

**SouthFirst Bancshares, Inc.**  
**Consolidated Statement of Financial Condition**  
**September 30, 2010 and September 30, 2009**

<u>Assets</u>	<u>September 30 2010</u>	<u>September 30, 2009</u>
Cash and amounts due from depository institutions	3,120,294	3,790,220
Int. earning assets in other financial institutions	440,890	386,811
Investment securities available for sale, at fair value	11,273,226	16,140,652
Loans receivable	96,785,537	97,049,507
Less allowance for loan losses	<u>(1,465,534)</u>	<u>(1,194,453)</u>
<b>Net loans</b>	<b>95,320,003</b>	<b>95,855,054</b>
Loans held for sale at cost (which approximates fair value)	4,214,965	464,350
Premises and equipment, net	2,036,210	2,048,808
Federal Home Loan Bank stock, at cost	1,192,600	1,230,800
Foreclosed real estate, net	5,748,282	2,696,183
Other Repossessed Assets	117,810	14,400
Accrued interest receivable	411,137	486,671
Goodwill	-	-
Other Assets	<u>5,196,833</u>	<u>3,953,684</u>
<b>Total assets</b>	<b><u>129,072,250</u></b>	<b><u>127,067,633</u></b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Non-interest bearing	4,627,411	4,707,714
Interest bearing	<u>98,127,768</u>	<u>87,488,558</u>
<b>Total deposits</b>	<b>102,755,179</b>	<b>92,196,272</b>
Advances by borrowers for property taxes and insurance	232,634	169,384
Accrued interest payable	642,625	680,965
Borrowed funds	15,505,828	23,009,828
Accrued expenses and other liabilities	<u>799,684</u>	<u>709,325</u>
<b>Total liabilities</b>	<b>119,935,950</b>	<b>116,765,774</b>
<b>Stockholders' equity:</b>		
Common stock, \$.01 par value, 2,000,000 shares authorized; 990,241 shares issued and 701,526 outstanding shares at September 30, 2010; 990,241 shares issued and 701,526 shares outstanding at September 30, 2009	9,996	9,996
Additional Paid in Capital	9,840,648	9,840,648
Paid in Capital - Options	3,172	3,172
Treasury Stock, at cost (288,715 shares at September 30, 2010, and 288,715 shares at September 30, 2009)	<u>(3,997,017)</u>	<u>(3,997,017)</u>
Perpetual Preferred Stock -Series A ( 2,760 shares at September 30, 2010)	2,644,198	2,605,073
Perpetual Preferred Stock - Series B (138 shares at September 30, 2010)	151,682	156,307
Shares held in trust at cost (9,402 shares at September 30, 2010 and September 30, 2009)	<u>(103,483)</u>	<u>(103,483)</u>
Retained earnings, substantially restricted	634,357	1,875,164
Accumulated other comprehensive income (loss)	<u>(47,253)</u>	<u>(88,001)</u>
<b>Total stockholders' equity</b>	<b>9,136,300</b>	<b>10,301,859</b>
<b>Total liabilities and stockholders' equity</b>	<b><u>129,072,250</u></b>	<b><u>127,067,633</u></b>

**SouthFirst Bancshares, Inc.**  
**Consolidated Statement of Operations**  
**For the Twelve Months Ended September 30, 2010 and 2009**

	2010	2009
<b>Interest and dividend income:</b>		
Interest and fees on loans	6,018,676	6,004,739
Int. income on dep. in other financial institutions	12,292	29,238
Interest and dividend income on investment securities AFS	475,877	781,160
<b>Total interest and dividend income</b>	<b>6,506,845</b>	<b>6,815,137</b>
<b>Interest expense:</b>		
Interest on deposits	1,997,894	2,785,710
Interest on borrowed funds	944,372	1,078,577
<b>Total interest expense</b>	<b>2,942,266</b>	<b>3,864,287</b>
<b>Net interest income</b>	<b>3,564,579</b>	<b>2,950,850</b>
<b>Provision for loan losses:</b>	<b>1,968,523</b>	<b>1,325,467</b>
<b>Net interest income after provision for loan losses</b>	<b>1,596,056</b>	<b>1,625,383</b>
<b>Other income:</b>		
Service charges and other fees	700,537	544,480
Employee benefit consulting fees	-	-
Gain on sale of loans	1,040,161	238,985
Gain (loss) on sale of foreclosed real estate	40,586	(186,754)
Gain (loss) on sale of other property owned	(13,472)	(2,026)
Gain (loss) on sale of other assets	-	140,011
Gain (loss) on sale of investment securities AFS	225,625	253,632
Investment Impairment	-	-
Other	329,702	200,765
<b>Total non-interest income</b>	<b>2,323,139</b>	<b>1,189,093</b>
<b>Other expenses:</b>		
Compensation and benefits	2,859,234	2,048,782
Net occupancy expense	552,797	392,194
Furniture and fixtures	307,379	312,550
Data Processing	295,446	309,987
Office supplies and expense	378,854	315,426
Deposit insurance premiums	196,914	130,726
Goodwill expense	-	245,819
Legal	319,587	652,418
Other	712,028	881,801
<b>Total non-interest expense</b>	<b>5,622,239</b>	<b>5,289,703</b>
<b>Income (loss) before income taxes</b>	<b>(1,703,044)</b>	<b>(2,475,227)</b>
<b>Income tax expense</b>	<b>(647,157)</b>	<b>(932,363)</b>
<b>Net income (loss)</b>	<b>(1,055,887)</b>	<b>(1,542,864)</b>
<b>Net income (loss) to common shareholder</b>	<b>(1,206,307)</b>	<b>(1,593,004)</b>
<b>Per share amounts:</b>		
Primary earnings	<b>(1.72)</b>	<b>(2.27)</b>
Fully Diluted Earnings	<b>(1.72)</b>	<b>(2.27)</b>
Cash Dividends Declared	-	-
<b>Weighted Average Shares Outstanding:</b>		
Primary earnings	701,526	701,526
Fully Diluted	701,526	701,526