

FIRSTFED FINANCIAL CORP.

CHARTER OF THE COMPENSATION COMMITTEE

I. Committee Purpose:

- A. The Compensation Committee is appointed by the Board to assist the Board in fulfilling its responsibilities relating to compensation of the Company's directors and officers. The Committee has overall responsibility for approving and evaluating the director and officer compensation plans, and the policies and programs of the Company.
- B. The Compensation Committee is also responsible for producing an annual report on executive compensation for inclusion in the Company's proxy statement.

II. Committee Membership, Organization, Meetings and Reporting:

- A. The Compensation Committee shall consist of at least three members who meet the independence requirements of the New York Stock Exchange.
- B. The members of the Committee shall be appointed for a term of one year by the Board at the annual organizational meeting. The Board will designate a chairman from the Committee's membership to preside over meetings.
- C. The Compensation Committee shall meet as often as necessary to carry out its responsibilities. Meetings may be called by the Chairman of the Committee and/or Chief Executive Officer.
- D. The Committee will report, through its Chairman, its work and findings to the Board of Directors at its next regularly scheduled meeting following the Compensation Committee meeting.

III. Committee Authority and Responsibilities:

- A. From time to time the Committee shall review and approve the Company's compensation strategy to ensure that management is rewarded appropriately for its contributions to Company growth and profitability and that the executive compensation strategy supports organization objectives and shareholder interests.
- B. The Compensation Committee shall annually review and approve corporate goals and objectives relevant to CEO compensation, evaluate the CEO's performance in light of those goals and objectives, and recommend to the

FIRSTFED FINANCIAL CORP.

CHARTER OF THE COMPENSATION COMMITTEE

Page Two

- Board the CEO's compensation levels based on this evaluation. In determining the long-term incentive component of CEO compensation, the Compensation Committee will consider the Company's performance, relative shareholder return, and the value of similar incentive awards to CEOs at comparable companies.
- C. The Compensation Committee shall annually review and make recommendations to the Board with respect to the compensation of directors, officers (Senior Vice President and above plus Vice Presidents who are department heads) and other key executives, including incentive compensation plans and equity-based plans.
 - D. Subject, where necessary, to submission to shareholders, the Compensation Committee shall review and advise the Board of Directors on the appropriateness of all new equity-related incentive plans for senior management.
 - E. The Compensation Committee shall review the Company's employee benefit programs and approve changes subject to Board of Director and, where appropriate, shareholders approval.
 - F. If appropriate, the Compensation Committee shall hire experts in the field of executive compensation to assist the Committee with its reviews.
 - G. The Compensation Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.

The Committee shall annually review its performance.