

SouthFirst Bancshares, Inc.  
Earnings Release

SOUTHFIRST BANCSHARES, INC. REPORTS EARNINGS FOR THE THREE MONTH AND SIX MONTH PERIOD ENDED MARCH 31, 2008

May 16, 2008, Sylacauga, Alabama (OTCBB Symbol: "SZBI"). SouthFirst Bancshares, Inc. (the "Company, today announced a loss of \$167,268 for the three months ended March 31, 2008, representing a decrease in earnings of \$274,803, when compared to the same period during fiscal year 2007. Further, basic earnings (loss) per common share for the three-month period ended March 31, 2008, based on 701,526 shares outstanding on such date, and for the three-month period ended March 31, 2007, based on 708,603 shares outstanding on such date (as if such shares were outstanding for the entire period), was (\$0.24) and \$0.15, respectively.

The company also announced a loss of \$516,556 for the six months ended March 31, 2008, representing a decrease in earnings of \$619,514, when compared to the same period during fiscal year 2007. Further basic earnings (loss) per common share for the six-month period ended March 31, 2008, based on 701,526 shares outstanding on such date, and for the six-month period ended March 31, 2007, based on 708,630 shares outstanding on such date (as if such shares were outstanding for the entire period), was (\$0.74) and \$0.15, respectively.

Sandra H. Stephens, Chief Executive Officer, stated that "the decrease in our three-month earnings is primarily a result of a significant decrease in total non-interest income, primarily employee benefit consulting fees, of approximately \$480,000." Partially offsetting this reduction in income is an increase in the gain from the sale of investment securities available-for-sale of approximately \$93,000, and a reduction in total non-interest expense of approximately \$222,000.

SouthFirst Bancshares, Inc. is a thrift-holding company that owns all of the outstanding shares of stock of SouthFirst Bank, formerly known as First Federal of the South.

Please contact Sandra H. Stephens, Chief Executive Officer, at (256)245-4365 with any questions or requests for additional information.

**Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995**

Certain statements in this release may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, which statements can generally be identified by the use of forward-looking terminology, such as "may," "will," "expect," "estimate," "anticipate," "believe," "target," "plan," "project," "continue," or the negatives thereof, or other variations thereon or similar terminology, and are made on the basis of management's plans and current analyses of the Company, its business and the industry as a whole. These forward-looking statements are subject to risks and uncertainties, including, but not limited to, economic conditions, competition, interest rate sensitivity and exposure to regulatory and legislative changes. The above factors, in some cases, have affected, and in the future could affect, the Company's financial performance and could cause actual results for 2008 and beyond to differ materially from those expressed or implied in such forward-looking statements, even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

# SouthFirst Bancshares, Inc.

Consolidated Statement of Financial Condition  
 March 31, 2008 (Unaudited) and September 30, 2007 (Audited)

<u>Assets</u>	<u>March 31, 2008</u>	<u>September 30, 2007</u>
Cash and amounts due from depository institutions	5,154,798	5,025,848
Int. earning assets in other financial institutions	1,684,885	1,652,018
Investment securities available for sale, at fair value	27,530,465	21,763,181
Loans receivable	95,221,649	100,817,611
Less allowance for loan losses	(926,129)	(553,359)
<b>Net loans</b>	<b>94,295,520</b>	<b>100,264,252</b>
Loans held for sale at cost (which approximates fair value)	838,584	687,602
Premises and equipment, net	2,606,657	2,740,875
Federal Home Loan Bank stock, at cost	1,124,800	1,220,600
Foreclosed real estate, net	2,301,716	1,940,530
Other Repossessed Assets	65,759	-
Accrued interest receivable	647,383	753,667
Goodwill	323,185	323,185
Other Assets	2,538,577	2,591,411
<b>Total assets</b>	<b>139,112,329</b>	<b>138,963,169</b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Non-interest bearing	4,228,380	4,861,477
Interest bearing	102,478,555	99,242,597
<b>Total deposits</b>	<b>106,706,935</b>	<b>104,104,074</b>
Advances by borrowers for property taxes and insurance	118,450	200,959
Accrued interest payable	1,106,701	1,139,776
Borrowed funds	20,529,828	22,399,828
Accrued expenses and other liabilities	644,746	782,151
<b>Total liabilities</b>	<b>129,106,660</b>	<b>128,626,788</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 March 31, 2008, 990,241 shares issued and 708,571 shares outstanding at September 30, 2007	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 March 31, 2008, and 281,670 shares at September 30, 2007)	(3,997,017)	(3,897,506)
Unearned Compensation on common stock employee benefit plans	-	-
Deferred compensation shares receivable	-	(99,511)
Shares held in trust at cost (9,402 shares at March 31, 2008 and September 30, 2007)	(103,483)	(103,483)
Retained earnings, substantially restricted	4,278,236	4,895,538
Accumulated other comprehensive income (loss)	(25,883)	(312,473)
<b>Total stockholders' equity</b>	<b>10,005,669</b>	<b>10,336,381</b>
<b>Total liabilities and stockholders' equity</b>	<b>139,112,329</b>	<b>138,963,169</b>

# SouthFirst Bancshares, Inc.

Consolidated Statement of Operations (Unaudited)

For the Three and Six Months Ended March 31, 2008 and 2007

	Six Months Ended March 31,		Three Months Ended March 31,	
	2008	2007	2008	2007
<b>Interest and dividend income:</b>				
Interest and fees on loans	3,491,103	3,653,757	1,661,263	1,836,182
Int. income on dep. In other financial institutions	81,946	82,199	38,236	38,518
Interest and dividend income on investment securities AFS	588,617	591,443	318,070	292,845
<b>Total interest and dividend income</b>	<b>4,161,666</b>	<b>4,327,399</b>	<b>2,017,569</b>	<b>2,167,545</b>
<b>Interest expense:</b>				
Interest on deposits	2,119,972	1,948,707	1,038,209	979,012
Interest on borrowed funds	562,335	672,379	277,135	330,193
<b>Total interest expense</b>	<b>2,682,307</b>	<b>2,621,086</b>	<b>1,315,344</b>	<b>1,309,205</b>
<b>Net interest income</b>	<b>1,479,359</b>	<b>1,706,313</b>	<b>702,225</b>	<b>858,340</b>
<b>Provision for loan losses:</b>	<b>512,361</b>	<b>177,457</b>	<b>45,000</b>	<b>16,359</b>
<b>Net interest income after provision for loan losses</b>	<b>966,998</b>	<b>1,528,856</b>	<b>657,225</b>	<b>841,981</b>
<b>Other income:</b>				
Service charges and other fees	265,806	267,540	127,139	128,575
Employee benefit consulting fees	202,748	996,095	17,007	522,557
Gain on sale of loans	214,071	288,042	109,008	161,589
Gain (loss) on sale of foreclosed real estate	161	(1,618)	(259)	(5,258)
Gain (loss) on sale of other property owned	(247)	(22,825)	(247)	(19,893)
Gain (loss) on sale of other assets	-	3,735	-	-
Gain (loss) on sale of investment securities AFS	148,349	-	92,975	-
Other	197,970	247,464	94,630	133,947
<b>Total non-interest income</b>	<b>1,028,858</b>	<b>1,778,433</b>	<b>440,253</b>	<b>921,517</b>
<b>Other expenses:</b>				
Compensation and benefits	1,465,847	1,761,953	706,563	890,938
Net occupancy expense	191,044	191,943	75,643	96,165
Furniture and fixtures	232,106	236,715	115,362	116,846
Data Processing	140,950	145,374	70,692	74,688
Office supplies and expense	193,589	234,648	95,903	121,704
Deposit insurance premiums	33,389	29,436	18,667	14,962
Legal	150,008	97,518	74,998	41,256
Other	423,004	443,640	210,361	234,041
<b>Total non-interest expense</b>	<b>2,829,937</b>	<b>3,141,227</b>	<b>1,368,189</b>	<b>1,590,600</b>
<b>Income (loss) before income taxes</b>	<b>(834,081)</b>	<b>166,062</b>	<b>(270,711)</b>	<b>172,898</b>
<b>Income tax expense</b>	<b>(317,525)</b>	<b>63,104</b>	<b>(103,443)</b>	<b>65,363</b>
<b>Net income (loss)</b>	<b>(516,556)</b>	<b>102,958</b>	<b>(167,268)</b>	<b>107,535</b>
<b>Per share amounts:</b>				
Primary earnings	(0.74)	0.15	(0.24)	0.15
Fully Diluted Earnings	(0.73)	0.14	(0.24)	0.15
Cash Dividends Declared	0.20	0.20	0.10	0.10
<b>Weighted Average Shares Outstanding:</b>				
Primary earnings	701,526	708,630	701,526	708,603
Fully Diluted	703,874	719,291	701,526	718,684