

WHISTLEBLOWER POLICY

I. POLICY

Statement of Definition and Purpose

The Sarbanes-Oxley Act has made the conduct of financial institutions, associates, senior management, and the Board of Directors subject to increased scrutiny and accountability. The public (regulators, investors, and shareholders) expect financial institutions to uphold the highest ethical standards in accounting, internal controls, and auditing matters.

Southern First (the "Bank") Bancshares, Inc., and its subsidiaries ("Southern First Bank") ("Bank") are strongly committed to its code of ethical conduct and integrity. Compliance with regulatory and legal guidelines, generally accepted accounting principles, and the Bank's internal accounting and auditing controls is expected of the Bank, its officers, directors, and associates. It is a condition of continued employment.

In recognizing the expectation of high ethical standards, Southern First has developed this policy to outline reporting mechanisms for all bank associates to employ should they detect any financial fraud. This policy also discusses the protection provided to anyone who makes such a report.

II. PROCEDURE

A. REPORTING VIOLATIONS

Associates, directors, and shareholders of Southern First have the responsibility of bringing any financial ethical violations to the attention of the Audit Committee or the Bank's internal auditor. All Southern First associates are encouraged to report either verbally or in writing to their immediate supervisor, or alternate line of authority as hereinafter described, all evidence of activity by a Southern First department or associate that may constitute:

- Questionable accounting or auditing matters.
- Instances of corporate fraud.
- Unethical business conduct.
- Violations of SEC rules or regulations.
- A violation of state or Federal law; or
- Substantial and specific danger to the associates or public's health and safety.

Any seriously inappropriate insider activity or a breach of the Bank's code of ethics will ultimately be reviewed and acted upon by the entire Audit Committee per the guidelines set forth in the Charter of the Audit Committee of the Board of Directors or the Bank's internal auditor. After considering the facts, the gravity of the conduct, and any potential breach of trust, appropriate action will be taken.

B. SCOPE OF MATTERS COVERED BY THESE PROCEDURES

These procedures relate to associate complaints relating to any questionable accounting or auditing matters, including but not limited to, the following:

- Fraud or deliberate error in the preparation, evaluation, review, or audit of any financial statement of the Bank.
- Fraud or deliberate error in the recording and maintaining of financial records of the Bank.
- Deficiencies in or noncompliance with the Bank's internal accounting controls.
- Misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the financial records, financial reports, or audit reports of the Bank; or
- Deviation from full or fair reporting of the Bank's financial condition.

C. NO RETALIATION

All persons are protected from retaliation for reporting any belief of wrongdoing as long as the person:

- Reports in good faith his or her belief there is a misstatement of the Bank's financials.
- Reports in good faith the violation or suspected violation of a law, rule, or regulation.
- Objects to or refuses to carry out a directive that constitutes corporate fraud or that the person believes in good faith to violate a law, rule or regulation, or generally accepted accounting practice.

The Bank is forbidden by law from taking any of the following retaliatory measures or adverse action against anyone for exercising their rights in this policy:

- Discharging an associate.
- Threatening the person.
- Discriminating against any associate's employment. This includes compensation, terms, conditions, location, rights, immunities, promotions, or privileges.
- Demotion, suspension, harassment, or other types of discrimination including but not limited to compensation or terms and conditions of employment that are directly related to the disclosure of such reports.

Any associate who has concerns about fraudulent, negligent, misleading, or questionable accounting or audit practices pertaining to the Bank or who has concerns regarding regulatory and legal compliance by the Bank or its officers, directors, or associates, is required to report such concerns. Associates may submit their concerns confidentially to the Audit Committee Chairman or to our internal auditor. If associates have such concerns or questions about proper conduct for themselves or anyone else, they should:

- Contact their supervisor or the Human Resources Department; or
- Contact the Audit Committee, or the Bank's internal auditor, or
- Consult the Bank Associate Handbook or Policy Manual.

The Board Audit Committee is the entity ultimately responsible for the oversight of the Bank's auditing and accounting functions and reports directly to the Board of Directors.

Associates are encouraged to provide as much specific information as possible including names, dates, places, and events that took place, the associate's perception of why the incident(s) may be a violation, and what action the associate recommends be taken. Anonymous written or telephonic communications will be accepted.

Upon receipt of a complaint, the Internal Auditor, or Audit Committee Chair will:

- (1) Determine whether the complaint pertains to accounting matters
- (2) When possible, acknowledge receipt of the complaint to the sender.

Complaints relating to accounting matters will be reviewed under the Audit Committee direction and oversight by the Internal Auditor, and/or such other persons as the Audit Committee determines to be appropriate. Confidentiality will be maintained to the fullest extent possible, consistent with the need to conduct an adequate review. Prompt and appropriate corrective action will be taken when and as warranted in the judgment of the Audit Committee.

If the concern is not satisfactorily addressed or if a situation involves a suspected violation of law, or it would be impractical to follow normal channels, written reports should be mailed to the Chairman of the Audit Committee or the Bank's internal auditor. The recipient will promptly and thoroughly review all written complaints received and take appropriate action when applicable. However, should the investigation result in a report not relating to accounting or auditing practices, the report may be referred to senior management or the appropriate committee of the Board of Directors for resolution.

In addition to the responsibility for reporting any and all questionable or improper practices, all associates are also charged with the responsibility for fully and truthfully cooperating in any investigation thereof. Any associate concealing or knowingly providing false or misleading information or participating in the destruction or falsification of documents in the course of an investigation into the Bank's practices is subject to disciplinary action, up to and including separation.

Retaliation in any form against associates who assist or participate in investigations or proceedings relating to fraud or other unlawful activity is strictly prohibited. Moreover, there will be no retaliation against an associate for raising in good faith questions or concerns about the Bank's accounting or auditing procedures.

In the event associates feel they have been subjected to retaliation in violation of this policy they should report their concern to Human Resources, the Chairman of the Audit Committee or the Bank's internal auditor, immediately. Any report of retaliation will be promptly and thoroughly investigated and, where appropriate, prompt, and effective remedial action will be taken.

Reporting and Retention of Complaints and Investigations

The Internal Auditor will maintain a log of all complaints, tracking their receipt, investigation and resolution and shall prepare a periodic summary report thereof for the Audit Committee.

CONTACTS:

Internal Auditor:

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