

**FIRST FARMERS AND MERCHANTS BANK  
CHARTER OF THE  
COMPENSATION COMMITTEE**

**PURPOSE**

The Compensation Committee of the Board of Directors of First Farmers and Merchants Bank (the "Bank") (i) reviews, evaluates and recommends to the Board of Directors of the Bank a compensation program and deferred profit-sharing contributions for all eligible employees, (ii) recommends to the Bank's Board of Directors fees for Board and Board committee meetings, (iii) recommends to the Board of Directors of First Farmers Merchants Corporation (the "Company") a compensation strategy consistent with the Company's objectives, and (iv) oversees the preparation of and recommends for the approval of the Company's Board of Directors a "compensation discussion and analysis" for inclusion in the Company's annual proxy statement.

**MEMBERSHIP**

The Committee shall consist of at least three members of the Board, with the exact number to be determined from time to time by the Board. All members of the Committee shall be appointed annually by, and shall serve at the discretion of, the Board. Unless a chair is elected by the full Board, the members of the Committee may elect a chair by majority vote.

At least a majority of the members of the Committee must be "independent directors" as defined under the rules of the New York Stock Exchange and "non-employee directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934.

**MEETINGS**

Meetings of the Committee shall be held at such times and at such places as the Committee chair shall determine. The Committee shall be governed by the same rules regarding meetings, action without meeting, notice, waiver of notice, quorum and voting requirements as are applicable to the Board in accordance with the Bank's Bylaws. The Committee chair shall determine when it is appropriate to call executive sessions of the non-management members of the Committee.

**MINUTES AND REPORTS**

The Committee shall maintain written minutes of its meetings, and shall present a report of its activities at each meeting of the Board.

**AUTHORITY AND RESPONSIBILITIES**

The Committee shall have the authority, duties and responsibilities described below. The Committee may establish policies and procedures governing the Committee's exercise of its authority and performance of its duties and responsibilities.

Compensation Strategy. The Committee shall establish a compensation strategy for the following executive officers of the Bank: the Chief Executive Officer (the "CEO"); the Chief Financial Officer (the "CFO"); and the three most highly compensated executive officers other than the CEO and the CFO (collectively, the "Executive Officers"). The Bank's compensation strategy shall be designed to attract and retain executive talent and motivate the Executive Officers to improve their performance and the

financial performance of the Bank. The Committee shall have the authority to determine the forms and amount of compensation appropriate to achieve the Committee's strategic objectives, including salary, bonus, incentive or performance-based compensation, and equity awards. The Committee shall review its compensation strategy at least annually to assure that it supports the Bank's objectives and that the Executive Officers are being rewarded in a manner that is consistent with the Committee's strategy.

**CEO Compensation.** The Committee shall annually review and approve the corporate goals and objectives relevant to the compensation of the CEO and evaluate the CEO's performance in light of those goals and objectives. Based on this evaluation, the Committee shall make and annually review decisions regarding (i) the CEO's salary, (ii) the extent to which any performance-based bonus award was earned, (iii) the CEO's bonus opportunity for the next fiscal year, (iv) long-term incentive opportunities, if any, for the CEO for upcoming periods, and (v) any other matter relating to the CEO's compensation that the Committee considers appropriate. In determining the appropriateness of any element of the CEO's compensation, the Committee shall determine the value of and take into account the CEO's total compensation. The Committee may rely on the reports or surveys of a relevant peer group of comparable companies with respect to the Bank's size and performance prepared by independent third parties in setting any element of the CEO's salary or in determining the appropriate level of the CEO's total compensation.

**Other Executive Officers.** The Committee shall annually review and approve the corporate goals and objectives relevant to the compensation of the Executive Officers other than the CEO (the "Other Executive Officers"), which need not be the same for each Other Executive Officer. In light of these goals and objectives, the Committee shall make and annually review decisions regarding (i) salaries paid to the Other Executive Officers, (ii) the extent to which any performance-based bonus awards were earned, (iii) the bonus opportunity for the Other Executive Officers for the following year, (iv) long-term incentive opportunities, if any, for the Other Executive Officers for upcoming periods, and (v) any other matter relating to the compensation of the Other Executive Officers that the Committee considers appropriate. In determining the appropriateness of any element of the compensation of any Other Executive Officer, the Committee shall determine the value of and take into account such Other Executive Officer's total compensation. The Committee may rely on the reports or surveys of a relevant peer group of comparable companies with respect to the Bank's size and performance prepared by independent third parties in setting any element of the Other Executive Officers' salary or in determining the appropriate level of any Other Executive Officer's total compensation.

**Perquisites.** The Committee shall review at least annually the form and amount of any perquisites paid or made available to the Executive Officers and shall determine the appropriateness of the nature and extent of the Executive Officers' use of such perquisites.

**Deferred Compensation.** The Committee shall review and approve the terms on which any compensation earned by or otherwise payable to the Executive Officers may be deferred.

**Director Compensation.** The Committee shall annually review and approve the compensation paid to non-employee directors and make recommendations to the Board for any adjustments thereto. No member of the Committee shall act to determine or vote on his or her own compensation except for compensation payable to all directors for their services as directors.

**Compensation Consultants and Other Advisors.** The Committee may, in its discretion, retain the services of a compensation consultant to advise and assist the Committee in the performance of its functions. Any compensation consultant retained by the Committee or that provides advice or information to the Committee shall be independent of management and shall perform no other services for the Bank or the Company unless such services are approved and overseen by the Committee. The Committee shall

have sole authority to determine the consultant's fees and the other terms of retention, and to terminate the consultant's services. The Committee also may, in its discretion, retain the services of legal counsel and other advisors of its choosing to assist the Committee in the performance of its functions. The Bank shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any consultant, legal counsel, or other advisor retained by the Committee pursuant to this Charter.

**Access to Management.** The Committee and its members shall have complete access to management for the purpose of carrying out the Committee's functions. As necessary or desirable, the chair may request that certain members of management who are not members of the Committee be present at meetings of the Committee.

**Related Person and Affiliate Transactions.** Except for loans or other extensions of credit by the Bank subject to the insider lending restrictions implemented by Regulation O, the Committee shall review and recommend to the Bank or the Company's Board of Directors, as appropriate, for approval in advance all "related person" (as defined in SEC Regulation S-K, Item 404) or affiliate transactions between the Bank or the Company and any of their "related persons" or affiliates, or transactions in which any of such persons directly or indirectly is interested or benefited. The Committee shall establish and maintain policies and procedures for this review and approval process.

**Compensation Discussion and Analysis.** The Committee shall oversee the preparation of and recommend to the Company's Board of Directors for approval a "Compensation Discussion and Analysis" and a related "Compensation Committee Report" for inclusion in the Company's annual proxy statement and Form 10-K, in accordance with the rules of the SEC. The Committee shall review and discuss the "Compensation Discussion and Analysis" with management each year prior to preparing the Compensation Committee Report.

**Pension and Retirement Plans.** The Committee shall review at least annually all pension and retirement plans of the Bank, if any, including any supplemental executive retirement plans, and make recommendations to the Board regarding the need to amend existing plans or adopt new ones for the purpose of implementing the Committee's strategy regarding pension and retirement benefits.

**Change of Control Arrangements and Severance Compensation.** The Committee shall review at least annually any change of control or severance arrangements with the Executive Officers and determine or estimate the amounts that would be payable under those arrangements upon the occurrence of each triggering event. The Committee shall recommend to the Board any amendments to such change of control or severance arrangements that the Committee deems appropriate.

**Employment Agreements.** The Committee shall review and approve any employment agreements proposed to be entered into, extended, terminated or amended between the Bank and any Executive Officer and any proposed renewals thereof.

**Review of Charter.** The Committee shall review this Charter as needed and recommend to the Board any changes it considers to be appropriate.

**Delegation of Authority.** The Committee may delegate any or all of its authority under this Charter to one or more subcommittees of the Committee. Further, any actions to be taken by the Committee that are intended to award "performance-based compensation" shall be effected by a subcommittee consisting solely of "outside directors" (as such terms are defined under Section 162(m) of the Internal Revenue Code).

Other Duties. The Committee shall perform any other duties or responsibilities expressly delegated to the Committee by the Board from time to time.

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*Adopted by the Compensation Committee of First Farmers and Merchants Bank effective as of January 16, 2007 and approved by the Board of Directors of First Farmers and Merchants Bank effective as of January 16, 2007.*