

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

**Compensation Committee Charter
(as of October 26, 2011)**

I. Members.

The Compensation Committee (the "Committee") of First Federal Bancshares of Arkansas, Inc. and First Federal Bank (together, the "Company") shall consist of at least three directors, including a chair, as appointed by the board of directors of the Company (the "Board") upon recommendation by the Nominating and Corporate Governance Committee. So long as the Company remains a "controlled company" under The NASDAQ Stock Market's ("NASDAQ") Listing Rule 5615(c), only two members of the Committee must qualify as "independent directors" under applicable NASDAQ rules, as "non-employee directors" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934, and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code.

II. Purpose of the Committee.

The purpose of the Committee shall be to assist the Board in discharge of its responsibilities relating to compensation of the Company's executives and directors; to oversee and advise the Board on the adoption of policies that govern the Company's annual compensation and stock ownership plans; to review and discuss with management any disclosure to be made in the Company's proxy statement concerning its compensation policies and practices; and if required to be included in the Company's proxy statement, to review and discuss with management the compensation discussion and analysis (CD&A) for inclusion in the Company's proxy statement, and to produce the report of the Committee to accompany the CD&A in such proxy statement.

III. Philosophy.

The Board's compensation philosophy is intended to assist the Company in competing with similar businesses (including publicly held financial institutions) for the personnel that the Company needs, while aligning the interests of employees to those of the Company's stockholders. The core of the Company's compensation philosophy shall be to pay for performance and to pay in a manner that is comparable and consistent with other similar financial services companies. The Company's compensation philosophy shall also take into account risk management, operational stability, and legal and regulatory compliance.

IV. Duties and Responsibilities of the Committee.

The Committee is a part of the Board. As such, its primary responsibilities are to make recommendations to the Board regarding executive compensation and to oversee the Company's equity compensation plans.

The Committee's duties and responsibilities shall include:

- a. Overseeing Board-approved compensation policies and plans for executive officers, directors and other management employees and general compensation plans applicable to all employees.
- b. Making recommendations to the Board with respect to the Company's incentive-based and stock-based compensation plans, all of which are subject to Board approval.
- c. Reviewing and recommending to the Board for approval any changes or modifications of existing executive compensation plans or the adoption of new executive compensation plans.
- c. Reviewing and recommending to the Board for approval corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those goals and objectives, and recommending to the Board the CEO's compensation level based on this evaluation, consistent with the Company's compensation philosophy.
- d. Reviewing and recommending to the Board for approval corporate goals and objectives relevant to the compensation of the Company's other executive officers, including any executive or senior vice presidents who are deemed to be "executive officers" as defined in Rule 3b-7 under the Exchange Act, evaluating the executive officers' performance in light of those goals and objectives, and recommending to the Board the compensation level of the Company's executive officers based on this evaluation, consistent with the Company's compensation philosophy.
- e. Reviewing the peer group against which the Company compares its compensation and reviewing the compensation ranges for the Company officers and other management group employees against the compensation of the companies in this peer group.
- f. Performing the functions assigned to it under the Company's various compensation and benefit plans and arrangements or by the Board with respect to those plans and arrangements.
- g. Reviewing periodic reports from management on matters relating to the Company's personnel appointments and practices.

- h. Periodically reviewing the Company's employee benefits and retirement programs.
- i. Reviewing and discussing annually with management the CD&A required by Item 402 of Regulation S-K, if required to be included in the Company's proxy statement, and, based on such review and discussion, determining whether to recommend to the Board that the CD&A be included in the Company's proxy statement.
- j. Providing annually, if required to be included in the Company's proxy statement, the report of the Committee with the name of each member of the Committee appearing below such report for the Company's proxy statement for its annual meeting of stockholders.
- k. Reviewing and discussing annually with management the disclosure required by Item 402(s) of Regulation S-K, "Narrative Disclosure of the Registrant's Compensation Policies and Practices as they Relate to the Registrant's Risk Management."
- l. Reviewing and discussing annually with management the results of any stockholder advisory vote regarding the compensation of the Company's executive officers.
- m. Annually evaluating the adequacy of this Charter.

V. Outside advisors.

The Committee shall have the authority to retain such outside counsel, experts, and other advisors as it determines appropriate to assist it in the full performance of its functions. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any advisor retained by the Committee.

VI. Meetings.

The Committee shall establish its own schedule for meetings throughout the year, and shall meet as often as may be deemed necessary or appropriate in its judgment, but not less than one time per year, either in person or telephonically, and at such time and place as the Committee shall determine. The Committee shall maintain minutes and other records of meetings and activities of the Committee and shall make regular reports to the Board on its activities. These reports will generally occur after each Committee meeting or at such other times as the Committee deems appropriate.

A majority of the Committee members present at a meeting of the Committee shall be a quorum for the transaction of business. The affirmative vote by a majority of those members present at a meeting at which a quorum is present shall be an act of the Committee. Any action which may be taken at a meeting of the Committee will be

deemed the action of the Committee if the requisite number of Committee members necessary to approve the matter at a meeting of the Committee execute a written consent and the consent is filed with the Company's Secretary and in the minutes of the proceedings of the Committee.

VII. Subcommittees.

In its discretion, the Committee may establish subcommittees consisting of one or more members, who shall report on their activities to the Committee.