

# SouthFirst Bancshares, Inc.

Consolidated Statement of Financial Condition  
September 30, 2008 and September 30, 2007

<u>Assets</u>	<u>September 30, 2008</u>	<u>September 30, 2007</u>
Cash and amounts due from depository institutions	4,307,419	5,025,848
Int. earning assets in other financial institutions	1,218,144	1,652,018
Investment securities available for sale, at fair value	20,725,051	21,763,181
Loans receivable	97,814,398	100,817,611
Less allowance for loan losses	(916,641)	(553,359)
<b>Net loans</b>	<b>96,897,757</b>	<b>100,264,252</b>
Loans held for sale at cost (which approximates fair value)	230,000	687,602
Premises and equipment, net	2,437,298	2,740,875
Federal Home Loan Bank stock, at cost	1,124,800	1,220,600
Foreclosed real estate, net	2,958,936	1,940,530
Other Repossessed Assets	38,950	-
Accrued interest receivable	587,405	753,667
Goodwill	245,819	323,185
Other Assets	2,783,618	2,591,411
<b>Total assets</b>	<b>133,555,197</b>	<b>138,963,169</b>
<b><u>Liabilities and Stockholders' Equity</u></b>		
<b>Liabilities:</b>		
<b>Deposits:</b>		
Non-interest bearing	4,492,198	4,861,477
Interest bearing	97,870,230	99,242,597
<b>Total deposits</b>	<b>102,362,428</b>	<b>104,104,074</b>
Advances by borrowers for property taxes and insurance	211,713	200,959
Accrued interest payable	939,840	1,139,776
Borrowed funds	20,509,828	22,399,828
Accrued expenses and other liabilities	611,536	782,151
<b>Total liabilities</b>	<b>124,635,345</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 September 30, 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 September 30, 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 September 30, 2008 and September 30, 2007)	(103,483)	(103,483)
Retained earnings, substantially restricted	3,469,548	4,895,538
Accumulated other comprehensive income (loss)	(303,012)	(312,473)
<b>Total stockholders' equity</b>	<b>8,919,852</b>	<b>10,336,381</b>
<b>Total liabilities and stockholders' equity</b>	<b>133,555,197</b>	<b>138,963,169</b>

# SouthFirst Bancshares, Inc.

## Consolidated Statement of Operations

For the Twelve Months Ended September 30, 2008 , 2007 and 2006

	2008	2007	2006
<b>Interest and dividend income:</b>			
Interest and fees on loans	6,784,043	7,336,025	6,967,176
Int. income on dep. In other financial institutions	124,805	157,158	123,246
Interest and dividend income on investment securities AFS	1,303,348	1,156,736	1,289,816
<b>Total interest and dividend income</b>	<b>8,212,196</b>	<b>8,649,919</b>	<b>8,380,238</b>
<b>Interest expense:</b>			
Interest on deposits	3,924,873	4,049,335	3,065,795
Interest on borrowed funds	1,151,343	1,254,824	1,423,281
<b>Total interest expense</b>	<b>5,076,216</b>	<b>5,304,159</b>	<b>4,489,076</b>
<b>Net interest income</b>	<b>3,135,980</b>	<b>3,345,760</b>	<b>3,891,162</b>
<b>Provision for loan losses:</b>			
<b>Net interest income after provision for loan losses</b>	<b>1,281,741</b>	<b>207,691</b>	<b>149,672</b>
	<b>1,854,239</b>	<b>3,138,069</b>	<b>3,741,490</b>
<b>Other income:</b>			
Service charges and other fees	571,011	551,401	560,120
Employee benefit consulting fees	274,178	1,922,689	1,938,317
Gain on sale of loans	414,299	562,795	449,048
Gain (loss) on sale of foreclosed real estate	10,715	18,404	-
Gain (loss) on premises and equipment	-	(278)	177,253
Gain (loss) on sale of other property owned	(6,916)	(39,364)	-
Gain (loss) on sale of investment securities AFS	140,456	1,800	33,711
Investment Impairment	(36,836)	-	-
Other	342,121	470,890	429,815
<b>Total non-interest income</b>	<b>1,709,028</b>	<b>3,488,337</b>	<b>3,588,264</b>
<b>Other expenses:</b>			
Compensation and benefits	2,688,559	3,469,457	3,580,409
Net occupancy expense	385,424	402,426	415,862
Furniture and fixtures	434,007	469,305	532,967
Data Processing	299,199	287,832	281,548
Office supplies and expense	365,641	424,651	444,516
Deposit insurance premiums	65,553	59,079	70,433
Goodwill expense	77,366	220,521	222,580
Legal	491,262	267,889	262,846
Other	892,723	909,417	686,263
<b>Total non-interest expense</b>	<b>5,699,734</b>	<b>6,510,577</b>	<b>6,497,424</b>
<b>Income (loss) before income taxes</b>	<b>(2,136,467)</b>	<b>115,829</b>	<b>832,330</b>
<b>Income tax expense</b>	<b>(812,033)</b>	<b>44,011</b>	<b>316,215</b>
<b>Net income (loss)</b>	<b>(1,324,434)</b>	<b>71,818</b>	<b>516,115</b>
<b>Per share amounts:</b>			
Primary earnings	(1.88)	0.10	0.73
Fully Diluted Earnings	(1.88)	0.10	0.72
Cash Dividends Declared	0.20	0.40	0.40
<b>Weighted Average Shares Outstanding:</b>			
Primary earnings	702,700	708,600	708,768
Fully Diluted	702,700	714,802	717,237