

# **FIRST KEYSTONE FINANCIAL, INC.**

## **CHARTER OF THE COMPENSATION COMMITTEE**

**(as of December 21, 2007)**

**Amended August 27, 2008**

The Committee shall be composed of at least two (2) members of the Board all of whom are independent as defined by the Nasdaq Stock Market.

### **Operation of the Committee**

The Committee's Chair will be appointed by the Board. The Chair shall hold such number of meetings, as the Chair deems appropriate. The Chair shall circulate to other Committee members a written agenda of each meeting in advance of the meeting. The Committee shall designate a secretary who shall be responsible for providing a record of the Committee's decisions and shall see that minutes of the Committee meetings are taken and included in the permanent records of the Committee and First Keystone Financial, Inc. (the "Company"), as the case may be. Meetings of the Committee may be held telephonically. The Committee shall meet as needed but no less than once per fiscal year. The Committee shall have the authority to engage such independent consultants, attorneys, accountants or other advisors that it deems necessary. The Chief Executive Officer and other officers of the Company may be invited to Committee meetings from time to time. The Committee shall annually review the Compensation Committee Charter.

### **Duties and Responsibilities**

The Committee shall recommend to the Board each element of cash and non-cash compensation that is applicable to the executive officers, directors, and management disclosed in the annual proxy statement in accordance with the compensation philosophy and program established by the Board. The Committee shall also recommend to the Board the overall benefit programs and salary administration policy for all employees of the Company. The administration of the human resource function shall be the responsibility of management.

### **Purpose and Authority**

The purpose of the Compensation Committee of the Board of Directors of the Company is to:

- establish, obtain Board approval, and periodically review the Company's overall remuneration philosophy to ensure that the policy appropriately (a) supports the Company's overall mission, (b) attracts and retains key executives, (c) links total compensation with the Company's objectives and organizational purpose, and (d) provides competitive total compensation opportunities in a reasonable manner while enhancing the vision and mission of the Company. Separate remuneration philosophies may be developed for executive compensation and board compensation;

Approved with no changes by the Board on August 26, 2009.

- recommend the reasonableness of key executive and Board compensation levels on a position-by-position basis. In doing such, the Committee will assess the nature and scope of the position of each executive who is under review with input from the Chief Executive Officer. Compensation considerations shall be evaluated not only on individual performance but also overall Company performance. The Committee's evaluation will include valid market data from publicly traded companies in the comparable financial services sector and published surveys of that sector about each compensation component and the total package in light of the Company's compensation philosophy and program;
- provide advice to management and make recommendations to the Board of Directors regarding the Company's policies and procedures with respect to significant compensation and benefits issues;
- establish and maintain a competitive, fair and equitable compensation and benefits policy designed to attract, develop, motivate and retain directors, officers and employees;
- review and recommend appointments, promotions and salary increases to the Board for Chief Executive Officer, Chief Financial Officer, Chief Lending Officer, SVP/Human Resources/Corporate Secretary, SVP/Retail Delivery, SVP/IT, SVP/Compliance Officer/Internal Auditor/Security Officer and any other officer considered an executive officer under Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934 based upon the annual review of their performance;
- review with management and recommend to the Board of Directors new employee benefits plans and changes to existing plans of a significant nature;
- review with management and make recommendations to the Board of Directors with respect to employment or severance contracts with the Company's officers;
- review and recommend to the Board approval of corporate goals and objectives relevant to the compensation of the Chief Executive Officer; evaluate his/her performance in light of those goals and objectives, and establish his/her compensation level based on this evaluation;
- maintain minutes and records of its meetings and its activities in such form as the Committee and the Board may determine. Further, the Committee will be responsible for reviewing and approving the disclosures in the annual report, SEC filings, proxy statement (including therein the compensation discussion and analysis, to the extent required, and the report for inclusion in the proxy statement) and any other such requirements regarding compensation before such disclosures are filed;
- recommend to the Board the implementation and use of any executive benefit or executive perquisite in keeping with the Company's compensation philosophy and program.

The Committee shall meet with the Chief Executive Officer to review corporate performance, major Changes in organizational plans and the performance of key executives. The Chief Executive Officer may not be present during the Committee's deliberations or voting. The Committee is designated by the Board of Directors and receives its authority from the Board to

which it reports. The Board has vested in the Committee the authority to carry out the responsibilities as noted in this Charter. To such end, the Committee is authorized to employ independent counsel, consultants and such other outside assistance, as it may deem necessary. The Committee shall have access to data, information and relevant documents in the Company's possession required to effectively execute its responsibilities.