

SOUTHFIRST BANCSHARES, INC.
PRESS RELEASE

For Immediate Release

**SOUTHFIRST BANCSHARES, INC. ANNOUNCES TERMINATION OF PREVIOUSLY
ANNOUNCED MERGER AGREEMENT**

July 17, 2009, Sylacauga, Alabama (OTCBB Symbol: "SZBI"). SouthFirst Bancshares, Inc. ("SouthFirst") today announced that its Board of Directors has terminated its Agreement and Plan of Merger dated as of February 23, 2009 with Palm Financial, Inc. ("Palm"), pursuant to which SouthFirst was to be acquired by Palm, as a result of its belief that Palm had breached the Merger Agreement and committed other fraudulent and wrongful acts.

SouthFirst further announced that it has filed a lawsuit (Talladega Circuit Court, case number 61-CV2009-900198.00) against Palm and other related parties as a result of the actions taken by Palm and its related parties. SouthFirst is seeking compensatory damages, attorneys' fees, punitive damages and other relief from such parties.

Sandra H. Stephens, Chief Executive Officer of SouthFirst, stated, "While the merger with Palm will not occur, it does not change the fact that SouthFirst is a premier community banking franchise, and we will continue to serve our customers with the same high level of professionalism they have always received from us." Ms. Stephens added that, "In light of the termination of the Merger Agreement with Palm and the challenging operating environment presently faced by the banking industry, we will continue to efficiently and effectively operate SouthFirst Bank as well as review our strategic alternatives. We will continue to work with our financial advisor, Sheshunoff & Co. Investment Banking, a nationally recognized investment banking firm that specializes in providing advisory services to community financial institutions, whom we have engaged to render investment banking advice with respect to the enhancement of stockholder value. The scope of our engagement includes assistance with strategic initiatives, market commentary and overview and evaluation of other stockholder enhancement alternatives."

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

About SouthFirst Bancshares, Inc.

SouthFirst Bancshares, Inc. (<http://www.southfirst.com/>) is a thrift holding company, headquartered in Sylacauga, Alabama, primarily engaged in directing, planning and coordinating the business activities of its wholly owned bank subsidiary, SouthFirst Bank, formerly known as First Federal of the South. SouthFirst Bank is a federally chartered savings association engaged in providing a variety of financial services with three full service locations in Alabama.

About Forward-Looking Statements

Some statements in this press release, particularly those describing the SouthFirst's strategies and future business plans, contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. While SouthFirst is working to achieve those goals, actual results could differ materially from those projected in the forward-looking statements as a result of a number of factors, including difficulties in marketing its products and services, need for capital, competition from other companies and other factors, any of which could have an adverse effect on the business plans of SouthFirst, its reputation in the industry or its expected financial return from operations. Factors such as these could have an adverse effect on SouthFirst's results of operations. In light of significant uncertainties inherent in forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by SouthFirst and its subsidiaries that it will be achieved.