Loans, less unearned income and discount	157,377	149,070	143,468
Allowance for loan losses	(2,428)	(2,376)	(2,387)
Net loans	154,949	146,694	141,081
Premises and equipment	7,362	5,783	5,979
Foreclosed assets, net	3,867	211	211
Intangible assets	900	1,056	1,108
Other assets	8,676	9,115	8,742
Total assets	<u>\$ 278,424</u>	<u>\$ 267,297</u>	<u>\$ 266,108</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits:			
NOW accounts	\$ 23,542	\$ 25,283	\$ 26,839
Money market	39,366	35,701	35,179
Savings	21,467	21,213	21,883
Certificates of deposit \$100,000 and over	30,289	28,755	29,294
Other time accounts	73,486	64,216	64,806
Total interest-bearing deposits	188,150	175,168	178,001
Noninterest-bearing deposits	35,004	39,373	31,081
Total deposits	223,154	214,541	209,082
Federal funds purchased	0	430	6,230
Other borrowings	5,000	15,000	15,114
Long-term debt	21,000	10,000	10,000
Accounts payable and accrued liabilities	4,233	4,010	2,795
Total liabilities	253,387	243,981	243,221
Shareholders' equity:			
Common stock - par value \$1; 5,000,000 shares authorized; 4,293,835 shares issued (*)	4,294	4,294	4,294
Additional paid-in capital	31,702	31,701	31,702
Retained earnings	15,619	14,512	14,806
Accumulated other comprehensive income	(464)	(1,077)	(1,801)
Total	51,151	49,430	49,001
Treasury stock - at cost (**)	(26,114)	(26,114)	(26,114)
Total shareholders' equity	25,037	23,316	22,887
Total liabilities and shareholders' equity	<u>\$ 278,424</u>	<u>\$ 267,297</u>	<u>\$ 266,108</u>
* Common stock - shares outstanding	2,547,837	2,547,837	2,547,837
** Treasury stock - shares	1,745,998	1,745,998	1,745,998

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SOUTHWEST GEORGIA FINANCIAL CORPORATION

CONSOLIDATED INCOME STATEMENT (unaudited*)

(Dollars in thousands except per share data)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009*	2008*	2009*	2008*
Interest income:				
Interest and fees on loans	\$ 2,386	\$ 2,386	\$ 7,023	\$ 7,090
Interest and dividend on securities available for sale	905	1,173	2,758	3,080
Interest on securities held to maturity	104	132	316	817
Dividends on Federal Home Loan Bank stock	2	10	2	60
Interest on federal funds sold	0	0	0	90
Interest on deposits in banks	6	12	22	290
Total interest income	3,403	3,713	10,121	11,427
Interest expense:				
Interest on deposits	710	1,048	2,228	3,521
Interest on federal funds purchased	1	16	1	16
Interest on other borrowings	12	191	134	603
Interest on long-term debt	189	29	442	174
Total interest expense	912	1,284	2,805	4,314
Net interest income	2,491	2,429	7,316	7,113
Provision for loan losses	140	0	386	0
Net interest income after provision for losses on loans	2,351	2,429	6,930	7,113
Noninterest income:				
Service charges on deposit accounts	472	400	1,321	1,205
Income from trust services	47	79	158	213
Income from retail brokerage services	53	86	188	273
Income from insurance services	231	240	796	863
Income from mortgage banking services	411	417	1,038	1,715
Net gain on the sale or abandonment of assets	0	0	0	13
Net gain on the sale of securities	34	0	34	0
Net (loss) on the impairment of equity securities	0	(4,105)	0	(4,105)
Other income	46	42	183	181
Total noninterest income (loss)	1,294	(2,841)	3,718	358
Noninterest expense:				
Salary and employee benefits	1,693	1,957	4,865	5,493
Occupancy expense	219	227	637	654
Equipment expense	167	165	495	489
Data processing expense	170	169	520	472
Amortization of intangible assets	52	52	156	175
Losses related to mortgage banking services	0	1,002	0	1,002
Other operating expense	719	661	2,691	1,905
Total noninterest expense	3,020	4,233	9,364	10,190
Income (loss) before income tax expense	625	(4,645)	1,284	(2,719)
Provision for income taxes	158	(1,979)	177	(1,556)
Net income (loss)	\$ 467	\$ (2,666)	\$ 1,107	\$ (1,163)
Net income (loss) per share, basic	\$ 0.18	\$ (1.05)	\$ 0.43	\$ (0.46)
Net income (loss) per share, diluted	\$ 0.18	\$ (1.05)	\$ 0.43	\$ (0.46)
Dividends paid per share	\$ -	\$ 0.14	\$ 0.07	\$ 0.42
Basic weighted average shares outstanding	2,547,837	2,547,837	2,547,837	2,547,956
Diluted weighted average shares outstanding	2,547,837	2,553,653	2,547,837	2,552,591

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SOUTHWEST GEORGIA FINANCIAL CORPORATION

Financial Highlights

(Dollars in thousands except per share data)

<i>At September 30</i>	2009		2008	
	Assets	\$ 278,424		\$ 266,108
Loans, less unearned income & discount	157,377		143,468	
Deposits	223,154		209,082	
Shareholders' equity	25,037		22,887	
Book value per share	9.83		8.98	
Loan loss reserve/loans	1.54%		1.66%	
Nonperforming assets/total assets	1.94%		1.40%	

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Net income (loss)	\$ 467	\$ (2,666)	\$ 1,107	\$ (1,163)
Earnings (loss) per share, basic	0.18	(1.05)	0.43	(0.46)
Earnings (loss) per share, diluted	0.18	(1.05)	0.43	(0.46)
Dividends paid per share	-	0.14	0.07	0.42
Return on assets	0.67%	(3.99)%	0.54%	(0.56)%
Return on equity	7.71%	(42.53)%	6.19%	(5.89)%
Net interest margin (tax equivalent)	4.13%	4.19%	4.11%	3.96%
Net charge offs (recoveries)/ average loans	0.57%	(0.01)%	0.30%	0.01%

<i>Quarterly Averages</i>	<i>3rd Qtr 2009</i>	<i>2nd Qtr 2009</i>	<i>1st Qtr 2009</i>	<i>4th Qtr 2008</i>	<i>3rd Qtr 2008</i>
Assets	\$ 278,502	\$ 274,125	\$ 272,771	\$ 266,865	\$ 267,371
Loans, less unearned income & discount	154,422	150,043	148,824	145,900	138,768
Deposits	225,634	226,345	223,387	214,420	216,554
Equity	24,237	23,752	23,504	23,017	25,065
Return on assets	0.67%	0.38%	0.56%	(0.17)%	(3.99)%
Return on equity	7.71%	4.37%	6.48%	(2.02)%	(42.53)%
Net income (loss)	\$ 467	\$ 259	\$ 381	\$ (116)	\$ (2,666)
Net income (loss) per share, basic	\$ 0.18	\$ 0.10	\$ 0.15	\$ (0.04)	\$ (1.05)
Net income (loss) per share, diluted	\$ 0.18	\$ 0.10	\$ 0.15	\$ (0.04)	\$ (1.05)
Dividends paid per share	\$ -	\$ -	\$ 0.07	\$ 0.14	\$ 0.14

SOUTHWEST GEORGIA FINANCIAL CORPORATION
Risk-Based Capital Ratios

Risk-Based Capital Ratios	Southwest Georgia Financial Corporation	Regulatory Guidelines	
	September 30, 2009	For Well Capitalized	Minimum Guidelines
Tier 1 capital	14.49%	6.00%	4.00%
Total risk based capital	15.74%	10.00%	8.00%
Tier 1 leverage ratio	8.85%	5.00%	3.00%

Risk-Based Capital Ratios	Southwest Georgia Bank	Regulatory Guidelines	
	September 30, 2009	For Well Capitalized	Minimum Guidelines
Tier 1 capital	13.84%	6.00%	4.00%
Total risk based capital	15.09%	10.00%	8.00%
Tier 1 leverage ratio	8.45%	5.00%	3.00%