

FIRST FEDERAL BANCSHARES

of Arkansas, Inc.

Code of Conduct

CODE OF CONDUCT

First Federal Bancshares of Arkansas, Inc.
1401 Hwy. 62-65 N
PO Box 550
Harrison, AR 72602
Date of Last Rev: August, 2007

Code of Conduct

Dear Team Member:

First Federal Bank's **Core Values** identify desired behaviors that must be demonstrated in our workplace. Of the six core values, "integrity" captures the need for Team Members to act honestly, responsibly, and ethically.

A Code of Conduct is established in part to protect First Federal Bank from liability resulting from inappropriate behavior. When our actions are based on integrity and a desire to do the right thing, we are strengthening our reputation, which benefits all aspects of our business.

Maintaining our reputation includes adhering to the Code of Conduct. By following the Code, we can help make First Federal Bank a great place for our Team Members to work, an excellent provider of products and services for our customers, an outstanding investment for our stockholders, and a contributing citizen in our communities.

This Code of Conduct provides essential guidelines to help you understand your responsibilities, including your obligation to comply with the law and to advise management if you're concerned that any aspect of the code or law has been or may be violated. This Code of Conduct is one more tool to help us maintain our core values, our integrity and, ultimately, our reputation.

Larry J. Brandt
Chief Executive Officer

First Federal Bancshares of Arkansas, Inc.
First Federal Bank

Code of Conduct

Overview

First Federal Bancshares of Arkansas, Inc. and First Federal Bank, (collectively "First Federal" or the "Bank") is committed to providing quality service to its customers. Public confidence in the Bank as well as the Bank's reputation for honesty and integrity are valuable assets that are determined by the collective and individual actions of our directors, officers and employees, or collectively, bank officials:

In order to ensure that the Bank fulfills this commitment, bank officials are expected to:

- be competent, prompt and diligent in all functions,
- maintain high standards of honesty and integrity, and
- avoid misconduct, conflicts of interest and appearance of misconduct and impropriety.

This Code of Conduct shall govern every bank official and is the standard for each bank official to judge his or her own conduct, the conduct of others and the conduct of the Bank. When explicit guidance does not exist, a bank official should determine his or her conduct by acting in a manner that promotes public confidence in the integrity and reputation of the Bank.

As representatives of the Bank, each of us from day to day will experience circumstances in which our actions and general conduct will be a direct reflection of the Bank to others. The extent to which we are able to cast a favorable reflection on the Bank will depend upon the degree to which we understand and follow this Code of Conduct. The Chief Executive Officer ("CEO"), Chief Operating Officer ("COO") and Chief Financial Officer ("CFO") are responsible for interpreting and implementing this Code of Conduct.

All bank officials are required to read, understand, and follow the Code of Conduct. The Human Resources Director shall provide to each new employee a copy of the Code of Conduct upon commencement of employment. The Code of Conduct will be reviewed at New Team Member Orientation. A certification form, which is attached to this Code of Conduct, must be signed and returned to the Human Resources Department.

Annually, each bank official will again review the Code of Conduct and sign a certification form to reaffirm they understand its provisions and agree to abide with the Code of Conduct. These forms will be posted on the Bank's Intranet Site by the Human Resources Director and completed certification forms will be returned to the Human Resources Department. The Human Resources Director will be responsible for maintaining a current certification form for each bank official.

The policies contained in this Code of Conduct are subject to continual modification to reflect the Bank's changing needs and the changing environment in which we operate. Any revisions to this Code of Conduct will be circulated to employees as soon as possible.

Conflicts of Interest

No outside activity will be permitted to interfere with the best interest of the Bank. In general, this means that in a transaction relating to Bank business, bank officials must be acting only in the best interest of the Bank. A conflict of interest may exist when a bank official or member of his/her immediate family has any financial interest in a customer, supplier, or other company or person dealing with the Bank. If this financial interest is of such nature that it could affect the judgment, decisions, or the actions made on behalf of the Bank concerning the specific customer, a conflict of interest exists.

Bank officials will be required to disclose all potential conflicts of interest, including those in which they have been inadvertently placed because of business or personal relationships with First Federal's customers, suppliers, business associates or competitors. Such disclosures must be made in writing to the CEO and include the name and nature of the organization and the nature of the financial interest.

Things Offered to Employees

It is a federal crime for anyone to corruptly offer something of value to a bank official in connection with any business or transaction of the Bank, or any bank official accepting something of value with the intention to be influenced in connection with any business or transaction of the Bank. Substantial criminal penalties can result from non-compliance.

All bank officials are generally prohibited from:

- Soliciting for themselves or for a third party (other than the Bank itself) anything of value from anyone in return for any business, service or confidential information of this Bank.
- Accepting anything of value (other than bona fide salary, wages and fees) from anyone in connection with the business of this Bank either before or after a transaction is discussed or consummated.
- Self dealing, conflicts of interest, or otherwise trading on their positions with the Bank, including but not limited to, accepting a business opportunity from one doing or seeking to do business with this Bank which is not made available to other persons or which is made available because of such bank official's position with this Bank.

Officials of First Federal and their immediate family are encouraged to avoid the acceptance of gifts from customers or other individuals outside the organization which could be a violation of the law or viewed as questionable. Prudent judgment should be exercised in the handling of such incidents. **Gifts of cash are not allowed at any time.**

The Bank recognizes that the following are appropriate exceptions to the general prohibition of acceptance of things of value in connection with the Bank's business:

1. Nominal gifts, gratuities, or favors that do not create a sense of business obligation to the giver. The value shall not exceed \$100. Gifts of this type shall be unsolicited and infrequent.
2. Gifts, gratuities, amenities or favors if they are based on obvious family or personal relationships when the circumstances make it clear that it is those relationships rather than the business of this Bank which is the motivating factor.
3. Meals, refreshments, travel arrangements, accommodations, or entertainment of reasonable value, if in the course of a meeting or other bona fide business occasion, provided that the expenses would be paid for by the Bank as a reasonable business expense if not paid for by the other party.
4. Loans from other banks or financial institutions on customary terms to finance proper and usual activities of any bank official, such as home mortgage loans, except where prohibited by law.
5. Advertising or promotional materials of a reasonable value such as pens, pencils, note pads, key chains, calendars and similar items.
6. Discounts or rebates on merchandise or services that do not exceed those available to other customers.
7. Gifts of reasonable value that are related to commonly recognized events or occasions such as promotion, new job, wedding, retirement, Christmas, etc. Such gift shall not exceed \$100 per gift.
8. Civic, charitable, educational or religious organizational award for recognition of service and accomplishment. Such award shall not exceed \$100 per award.
9. Employees may attend or participate at customer or vendor sponsored events that allow First Federal to maintain an important business relationship, subject to a maximum value of \$300 for each participant.

The CEO of the Bank may, on a case-by-case basis, approve of other circumstances, not identified above, in which an official requests to be permitted to accept something of value in connection with the Bank's business. Approval by the CEO of such circumstances shall be made in writing based on a full written disclosure of all relevant facts.

A form is attached to this Code of Conduct for use in reporting any such instance. Upon completion of this form and review by the CEO, it will be retained by the Human Resources Director for a period of five years.

Things Offered by Employees

Employees may not, on behalf of First Federal in connection with any transaction or business of First Federal, directly or indirectly give, offer, or promise anything of value to any individual, business entity, organization, governmental unit, public official, political party or any other person for the purpose of influencing the actions of the recipient. This standard of conduct is not intended to prohibit normal business practices such as providing meals, entertainment, tickets to cultural and sporting events, promotional gifts, favors, discounts, price concessions, gifts given as token of friendship or special occasions (such as Christmas), so long as they are of nominal and reasonable value under the circumstances and promote First Federal's legitimate business interests.

Protection of Confidential Information

The unauthorized use or release of confidential information during or after employment with First Federal is a breach of this Code of Conduct. Confidential information with respect to First Federal, its customers, prospective customers, suppliers, shareholders, and employees acquired in the course of business is to be used solely for corporate purposes and never to be discussed with or divulged to unauthorized people. The need for confidentiality extends to everyone, including family, friends and acquaintances. Anyone who discloses Bank business or confidential business information will be subject to disciplinary action (including possible discharge) and legal action, even if he or she does not actually benefit from the disclosed information. This includes disclosure verbally or providing copies of records without prior authorization to anyone, other than the customer except for legitimate requests through the court system and their right to subpoena records as long as they comply with the “Right to Financial Privacy Act”.

Bank officials should never discuss the affairs of the Bank or its customers in public. Bank officials should exercise the greatest of care at all times in any public place. Even within the Bank, discussion of sensitive customer or employee information should be limited to business related issues. Even though the subject matter may be innocent, persons overhearing the conversation might form an impression of indiscretion that could reflect unfavorably on the Bank. The duty of confidentiality should continue even after a customer closes any account or after an employee separates employment with the Bank.

Customers, suppliers, shareholders and employees expect First Federal and its employees to keep information regarding their personal and business affairs in strict confidence at all times. Examples of confidential information include the following: customers’, suppliers’, shareholders’ or employees’ business relationships, loans, accounts, balances, credit ratings, experiences, or any other transaction with First Federal. Other examples of confidential information include, but are not limited to financial records, compensation data, corporate policies, objectives, goals and strategies; lists of customers or vendors; employee records; and other materials such as graphs, memoranda, documents, manuals, reports, records, software or hardware for use in computer or word processing equipment, training materials, bulletins, and similar originals or copies of records whether or not you have contributed to their creation. When an employee leaves First Federal, the employee may not retain any confidential information.

Confidential information available to an area or department of First Federal should only be communicated to other areas when there is legitimate business need to know.

Additionally, appropriate steps must be taken to limit unauthorized access to confidential information including securing documents, limiting access to computers and electronic media, and proper disposal methods.

Employees of the Bank are prohibited from conducting unauthorized inquiries into business accounts, customer accounts or other employee's personal accounts. Disciplinary action, as described in the Bank’s Personnel Manual, may be taken against an employee who violates this policy.

Employee accounts and banking records are subject to review on a random basis by appropriate bank personnel as a part of the internal control procedures of the Bank. In addition, the Bank reserves the right to allow access to employee account information to authorized bank personnel and third parties as a part of any internal investigation that is approved by Executive Management or as deemed necessary in the course of audit functions performed by the Director of Internal Audit or others acting in that capacity.

If bank officials receive requests for information about customers from any governmental authority, judicial party or attorney, make certain that you fully understand the nature of the request and obtain the proper identification. Confer with the Security Officer.

It is the responsibility of each Team Member to follow the procedures or guidelines established in this policy to ensure there is no breach of security. If a breach occurs, the Director of Internal Audit and the Security Officer should be notified.

Insider Trading

In the course of your duties, you may become privy to “inside information” within the meanings of state or federal laws. This means material, non-public information that might have an effect on our stock price if the information were publicly known. You should also be aware that the same prohibition against insider trading applies to trading in the stock of our customers, suppliers or any other company if you have inside information about them. Employees are strictly prohibited from providing inside information to other persons as this information might influence their trading activities or financial transactions.

Examples of such “inside information” may include: expansion plans, major management changes, future dividend rates, declaration of stock split or offerings of additional securities, current or future earnings projections, new contracts or projects, mergers, acquisitions or divestitures or other such material matters. It should be noted that either positive or negative information may be material.

You are also prohibited from trading in put options or in short selling or in any other trade which would gain from a decrease in our stock price.

It is your responsibility to understand laws and policies that may apply to you. Further information on blackout periods, pre-clearance and other matters related to insider trading are contained in the Statement of Policy and Procedures Governing Trading in Shares of First Federal Bancshares of Arkansas, Inc.

Regulation FD Compliance

It is federal law and, accordingly, our policy that First Federal, comply with Regulation FD adopted by the U.S. Securities and Exchange Commission. Regulation FD generally provides that when the Company or any person acting on its behalf discloses “material” non-public information to the holders of First Federal securities, broker-dealers, investment advisers, investment managers, investment companies, hedge funds, investors, industry analysts and the affiliates of any of these, the Company is required to make a public

disclosure of the same information. In order to ensure compliance with Regulation FD, you should review carefully and adhere to the terms of the First Federal's Disclosure Policy.

Financial Accountability and Internal Controls

First Federal has numerous internal control policies and procedures. First Federal not only expects all employees to be familiar with and operate within established internal controls, but also to communicate to management any possible improvements which might serve to enhance the integrity of the system of internal controls. First Federal's internal and external auditors periodically audit internal control policies, procedures and compliance in order to assess the sufficiency of these controls. All employees involved in these periodic assessments shall provide accurate information and shall complete the internal control certifications in a timely manner.

Each employee is encouraged to freely communicate with the appropriate level of management anything which appears to be a breach of the internal control system. Employees who report internal control failures with honesty and integrity, whether they be deliberate or caused by human error, will not suffer any professional repercussion.

Integrity of Accounting and Financial Information

First Federal maintains the highest standards in preparing the accounts and financial information disclosed to the public. There should never be issued any information that is false, misleading, incomplete or would lead to mistrust by the public, our customers, or our stockholders. All accounting records shall be compiled accurately, with the appropriate accounting entries properly classified when entered on the books.

No payments on behalf of First Federal shall be approved or any transaction made with the intention or understanding that part or all of such payment will be used for any purpose other than that described by the documents supporting it. No fund, asset, or liability of First Federal shall, under any circumstances or for any purpose, be concealed or used for an unlawful or improper purpose.

Team Members should never give Legal or Tax Advice

The customers of First Federal Bank often inquire about our opinion on legal or tax advice. Team Members must never give legal or tax advice to customer, vendors, or anyone doing business with the Bank. When tax or legal questions arise Team Members can refer the customer to speak to their personal tax accountant or personal attorney for advice.

Cooperation with Independent Auditors

The independent auditor's report is dependent upon a thorough understanding of First Federal's financial reporting system and the information generated by it as well as the judgments and assumptions of our management. This understanding is developed in part from discussions with our employees and management. Accordingly, it is critical that our

independent auditors receive complete and truthful information and the full cooperation of our employees. First Federal insists that those employees who provide information to First Federal's independent auditors do so in a way that is accurate and complete. Federal law makes it a crime for individuals to take any action designed to mislead or coerce the Bank's independent auditors for the purpose of making the Bank's financial statements materially misleading.

Safeguarding Company Assets

All bank property assigned to an employee remains the property of the Bank. Upon termination of employment or upon the request for return by an officer, all bank property must be returned to the Bank. All bank property assigned to an employee including, but not limited to, reports generated by the Bank for employee use, software, and electronic data may not leave bank premises, without approval of the Branch Manager or a Senior Vice President or above. Entry into the Bank's facilities should be limited to specific business purposes.

You are responsible for maintaining written records and expense reports in sufficient detail to completely, accurately and fairly reflect all transactions and expenditures made on behalf of First Federal. These documents must be prepared on a timely basis. The falsification of any such documents with inaccurate or misleading data is prohibited. Furthermore, you must accurately track and segregate any personal expenses that may be commingled with business expenses. This includes segregating personal phone charges incurred via office or cellular telephones, or First Federal-sponsored credit cards.

Privacy Policy

Section 501(b) of the Gramm-Leach-Bliley Act (the Privacy Act) set the standard(s) for safeguarding customer information. Appropriate procedures should always be used for obtaining identification when releasing information through the telephone, fax, e-mail, merchant verification or any other form of communication. Any items with identifiable customer information should be shredded. Employees are expected to adhere to these standards as well as any other policies regarding privacy within the Bank including but not limited to the policies and procedures contained in the Bank's Data Security Manual.

Compliance

You are expected to comply with both the letter and spirit of all applicable governmental laws, rules and regulations.

If you fail to comply with First Federal's Code of Conduct and/or with any applicable laws, you will be subject to disciplinary measures, up to and including immediate dismissal from First Federal.

Retention of Business Records

First Federal's business records must be maintained for the periods specified in the First Federal Record Retention Policy or the more specific policies of your branch or

department. Records may be destroyed only at the expiration of the pertinent period. In no case may documents involved in a pending or threatened litigation, government inquiry or under subpoena or other information request, be discarded or destroyed, regardless of the periods specified in the Record Retention Policy. In addition, you may never destroy, alter or conceal, with an improper purpose, any record or otherwise impede any official proceeding, either personally, in conjunction with, or by attempting to influence, another person.

Usage of Electronic and Computer Media

First Federal Bank prohibits the use of company owned software programs for personal use or for use outside of the workplace not related to the employee's job. It is unlawful to sell, use or copy any licensed software or copyrighted materials for commercial use without the consent of the publisher or licensor of such software or materials.

The use of electronic mail (e-mail) is restricted to work-related messages. Use of the system to send or receive personal messages is not an acceptable business practice for First Federal. All data developed on the Bank's systems, including e-mail data, is the property of the Bank. Periodic, random monitoring of Internet usage will be conducted. A computerized log file of sites visited, date, time of day and length of visit will be maintained.

Laptop and other portable computers are the property of the Bank and are issued to employees for business use only. Users are prohibited from adding or deleting software on any computer. Information Systems personnel of the Bank will assist any employee in adding/deleting software on their computer.

The Bank's anti-harassment policy applies to Internet, electronic and telephone voice-mail usage.

Money Laundering and Transaction Structuring

First Federal may unknowingly be used to launder money derived from criminal or terrorist activity. The intention behind these types of transactions is to hide ownership of the funds from the government. First Federal makes every effort to resist being associated with money laundering or any other type of criminal activity.

Any employee who knowingly and willfully launders money, attempts to launder money or assists someone in laundering money is subject to substantial fines or imprisonment or both. Also, in accordance with the Bank Secrecy Act (BSA), any employee who willfully structures a transaction, attempts to structure a transaction or assists someone in structuring a transaction to avoid the currency reporting requirements of BSA is subject to substantial fines and up to twenty years imprisonment.

First Federal employees are prohibited from engaging in money laundering and/or transaction structuring. All employees are required to immediately report all attempts to launder money, structure a transaction and/or suspicious activities to the Security Officer.

Refer to the Bank's Anti-Money Laundering Policy for additional information.

Gathering Competitive Information

You may not accept, use or disclose the confidential information of our competitors. When obtaining competitive information, you must not violate our competitors' rights. Particular care must be taken when dealing with competitors' customers, ex-customers and ex-employees. Never ask for confidential or proprietary information. Never ask a person to violate a non-compete or non-disclosure agreement.

Sales: Defamation and Misrepresentation

Aggressive selling should not include misstatements, innuendo or rumors about our competition or their products and financial condition. Do not make unsupportable promises concerning First Federal's products.

Posting to Employee's Own Accounts

Employees of the Bank are prohibited from conducting any monetary or maintenance transaction to any account that either the employee or a relative residing in the employee's household is an owner or has withdrawal rights. Disciplinary action, as described in the Personnel Manual, may be taken against any employee who violates this policy.

Employment of Relatives or Persons having Close Personal Relationships

To minimize security risks and avoid conflicts of interest, immediate family members or other persons with whom an employee has close personal relationships should not work in the same department, be placed in positions where one may be in a position of processing, tracking, monitoring or recording of transactions initiated by the family member. Exceptions to the policy must be approved by the Executive Committee.

External Involvement

While the Bank encourages its employees to be involved in outside activities, including civic, social, educational, charitable and political functions, federal law prohibits the Bank from making political contributions. At no time will employees solicit other employees for political contributions or coerce others into contributing to any organization. Conduct must not give the perception that benefit to the Bank or connections are sought or desired.

Additionally, offers of directorship to any outside organization that has or desires a business relationship with the Bank, or to any institution within the financial industry, must be reported to the CEO prior to acceptance for approval.

Capitalizing on opportunities for personal gain or compensation outside of that provided by the Bank for the performance of services for the Bank is strictly prohibited. Employment outside and in addition to employment at the Bank is permissible, but discouraged. Employees should not engage in outside employment that interferes with the time and

attention that must be devoted to their duties at First Federal or adversely affects the quality of the work they perform.

Outside employment should not compete or conflict with the activities of First Federal; involve any use of company equipment, supplies, or facilities; imply First Federal's sponsorship or support; or adversely affect First Federal's reputation or cause embarrassment to the Bank. Employees must disclose all outside employment to the Human Resource Director. See the Bank's Personnel Policy for additional guidance.

Respect and Dignity of Others

Customers and employees of First Federal Bank should be treated with respect and dignity regardless of their race, sex, national origin, socioeconomic status, culture, etc. In addition, it is First Federal Bank's policy to promote a productive work environment. We do not tolerate harassment of any employee or customer by supervisors, other employees or third parties. Harassment is contrary to First Federal Bank's policy and will be considered justification for disciplinary action or other appropriate action.

Reporting Violations

Your conduct can reinforce an ethical atmosphere and positively influence the conduct of fellow employees. If you are powerless to stop suspected misconduct or discover it after it has occurred, you must report it to the appropriate level of management at your location.

If you are still concerned after speaking with your local management or feel uncomfortable speaking with them (for whatever reason), you may (anonymously, if you wish) send a detailed note, with relevant documents, to First Federal's Director of Internal Audit at PO Box 1966 Harrison, AR 72602. You may also directly contact the chairman of the Audit Committee of First Federal's Board of Directors or send a detailed note, with relevant documents, to Chairman, First Federal Audit Committee. P.O. Box 1966 Harrison, AR 72602.

Your calls and/or detailed notes will be dealt with confidentially to the greatest extent possible. You have the commitment of First Federal and of the Audit Committee of First Federal's Board of Directors that you will be protected from retaliation.

Questions to Ask Yourself

In the final analysis you are the guardian of First Federal's ethics. While there are no universal rules, when in doubt ask yourself:

- Will my actions be ethical in every respect and fully comply with the law and with First Federal policies?
- Will my actions have the appearance of impropriety?
- Will my actions be questioned by my supervisors, employees, customers, family and the general public?
- Am I trying to fool anyone, including myself, as to the propriety of my actions?

If you are uncomfortable with your answer to any of the above, you should not take the contemplated actions without first discussing them with management. If you are still uncomfortable, please follow the steps outlined above in the Section on “Reporting Violations.”

Consequences of Noncompliance

Any employee who ignores or violates any of First Federal’s ethical standards, and any manager who penalizes a subordinate for trying to follow these ethical standards, will be subject to corrective action, up to and including immediate dismissal. However, it is not the threat of discipline that should govern your actions. We hope you share our belief that a dedicated commitment to ethical behavior is the right thing to do, is good business, and is the surest way for First Federal to remain an outstanding organization.

This Code of Conduct was reviewed and adopted by the Board of Directors on this 28th day of August, 2007.

/s/ Larry J. Brandt
Larry J. Brandt, CEO

/s/ Tommy Richardson
Tommy Richardson, COO

**FIRST FEDERAL BANCSHARES OF ARKANSAS, INC.
FIRST FEDERAL BANK**

**DISCLOSURE FORM
OFFER OR ACCEPTANCE OF SOMETHING OF VALUE**

The undersigned hereby makes the following disclosure pursuant to First Federal Bank's Code of Conduct (disclosure should include (1) name of person offering or giving the gift and his/her company affiliation; (2) nature of gift/item; (3) value of gift; and (4) circumstances surrounding the offering or receipt of the gift):

Date

Signature

Position

Upon review of the above-disclosed circumstances, the undersigned hereby determines that the above offer or acceptance of something of value:

1. _____ Is accepted as reasonable and does not pose a threat to the integrity of First Federal Bank.

2. _____ Poses a threat to the integrity of this Bank or is a violation of First Federal Bank's Code of Conduct.

Date

Signed

Title

FIRST FEDERAL BANCSHARES OF ARKANSAS, INC.
FIRST FEDERAL BANK
CODE OF CONDUCT
CERTIFICATION FORM

By signing below I certify that:

- I have read the First Federal Code of Conduct in its entirety.
- I fully understand the content thereof.
- I have complied with its requirements.
- I am not aware of any violation thereof on the part of myself or any other person or employee,
- If I become aware of any violation, I will make full and proper disclosure to the CEO, or as otherwise required by the Code of Conduct.

I agree to keep all information concerning the Bank or its customers strictly confidential and to use the information only for official bank purposes. And I likewise agree to continue to observe secrecy of all information concerning the Bank or its customers should I leave the service of the Bank for any reason whatsoever.

I agree and understand that all information, documents and confidential information that comes into my possession during my employment are the sole and exclusive property of First Federal Bank, and I shall surrender to First Federal Bank possession of all such documents and information in my possession upon termination of my employment with the Bank. If after the termination of employment, I become aware of any documents in my possession, I shall promptly surrender possession of the documents to First Federal Bank.

Violation of this agreement and policy can lead to disciplinary action up to and including discharge. If you have any doubt as to what is confidential or proprietary, you must ask the Human Resource Director or a member of Executive Management.

Signed: _____

Position: _____

Date: _____

Please return this form to the Human Resources Director at the Corporate Office.

