



2008 Annual Report Overview



To our Shareholders and Friends

At Beach First, our officers and employees are working hard to overcome the challenges of the worst economic crisis to grip our country since the 1930s. While much hard work remains to be done, we believe that we are well-prepared to weather these financial storms. We will continue to assist our customers with confidence in our abilities and a strong belief in the future of our growing markets.

Financial Performance

Due to the stagnant real estate market, financial conditions have deteriorated across the country. The banking industry has been hard hit, especially in the southeast where banks experienced record losses after a period of unparalleled growth. Historically, real estate has been the basis for growth in our markets, and the current decline in values has greatly impacted the businesses and consumers we serve, and in turn has affected our results.

After nine consecutive years of profitability, Beach First recorded a net loss of \$3.7 million or \$(0.77) per diluted share, for 2008. During the fourth quarter, we took significant steps to deal with the decline in local real estate values. In addition to recognizing loan losses, Beach First increased its loan loss reserve for potential losses inherent in the portfolio. It is still difficult to determine when the real estate markets in Myrtle Beach and Hilton Head Island will bottom, but we expect that values will eventually begin to recover as economic conditions improve. A revitalized real estate market will be a sign of better times for Beach First.

Our financial performance in 2008 was also affected by the current interest rate environment which caused our net interest margin to decline to 3.06%. This decline is largely due to the series of rate cuts implemented by the Federal Reserve over the past 15 months, in response to the developing economic crisis. To mitigate pressure on the net interest margin, we are monitoring the interest rate environment, acting to adjust rates as market conditions allow.

We have implemented several cost control measures throughout the bank to help improve our financial performance. Our employees have been an integral part of this process. They have made sacrifices and are proactive in offering suggestions and taking action to improve profitability. They are finding new ways to work smarter and I am proud of their efforts for Beach First.

I am pleased to report that despite the ongoing difficulties in the economy, Beach First continued to expand its customer base during 2008. Total deposits grew 14.9% to \$533.4 million, while



total portfolio loans increased 9.5% to \$551.2 million. Total assets grew 10% to \$668.8 million. This growth is due in large part to our unwavering commitment to provide quality service and state-of-the-art products to our customers.

Banking, Mortgage, and Technology Update

We successfully opened our seventh office (and fifth along the Grand Strand) early in the second quarter of 2008. Located at 73rd Avenue North in the heart of Myrtle Beach's prime residential and professional areas, the new office has exceeded performance expectations in its first eight months of operations. We have a seasoned team of bankers in place at the new location, all of whom are working hard to gain customer relationships. The new office joins our Grissom Parkway headquarters, giving us two convenient locations in our hometown of Myrtle Beach.

All seven Beach First banking offices are in areas that we believe remain poised for future growth as economic conditions eventually improve. Population growth within the state of South Carolina is projected to be around 28% over the next 25 years, with Horry, Georgetown, and Beaufort counties far exceeding those projections. Our locations in markets with potential for strong growth should serve us well in the future.

We also believe that our mortgage lending division is poised to take advantage of the lower interest rate environment and become an integral part of our success in the future. Our focus is on offering quality mortgage lending products that will meet customers' needs in the current environment, including refinances and reverse mortgages. The reverse mortgage product can help homeowners age 62 and older secure their future while staying in their homes. Beach First's mortgage lending division is a nationwide lender with offices concentrated primarily in the Carolinas and Mid-Atlantic states. Again, these are areas that have seen dynamic growth and we are excited about the future.

During the second quarter, we completed the conversion of our core processing system to Jack Henry and Associates' Silverlake

software, which represents a significant upgrade in capacity. Silverlake should be able to handle the bank's growth in the years to come, while offering the immediate benefit of greatly enhancing our customer service capabilities.

In other news, we expect to offer RemitPlus lock box services to our business customers during the second quarter of 2009. With RemitPlus, customers can speed up the collection of payments to improve cash flow and automate the process, saving time and manpower. When added to our suite of Cash Management Services that includes the EDGE Remote Deposit Capture, we are greatly enhancing service to business customers, providing products once available only at much larger banks.

Maximizing FDIC Insurance Coverage

The availability of FDIC insurance continues to be of great importance to our customers who welcome the security it provides. In the fourth quarter, the basic limit on FDIC insurance coverage was raised from \$100,000 to \$250,000 per depositor per account ownership type, through the end of 2009. This change has been very positive for our customers and has helped to restore confidence in the nation's financial systems. Our staff is well-versed in the details of FDIC insurance, helping our customers to maximize coverage on their accounts with us.

Beach First also participates in the Transaction Account Guarantee Program. Among other things, this program allows the bank to provide unlimited FDIC coverage for all personal and business checking accounts that do not earn interest. This additional coverage is particularly attractive to our business customers, and when combined with the factors noted above, has helped to stimulate the strong deposit growth I mentioned earlier.

Commitment to our Markets

In tough economic times, it is important for corporate citizens like Beach First to do what they can to help their communities. The bank took a leadership role in the current United Way fund drive, again serving as a Pacesetter Company. I am especially proud of our employees' generosity to this important organization that offers assistance to those in need in our community. We continue to support our schools in academic, artistic and athletic activities that help children grow to be strong, caring adults. As members of the community, we are glad to play a role in events that touch the lives of so many.

I am also pleased to report that readers of the Myrtle Beach Herald voted Beach First "Community Bank of the Year" for the second consecutive year. We are honored to again be recognized and appreciate the trust it shows in our bank.



The Future

Obviously, it has been a difficult year for the banking industry, and we are not satisfied with our performance in 2008. Our directors, officers, and employees remain committed to our company and are working hard for your investment during this tough economic cycle.

I look forward to seeing you at our 2009 Annual Meeting of Shareholders to take place on Monday, May 4 at 2 p.m. at the Myrtle Beach Convention Center.

Walter E. Standish, III
President and Chief Executive Officer

Corporate Information

Headquarters

Beach First National Bank
3751 Grissom Parkway, Suite 100
Myrtle Beach, SC 29577
843.626.2265
843.916.7818 (fax)

Annual Meeting

The Annual Meeting of Shareholders of Beach First National Bancshares, Inc. will be held at the Myrtle Beach Convention Center, 2101 Oak Street, Myrtle Beach, South Carolina on Monday, May 4, 2009, beginning at 2 p.m.

Registrar and Transfer Agent

First Citizens Bank
Shareholder Services-FCC61
P.O. Box 29522
Raleigh, NC 27626-0522
Toll-free: 1.877.685.0576

Form 10-K

Copies of the company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed with the Securities and Exchange Commission, will be furnished at no extra charge to shareholders upon written request to Gary S. Austin, Executive Vice President and Chief Financial Officer, 3751 Grissom Parkway, Suite 100, Myrtle Beach, SC 29577, or via e-mail (gaustin@beachfirst.com).

About Beach First

Beach First National Bancshares, Inc. is the parent company of Beach First National Bank, headquartered in Myrtle Beach, South Carolina. Beach First was organized in 1996 to meet the financial needs of consumers and small-to-mid-sized businesses, and today serves the Grand Strand and Hilton Head Island markets with seven banking offices. The bank's mortgage lending division is a nationwide lender with offices in the Carolinas and Virginia. The company's stock trades on the NASDAQ Global Market® under the symbol BFNB and its website is beachfirst.com.



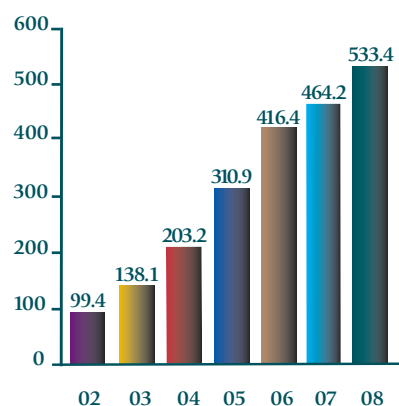
Member FDIC

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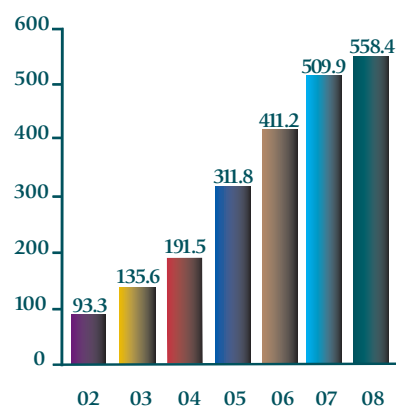
Selected Financial Data

	2008	2007	% Change
Year End Balances (in thousands)			
Total assets	\$ 668,816	605,988	10.4%
Total loans, net of unearned income	558,367	509,908	9.5%
Deposits	533,359	464,198	14.9%
Shareholders' equity	49,718	52,578	(5.4)%
Earnings (in thousands)			
Net income	\$ (3,708)	5,877	(163.1)%
Net income per share – basic	(0.77)	1.22	(163.1)%
Net income per share – diluted	(0.77)	1.18	(165.3)%
Book value per share	10.26	10.85	(5.4)%
Earnings Breakdown (in thousands)			
Total interest income	\$ 41,362	45,107	(8.3)%
Total interest expense	22,160	22,482	(1.4)%
Net interest income	19,202	22,625	(15.1)%
Total noninterest income	5,231	7,616	(31.3)%
Total noninterest expense	19,681	18,972	3.7%
Selected Ratios			
Allowance for loan loss to total loans	1.55%	1.36%	14.0%
Return on average assets	(0.56)%	1.04%	(153.8)%
Return on average equity	(6.94)%	12.01%	(157.8)%
Average equity to average assets	8.13%	8.67%	(6.23)%

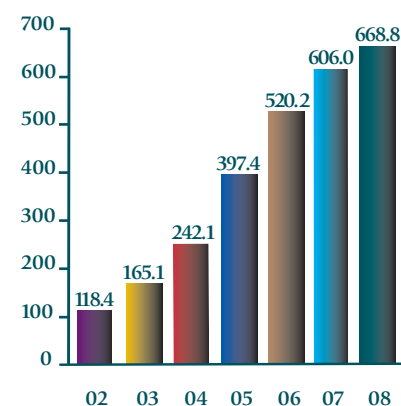
Total Deposits (\$ millions)



Total Loans (\$ millions)



Total Assets (\$ millions)



Forward Looking Statement

Certain statements in this document contain “forward-looking statements,” such as statements relating to future plans and expectations. Such forward-looking statements are subject to risks and uncertainties, such as a downturn in the economy, greater than expected noninterest expenses, or excessive loan losses, which could cause actual results to differ materially from future plans and expectations expressed or implied by such forward-looking statements. For a more detailed description of factors that could cause such differences, please see our filings with the SEC.

Although we believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove to be inaccurate. Therefore, we can give no assurance that the results contemplated in the forward-looking statements will be realized. The inclusion of this forward-looking information should not be construed as a representation by our company or any person that future events, plans, or expectations contemplated by our company will be achieved. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

2008 Annual Report Overview

Board of Directors

Michael Bert Anderson

Managing Owner
Oceana Resorts

Bart Buie

Certified Public Accountant
Bartlett Buie, CPA, P.A.

Raymond E. Cleary, III, DDS

Chairman of the Board
Beach First National Bancshares, Inc.
Dentist
Glenn's Bay Dentists at Surfside

E. Thomas Fulmer

Owner
Beachcomber Realty

Michael D. Harrington

General Contractor
Harrington Construction Company, Inc.

Joe N. Jarrett, Jr., MD

Orthopaedic Surgeon
Strand Orthopaedic Consultants, LLC

Richard E. Lester

Attorney
Lester & Lester, P.A.

Leigh Ammons Meese

President
Sea Mist Resort and Family Kingdom
Amusement Park

Rick H. Seagroves

Owner
Southeast Restaurant Corporation

Don J. Smith

President
Coldwell Banker Chicora Real Estate

Samuel R. Spann, Jr.

President
Spann Roofing and Sheet Metal, Inc.

B. Larkin Spivey, Jr.

Owner
Spivey Company, LLC

Walter E. Standish, III

President and Chief Executive Officer
Beach First National Bank

James C. Yahnis

Beverage Wholesaler
The Yahnis Company

Executive Officers

Walter E. Standish, III

President
Chief Executive Officer

Gary S. Austin

Executive Vice President
Chief Financial Officer

Julien E. Springs

Executive Vice President
Business Development Officer

M. Katharine (Katie) Huntley

Executive Vice President
Chief Credit Officer

Business Development Boards

Hilton Head Island

Paul Cale

Owner/President, Hilton Head Vacation
Rentals

David Howard

President, Allied Management Group

Mark June, CPA

Managing Director, June & Associates, CPA

Gloria LaCoe

Realtor, Dunes Marketing

Hale Mayer

Retired

Mary Navis

President, Billy Wood Appliance

Joe Ryan

Broker-in-Charge/Owner,
Weichert Realty-Coastal Properties

Dennis Sexton

President, Dennis Sexton Home Builders

Chuck Slusne

Owner, Coastal Home & Villa Rentals

Jeff Wilson

President, Pinnacle Southeastern, Inc.

South Strand

Brian J. Brady, CPA, PFS, ChFC

Lawlor & Brady CPAs, LLC
Lawlor & Brady Financial Planning, LLC

Tim Conner

Owner, American Athletic Clubs

Allen B. Foxworth

President, Foxworth Development, Inc.

Laura Jackson Hoy

The Jackson Companies

Frederick C. Parsons, III

Attorney, Parsons, Ouerson, Stark, Guest,
and Neill, PA

Helen Smith

Project Manager, SE Smith Construction Co., Inc.
Developer/Owner, The Park at Forestbrook and
Maddington Place Condos

Pawleys Island

Van Arrington

Pastor, My Father's House

Jackie Epperson, M.D.

Inlet Medical Associates

Donald Godwin

Owner, Southern Asphalt

Heyward Gullede

Investor/Real Estate Appraiser

Lee Hewitt

Co-Owner, Garden City Realty

Vida Miller

Owner, Gray Man Gallery and South Carolina
State Representative

North Strand

J. Michael Campbell

Sales Representative, Blanchard
Machinery

Bunkie Ford

Owner, Ford's Fuel Service, Inc., Ford's
Propane, Inc., and Affordable Trailers

Roger P. Roy, Jr.

Attorney, Cook & Roy, LLC

Mickey Thompson

Owner, Marine Service Center of
Little River

Quinn Thompson

Owner, Thompson Roofing Company

Joey Todd

Owner, Atlantic Heating and Cooling

Tina Yates

Owner, Hoskins Restaurant

Full Service Banking Offices

Hilton Head Island – Pineland Station

430 William Hilton Parkway
Suite 100
Hilton Head Island, SC 29926
843.342.8866

Hilton Head Island – The Village at Wexford

1000 William Hilton Parkway
Suite F-4
Hilton Head Island, SC 29928
843.842.3232

Myrtle Beach Main

3751 Grissom Parkway
Suite 100
Myrtle Beach, SC 29577
843.626.2265

North Myrtle Beach

710 Highway 17 North
North Myrtle Beach, SC 29582
843.663.2265

Pawleys Island

115 Willbrook Boulevard
Suite A
Pawleys Island, SC 29585
843.979.5300

73rd Avenue North

7202 North Kings Highway
Myrtle Beach, SC 29572
843.839.9750

Surfside Beach

3064 Dick Pond Road
Surfside Beach, SC 29588
843.294.6000

Mortgage Offices

Raleigh

1005 Bullard Court
Suite 107
Raleigh, NC 27615
919.848.2313

Sterling

2125 Ridgetop Circle
Suite 175
Sterling, VA 20166
703.462.1454

Burke

9554-F Old Keene Road
Burke, VA 22015
703.564.8019

Fredericksburg

10500 Wakeman Drive
Suite 300
Fredericksburg, VA 22407
800.261.1833

Little River

1384 Highway 17
Little River, SC 29566
800.261.1834



Banking should always be this easy.

3751 Grissom Parkway, Suite 100
Myrtle Beach, SC 29577
843.626.2265

beachfirst.com