

PALMETTO BANCSHARES, INC.
TRUST COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER
AS OF OCTOBER 20, 2009

I. PURPOSE

The purpose of the Trust Committee (the “Committee”) of the Board of Directors of Palmetto Bancshares, Inc. (the “Company”) is to discharge the Board of Directors’ (the “Board”) responsibilities relating to monitoring of the Company’s Trust Department.

II. COMPOSITION AND MEETINGS

The Committee shall consist of five members of the Board. The Chairman of the Board and the President of the Company shall be the ex officio members. The Committee members shall be appointed by the Chairman of the Board with the approval of the Board, such appointment to be made annually at a regular meeting of the Board held within the first ninety (90) days of each year, and they shall hold their office as such until their successors are duly appointed. Vacancies occurring in the Committee shall be filled by the Chairman of the Board, subject to the approval of the Board at a regular meeting after such vacancy occurs. The powers of appointment hereby given to the Chairman of the Board may be exercised by the President in the absence of the Chairman.

Regular meetings of the Committee shall be held at the offices of the Bank, on such days and at such hour as may be fixed by the Committee; and special meetings may be held at any time upon call of the Chairman of the committee. A Vice President assigned to the Trust Department or a Trust Officer shall attend all meetings of the Committee.

III. RESPONSIBILITIES AND DUTIES

The Committee shall have general supervision and control of the sale and disposition of all property and assets, as well as of investments and re-investments of all funds and other properties which have, or may at any time, come into the custody, possession, control, or have been, or may be acquired by the Bank in its Trust Department, in its fiduciary capacity including, but not by way of limitation, in the capacity of Personal Representative, Trustee and/or Agent, and with reference to the same, and each of the same, such Committee shall possess the same authority and power as the Board. With respect to its responsibilities and duties, the Committee shall:

1. Maintain minutes of its meetings and records relating to those meetings and the Committee’s activities.

IV. COMMITTEE REPORTING

The Committee shall produce the following reports and provide them to the Board:

1. A written or oral summary of the pertinent actions taken at each Committee meeting, which shall be presented to the Board at the next Board meeting.
2. An annual performance evaluation of the Committee, which evaluation shall compare the performance of the Committee with the requirements of this charter. The performance evaluation shall also recommend to the Board any improvements to this charter deemed necessary or desirable by the Committee. The performance evaluation by the Committee shall be conducted in such manner as the Committee deems appropriate, including the use of an external consultant if desirable by the Committee.

V. AUTHORITY

In discharging its duties, the Committee is empowered to investigate any matter within the scope of its responsibilities.

The Committee shall have resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special counsel or other experts or consultants, as it deems appropriate without seeking approval of the Board or management.

Where legally permissible, the Committee shall have the authority to delegate such of its responsibilities, as the Committee may deem necessary or appropriate in its sole discretion.