

**PALMETTO BANCSHARES INC.
DIRECTORS CREDIT COMMITTEE OF THE BOARD OF DIRECTORS**

**CHARTER
AS OF OCTOBER 20, 2009**

I. PURPOSE

The Bank's Directors Credit Committee ("DCC") is established primarily to ensure consistency in the assessment and management of credit risk. The policies and guidelines approved by the DCC establish minimum standards to be met by all the Bank's lending practices. In facilitating its role, the DCC participates with Credit Administration as the Bank's policy making authority with respect to credit and risk management policies.

II. COMPOSITION AND MEETINGS

The DCC is appointed by the Board and shall be composed of at least two outside members of the Board of Directors. The Bank's Chief Credit Officer serves as the primary management liaison to DCC. The Chairman of the Board appoints the DCC Chairman. A majority of the voting members of the Committee constitutes a quorum. Each Director of the Bank shall have a standing invitation to attend any meeting of the DCC.

In general, regularly scheduled meetings of the DCC shall occur at least monthly.

III. RESPONSIBILITIES AND DUTIES

The DCC is an overview body. It monitors the Bank's loan approval process and its loan review system. It also monitors the Bank's reserve for loan losses and its problem loan management system. In short, the DCC monitors all of the lending functions of the Bank.

The DCC is a policy-generating body. Loan policies of the Bank originate with the DCC, they are then submitted to the Board of Directors for approval, and are implemented by the officers of the Bank. The DCC then monitors compliance with these policies.

The DCC is an approval body. It does not make loans; instead, it approves loans that are recommended to it by the Officers Credit Committee of the Bank. The DCC then considers all of the facts and either approves or declines the loan request. The DCC shall maintain detailed minutes of each meeting and shall submit such minutes to the Board of Directors.

Without limiting the scope of its activities, the DCC shall be responsible for formulating policy with regard to such matters as:

- Bank wide credit policy and risk management guidelines;
- Concentration limits; and
- Imposition of limitations on lending categories or sub-groups.

In addition to the above, the DCC shall perform the following:

- Review monthly all loans being charged to the Loan Loss Reserve;
- Review on a monthly basis all new extensions of credit to customers and their related interests with \$500,000 total aggregate loan commitment;
- Review the “Watch Loan List” and “Supervised Loan List” not less frequently than quarterly;
- Review the Loan Review report (or a summary thereof) produced periodically and management’s response;
- Review the Loan Policy at least each calendar year and recommend changes to the Loan Policy as necessary from time to time to the Board of Directors for adoption;
- Review Commercial Real Estate (CRE) activity monthly;
- Review the Loan-to-Value exception report; and
- Review any internal or external audit findings concerning loan or credit administration.

Credit Authority

The DCC of the Board will review and/or approve prior to loan disbursement:

- All commitments in excess of the five percent (5%) of unimpaired capital, but not more than ten percent (10%) of unimpaired capital made to a single borrower or when any principal or guarantor exceeds this limitation through a combination of related interests. Existing loans exceeding this threshold as of June 23, 2009 shall be “grandfathered” and their approvals are deemed valid for the present term provided there is not a change in terms;
- All loans to a director which, when aggregated to all other extensions of credit to such director or such director’s related interests, will exceed \$500,000.00; and
- All other loans requiring Board approval under federal Regulation “O”.

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 the authority to obtain such data, engage such professionals and advisors, and use such other internal and external resources as it determines are necessary or desirable to fulfill its responsibilities and duties. Such authority shall include the authority to consult with the Company's management and employees, incur administrative expenses, obtain external reports and other materials, and to engage outside advisors, including independent counsel, as it determines are necessary or desirable to carry out its duties.

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.