

FIRST FEDERAL BANCSHARES OF ARKANSAS, INC.
FIRST FEDERAL BANK

Compensation Committee Charter
(as of February 28, 2007)

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 independent directors, including a chair and such other independent directors as the board of directors of the Company (the "Board") shall appoint upon recommendation by the Nominating and Corporate Governance Committee. An "independent director" is a director who meets The Nasdaq Stock Market definition of "independence," as determined by the Board. Additionally, members of the Committee must qualify as "non-employee directors" for purposes of Rule 16b-3 under the Securities Exchange Act of 1934 and "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 discharge the responsibilities of the Board relating to compensation of the Company's executives; 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 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 Committee'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. 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's duties and responsibilities shall include:

- a. Overseeing compensation policies and plans for executive officers 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-compensation plans and stock-based plans that are subject to Board approval. The Company's use of stock-based compensation shall align the interests of employees and directors to those of the Company stockholders.
- c. Overseeing the hiring, retention, and evaluation of senior officers with appropriate qualifications and expertise to operate the Company's business.
- d. Reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those goals and objectives, and recommending to the independent members of the Board the CEO's compensation level based on this evaluation, consistent with the Company's compensation philosophy.
- e. Recommending to the Board corporate goals for measurement of performance and approving achievement against those goals.
- f. Approving the compensation of executive vice presidents, consistent with the Company's compensation philosophy, including any senior vice presidents who are deemed to be "executive officers" as defined in Rule 3b-7 under the Exchange Act.
- g. 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.
- h. 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.
- i. Reviewing periodic reports from management on matters relating to the Company's personnel appointments and practices.
- j. Periodically reviewing the Company's employee benefits and retirement programs.
- k. Reviewing and discussing annually with management the CD&A required by Item 402 of Regulation S-K 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.
- l. Providing annually, over the names of the Committee's members, the required report of the Committee for the Company's proxy statement for its annual meeting of stockholders.

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 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 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.

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.