SOUTHFIRST BANCSHARES, INC.

(an Alabama corporation)

2,760 Shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A
138 Shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B

PLACEMENT AGENCY AGREEMENT

June 15, 2015

The Placement Agents Set
Forth on Schedule A hereto

Ladies and Gentlemen:

The United States Department of the Treasury (the “Selling Shareholder”) confirms its agreement (this “Agreement”) with the placement agents set forth on Schedule A hereto (the “Placement Agents”) with respect to the direct sale by the Selling Shareholder to one or more Winning Bidders (as defined in Section 2(a) hereof) and the placement, as agent of the Selling Shareholder, by the Placement Agents of 2,760 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A, par value $0.01 per share, and 138 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B, par value $0.01 per share, of SouthFirst Bancshares, Inc., an Alabama corporation (the “Company”) (the “Securities”).

Offers in the auction for the Securities (the “Auction”) will only be made to potential investors who are (i) “qualified institutional buyers” (as defined in Rule 144A under the Securities Act of 1933, as amended (the “1933 Act”)) that are organized under the laws of a state of the U.S. or the District of Columbia or (ii) institutions or other entities that are “accredited investors” that meet the standards in Rule 501(a)(1), (2), (3) or (7) under the 1933 Act and having total assets or assets under management of not less than $25,000,000, that are organized under the laws of a state of the U.S. or the District of Columbia who or which, in each case, meet the suitability requirements set forth in the bidder letter provided by each bidder (each, a “Bidder”), a form of which is attached hereto as Schedule B (each, a “Bidder Letter”), and such offers and the sale of the Securities to the Winning Bidder(s) will be made without registration under the 1933 Act.

SECTION 1. Representations and Warranties of the Selling Shareholder.
Representations and Warranties by the Selling Shareholder. The Selling Shareholder represents and warrants to the Winning Bidder(s) (as defined below) and each Placement Agent, at the date of execution of this Agreement, on the date (the “Pricing Date”) and at the time that the clearing price for the Securities is determined in accordance with Section 2(a) hereof (the “Applicable Time”) and the Closing Time (as defined below) (each, a “Representation Date”), and agrees with the Winning Bidder(s) and each Placement Agent, as follows:

(a) Good and Marketable Title. The Selling Shareholder now has and at the Closing Time will have good and marketable title to the Securities to be sold by it, free and clear of any liens, encumbrances, equities and claims, and full right, power and authority to effect the sale and delivery of the Securities. Upon the delivery of, against payment for, the Securities pursuant to this Agreement and the Bidder Letter with each Winning Bidder and, assuming a Winning Bidder does not have notice of any adverse claim (within the meaning of the Uniform Commercial Code of the State of New York in effect on the date hereof), such Winning Bidder will acquire good and marketable title thereto, free and clear of any liens, encumbrances, equities and claims.

(b) Authorization of Agreement. The Selling Shareholder has full right, power and authority to execute and deliver this Agreement and to perform its obligations hereunder, and this Agreement has been duly authorized, executed and delivered by or on behalf of the Selling Shareholder.

(c) Absence of Further Requirements. No consent, approval or waiver is required under any instrument or agreement to which the Selling Shareholder is a party or by which the Selling Shareholder is bound in connection with the Auction, the offering and sale by the Selling Shareholder and the purchase by a Winning Bidder of any of the Securities under this Agreement or the Bidder Letter with such Winning Bidder or the consummation by the Selling Shareholder of any of the other transactions contemplated under this Agreement or such Bidder Letter.

SECTION 2. Sale and Delivery of Securities: Closing.

(a) Securities. On the basis of the representations, warranties and covenants contained herein and in each Bidder Letter, and subject to the terms and conditions contained herein and in the auction procedures described in each Bidder Letter (the “Auction Procedures”), the Selling Shareholder agrees to sell, and each Placement Agent agrees to use commercially reasonable efforts to place, the number of Securities at the clearing price, in each case, determined in accordance with the Auction Procedures, directly to the Bidder or Bidders that the Placement Agents and the Selling Shareholder determine, pursuant to the Auction Procedures, has won the Auction (each such Bidder, a “Winning Bidder”); provided that the Selling Shareholder may, in its discretion, determine not to sell any Securities upon completion of the Auction. The Selling Shareholder shall notify the Placement Agents whether it has decided to sell the Securities in the Auction as promptly as practicable after completion of the Auction and
determination of the clearing price, as well as the specific number of Securities it has decided to sell.

(b) **Payment.** Payment of the purchase price for, and delivery of certificates for, the Securities shall be made at the offices of Paul, Weiss, Rifkind, Wharton & Garrison LLP, or at such other place as shall be agreed upon by the Winning Bidder(s) and the Selling Shareholder, at 9:00 A.M. (New York City time) on the seventh business day after the Pricing Date, or such other time not later than ten business days after such date as shall be agreed upon by the Winning Bidder(s) and the Selling Shareholder (such time and date of payment and delivery being herein called “Closing Time”).

Prior to the Closing Time, the Selling Shareholder, or a Placement Agent, if so directed by the Selling Shareholder, will provide payment and wire transfer instructions to the Winning Bidder(s). At or prior to the Closing Time, each Winning Bidder shall make payment to the Selling Shareholder by wire transfer of immediately available funds in accordance with such instructions against delivery at the Closing Time to such Winning Bidder of certificates for the Securities in physical form registered in the name of such Winning Bidder or its authorized agent or nominee.

Notwithstanding anything to the contrary contained herein, no Placement Agent shall have any obligation to purchase any Securities from the Selling Shareholder or have any liability, to the Selling Shareholder or otherwise, in the event that a Winning Bidder fails to consummate the purchase of the Securities.

SECTION 3. **Conditions of Placement Agents’ and Selling Shareholder’s Obligations.** The obligations of the Placement Agents and the Selling Shareholder hereunder are subject to the following conditions:

(a) **Accuracy of Representations and Warranties; Performance of Covenants.** At the Closing Time, the representations and warranties contained herein, shall be true and correct, when made, and at the Closing Time.

(b) **Maintenance of Rating.** Since the execution of this Agreement, there shall not have been any decrease in or withdrawal of the rating of any securities of the Company or any of its subsidiaries (including any banking subsidiary) by any “nationally recognized statistical rating organization” (as defined for purposes of Section 3(a)(62) of the Securities Exchange Act of 1934, as amended) or any notice given of any intended or potential decrease in or withdrawal of any such rating or of a possible change in any such rating that does not indicate the direction of the possible change.
(c) **Determination of Clearing Price.** The Selling Shareholder and the Placement Agents shall have determined, in writing, the clearing price for the Securities in the Auction.

(d) **Reissuance of Securities.** The Company shall have reissued the Securities, in the respective numbers determined in accordance with the Auction Procedures, in physical form in the name of each Winning Bidder or its authorized agent or nominee.

(e) **Termination of Agreement.** If any condition specified in this Section shall not have been fulfilled when and as required to be fulfilled or will not have been fulfilled when and as required to be fulfilled, the obligations of the Placement Agents may be terminated by the Placement Agents by notice to the Selling Shareholder at any time at or prior to Closing Time, and such termination shall be without liability of any party to any other party and except that Sections 1, 4, 8, 9 and 10 shall survive any such termination and remain in full force and effect.

SECTION 4. **Representations, Warranties and Agreements to Survive.** All representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect regardless of (i) any investigation made by or on behalf of a Placement Agent or its Affiliates, partners, officers, directors and or selling agents or any person controlling a Placement Agent and (ii) delivery of and payment for the Securities.

SECTION 5. **Termination of Agreement.**

(a) **Termination.** The Placement Agents may terminate this Agreement, by notice to the Selling Shareholder, at any time at or prior to the Closing Time, (i) if there has been, in the judgment of the Placement Agents, since the time of execution of this Agreement or since the date of the latest audited balance sheet included in the last financial statements of the Company filed with the applicable regulator, any material adverse change in the condition, financial or otherwise, or in the earnings business affairs or business prospects of the Company and its subsidiaries considered as one enterprise, whether or not arising in the ordinary course of business, or (ii) if there has occurred any material adverse change in the financial markets in the United States or the international financial markets, any outbreak of hostilities or escalation thereof or other calamity or crisis or any change or development involving a prospective change in national or international political, financial or economic conditions, in each case the effect of which is such as to make it, in the judgment of the Placement Agents, impracticable or inadvisable to proceed with the completion of the offering of the Securities or to enforce contracts for the sale of the Securities, or (iii) if trading generally on the New York Stock Exchange or in the Nasdaq Global Market has been suspended or materially limited, or minimum or maximum prices for trading have been fixed, or maximum ranges for prices have been required, by any of said exchanges or by order of the Securities and Exchange Commission, the Financial Industry Regulatory Authority or any other court, governmental body, regulatory body, administrative agency or other authority, body or agency having authority over the Company or any of its subsidiaries or any of their respective properties, assets or operations, or (iv) if a material disruption has occurred in commercial banking or securities settlement or clearance
services in the United States or with respect to Clearstream or Euroclear systems in Europe, or (v) if a banking moratorium has been declared by either Federal, New York or Alabama authorities.

(b) Liabilities. If this Agreement is terminated pursuant to this Section, such termination shall be without liability of any party to any other party, and provided further that Sections 1, 4, 8, 9 and 10 shall survive such termination and remain in full force and effect.

SECTION 7. Parties. This Agreement shall inure to the benefit of and be binding upon the Placement Agents, the Selling Shareholder, Houlihan Lokey Capital, Inc. (the “Financial Agent”) and the Winning Bidder(s) and their respective successors. Nothing expressed or mentioned in this Agreement is intended or shall be construed to give any person, firm or corporation, other than the Placement Agents, the Selling Shareholder, the Financial Agent and the Winning Bidder(s) and their successors any legal or equitable right, remedy or claim under or in respect of this Agreement or any provision herein contained. This Agreement and all conditions and provisions hereof are intended to be for the sole and exclusive benefit of the Placement Agents, the Selling Shareholder, the Financial Agent and the Winning Bidder(s) and such successors, and for the benefit of no other person, firm or corporation. No purchaser of Securities shall be deemed to be a successor by reason merely of such purchase. The Placement Agents, the Selling Shareholder and the Winning Bidder(s) agree that the Financial Agent shall be an express third party beneficiary of this Agreement, and entitled to enforce any rights granted to the Financial Agent hereunder as if it were a party hereto.

SECTION 8. Trial by Jury. Each of the parties hereto other than the Selling Shareholder (on its behalf and, to the extent permitted by applicable law, on behalf of its stockholders and affiliates) hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

SECTION 9. GOVERNING LAW. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF, THE STATE OF NEW YORK WITHOUT REGARD TO ITS CHOICE OF LAW PROVISIONS (OTHER THAN SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF NEW YORK), PROVIDED THAT ALL RIGHTS AND OBLIGATIONS OF THE
SELLING SHAREHOLDER UNDER THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE FEDERAL LAWS OF THE UNITED STATES OF AMERICA.

SECTION 10. Consent to Jurisdiction. Each of the parties hereto other than the Selling Shareholder agrees that any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby ("Related Proceedings") shall be instituted in (i) the federal courts of the United States of America located in the City and County of New York, Borough of Manhattan or (ii) the courts of the State of New York located in the City and County of New York, Borough of Manhattan (collectively, the "Specified Courts"), and irrevocably submits to the exclusive jurisdiction (except for proceedings instituted in regard to the enforcement of a judgment of any Specified Court (a "Related Judgment"), as to which such jurisdiction is non-exclusive) of the Specified Courts in any such suit, action or proceeding. Service of any process, summons, notice or document by mail to such party’s address set forth above shall be effective service of process for any suit, action or proceeding brought in any Specified Court. Each of the parties hereto irrevocably and unconditionally waives any objection to the laying of venue of any suit, action or proceeding in the Specified Courts and irrevocably and unconditionally waive and agree not to plead or claim in any Specified Court that any such suit, action or proceeding brought in any Specified Court has been brought in an inconvenient forum.

SECTION 11. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement.

SECTION 12. Effect of Headings. The Section headings herein are for convenience only and shall not affect the construction hereof.

[Signature Page Follows]
If the foregoing is in accordance with your understanding of our agreement, please sign and return a counterpart hereof, whereupon this instrument, along with all counterparts, will become a binding agreement among each Placement Agent and the Selling Shareholder in accordance with its terms.

Very truly yours,

UNITED STATES DEPARTMENT OF
THE TREASURY, as Selling Shareholder

By: [Name: Trevor Montano]
   Title: Chief Investment Officer

[Signature Page to SouthFirst Bancshares, Inc. Placement Agency Agreement]
CONFIRMED AND ACCEPTED,  
as of the date first above written:

SANDLER O'NEILL & PARTNERS, L.P.,  
as Placement Agent

By: Sandler O'Neill & Partners Corp.,  
the sole general partner

By: ________________________________
Name: ROBERT A. KLEINERT  
Title: AN OFFICER OF THE CORPORATION

STIFEL, NICOLAUS & COMPANY, INCORPORATED,  
as Placement Agent

By: ________________________________
Authorized Signatory

[Signature Page to SouthFirst Bancshares, Inc. Placement Agency Agreement]
CONFIRMED AND ACCEPTED,
as of the date first above written:

SANDLER O'NEILL & PARTNERS, L.P.,
as Placement Agent

By: Sandler O'Neil & Partners Corp.,
the sole general partner

By: ________________________________
   Name:
   Title:

STIFEL, NICOLAUS & COMPANY, INCORPORATED,
as Placement Agent

[Signature Page to SouthFirst Bancshares, Inc. Placement Agency Agreement]
SCHEDULE A

Placement Agents

Sandler O’Neill & Partners, L.P.
1251 Avenue of the Americas, 6th Floor
New York, New York 10020
Attn: General Counsel

Stifel, Nicolaus & Company, Incorporated
787 Seventh Avenue, 5th Floor
New York, NY 10019
Attn: Ben Plotkin, with a copy to Capital Markets Legal
SCHEDULE B

Form of Bidder Letter

(See Attached)