SOUTHWEST GEORGIA FINANCIAL CORP
Form 10-Q
August 14, 2015

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2015

[ ] Transition report under Section 13 or 15(d) of the Exchange Act.
For the transition period from _________ to __________

Commission file number 1-12053

SOUTHWEST GEORGIA FINANCIAL CORPORATION

(Exact Name Of Small Business Issuer 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

(229) 985-1120 _

Registrant's Telephone Number, Including Area Code

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 the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer [ ]	**Non-accelerated filer [ ] (Do not check if smaller reporting company)**
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 Exchange Act). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date.

Class	**Outstanding At June 30, 2015**
Common Stock, $1 Par Value	**2,547,837**

SOUTHWEST GEORGIA FINANCIAL CORPORATION

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTER ENDED JUNE 30, 2015

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SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED BALANCE SHEETS
June 30, 2015 and December 31, 2014

	(Unaudited) June 30, 2015	(Audited) December 31, 2014
ASSETS		
Cash and due from banks	$7,178,110	$6,782,566
Interest-bearing deposits in other banks	13,863,001	5,776,131
Cash and cash equivalents	21,041,111	12,558,697
Certificates of deposit in other banks	1,470,000	1,470,000
Investment securities available for sale, at fair value	49,312,555	53,837,956
Investment securities held to maturity (fair value approximates $63,251,669 and $62,841,404)	62,373,211	61,587,819
Federal Home Loan Bank stock, at cost	1,662,300	1,560,000
Total investment securities	113,348,066	116,985,775
Loans	236,786,193	224,425,738
Less: Unearned income	(24,449)	(25,921)
Allowance for loan losses	(3,180,141)	(3,114,151)
Loans, net	233,581,603	221,285,666
Premises and equipment, net	11,541,127	11,756,267
Foreclosed assets, net	102,188	273,653
Intangible assets	58,594	66,406
Bank owned life insurance	5,156,911	5,104,173
Other assets	4,695,751	4,779,573
Total assets	$390,995,351	$374,280,210
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Deposits:		
NOW accounts	$24,813,692	$22,889,731
Money Market	99,242,677	99,918,017
Savings	29,146,343	28,156,220
Certificates of deposit $100,000 and over	28,997,768	31,366,996
Other time accounts	49,375,081	46,299,767
Total interest-bearing deposits	231,575,561	228,630,731
Noninterest-bearing deposits	90,250,994	81,342,861
Total deposits	321,826,555	309,973,592
Short-term borrowed funds	9,133,333	5,133,333
Long-term debt	22,066,667	22,066,667
Other liabilities	2,436,863	2,771,236

Total liabilities	355,463,418	339,944,828
Stockholders' equity:		
Common stock - $1 par value, 5,000,000 shares authorized, 4,293,835 shares issued	4,293,835	4,293,835
Capital surplus	31,701,533	31,701,533
Retained earnings	26,178,728	25,014,980
Accumulated other comprehensive loss	(528,368)	(561,171)
Treasury stock, at cost 1,745,998 shares for 2015 and 2014	(26,113,795)	(26,113,795)
Total stockholders' equity	35,531,933	34,335,382
Total liabilities and stockholders' equity	$390,995,351	$374,280,210

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SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	For The Three Months Ended June 30,		For The Six Months Ended June 30,	
	(Unaudited) 2015	(Unaudited) 2014	(Unaudited) 2015	(Unaudited) 2014
Interest income:				
Interest and fees on loans	$3,207,956	$3,058,090	$6,209,427	$6,007,470
Interest on taxable securities available for sale	274,520	285,220	561,306	495,541
Interest on taxable securities held to maturity	66,469	84,624	137,305	173,532
Interest on tax exempt securities	315,637	262,949	615,973	526,180
Dividends	16,934	13,524	35,672	24,917
Interest on deposits in other banks	12,960	12,611	27,103	33,837
Interest on certificates of deposit in other banks	3,427	9,370	6,775	18,637
Total interest income	3,897,903	3,726,388	7,593,561	7,280,114
Interest expense:				
Interest on deposits	195,954	192,359	386,174	387,845
Interest on federal funds purchased	335	1	337	3
Interest on other short-term borrowings	14,694	37,717	28,556	140,413
Interest on long-term debt	112,667	104,186	224,095	207,227
Total interest expense	323,650	334,263	639,162	735,488
Net interest income	3,574,253	3,392,125	6,954,399	6,544,626
Provision for loan losses	45,000	75,000	90,000	180,000
Net interest income after provision for loan losses	3,529,253	3,317,125	6,864,399	6,364,626
Noninterest income:				
Service charges on deposit accounts	263,955	331,356	555,907	655,653
Income from trust services	68,181	57,921	137,856	113,220
Income from retail brokerage services	104,420	98,512	198,202	190,705
Income from insurance services	347,147	347,034	735,846	707,662
Income from mortgage banking services	77,951	210,951	156,009	346,073
Net gain on sale or disposition of assets	3,102	20,446	21,840	20,446
Net gain on sale of securities	3,587	0	3,587	154,451
Other income	176,984	179,608	396,594	399,790
Total noninterest income	1,045,327	1,245,828	2,205,841	2,588,000
Noninterest expense:				
Salaries and employee benefits	1,962,704	2,070,614	3,972,241	4,139,181
Occupancy expense	275,613	257,251	556,067	509,523
Equipment expense	220,313	215,405	438,063	432,263
Data processing expense	314,340	284,025	607,409	557,503
Amortization of intangible assets	3,906	3,906	7,812	37,119
Other operating expenses	716,658	799,165	1,398,864	1,457,018
Total noninterest expenses	3,493,534	3,630,366	6,980,456	7,132,607
Income before income taxes	1,081,046	932,587	2,089,784	1,820,019
Provision for income taxes	216,457	195,739	416,468	382,085

Net income	$864,589	$736,848	1,673,316	$1,437,934
Earnings per share of common stock:				
Net income, basic	$0.34	$0.28	$0.66	$0.56
Net income, diluted	$0.34	$0.28	$0.66	$0.56
Dividends paid per share	$0.10	$0.08	$0.20	$0.16
Weighted average shares outstanding	2,547,837	2,547,837	2,547,837	2,547,837
Diluted average shares outstanding	2,547,837	2,547,837	2,547,837	2,547,837

SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	(Unaudited) 2015	(Unaudited) 2014	(Unaudited) 2015	(Unaudited) 2014
Net income	$864,589	$736,848	$1,673,316	$1,437,934
Other comprehensive income (loss):				
Unrealized holding gains (losses) on investment securities available for sale	(625,881)	482,183	53,288	1,226,470
Reclassification adjustment for gains realized in income	(3,587)	0	(3,587)	(154,451)
Less: Tax effect	(214,019)	163,943	16,898	364,487
Total other comprehensive income (loss), net of tax	(415,449)	318,240	32,803	707,532
Total comprehensive income	$449,140	$1,055,088	$1,706,119	$2,145,466

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SOUTHWEST GEORGIA FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30, (Unaudited) 2015	(Unaudited) 2014
Cash flows from operating activities:		
Net income	$1,673,316	$1,437,934
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	90,000	180,000
Depreciation	474,694	448,949
Net amortization of investment securities	163,571	161,713
Income on cash surrender value of bank owned life insurance	(73,119)	(49,371)
Amortization of intangibles	7,812	37,119
Gain on sale/writedown of foreclosed assets	(12,535)	(20,446)
Net gain on sale of securities	(3,587)	(154,451)
Net gain on disposal of other assets	(9,305)	0
Change in:		
Other assets	66,923	568,778
Other liabilities	(344,003)	(438,806)
Net cash provided by operating activities	2,033,767	2,171,419
Cash flows from investing activities:		
Proceeds from calls, paydowns and maturities of securities HTM	2,151,473	1,549,154
Proceeds from calls, paydowns and maturities of securities AFS	1,595,509	1,408,252
Proceeds from Federal Home Loan Bank stock repurchase	0	530,000
Proceeds from sale of securities available for sale	4,044,500	198,200
Proceeds from sale of securities held to maturity	516,746	0
Purchase of securities held to maturity	(3,583,857)	(500,000)
Purchase of securities available for sale	(1,094,645)	(16,940,414)
Purchase of Federal Home Loan Bank Stock	(102,300)	0
Net change in loans	(12,385,937)	(8,976,029)
Proceeds from bank owned life insurance	30,011	0
Purchase of premises and equipment	(267,249)	(1,815,617)
Proceeds from sales of other assets	201,000	248,767
Net cash used in investing activities	(8,894,749)	(24,297,687)
Cash flows from financing activities:		
Net change in deposits	11,852,963	3,383,810
Payment of short-term portion of long-term debt	0	(10,000,000)
Proceeds from issuance of short-term debt	4,000,000	7,000,000
Cash dividends paid	(509,567)	(407,654)
Net cash provided by (used in) financing activities	15,343,396	(23,844)
Increase (decrease) in cash and cash equivalents	8,482,414	(22,150,112)

Cash and cash equivalents - beginning of period	12,558,697	35,370,160
Cash and cash equivalents - end of period	$21,041,111	$13,220,048
NONCASH ITEMS:		
Increase in foreclosed properties and decrease in loans	$0	$260,548
Unrealized gain on securities available for sale	$49,701	$1,072,019

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SOUTHWEST GEORGIA FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Basis of Presentation

Southwest Georgia Financial Corporation (the “Corporation”), a bank-holding company organized under the laws of Georgia, provides deposit, lending, and other financial services to businesses and individuals primarily in the Southwest region of Georgia. The Corporation and its subsidiaries are subject to regulation by certain federal and state agencies.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all information and footnotes necessary for a fair presentation of financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles. The interim financial statements furnished reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The interim consolidated financial statements should be read in conjunction with the Corporation’s 2014 Annual Report on Form 10K.

NOTE 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 money market, NOW, 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.

The Corporation’s primary business is providing banking services through the Bank to individuals and businesses principally in Colquitt County, Baker County, Worth County, Lowndes County and the surrounding counties of southwest Georgia. Our first full-service banking center in Valdosta, Georgia opened in June 2010 and a mortgage origination office was opened in January 2011 in Valdosta, Georgia. Our second banking center in Valdosta opened in March 2012. A new commercial banking center in Valdosta, Georgia was completed and opened in August of 2014.

Use of Estimates

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

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

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

Cash and Cash Equivalents and Statement of Cash Flows

For purposes of reporting cash flows, the Corporation considers cash and cash equivalents to include all cash on hand, deposit amounts due from banks, interest-bearing deposits in other banks, and federal funds sold. The Corporation maintains its cash balances in several financial institutions. Accounts at the financial institutions are secured by the Federal Deposit Insurance Corporation up to $250,000. Uninsured deposits aggregate to $5,247,788 at June 30, 2015.

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-temporarily impaired 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 since 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 collectability 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

In accordance with policy guidelines and regulations, 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. A valuation allowance is established to record market value changes in foreclosed assets. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Intangible Assets

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

Credit Related Financial Instruments

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

Retirement Plans

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

Bank Owned Life Insurance

The Corporation's subsidiary bank has bank owned life insurance policies on a group of employees. Banking laws and regulations allow the Bank to purchase life insurance policies on certain employees in order to help offset the Bank's overall employee compensation costs. The beneficial aspects of these life insurance policies are tax-free earnings and a tax free death benefit, which are realized by the Bank as the owner of the policies. The cash surrender value of these policies is included as an asset on the balance sheet, and any increases in cash surrender value are recorded as noninterest income on the statement of income. At June 30, 2015, and December 31, 2014, the policies had a value of $5,156,911 and $5,104,173, respectively, and were 14.5% and 14.9%, respectively, of stockholders' equity. These values are within regulatory guidelines.

Income Taxes

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

The Corporation reports income under the Financial Accounting Standards Board Accounting Standards Codification ("ASC") Topic 740, Income Taxes, which requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Recognition of deferred tax assets is based on management's belief that it is more likely than not that the tax benefit associated with certain temporary differences and tax credits will be realized.

The Corporation will recognize a tax position as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with an examination being presumed to occur. The amount recognized is the largest amount of a tax benefit that is greater than fifty percent likely of being realized on examination. No benefit is recorded for tax positions that do not meet the more than likely than not test.

The Corporation recognizes penalties related to income tax matters in income tax expense. The Corporation is subject to U.S. federal and Georgia state income tax audit for returns for the tax period ending December 31, 2012 and subsequent years.

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes all changes in stockholders' equity during a period, except those resulting from transactions with stockholders. Besides net income, other components of the Corporation's accumulated other comprehensive income (loss) includes the after tax effect of changes in the net unrealized gain/loss on securities available for sale and the unrealized gain/loss on pension plan benefits.

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. Empire provides commercial mortgage banking services and was servicing approximately $25 million in non-recourse commercial mortgages at June 30, 2015. Loan servicing fees are based on a percentage of loan interest paid by the borrower and recognized over the term of the loan as loan payments are received. Empire does not directly fund any mortgages and acts as a service-oriented broker for participating mortgage lenders. Fees charged for continuing servicing fees are comparable with market rates charged in the industry. Based on these facts and after a thorough analysis and evaluation of deferred mortgage servicing costs as defined under ASC Topic 860, Transfers and Servicing, unrecognized mortgage servicing assets are considered 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 expensed were $42,545 and $75,922 for the three and six month periods ended June 30, 2015.

Recent Market and Regulatory Developments

The Corporation and the Bank are subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Corporation and the 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 classifications are also subject to qualitative judgments by the federal banking agencies about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Corporation and the Bank to maintain minimum Tier 1 leverage, Tier 1 risk-based capital and Total risk-based capital ratios. In July 2013, the Board of Governors of the Federal Reserve System published the Basel III Capital Rules establishing a new comprehensive capital framework applicable to all depository institutions, bank holding companies with total consolidated assets of $500 million or more and all and savings and loan holding companies except for those that are substantially engaged in insurance underwriting or commercial activities. These rules implement higher minimum capital requirements for banks and certain bank holding companies, include a new common equity Tier 1 capital requirement and establish criteria that instruments must meet to be considered common equity Tier 1 capital, additional Tier 1 capital or Tier 2 capital.

As of June 30, 2015, the Corporation met the definition under the Basel III Capital Rules of a small bank holding company and, therefore, was exempt from consolidated risk-based and leverage capital adequacy guidelines for bank holding companies.

The minimum capital level requirements applicable to the Bank under the Basel III Capital Rules are: (i) a common equity Tier 1 risk-based capital ratio of 4.5%; (ii) a Tier 1 risk-based capital ratio of 6% (increased from 4%); (iii) a Total risk-based capital ratio of 8% (unchanged from the rules effective for the year ended December 31, 2014); and (iv) a Tier 1 leverage ratio of 4% for all institutions. Common equity Tier 1 capital will consist of retained earnings and common stock instruments, subject to certain adjustments. The Bank became subject to these new minimum capital level requirements as of January 1, 2015.

The Basel III Capital Rules set forth changes in the methods of calculating certain risk-weighted assets, which in turn affect the calculation of risk-based ratios. The new risk weightings are more punitive for assets held by banks that are deemed to be of higher risk. These changes were also effective beginning January 1, 2015.

The Basel III Capital Rules also introduce a “capital conservation buffer,” which is in addition to each capital ratio and is phased-in over a three-year period beginning in January 2016.

As of June 30, 2015, the Bank is considered to be well-capitalized under the Basel III Capital Rules. There have been no conditions or events since June 30, 2015, that management believes has changed the Bank’s status as “well-capitalized.”

Recent Accounting Pronouncements

In May 2015, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2015-07, *"Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)."* ASU 2015-07 provides clarification on how certain investments measured at net asset value with redemption dates into the future are categorized in the fair value hierarchy. Under ASU 2015-07 investments measured at net asset value ("NAV") per share under the existing practical expedient are no longer required to be categorized under fair value measurement rules. ASU 2015-07 also revises the disclosure requirements to focus only on those investments where the entity has elected to measure the fair value using the practical expedient. ASU 2015-07 is effective for interim and annual reporting periods beginning after December 15, 2015. The Corporation does not expect the impact of this guidance to be material to the Corporation's financial position, results of operations, or disclosures.

In April 2015, the FASB issued ASU 2015-04, Compensation (Topic 715): *Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets*. ASU 2015-04 provides a practical expedient for the measurement date of defined benefit plan assets and obligations. The practical expedient allows employers with fiscal year-end dates that do not fall on a calendar month-end to measure pension and post-retirement benefit plan assets and obligations as of the calendar month-end date closest to the fiscal year-end. The FASB also provided a similar practical expedient for interim remeasurements for significant events. For public business entities, the standard is effective for annual reporting periods beginning after December 15, 2015. Early adoption is permitted. The Corporation does not expect the impact of this guidance to be material to the Corporation's financial position, results of operations, or disclosures.

In February 2015, the FASB issued ASU 2015-02, Consolidation (Topic 810): *Amendments to the Consolidation Analysis*. ASU 2015-02 amends the consolidation requirements and significantly changes the consolidation analysis required under GAAP. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 for public business entities with early adoption permitted (including during an interim period), provided that the guidance is applied as of the beginning of the annual period containing the adoption date. The Corporation does not expect the impact of this guidance to be material to the Corporation's financial position, results of operations, or disclosures.

In January 2015, the FASB issued ASU 2015-01 – *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20)*. This update eliminates the concept of extraordinary items and the related income statement presentation of such items. These amendments are effective for fiscal years beginning after December 15, 2015. The Corporation does not expect the impact of this guidance to be material to the Corporation's financial position, results of operations, or disclosures.

In November 2014, the FASB issued ASU 2014-17 – *Pushdown Accounting - Business Combinations (Topic 805)*. The ASU provides an acquired entity with an option to elect to apply pushdown accounting. The amendments of this ASU apply to the separate financial statements of an acquired entity and its subsidiaries that are a business activity upon the occurrence of an event in which an acquirer obtains control of the entity. Pushdown accounting refers to the use of the acquirer's basis in the preparation of the acquiree's separate financial statements. The new standard became effective upon issuance on November 18, 2014. The Corporation does not expect the impact of this guidance to be material to the Corporation's financial position, results of operations, or disclosures.

In November 2014, the FASB issued ASU 2014-16, *Derivatives and Hedging (Topic 815) – Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or Equity*, which will eliminate diversity in practice associated with the accounting for hybrid financial instruments issued in the form of a share. ASU 2014-16 clarifies that no single term or feature, stated or implied, would necessarily determine the economic characteristics and risks of the host contract in determining whether it is more akin to debt or equity. Although an individual term or feature may weigh more heavily in the evaluation, the final determination must be made based on all economic characteristics and risks of the entire hybrid financial instrument. Once the nature of the host contract is determined, any embedded features considered to be derivatives would be evaluated for bifurcation from the host contract. ASU 2014-16 is effective for annual reporting periods beginning on or after December 15, 2015, and interim periods within those annual periods. The Corporation does not have any hybrid financial instruments and does not expect the impact of this guidance to be material to the Corporation's financial position, results of operations, or disclosures.

In August 2014, the FASB issued ASU 2014-14, – *Classification of Certain Government-Guaranteed Mortgage Loans Upon Foreclosure* – a consensus of the FASB Emerging Issues Task Force. The ASU requires creditors to reclassify mortgage loans as another receivable that is separate from loans and to measure the receivable at the amount expected to be received under the government guarantee if the mortgage loan meets certain conditions upon foreclosure. For public business entities, the amendments in the ASU are effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption, including adoption in an interim period, is permitted if the entity already has adopted ASU 2014-04. The Corporation does not expect the impact of this guidance to be material to the Corporation's financial position, results of operations, or disclosures.

NOTE 2

Fair Value Measurements

On January 1, 2008, the Corporation adopted ASC Topic 820, Fair Value Measurements and Disclosures, which provides a framework for measuring fair value under GAAP. ASC Topic 820 applies to all financial statement elements that are being measured and reported on a fair value basis.

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

Fair Value Hierarchy:

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

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

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

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

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

Cash and Cash Equivalents:

For disclosure purposes for cash, due from banks, federal funds sold and certificates of deposit in other banks, the carrying amount is a reasonable estimate of fair value.

Investment Securities Available for Sale:

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

Investment Securities Held to Maturity:

Investment securities held to maturity are not recorded at fair value on a recurring basis. For disclosure purposes, fair value measurement is based upon quoted prices, if available.

Federal Home Loan Bank Stock:

For disclosure purposes, the carrying value of other investments approximate fair value.

Loans:

The Corporation does not record loans at fair value on a recurring basis. However, from time to time, a loan is considered impaired and a specific allocation is established within the allowance for loan losses. Loans for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement are considered impaired. Once a loan is identified as individually impaired, management measures impairment in accordance with ASC Topic 310, *Accounting by Creditors for Impairment of a Loan*. The fair value of impaired loans is estimated using one of three methods, including collateral value, market value of similar debt, and discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. In accordance with ASC Topic 820, impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. When the fair value of the collateral is based on an observable market price or a current appraised value, the Corporation records the impaired loan as nonrecurring Level 2. When an appraised value is not available or management determines the fair value of the collateral is further impaired below the appraised value and there is no observable market price, the Corporation records the impaired loan as nonrecurring Level 3.

For disclosure purposes, the fair value of fixed rate loans which are not considered impaired, is estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings. For unimpaired variable rate loans, the carrying amount is a reasonable estimate of fair value for disclosure purposes.

Foreclosed Assets:

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

Deposits:

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

Federal Funds Purchased:

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

FHLB Advances:

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

Commitments to Extend Credit and Standby Letters of Credit:

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

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Assets Recorded at Fair Value on a Recurring Basis:

The table below presents the recorded amount of assets measured at fair value on a recurring basis as of June 30, 2015 and December 31, 2014.

June 30, 2015	Level 1	Level 2	Level 3	Total
Investment securities available for sale:				
U.S. Government Agency securities	$ 0	$40,562,359	$ 0	$40,562,359
State and municipal securities	0	1,908,831	0	1,908,831
Residential mortgage-backed securities	0	4,333,585	0	4,333,585
Corporate notes	0	2,507,780	0	2,507,780
Total	$ 0	$49,312,555	$ 0	$49,312,555

December 31, 2014	Level 1	Level 2	Level 3	Total
Investment securities available for sale:				
U.S. Government Agency securities	$ 0	$45,492,925	$ 0	$45,492,925
State and municipal securities	0	874,667	0	874,667
Residential mortgage-backed securities	0	4,971,644	0	4,971,644
Corporate notes	0	2,498,720	0	2,498,720
Total	$ 0	$53,837,956	$ 0	$53,837,956

Assets Recorded at Fair Value on a Nonrecurring Basis:

The Corporation may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis are included in the table below as of June 30, 2015 and December 31, 2014.

June 30, 2015	Level 1	Level 2	Level 3	Total
Foreclosed assets	$ 0	$ 0	$102,188	$102,188
Impaired loans	0	0	3,535,301	3,535,301
Total assets at fair value	$ 0	$ 0	$3,637,489	$3,637,489

December 31, 2014	Level 1	Level 2	Level 3	Total
Foreclosed assets	$ 0	$ 0	$273,653	$273,653
Impaired loans	0	0	3,648,143	3,648,143
Total assets at fair value	$ 0	$ 0	$3,921,796	$3,921,796

Foreclosed properties that are included above as measured at fair value on a nonrecurring basis are those properties that resulted from a loan that had been foreclosed and charged down or have been written down subsequent to foreclosure. Foreclosed properties are generally recorded at the appraised value less estimated selling costs in the range of 15 – 20%. Loans that are reported above as being measured at fair value on a nonrecurring basis are generally impaired loans that have been either partially charged off or have specific reserves assigned to them. Nonaccrual impaired loans that are collateral dependent are generally written down to a range of 80 – 85% of appraised value which considers the estimated costs to sell. Specific reserves are established for impaired loans based on appraised value of collateral or discounted cash flows.

The carrying amount and estimated fair values of the Corporation's assets and liabilities which are required to be either disclosed or recorded at fair value at June 30, 2015, and December 31, 2014, are as follows:

June 30, 2015	Carrying Amount	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
Assets:					
Cash and cash equivalents	$21,041	$21,041	$0	$0	$21,041
Certificates of deposit in other banks	1,470	1,470	0	0	1,470
Investment securities available for sale	49,313	0	49,313	0	49,313
Investment securities held to maturity	62,373	0	63,252	0	63,252
Federal Home Loan Bank stock	1,662	0	1,662	0	1,662
Loans, net	233,582	0	229,227	3,535	232,762
Liabilities:					
Deposits	321,827	0	322,102	0	322,102
FHLB advances	31,200	0	31,534	0	31,534

December 31, 2014	Carrying Amount	Estimated Fair Value			
		Level 1	Level 2	Level 3	Total
	(Dollars in thousands)				
Assets:					
Cash and cash equivalents	$12,559	$12,559	$0	$0	$12,559
Certificates of deposit in other banks	1,470	1,470	0	0	1,470
Investment securities available for sale	53,838	0	53,838	0	53,838
Investment securities held to maturity	61,588	0	62,841	0	62,841
Federal Home Loan Bank stock	1,560	0	1,560	0	1,560
Loans, net	221,286	0	217,651	3,648	221,299
Liabilities:					
Deposits	309,974	0	310,234	0	310,234
FHLB advances	27,200	0	27,621	0	27,621

Limitations:

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial statement element. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates included herein are based on existing on- and off-balance-sheet financial instruments without attempting to estimate the value of anticipated future business and the fair value of assets and liabilities that are not required to be recorded or disclosed at fair value like premises and equipment. In addition, the tax ramifications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in the estimates.

NOTE 3

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 June 30, 2015, and December 31, 2014, were as follows:

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Securities Available For Sale:

June 30, 2015	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Government Agency securities	$40,061,582	$691,172	$190,395	$40,562,359
State and municipal securities	1,966,988	0	58,157	1,908,831
Residential mortgage-backed securities	4,155,429	178,156	0	4,333,585
Corporate notes	2,496,043	12,857	1,120	2,507,780
Total securities AFS	$48,680,042	$882,185	$249,672	$49,312,555

December 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
U.S. Government Agency securities	$45,121,060	$758,874	$387,009	$45,492,925
State and municipal securities	880,580	0	5,913	874,667
Residential mortgage-backed securities	4,757,738	215,276	1,370	4,971,644
Corporate notes	2,495,765	4,255	1,300	2,498,720
Total securities AFS	$53,255,143	$978,405	$395,592	$53,837,956

Securities Held to Maturity:

June 30, 2015	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
State and municipal securities	$55,429,184	$859,528	$254,934	$56,033,778
Residential mortgage-backed securities	6,944,027	273,864	0	7,217,891
Total securities HTM	$62,373,211	$1,133,392	$254,934	$63,251,669

December 31, 2014	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
State and municipal securities	$53,058,749	$958,434	$87,772	$53,929,411
Residential mortgage-backed securities	8,529,070	382,923	0	8,911,993
Total securities HTM	$61,587,819	$1,341,357	$87,772	$62,841,404

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:

June 30, 2015	Less Than Twelve Months		Twelve Months or More	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
Temporarily impaired debt securities:				
U.S. Government Agency securities	$47,625	$8,571,303	$142,770	$8,857,230
State and municipal securities	58,157	1,908,831	0	0
Residential mortgage-backed securities	0	0	0	0
Corporate notes	1,120	498,880	0	0
Total securities available for sale	$106,902	$10,979,014	$142,770	$8,857,230
Securities Held to Maturity				
Temporarily impaired debt securities:				
State and municipal securities	$239,605	$15,208,406	$15,329	$1,425,588
Residential mortgage-backed securities	0	0	0	0
Total securities held to maturity	$239,605	$15,208,406	$15,329	$1,425,588

December 31, 2014	Less Than Twelve Months		Twelve Months or More	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
Securities Available for Sale				
Temporarily impaired debt securities:				
U.S. Government Agency securities	$17,172	$2,630,919	$369,837	$19,667,408
State and municipal securities	0	0	5,913	874,667
Residential mortgage-backed securities	1,300	498,700	0	0
Corporate notes	0	0	1,370	594,923
Total securities available for sale	$18,472	$3,129,619	$377,120	$21,136,998
Securities Held to Maturity				
Temporarily impaired debt securities:				
State and municipal securities	$34,956	$9,199,455	$52,816	$4,130,041
Residential mortgage-backed securities	0	0	0	0
Total securities held to maturity	$34,956	$9,199,455	$52,816	$4,130,041

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 June 30, 2015, the debt securities with unrealized losses have depreciated 1.4% 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. Management has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale. Also, no declines in debt securities are deemed to be other-than-temporary.

NOTE 4

Loans and Allowance for Loan Losses

The composition of the Corporation's loan portfolio and the percentage of loans in each category to total loans at June 30, 2015 and December 31, 2014, were as follows:

	June 30, 2015		December 31, 2014	
Commercial, financial and agricultural loans	$51,657,365	21.8 %	$47,861,368	21.3 %
Real estate:				
Construction loans	15,135,138	6.4 %	12,257,185	5.4 %
Commercial mortgage loans	84,200,304	35.6 %	76,915,794	34.3 %
Residential loans	67,804,603	28.6 %	69,304,248	30.9 %
Agricultural loans	14,852,575	6.3 %	14,996,076	6.7 %
Consumer & other loans	3,136,208	1.3 %	3,091,067	1.4 %
Loans outstanding	236,786,193	100.0%	224,425,738	100.0%
Unearned interest and discount	(24,449)		(25,921)	
Allowance for loan losses	(3,180,141)		(3,114,151)	
Net loans	$233,581,603		$221,285,666	

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The Corporation's only significant concentration of credit at June 30, 2015, occurred in real estate loans which totaled $181,992,620. However, this amount was not concentrated in any specific segment within the market or geographic area.

Certain 1-4 family mortgage loans are pledged to Federal Home Loan Bank to secure outstanding advances. At June 30, 2015, $34,278,712 in loans were pledged in this capacity.

The following table shows maturities as well as interest sensitivity of the commercial, financial, agricultural, and construction loan portfolio at June 30, 2015.

	Commercial, Financial, Agricultural and Construction
Distribution of loans which are due:	
In one year or less	$18,675,013
After one year but within five years	38,025,410
After five years	10,092,080
Total	$66,792,503

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 June 30, 2015.

	Loans With Predetermined Rates	Loans With Floating Rates	Total
Commercial, financial, agricultural and construction	$ 46,808,048	$ 1,309,442	$ 48,117,490

Appraisal Policy

When a loan is first identified as a problem loan, the appraisal is reviewed to determine if the appraised value is still appropriate for the collateral. For the duration that a loan is considered a problem loan, the appraised value of the collateral is monitored on a quarterly basis. If significant changes occur in market conditions or in the condition of the collateral, a new appraisal will be obtained.

Nonaccrual Policy

The Corporation does not accrue interest on any loan (1) that is maintained on a cash basis due to the deteriorated financial condition of the borrower, (2) for which payment in full of principal or interest is not expected, or (3) upon which principal or interest has been past due for ninety days or more unless the loan is well secured and in the process of collection.

A loan subsequently placed on nonaccrual status may be returned to accrual status if (1) all past due interest and principal is paid with expectations of any remaining contractual principal and interest being repaid or (2) the loan becomes well secured and in the process of collection.

Loans placed on nonaccrual status amounted to $1,057,831 and $785,572 at June 30, 2015, and December 31, 2014, respectively. There were $6,943 of past due loans over ninety days and still accruing at June 30, 2015, and no past due loans over 90 days and still accruing at December 31, 2014. The accrual of interest is discontinued when the loan is placed on nonaccrual. Interest income that would have been recorded on these nonaccrual loans in accordance with their original terms totaled $7,834 for June 30, 2015, and $34,300 for December 31, 2014.

The following tables present an age analysis of past due loans and nonaccrual loans segregated by class of loans.

	Age Analysis of Past Due Loans As of June 30, 2015					
	30-89 Days Past Due	Greater than 90 Days	Total Past Due Loans	Nonaccrual Loans	Current Loans	Total Loans
Commercial, financial and agricultural loans	$532,612	$6,943	$539,555	$54,051	$51,063,759	$51,657,365
Real estate:						
Construction loans	37,240	0	37,240	0	15,097,898	15,135,138
Commercial mortgage loans	356,228	0	356,228	0	83,844,076	84,200,304
Residential loans	2,734,916	0	2,734,916	96,565	64,973,122	67,804,603
Agricultural loans	61,920	0	61,920	905,888	13,884,767	14,852,575
Consumer & other loans	31,993	0	31,993	1,327	3,102,888	3,136,208
Total loans	$3,754,909	$6,943	$3,761,852	$1,057,831	$231,966,510	$236,786,193

	Age Analysis of Past Due Loans As of December 31, 2014					
	30-89 Days Past Due	Greater than 90 Days	Total Past Due Loans	Nonaccrual Loans	Current Loans	Total Loans
Commercial, financial and agricultural loans	$518,578	$ 0	$518,578	$25,500	$47,317,290	$47,861,368
Real estate:						
Construction loans	233,734	0	233,734	0	12,023,451	12,257,185
Commercial mortgage loans	517,488	0	517,488	681,360	75,716,946	76,915,794
Residential loans	534,896	0	534,896	21,796	68,747,556	69,304,248
Agricultural loans	0	0	0	37,707	14,958,369	14,996,076
Consumer & other loans	70,142	0	70,142	19,209	3,001,716	3,091,067
Total loans	$1,874,838	$ 0	$1,874,838	$785,572	$221,765,328	$224,425,738

Impaired Loans

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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.

At June 30, 2015, and December 31, 2014, impaired loans amounted to $3,844,006 and $4,126,957, respectively. A reserve amount of $308,705 and $478,814 were recorded in the allowance for loan losses for these impaired loans as of June 30, 2015, and December 31, 2014, respectively.

The following tables present impaired loans, segregated by class of loans as of June 30, 2015, and December 31, 2014:

June 30, 2015	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total	Related Allowance	Year-to-date Average Recorded Investment	Interest Income Received During Impairment
Commercial, financial and agricultural loans	$208,849	$0	$208,849	$208,849	$112,284	$265,666	$4,171
Real estate:							
Construction loans	199,897	79,097	0	79,097	0	105,535	8,691
Commercial mortgage loans	994,942	510,861	484,081	994,942	85,959	1,629,875	31,728
Residential loans	2,311,270	799,140	1,491,218	2,290,358	110,462	3,794,357	62,896
Agricultural loans	261,570	261,570	0	261,570	0	517,958	21,949
Consumer & other loans	9,190	9,190	0	9,190	0	8,464	445
Total loans	$3,985,718	$1,659,858	$2,184,148	$3,844,006	$308,705	$6,321,855	$129,880

December 31, 2014	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total	Related Allowance	Year-to-date Average Recorded Investment	Interest Income Received During Impairment
Commercial, financial and agricultural loans	$202,323	$25,500	$176,823	$202,323	$99,067	$210,968	$12,192
Real estate:							
Construction loans	208,121	87,321	0	87,321	0	76,555	17,925
Commercial mortgage loans	1,170,496	0	1,170,496	1,170,496	240,899	1,309,828	49,522
Residential loans	2,336,711	568,909	1,746,890	2,315,799	129,060	2,232,148	110,730
Agricultural loans	323,808	148,090	175,718	323,808	9,788	425,865	59,802
Consumer & other loans	30,953	27,210	0	27,210	0	23,937	1,324
Total loans	$4,272,412	$857,030	$3,269,927	$4,126,957	$478,814	$4,279,301	$251,495

At June 30, 2014, the year-to-date average recorded investment of impaired loans was $3,625,159 and the interest income received during impairment was $143,383.

At June 30, 2015, and December 31, 2014, included in impaired loans were $7,863 and $215,432, respectively, of troubled debt restructurings.

Troubled Debt Restructurings (TDR)

Loans are considered to have been modified in a troubled debt restructuring, or TDR, when due to a borrower's financial difficulty the Corporation makes certain concessions to the borrower that it would not otherwise consider for new debt with similar risk characteristics. Modifications may include interest rate reductions, principal or interest forgiveness, forbearance, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of the collateral. Each potential loan modification is reviewed individually and the terms of the loan are modified to meet the borrower's specific circumstances at a point in time. Not all loan modifications are TDRs. However, performance prior to the modification, or significant events that coincide with the modification, are included in assessing whether the borrower can meet the new terms and may result in the loan being returned to accrual status at the time of loan modification or after a shorter performance period.

Loan modifications are reviewed and recommended by the Corporation's senior credit officer, who determines whether the loan meets the criteria for a TDR. Generally, the types of concessions granted to borrowers that are evaluated in determining whether the loan is classified as a TDR include:

- Interest rate reductions – Occur when the stated interest rate is reduced to a nonmarket rate or a rate the borrower would not be able to obtain elsewhere under similar circumstances.
- Amortization or maturity date changes – Result when the amortization period of the loan is extended beyond what is considered a normal amortization period for loans of similar type with similar collateral.
- Principal reductions – Arise when the Corporation charges off a portion of the principal that is not fully collateralized and collectability is uncertain; however, this portion of principal may be recovered in the future under certain circumstances.

The following tables present the amount of troubled debt restructuring by loan class, classified separately as accrual and non-accrual at June 30, 2015, and December 31, 2014, as well as those currently paying under restructured terms and those that have defaulted under restructured terms at June 30, 2015, and December 31, 2014. Loans modified in a troubled debt restructuring are considered to be in default once the loan becomes 30 days past due.

	June 30, 2015					
			Under restructured terms			
	Accruing	Non-accruing	#	Current	#	Default
Commercial, financial, and agricultural loans	$0	$ 0	0	$0	0	$ 0
Real estate:						
Construction loans	0	0	0	0	0	0
Commercial mortgage loans	0	0	0	0	0	0
Residential loans	0	0	0	0	0	0
Agricultural loans	0	0	0	0	0	0
Consumer & other loans	7,863	0	4	7,717	1	146
Total TDR's	$7,863	$ 0	4	$7,717	1	$ 146

	December 31, 2014					
			Under restructured terms			
	Accruing	Non-accruing	#	Current	#	Default
Commercial, financial, and agricultural loans	$31,713	$ 0	1	$31,713	0	$0
Real estate:						
Construction loans	0	0	0	0	0	0
Commercial mortgage loans	0	0	0	0	0	0
Residential loans	0	0	0	0	0	0
Agricultural loans	175,718	0	1	175,718	0	0

Consumer & other loans	8,001	0	1	868	3	7,133
Total TDR’s	$215,432	$ 0	3	$208,299	3	$7,133

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The following table presents the amount of troubled debt restructurings by types of concessions made, classified separately as accrual and non-accrual at June 30, 2015, and December 31, 2014.

	June 30, 2015				December 31, 2014			
	Accruing		Non-accruing		Accruing		Non-accruing	
	#	Balance	#	Balance	#	Balance	#	Balance
Type of concession:								
Payment modification	0	$0	0	$ 0	1	$175,718	0	$ 0
Rate reduction	5	7,863	0	0	0	0	0	0
Rate reduction, payment modification	0	0	0	0	4	8,001	0	0
Forbearance of interest	0	0	0	0	1	31,713	0	0
Total	5	$7,863	0	$ 0	6	$215,432	0	$ 0

As of June 30, 2015, and December 31, 2014, the Corporation had a balance of $7,863 and $215,432, respectively, in troubled debt restructurings. The Corporation had no charge-offs on such loans at June 30, 2015, and $3,290 at December 31, 2014. The Corporation’s balance in the allowance for loan losses allocated to such troubled debt restructurings was $0 and $24,231 at June 30, 2015, and December 31, 2014, respectively. The Corporation had no unfunded commitments to lend to a customer that has a troubled debt restructured loan as of June 30, 2015.

Credit Risk Monitoring and Loan Grading

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The Corporation employs several means to monitor the risk in the loan portfolio including volume and severity of loan delinquencies, nonaccrual loans, internal grading of loans, historical loss experience and economic conditions.

Loans are subject to an internal risk grading system which indicates the risk and acceptability of that loan. The loan grades used by the Corporation are for internal risk identification purposes and do not directly correlate to regulatory classification categories or any financial reporting definitions.

The general characteristics of the risk grades are as follows:

Grade 1 – Exceptional – Loans graded 1 are characterized as having a very high credit quality, exhibit minimum risk to the Corporation and have low administrative cost. These loans are usually secured by highly liquid and marketable collateral and a strong primary and secondary source of repayment is available.

Grade 2 – Above Average – Loans graded 2 are basically sound credits secured by sound assets and/or backed by the financial strength of borrowers of integrity with a history of satisfactory payments of credit obligations.

Grade 3 – Acceptable – Loans graded 3 are secured by sound assets of sufficient value and/or supported by the sufficient financial strength of the borrower. The borrower will have experience in their business area or employed a reasonable amount of time at their current employment. The borrower will have a sound primary source of repayment, and preferably a secondary source, which will allow repayment in a prompt and reasonable period of time.

Grade 4 – Fair – Loans graded 4 are those which exhibit some weakness or downward trend in financial condition and although the repayment history is satisfactory, it requires supervision by bank personnel. The borrower may have little experience in their business area or employed only a short amount of time at their current employment. The loan may be secured by good collateral; however, it may require close supervision as to value and/or quality and may not have sufficient liquidation value to completely cover the loan.

Grade 5a – Watch – Loans graded 5a contain a discernible weakness; however, the weakness is not sufficiently pronounced so as to cause concern for the possible loss of interest or principal. Loans in this category may exhibit outward signs of stress, such as slowness in financial disclosures or recent payments. However, such signs are not of long duration or of sufficient severity that default appears imminent. Loans in this category are not so deficient as to cause alarm, but do require close monitoring for further deterioration and possible downgrade.

Grade 5b – Other Assets Especially Mentioned (OAEM) – Loans graded 5b may otherwise be classified more severely except that the loan is well secured by properly margined collateral, it is generally performing in accordance with the original contract or modification thereof and such performance has seasoned for a period of 90 days, or the ultimate collection of all principal and interest is reasonably expected. Loans in this grade are unsupported by sufficient evidence of the borrower's sound net worth or repayment capacity or may be subject to third party action that would cause concern for future prompt repayment.

Grade 6 – Substandard – Loans graded 6 contain clearly pronounced credit weaknesses that are below acceptable credit standards for the Corporation. Such weaknesses may be due to either collateral deficiencies or inherent financial weakness of the borrower, but in either case represents less than acceptable credit risk. Loans in this grade are unsupported by sufficient evidence of the borrower's sound net worth, repayment capacity or acceptable collateral.

Grade 7 – Doubtful – Loans graded 7 have such a pronounced credit weaknesses that the Corporation is clearly exposed to a significant degree of potential loss of principal or interest. Theses loan generally have a defined weakness which jeopardizes the ultimate repayment of the debt.

Grade 8 – Loss – Loans graded 8 are of such deteriorated credit quality that repayment of principal and interest can no longer be considered. These loans are of such little value that their continuance as an active bank asset is not warranted. As of June 30, 2015, all Grade 8 loans have been charged-off.

The following tables present internal loan grading by class of loans as of June 30, 2015, and December 31, 2014:

June 30, 2015	Commercial, Financial, and Agricultural	Construction Real Estate	Commercial Real Estate	Residential Real Estate	Agricultural Real Estate	Consumer and Other	Total
Rating:							
Grade 1- Exceptional	$845,911	$0	$0	$26,499	$0	$368,000	$1,240,410
Grade 2- Above Avg.	0	0	0	85,112	377,476	0	462,588

Grade 3- Acceptable	26,851,450	5,669,970	29,534,429	32,477,566	9,977,585	1,609,739	106,120,739
Grade 4- Fair	23,180,791	8,199,319	50,891,540	29,520,667	2,792,636	1,115,925	115,700,878
Grade 5a- Watch	364,656	1,116,751	2,340,329	898,560	221,205	7,899	4,949,400
Grade 5b- OAEM	207,198	0	535,608	1,296,394	406,804	12,121	2,458,125
Grade 6- Substandard	180,230	149,098	898,398	3,499,805	1,076,869	18,626	5,823,026
Grade 7- Doubtful	27,129	0	0	0	0	3,898	31,027
Total loans	$51,657,365	$15,135,138	$84,200,304	$67,804,603	$14,852,575	$3,136,208	$236,786,193

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December 31, 2014	Commercial, Financial, and Agricultural	Construction Real Estate	Commercial Real Estate	Residential Real Estate	Agricultural Real Estate	Consumer and Other	Total
Rating:							
Grade 1- Exceptional	$926,512	$0	$0	$27,017	$0	$39,353	$992,882
Grade 2- Above Avg.	0	0	0	89,109	356,081	0	445,190
Grade 3- Acceptable	28,793,317	3,656,979	28,294,037	34,766,811	10,183,723	2,014,924	107,709,791
Grade 4- Fair	17,498,283	7,298,860	45,578,932	28,691,419	2,525,044	959,978	102,552,516
Grade 5a- Watch	392,644	1,135,991	1,411,604	795,450	0	868	3,736,557
Grade 5b- OAEM	38,414	0	590,011	1,240,299	1,755,510	31,872	3,656,106
Grade 6- Substandard	212,198	165,355	1,041,210	3,660,179	175,718	44,072	5,298,732
Grade 7- Doubtful	0	0	0	33,964	0	0	33,964
Total loans	$47,861,368	$12,257,185	$76,915,794	$69,304,248	$14,996,076	$3,091,067	$224,425,738

Allowance for Loan Losses Methodology

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The allowance for loan losses (ALL) is determined by a calculation based on segmenting the loans into the following categories: (1) impaired loans and nonaccrual loans, (2) loans with a credit risk rating of 5, 6, 7 or 8, (3) other outstanding loans, and (4) other commitments to lend. In addition, unallocated general reserves are estimated based on migration and economic analysis of the loan portfolio.

The ALL is calculated by the addition of the estimated loss derived from each of the above categories. The impaired loans and nonaccrual loans over $50,000 are analyzed on an individual basis to determine if the future collateral value is sufficient to support the outstanding debt of the loan. If an estimated loss is calculated, it is included in the estimated ALL until it is charged to the loan loss reserve. The calculation for loan risk graded 5, 6, 7 or 8, other outstanding loans and other commitments to lend is based on assigning an estimated loss factor based on a twelve quarter rolling historical weighted average net loss rate. The estimated requirement for unallocated general reserves from migration and economic analysis is determined by considering (1) trends in asset quality, (2) level and trends in charge-off experience, (3) macroeconomic trends and conditions, (4) microeconomic trends and conditions and (5) risk profile of lending activities. Within each of these categories, a high risk factor percentage and a low risk factor percentage from a rating of excessive, high, moderate or low will be determined by management and applied to the loan portfolio. This results in a high and low range of the estimated reserves required. By adding the estimated high and low value from the migration and economic analysis to the estimated reserve from the loan portfolio, a high and low range of total estimated loss reserves is obtained. This amount is then compared to the actual amount in the loan loss reserve.

The calculation of ALL is performed on a monthly basis and is presented to the Loan Committee and the Board of Directors.

The following table details activity in the ALL and loans evaluated for impairment by class of loans for the three and six month period ended June 30, 2015. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories. The annualized net charge-offs to average loans outstanding ratio was 0.02% for the six months ended June 30, 2015.

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Three months ended June 30, 2015:

	Commercial, Financial, and Agricultural	Construction Real Estate	Commercial Real Estate	Residential Real Estate	Agricultural Real Estate	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance, March 31, 2015	$ 311,701	$ 1,043,083	$ 1,192,098	$ 308,606	$ 94,310	$ 184,523	$ 3,134,321
Charge-offs	42,090	0	0	0	0	7,129	49,219
Recoveries	33,963	0	0	6,545	0	9,531	50,039
Net charge-offs	8,127	0	0	(6,545)	0	(2,402)	(820)
Provisions charged to operations	(5,026)	0	0	61,405	(7,654)	(3,725)	45,000
Balance at end of period, June 30, 2015	$ 298,548	$ 1,043,083	$ 1,192,098	$ 376,556	$ 86,656	$ 183,200	$ 3,180,141

Six months ended June 30, 2015:

	Commercial, Financial, and Agricultural	Construction Real Estate	Commercial Real Estate	Residential Real Estate	Agricultural Real Estate	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance, December 31, 2014	$ 299,850	$ 1,043,083	$ 1,192,098	$ 312,822	$ 86,656	$ 179,642	$ 3,114,151
Charge-offs	66,586	0	0	0	0	19,954	86,540
Recoveries	34,950	0	0	14,907	0	12,673	62,530
Net charge-offs	31,636	0	0	(14,907)	0	7,281	24,010
Provisions charged to operations	30,334	0	0	48,827	0	10,839	90,000
Balance at end of period, June 30, 2015	$ 298,548	$ 1,043,083	$ 1,192,098	$ 376,556	$ 86,656	$ 183,200	$ 3,180,141
Ending balance - Individually evaluated for impairment	$ 112,284	$ 0	$ 85,959	$ 110,462	$ 0	$ 0	$ 308,705
	186,264	1,043,083	1,106,139	266,094	86,656	183,200	2,871,436

Collectively evaluated for impairment							
Balance at end of period	$298,548	$1,043,083	$1,192,098	$376,556	$86,656	$183,200	$3,180,141
Loans :							
Ending balance - Individually evaluated for impairment	$222,199	$1,035,603	$3,188,936	$3,472,176	$1,076,870	$9,190	$9,004,974
Collectively evaluated for impairment	51,435,166	14,099,535	81,011,368	64,332,427	13,775,705	3,127,018	227,781,219
Balance at end of period	$51,657,365	$15,135,138	$84,200,304	$67,804,603	$14,852,575	$3,136,208	$236,786,193

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The following table details activity in the ALL and loans evaluated for impairment by class of loans for the year ended December 31, 2014.

	Commercial, Financial, and Agricultural	Construction Real Estate	Commercial Real Estate	Residential Real Estate	Agricultural Real Estate	Consumer and Other	Total
Allowance for loan losses:							
Beginning balance, December 31, 2013	$297,546	$1,032,053	$1,192,098	$301,169	$76,868	$177,827	$3,077,561
Charge-offs	37,186	120,800	0	157,744	0	25,647	341,377
Recoveries	11,957	0	0	30,247	0	5,763	47,967
Net charge-offs	25,229	120,800	0	127,497	0	19,884	293,410
Provisions charged to operations	27,533	131,830	0	139,150	9,788	21,699	330,000
Balance at end of period, December 31, 2014	$299,850	$1,043,083	$1,192,098	$312,822	$86,656	$179,642	$3,114,151
Ending balance - Individually evaluated for impairment	$99,067	$0	$240,899	$129,060	$9,788	$0	$478,814
Collectively evaluated for impairment	200,783	1,043,083	951,199	183,762	76,868	179,642	2,635,337
Balance at end of period	$299,850	$1,043,083	$1,192,098	$312,822	$86,656	$179,642	$3,114,151
Loans :							
Ending balance - Individually evaluated for impairment	$202,323	$1,066,771	$2,623,475	$3,415,987	$1,317,256	$27,210	$8,653,022
Collectively evaluated for impairment	47,659,045	11,190,414	74,292,319	65,888,261	13,678,820	3,063,857	215,772,716
Balance at end of period	$47,861,368	$12,257,185	$76,915,794	$69,304,248	$14,996,076	$3,091,067	$224,425,738

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

In addition to historical information, this Form 10-Q report contains forward-looking statements within the meaning of the federal securities laws. The Corporation cautions that there are various factors that could cause actual results to differ materially from the anticipated results or other expectations expressed in the Corporation’s forward-looking statements; accordingly, there can be no assurance that such indicated results will be realized. These factors include risks related to:

- the conditions in the banking system, financial markets, and general economic conditions;
- the Corporation’s ability to raise capital;
- the Corporation’s ability to maintain liquidity or access other sources of funding;
- 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 from financial institutions and other financial service providers;
- the impact of the Dodd-Frank Act and related regulations and other changes in financial services laws and regulations;
- the impact of new minimum capital thresholds established as a part of the implementation of Basel III;
- changes in regulation and monetary policy;
- losses due to fraudulent and negligent conduct of customers, service providers or employees;
- acquisitions or dispositions of assets or internal restructuring that may be pursued by the Corporation;

- changes in or application of environmental and other laws and regulations to which the Corporation is subject;
- political, legal and local economic conditions and developments;
- financial market conditions and the results of financing efforts;
- changes in commodity prices and interest rates;
- a cybersecurity incident involving the misappropriation, loss or unauthorized disclosure or use of confidential information of our customers; and
- weather, natural disasters and other catastrophic events and other factors discussed in the Corporation's other filings with the SEC.

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 SEC.

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, retail brokerage and insurance services. Our primary market area incorporates Colquitt County, where we are headquartered, and Baker, Lowndes, and Worth Counties, each contiguous with Colquitt County, and the surrounding counties of southwest Georgia. We have five 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 either through de-novo branching or acquisitions into areas proximate to our current market area.

We believe that investing in sales and marketing in this challenging market will provide us with a competitive advantage. To that end, we expanded geographically in Valdosta, Georgia, with a full-service banking center that opened in June 2010 and a mortgage origination office that opened in January 2011 and, in 2014, relocated to the banking center. Continuing our expansion in the Valdosta market, we opened our second banking center in March 2012. A new commercial banking center in Valdosta, Georgia, was completed and opened in August of 2014.

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 and the interest paid on interest-bearing liabilities. The Corporation’s earning assets are primarily loans, securities, and short-term interest-bearing deposits with banks, and the interest-bearing liabilities are principally customer deposits and borrowings. Net interest income is highly sensitive to fluctuations in interest rates. For example, after the overnight borrowing rate for banks reached 5.25% in September 2007, the Federal Reserve Bank began decreasing it incrementally until it had been decreased by approximately 5% to a range of 0% to 0.25%. This historically low interest rate level has remained unchanged for the period from October 2008 through June 2015. To address interest rate fluctuations, we manage our balance sheet in an effort to diminish the impact should interest rates suddenly change.

Broadening our revenue sources helps to reduce the risk and exposure of our financial results to the impact of changes in interest rates, which are outside of our control. Sources of noninterest income include our insurance agency and Empire, the Corporation's commercial mortgage banking subsidiary, as well as fees on customer accounts, and trust and retail brokerage services. In the second quarter of 2015, noninterest income was 21.2% of the Corporation's total revenue.

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

The economic downturn continues to challenge our region; however, our strength and stability in the market and our focused efforts enabled us to achieve positive results in the second quarter of 2015. We continued to invest in our people and communities, fully aware of the near-term impact that would have on earnings. Although the economy is slowly recovering, regulatory burdens continue to outpace growth opportunities. Despite those challenges, we will continue to focus on our customers and believe that our strategic positioning, strong balance sheet and capital levels position us to sustain our franchise, capture market share and build customer loyalty.

The Corporation's nonperforming assets decreased by $277 thousand to $1.2 million at the end of June 2015, compared with the same period last year. Foreclosed assets decreased $336 thousand compared with the second quarter last year.

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 June 30, 2015, is adequate; however, under adverse 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.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity management involves the ability to meet the cash flow requirements of customers who may be either depositors wanting to withdraw their funds or borrowers needing assurance that sufficient funds will be available to meet their credit needs. In the ordinary course of business, the Corporation's cash flows are generated from interest and fee income as well as from loan repayments and the maturity or sale of other earning assets. In addition, liquidity is continuously provided through the acquisition of new deposits and borrowings or the rollover of maturing deposits and borrowings. The Corporation strives to maintain an adequate liquidity position by managing the balances and maturities of interest-earning assets and interest-earning liabilities so its short-term investments balance, at any given time, will adequately cover any reasonably anticipated immediate need for funds. Additionally, the Bank maintains relationships with correspondent banks that could provide funds on short notice, if needed.

The liquidity and capital resources of the Corporation are monitored on a periodic basis by state and Federal regulatory authorities. As determined under guidelines established by these regulatory authorities, the Bank's liquidity ratios at June 30, 2015, were considered satisfactory. At that date, the Bank's short-term investments were adequate to cover any reasonably anticipated immediate need for funds. 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. At June 30, 2015, the Corporation's and the Bank's risk-based capital ratios were considered adequate based on guidelines established by regulatory authorities. During the six months ended June 30, 2015, total capital increased $1.2 million to $35.5 million and increased $2.4 million from the same period last year. Also, the Corporation continues to maintain a healthy level of capital adequacy as measured by its equity-to-asset ratio of 9.09% as of June 30, 2015, and average equity-to-average asset ratio for the second quarter ending June 30, 2015, of 8.99%. The Corporation is not aware of any events or trends likely to result in a material change in capital resources other than the effects of normal operations on the retention of net earnings. Also, the Corporation's management is not aware of any current recommendations by the regulatory authorities which, if they were implemented, would have a material effect on the Corporation's capital resources.

RESULTS OF OPERATIONS

The Corporation’s results of operations are determined by its ability to effectively manage interest income and expense, to minimize loan and investment losses, to generate noninterest income and to control noninterest expense. Since interest rates are determined by market forces and economic conditions beyond the control of the Corporation, the ability to generate net interest income is dependent upon the Bank’s ability to obtain an adequate spread between the rate earned on interest-earning assets and the rate paid on interest-bearing liabilities. Thus, the key performance measure for net interest income is the interest margin or net yield, which is taxable-equivalent net interest income divided by average earning assets.

Performance Summary

The Corporation's net income after taxes for the three-month period ending June 30, 2015, was $865 thousand, up $128 thousand, or 17.3%, from net income of $737 thousand for the second quarter of 2014. This increase in net income was primarily due to an increase of $182 thousand in net interest income and a $137 thousand decrease in noninterest expense. This was partially offset by a decrease of $201 thousand in noninterest income of which $133 thousand was related to a decrease in income from mortgage banking services when compared with the second quarter of 2014.

On a per share basis, net income for the second quarter was $.34 per diluted share compared with $.28 per diluted share for the same quarter in 2014. The weighted average common diluted shares outstanding for the quarter were 2.548 million, the same as second quarter last year.

We measure our performance on selected key ratios, which are provided for the previous five quarterly periods.

	2nd Qtr 2015	1st Qtr 2015	4th Qtr 2014	3rd Qtr 2014	2nd Qtr 2014
Return on average total assets	0.87%	0.82%	0.69%	0.86%	0.77%
Return on average total equity	9.69%	9.21%	7.75%	9.57%	8.95%
Average shareholders’ equity to average total assets	8.99%	8.89%	8.97%	8.97%	8.56%
Net interest margin (tax equivalent)	4.12%	3.96%	4.03%	4.14%	4.02%

Comparison of Statements of Income for the Quarter

Total interest income increased $172 thousand to $3.9 million for the three months ended June 30, 2015, compared with the same period in 2014, reflecting an increase in interest income and fees on loans of $150 thousand due to loan growth. This increase was accompanied by $27 thousand higher interest income from investment securities. Interest income from deposits in other banks declined $6 thousand when compared with the second quarter of 2014.

Total interest expense decreased $11 thousand to $324 thousand in the second quarter of 2015 compared with the same period in 2014. Interest on total borrowings decreased $14 thousand compared with the same quarter in 2014 due to lower rates on borrowings. Interest paid on deposits increased slightly by $4 thousand during the second quarter of 2015.

The primary source of revenue for the Corporation is net interest income, which is the difference between total interest income on earning assets and interest expense on interest-bearing sources of funds. Net interest income improved to $3.6 million for the second quarter of 2015 compared with $3.4 million in net interest income in the 2014 second quarter. Net interest income after provision for loan losses for the second quarter of 2015 was $3.5 million compared with $3.3 million for the same period in 2014. The second quarter provision for loan losses was $45 thousand in 2015, down from $75 thousand in 2014. The Corporation’s net interest margin was 4.12% for the second quarter of 2015, up 10 basis points from the same period last year. The increase in net interest margin was a result of a favorable shift in asset mix resulting in a 16 basis point increase in average rate earned on interest-earning assets.

Noninterest income, at 21.2% of the Corporation's total revenue for the quarter, was $1.0 million for the second quarter, decreasing 16.1% compared with the same period in 2014. The majority of the decrease in noninterest income was due to $133 thousand lower income from mortgage banking fees, down 63.1% from the second quarter last year. Also, income from service charges on deposit accounts declined $67 thousand compared with the 2014 second quarter. Partially offsetting these decreases, income from trust services and retail brokerage services increased $10 thousand and $6 thousand, respectively, compared with the second quarter last year. A $4 thousand gain on the sale of securities was recognized in the second quarter of 2015 as a result of selling $4.0 million in short-term U.S. Government Agency securities and $517 thousand in mortgage-backed securities in order to provide liquidity and remove small lots of mortgage-backed securities. These small lots of held to maturity mortgage-backed securities sold were paid down to over 85% of face value. Income from insurance services remained flat compared with the same quarter last year.

Noninterest expense decreased $137 thousand to $3.5 million for the second quarter of 2015 compared with the second quarter of 2014. The largest component of noninterest expense, salaries and employee benefits, decreased $108 thousand to $2.0 million for the second quarter mainly due to leveraging human resources. Other operating expenses also declined $83 thousand compared to the second quarter last year mostly due to lower various professional fees. These decreases were partially offset by increases in data processing, occupancy, and equipment expenses of $30 thousand, $18 thousand, and $5 thousand, respectively, compared with the second quarter a year ago.

Comparison of Statements of Income for the Six-month Period

Total interest income for the first six months of 2015 increased $313 thousand to $7.6 million when compared with the same period in 2014. This increase was primarily due to a $202 thousand increase in interest and fees from loans due to a $7.9 million higher average loan volume. Interest income from investment securities also increased by $130 thousand due to an $11.5 million higher average volume of investment securities when compared with the first six months of last year. Partially offsetting these increases, interest on deposits in other banks decreased $19 thousand compared to the same period last year.

Total interest expense for the six-month period ended June 30, 2015, decreased $96 thousand, or 13.1%, to $639 thousand compared with the same period in 2014. The decrease in interest expense was related to lower interest on total borrowings of $95 thousand for the first six months of 2015 compared with the same period last year due to an 89 basis point decrease in average rate paid on borrowings. Interest paid on interest-bearing deposits decreased $2 thousand compared with the first six months of 2014.

Net interest income for the first six months of 2015 was 6.3% higher at $7.0 million compared with $6.5 million for the same period in 2014. Net interest income after provision for loan losses was $6.9 million for the first six months of 2015 compared with $6.4 million for the same period 2014. The provision for loan losses was $90 thousand in the first six months of 2015, down from $180 thousand for the same period of 2014. Net interest margin was 4.04% for the first half of 2015, up 14 basis points from 3.90% for the same period last year.

For the first half of 2015, noninterest income was $2.2 million, down $382 thousand, or 14.8%, compared with the same period in 2014. The decrease was primarily attributed to a $190 thousand decrease in income from mortgage banking services as well as a $151 thousand higher gain on the sale of securities which benefited the prior year. Also, service charges on deposit accounts declined $100 thousand compared with the first half of 2014. Partially offsetting these decreases, income from insurance, trust and retail brokerage services increased $28 thousand, $25 thousand and $7 thousand, respectively.

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Noninterest expense decreased $152 thousand for the first six months of 2015 compared with the same period last year mainly attributed to a decrease in salary and employee benefits of $167 thousand. Other operating expenses and amortization of intangible assets have also decreased $58 thousand and $29 thousand, respectively. These decreases were partially offset by increases in data processing, occupancy and equipment expenses of $50 thousand, $47 thousand and $6 thousand when compared with the same period in 2014.

Comparison of Financial Condition Statements

At June 30, 2015, total assets were $391.0 million, a $16.7 million increase from December 31, 2014. Changes in earning asset mix were primarily noted in a $12.4 million growth in total loans, an $8.1 million increase in interest-bearing deposits in other banks, and a $3.6 million decrease in investment securities. Total deposits increased $11.9 million for the first six months of 2015. This growth was primarily in noninterest-bearing deposits.

Total loans increased $12.4 million to $236.8 million at June 30, 2015, compared with $224.4 million at December 31, 2014. The Corporation continues to be conservative in its lending practices in order to maintain a quality loan portfolio. Loans, a major use of funds, represented 60.6% of total assets.

Investment securities, interest-bearing deposits in other banks, and certificates of deposit in other banks represented 32.9% of total assets at June 30, 2015. Compared with December 31, 2014, interest-bearing deposits in other banks increased $8.1 million, investment securities decreased $3.6 million, and certificates of deposit in other banks remained the same. This resulted in an overall increase in investments of $4.5 million since December 31, 2014.

Deposits increased to $321.8 million at the end of the first half of 2015, up $11.9 million from the end of 2014. The increase was primarily in noninterest-bearing demand deposits with slight increases in NOW accounts and savings accounts. At June 30, 2015, total deposits represented 82.3% of total assets.

Total debt increased by $4 million to $31.2 million when compared with the end of last year. With loan growth outpacing deposit growth, a $4 million short-term FHLB advance was added in the second quarter of 2015 to accommodate seasonal liquidity needs. Of the $31.2 million in other borrowings, $5.1 million was short-term principal-reducing debt with principal payments due in July and September 2015. The Corporation will repay these to the Federal Home Loan Bank.

The following table shows the major contractual obligations for the Corporation.

Long-term debt consists of the following:

	June 30, 2015	December 31, 2014	June 30, 2014
Advance from FHLB with a 3.39% fixed rate of interest maturing August 20, 2018 (convertible to a variable rate at quarterly options of FHLB – no conversion option has been made).	5,000,000	5,000,000	5,000,000
Advance from FHLB with a 2.78% fixed rate of interest maturing September 10, 2018 (convertible to a variable rate at quarterly options of FHLB – no conversion option has been made).	5,000,000	5,000,000	5,000,000
Advance from FHLB with a 1.4325% fixed rate of interest maturing September 4, 2018 (principal reducing hybrid advance with principal reductions of $1.8 million annually beginning September 4, 2014).	5,400,000	5,400,000	7,200,000
Advance from FHLB with a 0.89% fixed rate of interest maturing July 24, 2017 (principal reducing hybrid advance with principal reductions of $3.33 million annually beginning July 24, 2015).	6,666,667	6,666,667	0
Total long-term debt	$22,066,667	$22,066,667	$17,200,000

The allowance for loan losses represents a reserve for potential losses in the loan portfolio. The adequacy of the allowance for loan losses is evaluated monthly based on a review of all significant loans, with a particular emphasis on nonaccruing, past due, and other loans that management believes require attention.

Other factors used in determining the adequacy of the reserve are management's judgment about factors affecting loan quality and their assumptions about the local and national economy. The allowance for loan losses was 1.34% of total loans outstanding at June 30, 2015, compared with 1.39% at December 31, 2014, and 1.38% at June 30, 2014. Net recoveries in the 2015 second quarter were $1 thousand compared with net charge-offs of $22 thousand in the second quarter of 2014. Management considers the allowance for loan losses as of June 30, 2015, adequate to cover potential losses in the loan portfolio. For more information about loans, see Part I, Item 1, "Note 4 – Loans and Allowance for Loan Losses."

Nonperforming assets were $1.2 million, or 0.30% of total assets, in the second quarter of 2015, up slightly from $1.1 million, or 0.28% of total assets, at the end of 2014, and relatively flat from $1.4 million, or 0.38% of total assets in the same period last year. Nonaccrual loans were $1.1 million in the second quarter of 2015 mostly concentrated in one $906 thousand agricultural real estate relationship. There were $102 thousand of foreclosed properties in nonperforming assets at the end of the second quarter of 2015 compared with $438 thousand at the end of last year's second quarter.

Off-Balance Sheet Arrangements

In the normal course of business, we are a party to financial instruments with off-balance-sheet risk to meet the financing needs of our customers and reduce 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 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 or notional amounts do not represent future cash requirements.

Financial instruments whose contract amounts represent credit risk (dollars in thousands):	June 30, 2015		June 30, 2014	
Commitments to extend credit	$	26,396	$	16,468
Standby letters of credit and financial guarantees	$	975	$	73

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

Capital Resources and Dividends

At June 30, 2015, the Corporation’s and the Bank’s risk-based capital ratios were considered adequate based on guidelines established by regulatory authorities. Our total risk based capital ratio now stands at 15.51%, which is over 55 percent in excess of the regulatory standard for a “well-capitalized” bank. Southwest Georgia Financial Corporation’s and Southwest Georgia Bank’s risk based capital ratios are shown in the following table.

SOUTHWEST GEORGIA FINANCIAL CORPORATION
Risk Based Capital Ratios

	Southwest Georgia Financial Corporation	Regulatory Guidelines		
Risk Based Capital Ratios	June 30, 2015	For Well Capitalized	Minimum Guidelines	2019 Required Minimum Capital plus buffer at 2.5%
Common Equity Tier 1 capital	14.26 %	6.50 %	4.50 %	7.00 %
Tier 1 capital	14.26 %	8.00 %	6.00 %	8.50 %
Total risk based capital	15.51 %	10.00 %	8.00 %	10.50 %
Tier 1 leverage ratio	9.08 %	5.00 %	4.00 %	

	Southwest Georgia Bank	Regulatory Guidelines		
Risk Based Capital Ratios	June 30, 2015	For Well Capitalized	Minimum Guidelines	2019 Required Minimum Capital plus buffer at 2.5%
Common Equity Tier 1 capital	13.43 %	6.50 %	4.50 %	7.00 %

Tier 1 capital	13.43 %	8.00 %	6.00 %	8.50 %
Total risk based capital	14.68 %	10.00%	8.00 %	10.50 %
Tier 1 leverage ratio	8.55 %	5.00 %	4.00 %	

As of June 30, 2015, the most recent notifications from the FDIC categorized the Bank as “well-capitalized” under current regulations.

The Basel III Capital Rules became effective for the Bank on January 1, 2015, subject to a phase in period. The Corporation currently meets the requirements of the exemption as a small bank holding company, which generally includes bank holding companies with less than $1 billion in total consolidated assets.

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When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Bank to maintain;

- a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation);
- a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation);
- a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% Total capital ratio as that buffer is phased in, effectively resulting in a minimum Total capital ratio of 10.5% upon full implementation); and
- a minimum leverage ratio of 4%, calculated as the ratio of Tier 1 capital to average assets (as compared to a current minimum leverage ratio of 3% for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority's risk-adjusted measure for market risk).

The initial minimum capital ratios as of January 1, 2015, are as follows: (i) 4.5% CET1 to risk-weighted assets, (ii) 6.0% Tier 1 capital to risk-weighted assets, and (iii) 8.0% Total capital to risk-weighted assets.

Effective January 1, 2015, the Basel III Capital Rules also revised the FDIC's current prompt corrective action regulations by (i) introducing a CET1 ratio requirement at each level (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category (other than critically undercapitalized), with the minimum Tier 1 capital ratio for well-capitalized status being 8.0% (as compared to the current 6.0%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3% leverage ratio and still be adequately capitalized. The Basel III Capital Rules do not change the total risk-based capital requirement for any prompt corrective action category.

The Basel III Capital Rules provide for a number of deductions from and adjustments to CET1. These include, for example, the requirement that mortgage servicing rights, deferred tax assets arising from temporary differences that could not be realized through net operating loss carrybacks and significant investments in non-consolidated financial entities be deducted from CET1 to the extent that any one such category exceeds 10% of CET1 or all such categories in the aggregate exceed 15% of CET1. Under current capital standards, the effects of certain accumulated other comprehensive income items included in capital are excluded for the purposes of determining regulatory capital ratios. Under the Basel III Capital Rules, the effects of certain accumulated other comprehensive items are not excluded; however, certain banking organizations, including the Bank, may make a one-time permanent election to continue to exclude these items. The Bank expects to make this election in order to avoid significant variations in the level of capital depending upon the impact of interest rate fluctuations on the fair value of the Bank's available-for-sale securities portfolio. The Basel III Capital Rules also eliminate the inclusion of certain instruments, such as trust preferred securities, from Tier 1 capital of bank holding companies. Instruments issued prior to May 19, 2010, are grandfathered for bank holding companies with consolidated assets of $15 billion or less (subject to the 25% of Tier 1 capital limit).

The “capital conservation buffer” is designed to absorb losses during periods of economic stress. Banking organizations with a ratio of CET1 to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

Implementation of the deductions and other adjustments to CET1 began on January 1, 2015, and will be phased-in over a four-year period (beginning at 4.5% on January 1, 2015, and an additional 0.625% per year thereafter). The implementation of the capital conservation buffer will begin on January 1, 2016, at the 0.625% level and be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

The Basel III Capital Rules prescribe a standardized approach for risk weightings that expand the risk-weighting categories from the current four Basel I-derived categories (0%, 20%, 50% and 100%) to a much larger and more risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of asset categories. Consistent with the Dodd-Frank Act, the Basel III Capital Rules replace the ratings-based approach to securitization exposures, which is based on external credit ratings, with the simplified supervisory formula approach in order to determine the appropriate risk weights for these exposures. Alternatively, banking organizations may use the existing gross-up approach to assign securitization exposures to a risk weight category or choose to assign such exposures a 1,250% risk weight. In addition, the Basel III Capital Rules provide more advantageous risk weights for derivatives and repurchase-style transactions cleared through a qualifying central counterparty and increase the scope of eligible guarantors and eligible collateral for purposes of credit risk mitigation.

The Bank and Corporation would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if such requirements were currently in effect.

In June 2015, the Corporation paid a quarterly cash dividend of $0.10 per common share. A cash dividend of $0.10 per common share was also paid in March 2015, up from a cash dividend of $0.08 per common share paid quarterly in 2014. The Board of Directors will continue to assess conditions for future dividend payments.

Interest Rate Sensitivity

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

Our primary source of earnings, net interest income, can fluctuate with significant interest rate movements. To lessen the impact of these movements, we seek to maximize net interest income while remaining within prudent ranges of risk by practicing sound interest rate sensitivity management. We attempt to accomplish this objective by structuring the balance sheet so that the differences in repricing opportunities between assets and liabilities are minimized. Interest rate sensitivity refers to the responsiveness of earning assets and interest-bearing liabilities to changes in market interest rates. The Corporation's interest rate risk management is carried out by the Asset/Liability Management Committee which operates under policies and guidelines established by the Bank's Board of Directors. 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 which receives monthly cash flows from mortgage-backed securities principal payments, and staggered 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4. 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 its disclosure controls and procedures (as defined in federal securities rules) as of the end of the period covered by this report. 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, 2014, was included in Item 8 of the form 10K , dated December 31, 2014, under the heading "Management's Report on Internal Control Over Financial Reporting".

The annual report form 10K, dated December 31, 2014, does not include an attestation report of the Corporation's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Corporation's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permits the Corporation to provide only management's report in the annual report.

Changes in Internal Control over Financial Reporting

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

PART II. - OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit 31.1	Section 302 Certification of Periodic Financial Report by Chief Executive Officer.
Exhibit 31.2	Section 302 Certification of Periodic Financial Report by Chief Financial Officer.
Exhibit 32.1	Section 906 Certification of Periodic Financial Report by Chief Executive Officer.
Exhibit 32.2	Section 906 Certification of Periodic Financial Report by Chief Financial Officer.
Exhibit 101	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2015, is formatted in XBRL interactive data files: (i) Consolidated Balance Sheets at June 30, 2015, and December 31, 2014; (ii) Consolidated Statements of Income for the three months and six months ended June 30, 2015, and 2014; (iii) Consolidated Statements of Comprehensive Income for the three months and six months ended June 30, 2015, and 2014; (iv) Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014; and (v) Notes to Consolidated Financial Statements.

* As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SOUTHWEST GEORGIA FINANCIAL CORPORATION

BY: /s/George R. Kirkland

GEORGE R. KIRKLAND
EXECUTIVE VICE PRESIDENT, CHIEF FINANCIAL OFFICER AND TREASURER

Date: August 14, 2015