

SUPERVISORY AGREEMENT

This Supervisory Agreement (Agreement) is made this 4th day of March, 2011, by and through the Board of Directors (Board) of Southfirst Bancshares, Inc., Sylacauga, Alabama, OTS Docket No. H-2342 (Holding Company) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Southeast Region (Regional Director);

WHEREAS, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

WHEREAS, the Holding Company is subject to examination, regulation and supervision by the OTS; and

WHEREAS, based on its August 9, 2010 examination of the Holding Company (2010 Examination), the OTS finds that the Holding Company has engaged in unsafe or unsound practices and/or violations of law or regulation; and

WHEREAS, in furtherance of their common goal to ensure that the Holding Company addresses the unsafe or unsound practices and/or violations of law or regulation identified by the OTS in the 2010 Examination, the Holding Company and the OTS have mutually agreed to enter into this Agreement; and

WHEREAS, on March 3, 2011, the Holding Company's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Holding Company to enter into this Agreement and directs compliance by the Holding Company and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

NOW THEREFORE, in consideration of the above premises, it is agreed as follows:

Cash Flow Projections.

1. Within sixty (60) days, the Holding Company shall, on an unconsolidated basis, develop and submit to the Regional Director a cash flow projection for the fiscal year ended September 30, 2011 (Cash Flow Projection). Thereafter, Cash Flow Projections for successive fiscal years shall be submitted to the Regional Director not less than sixty (60) days prior to the beginning of the fiscal year. The Cash Flow Projection shall identify and describe alternative sources of liquidity to meet all obligations of the Holding Company and include all assumptions used in making the Cash Flow Projection. The Cash Flow Projection shall be consistent with applicable law, regulation and regulatory guidance including, but not limited to, the Interagency Policy Statement on Funding and Liquidity Risk Management (March 17, 2010).

2. Within forty-five (45) days after the end of each quarter, beginning with the quarter ended June 30, 2011, the Holding Company shall submit to the Regional Director quarterly variance reports regarding the Holding Company's compliance with the Cash Flow Projection (Cash Flow Variance Report).

Association Oversight.

3. Effective immediately, the Holding Company shall ensure the Association's compliance with applicable laws, rules, regulations, and agency guidance and the terms of the Supervisory Agreement issued by the OTS against the Association on March 4, 2011.

Dividends.

4. Effective immediately, the Holding Company shall not declare or pay any dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without the prior written non-objection of the Regional Director. The Holding Company's written request for

non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

Debt Limitations.

5. Effective immediately, the Holding Company, on an unconsolidated basis, shall not: (a) incur, issue, renew, repay, or rollover any debt or debt securities,¹ increase any current lines of credit, guarantee the debt of any entity, or otherwise incur any additional debt without receiving the prior written non-objection of the Regional Director. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt issuance, renewal, or rollover; the proposed increase in any current lines of credit; the proposed guarantee of the debt of any entity; or any other incurrence of additional debt.

Transactions with Affiliates.

6. Effective immediately, the Holding Company shall not enter into any agreements, contracts, transactions or arrangements with the Association, or renew, amend, or modify any existing agreements, contracts, transactions or arrangements with the Association without receiving the prior written non-objection of the Regional Director. The Holding Company's written request for non-objection shall be submitted to the Regional Director at least forty-five (45) days prior to the proposed date of any transaction covered by this Paragraph.

7. Within sixty (60) days, the Holding Company shall correct all violations of 12 C.F.R. § 563.41 and Regulation W, 12 C.F.R. Part 223, identified by the OTS in the 2010 Examination.

¹ For purposes of this Paragraph of the Order, the term "debt" includes, but is not limited to: loans, bonds, cumulative preferred stock, hybrid capital instruments such as subordinated debt or trust preferred securities, and guarantees of debt; and does not include: liabilities that are incurred in the ordinary course of business to acquire goods and services and that are normally recorded as accounts payable under generally accepted accounting principles.

Directorate and Management Changes.

8. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers² set forth in 12 C.F.R. Part 563, Subpart H.

Employment Contracts and Compensation Arrangements.

9. Effective immediately, the Holding Company shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Holding Company, unless it first provides the Regional Director with not less than forty-five (45) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites.

10. Effective immediately, the Holding Company shall not make or agree to make any incentive compensation payments (cash or non-cash) to Senior Executive Officers who also are directors of the Holding Company without the prior written approval of the Regional Director.

Golden Parachute and Indemnification Payments.

11. Effective immediately, the Holding Company shall not make any golden parachute payment³ or prohibited indemnification payment⁴ unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 C.F.R. Part 359.

² The term "Senior Executive Officer" is defined at 12 C.F.R. § 563.555.

³ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

⁴ The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

Board Oversight of Compliance with Order.

12. Within thirty (30) days, the Board shall designate a committee to monitor and coordinate the Holding Company's compliance with the provisions of this Order (Oversight Committee).

The Oversight Committee shall be comprised of three (3) or more directors, the majority of whom shall be independent⁵ directors.

13. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Oversight Committee shall submit a written compliance progress report to the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Order;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

14. Within forty-five (45) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Order. Following its review, the Board shall adopt a resolution: (a)

⁵ For purposes of this Order, an individual who is "independent" with respect to the Holding Company shall be any individual who:

- (a) is not employed in any capacity by the Holding Company, its subsidiaries, or its affiliates, other than as a director;
- (b) does not own or control more than ten percent (10%) of the outstanding shares of the Holding Company or any of its affiliates;
- (c) is not related by blood or marriage to any officer or director of the Holding Company or any of its affiliates, or to any shareholder owning more than ten percent (10%) of the outstanding shares of the Holding Company or any of its affiliates, and who does not otherwise share a common financial interest with any such officer, director or shareholder;
- (d) is not indebted, directly or indirectly, to the Holding Company or any of its affiliates, including the indebtedness of any entity in which the individual has a substantial financial interest, in an amount exceeding 10 percent (10%) of the Association's total Tier 1 (Core) capital; and
- (e) has not served as a consultant, advisor, underwriter, or legal counsel to the Holding Company or any of its affiliates.

certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within ten (10) days after the Board meeting.

Effective Date.

15. This Agreement is effective on the Effective Date as shown on the first page.

Duration.

16. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

Time Calculations.

17. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

Submissions and Notices.

18. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

19. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

- (a) To the OTS:
Regional Director
Office of Thrift Supervision
1475 Peachtree St., NE
Atlanta, Georgia 30309

- (b) To the Holding Company:
Southfirst Bancshares, Inc.
Board of Directors
c/o Chairman
126 N. Norton Ave.
Sylacauga, AL 35150

No Violations Authorized.

20. Nothing in this Agreement shall be construed as allowing the Holding Company, its Board, officers or employees to violate any law, rule, or regulation.

OTS Authority Not Affected.

21. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Holding Company if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

Other Governmental Actions Not Affected.

22. The Holding Company acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph [xx] above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

Miscellaneous.

23. The laws of the United States of America shall govern the construction and validity of this Agreement.

24. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the

remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

25. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

26. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

27. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

Enforceability of Agreement.

28. This Agreement is a "written agreement" entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

Signature of Directors/Board Resolution.

29. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Holding Company to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

WHEREFORE, the OTS, acting by and through its Regional Director, and the Board of the Holding Company, hereby execute this Agreement.

SOUTHFIRST BANCSHARES, INC.
Sylacauga, Alabama

OFFICE OF THRIFT SUPERVISION

By: _____ /s/ _____
Allen G. McMillan, III, Chairman

By: _____ /s/ _____
James G. Price
Regional Director, Southeast Region

Directors Signatures

_____/s/_____
H. David Foote, Jr., Director

_____/s/_____
L. Neal Bice, Director

_____/s/_____
Kenneth E. Easterling, Director

_____/s/_____
Donald R. Hardy, Director

_____/s/_____
Robert C. Hayes, Director