

**SouthFirst Bancshares, Inc.**  
**Consolidated Statement of Financial Condition**  
**December 31, 2008 and September 30, 2008**

<u>Assets</u>	<u>December 31, 2008</u>	<u>September 30, 2008</u>
Cash and amounts due from depository institutions	3,176,058	4,307,419
Int. earning assets in other financial institutions	1,223,659	1,218,144
Investment securities available for sale, at fair value	21,798,517	20,725,051
Loans receivable	97,628,310	97,814,398
Less allowance for loan losses	<u>(906,033)</u>	<u>(916,641)</u>
<b>Net loans</b>	<b>96,722,277</b>	<b>96,897,757</b>
Loans held for sale at cost (which approximates fair value)	-	230,000
Premises and equipment, net	2,365,273	2,437,298
Federal Home Loan Bank stock, at cost	1,192,300	1,124,800
Foreclosed real estate, net	3,280,819	2,958,936
Other Repossessed Assets	52,602	38,950
Accrued interest receivable	646,126	587,405
Goodwill	245,819	245,819
Other Assets	<u>2,613,399</u>	<u>2,783,618</u>
<b>Total assets</b>	<b>133,316,849</b>	<b>133,555,197</b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Non-interest bearing	3,583,326	4,492,198
Interest bearing	<u>97,358,042</u>	<u>97,870,230</u>
<b>Total deposits</b>	<b>100,941,368</b>	<b>102,362,428</b>
Advances by borrowers for property taxes and insurance	91,262	211,713
Accrued interest payable	1,017,559	939,840
Borrowed funds	21,509,828	20,509,828
Accrued expenses and other liabilities	<u>493,964</u>	<u>611,536</u>
<b>Total liabilities</b>	<b>124,053,981</b>	<b>124,635,345</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 December 31, 2008; 990,241 shares issued and 708,571 shares outstanding at September 30, 2008	9,996	9,996
Additional Paid in Capital	9,840,649	9,840,648
Paid in Capital - Options	3,172	3,172
Treasury Stock, at cost (288,715 shares at December 31, 2008, and 281,670 shares at September 30, 2008)	<u>(3,997,017)</u>	<u>(3,997,017)</u>
Unearned Compensation on common stock employee benefit plans	-	-
Deferred compensation shares receivable	(103,483)	(103,483)
Shares held in trust at cost (9,402 shares at December 31, 2008 and September 30, 2008)	3,384,834	3,469,548
Retained earnings, substantially restricted	<u>124,717</u>	<u>(303,012)</u>
Accumulated other comprehensive income (loss)	<u>9,262,868</u>	<u>8,919,852</u>
<b>Total stockholders' equity</b>	<b>133,316,849</b>	<b>133,555,197</b>
<b>Total liabilities and stockholders' equity</b>		

## SouthFirst Bancshares, Inc.

Consolidated Statement of Operations (Unaudited)

For the Three Months Ended December 31, 2008 and December 31, 2007

	<u>2008</u>	<u>2007</u>
<b>Interest and dividend income:</b>		
Interest and fees on loans	1,596,285	1,829,840
Int. income on dep. In other financial institutions	9,972	43,710
Interest and dividend income on investment securities AFS	252,026	270,547
<b>Total interest and dividend income</b>	<u>1,858,283</u>	<u>2,144,097</u>
<b>Interest expense:</b>		
Interest on deposits	806,354	1,081,763
Interest on borrowed funds	276,046	285,200
<b>Total interest expense</b>	<u>1,082,400</u>	<u>1,366,963</u>
<b>Net interest income</b>	<b>775,883</b>	<b>777,134</b>
<b>Provision for loan losses:</b>	<u>42,613</u>	<u>467,361</u>
<b>Net interest income after provision for loan losses</b>	<b>733,270</b>	<b>309,773</b>
<b>Other income:</b>		
Service charges and other fees	135,618	138,667
Employee benefit consulting fees	-	185,741
Gain on sale of loans	58,018	105,063
Gain (loss) on sale of foreclosed real estate	(39,446)	420
Gain (loss) on sale of other property owned	3,555	-
Gain (loss) on sale of investment securities AFS	67,397	55,374
Other	47,569	110,840
<b>Total non-interest income</b>	<u>272,711</u>	<u>596,105</u>
<b>Other expenses:</b>		
Compensation and benefits	501,010	759,284
Net occupancy expense	93,931	98,784
Furniture and fixtures	89,153	116,744
Data Processing	74,369	70,258
Office supplies and expense	79,129	97,686
Deposit insurance premiums	17,783	14,722
Legal	105,000	75,010
Other	182,264	236,760
<b>Total non-interest expense</b>	<u>1,142,639</u>	<u>1,469,248</u>
<b>Income (loss) before income taxes</b>	<b>(136,658)</b>	<b>(563,370)</b>
<b>Income tax expense</b>	<u>(51,930)</u>	<u>(214,082)</u>
<b>Net income (loss)</b>	<u><u>(84,728)</u></u>	<u><u>(349,288)</u></u>
<b>Per share amounts:</b>		
Primary earnings	(0.12)	(0.49)
Fully Diluted Earnings	(0.12)	(0.49)
Cash Dividends Declared	-	0.10
<b>Weighted Average Shares Outstanding:</b>		
Primary earnings	701,526	706,121
Fully Diluted	701,526	706,121