DATE LAST REVIEWED: October 26, 2016
DATE LAST REVISED: October 28, 2009
ADOPTED BY BOARD: October 26, 2016

SOUTHFIRST BANCSHARES, INC.

Luxury Expenditure Policy

SouthFirst Bancshares, Inc. (the "Company") hereby enacts this Policy Concerning Luxury Expenditures (this "Policy'") for the purpose of compliance with Section 111(d) of the Emergency Economic Stabilization Act of 2008, as amended ("EESA").

1. Introduction. The Company entered into a transaction with the United States Department of Treasury (the "Treasury") and as a result, became a participant in the Capital Purchase Program ("CPP"), as authorized under the Troubled Asset Relief Program ("TARP"). As a result of the Company's participation in the CPP, the Company is subject to executive compensation and other restrictions as set forth in the CPP, as modified by the American Recovery and Reinvestment Act of 2009, and the Interim Final Rule on TARP Standards for Compensation and Corporate Governance published in the Federal Register on June 15, 2009 (the "Interim Final Rule"). The foregoing restrictions require that the Board of Directors of each CPP recipient put in place a company-wide policy regarding excessive or luxury expenditures, as identified by the Secretary of the Department of the U.S. Treasury.

This Policy affirms the Company's obligation that any excessive or luxury expenditures (as defined below) must comply with the requirements of the EESA, and the Interim Final Rule, and sets forth procedures to ensure compliance. This Policy applies not only to excessive or luxury expenditures incurred by the Company, but also on behalf of the Company by an entity that, along with the Company, would be treated as a "TARP recipient" (as defined by 31 C.F.R. §30.1, each an "Affiliate"). The Company shall cause each Affiliate to adopt and/or ratify this Policy to the extent necessary to comply with EESA.

2. General Prohibition on Excessive or Luxury Expenditures. The Company prohibits excessive or luxury expenditures on entertainment or events, office or facility renovations, aviation or other transportation services or other activities or events that are not reasonable expenditures for conferences, staff development, reasonable performance incentives, customer development or other similar measure conducted in the normal course of business operations.

3. Renovations. Renovations of facilities and office spaces should be in an amount substantially consistent with the approved budget. An exception to this can be allowed if management must deal with an emergency situation, such as an act of nature, and the expenditure is necessary to make the facility operational for customer use. At no time should renovations be done that would have the appearance of being extraordinary, or excessive from a shareholder perspective. Reasonable renovations from customer service areas shall be specifically excluded from this restriction.

4. **Entertainment**. Entertainment is defined as an activity which an employee or executive would use corporate funds for business development purpose relating to a current customer or prospective customer, or to further enhance the Company's or its Affiliates' marketing efforts. Our policy is that all expenses incurred to the Company be for Company purposes, and used to drive the business of the Company or its Affiliates. Occasional events such as taking customers or prospective customers on trips, playing golf, attending sporting events, concerts, theater, eating dinner or taking them to other events the customer/prospective customer would find enjoyable are a necessary part of the Company's marketing efforts and are not deemed "luxury expenses" or a violation of this Policy. Similarly, events and parties focused on customers for the purpose of attracting their business do not fall within the scope of this Policy. These expenses should continue to be documented and detailed as to the benefit derived by the Company and/or the Company's subsidiary, SouthFirst Bank, through the normal accounts payable process. Entertainment and event expenditures anticipated to be in excess of $1,000 must be reviewed with and approved by the Chief Executive Officer of the Company prior to expenditure.

5. **Conferences**. Directors, officers and employees of the Company and its Affiliates are encouraged to attend conferences that are appropriate educational opportunities. These conferences should be related to the financial industry and have a direct correlation to the individual's job. At times it may be appropriate that a spouse would travel to these conferences with Company attendees. Typically, these conferences are sponsored by vendors, banking associations or other industry related entities.

6. **Employee Recognition/Holiday Parties**. The Company feels that employee recognition/holiday parties are part of an employee appreciation process. The venue and expense associated with these events shall balance the interests of employee appreciation and the Company's goal in keeping expenses at a reasonable amount.

7. **Board/Management Retreats**. Retreats shall only by used for educational or business planning purposes, and should be kept in consideration and looked at, in the same view and discretion as all other expenses. Board education is a vital part of maintaining, and keeping a dynamic director base, and this Policy should not limit a retreat that is focused on strategic planning or education.

8. **Aviation and Transportation Services**. Transportation for Company staff to outlying locations, including bank locations, conferences, business development meetings, and merger and acquisition research, review and negotiation, should be conducted in a cost-appropriate manner. Permitted modes of transportation include automobiles and commercial air, bus or rail service. The selection of transportation services should include assessment of cost, efficiency and timeliness of travel. First class and business class travel on commercial airlines is discouraged if there is incremental cost to the Company and lower class seats are available. Upgrades to first class or business class travel are allowed when the traveler is a frequent flier with free upgrades at no incremental cost to the Company. Business class travel is allowed on commercial flights exceeding 5 hours.

9. **Prohibited Expenditures**. The Company hereby designates the following specific expenditures as excessive: aircraft leases, non-business travel, use of chauffeurs and limousines, interest-free loans, payment of personal debts, and off-site, non-business meetings.

10. **Expenses Requiring Prior Approval**. The following expenses will be deemed as "Luxury Expenditures" and will require the express approval and certification from the Company's Chief Executive Officer:

(a) Any expenditure that, prior to the implementation of the Policy, required the prior approval of one of the Company's "Senior Executive Officers," said officers being identified each year for the purpose of compliance with the CPP, other similar executive officers of the Company, or the Company's Board of Directors; and

(b) Those expenditures that are classified by the Company's Board of Directors or Chief Executive Officer as an expenditure requiring prior approval.

11. **Approval Procedure**.

(a) In the event that an Employee of the Company seeks to obtain approval for an expenditure requiring such approval pursuant to the terms hereof, said employee must submit a request for the approval, in writing, to the Company's Chief Executive Officer, and include in such request, the employee's explanation as to why the expenditure is necessary (the "Luxury Expenditure Request").

(b) Following the submittal of the Luxury Expenditure Request, the Company's Chief Executive Officer shall review the Luxury Expenditure Request and if the Luxury Expenditure Request is deemed to be necessary and in the best interests of the Company, the Luxury Expenditure Request will be approved by way of written certification from the Company's Chief Executive Officer (the "Approval Certification").

(c) The Approval Certification shall be filed with the Company's records.

12. **Compliance with Policy and Annual Board Review**.

(a) Compliance with this Policy shall be the primary responsibility of the Company's Chief Executive Officer. Any violation of this policy should be reported directly to the Chief Executive Officer, or directly to the Board of Directors. Any violations of this Policy shall be treated in the same manner as a violation of any other Company or Affiliate policy, in accordance with the Company's or Affiliate's employee handbook or similar document.

(b) A review of the Company's compliance with this Policy shall be incorporated into the Company's regular compliance program, and a report regarding the findings of that compliance review will be made to the Board of Directors on at least an annual basis. The Company's internal auditor will also review compliance with this Policy as a part of the Company's regular internal audit program. In addition, at least annually, sufficient time will be allocated during one of the regular meetings of the Board of Directors for a general review of this Policy's requirements in light of the requirements of EESA and the Interim Final Rule as the same may be amended from time to time. If it is determined that this Policy needs to be revised because of amendments to EESA or to the regulations of Treasury or other relevant regulatory agencies, or because of changes to the policies of Treasury or other regulatory agencies having jurisdiction over the Company, the Board of Directors, after consulting with counsel, will make the necessary changes to this Policy.

13. **Publication of Policy**. Not later than the effective date of this Policy following approval by the Board of Directors, a copy of this Policy shall be promptly submitted to Treasury and shall be posted on the Company's website. In the event of any Board-approved amendments to this Policy, a copy of the amended Policy shall be promptly submitted to Treasury and the Company's website shall be updated to reflect such amendments.

14. **Termination**. This Policy shall remain outstanding so long as Treasury maintains an investment in the Company pursuant to the TARP. In the event that the Company repays in full all funds received from Treasury under the TARP and is no longer subject to the TARP requirements, then this Policy shall automatically terminate and will no longer be in force.