

**CHARTER OF THE COMPENSATION COMMITTEE
OF THE BOARD OF DIRECTORS
OF FIRST DEFIANCE FINANCIAL CORP.**

This Charter (this “Charter”) identifies the purpose, composition, procedures and responsibilities of the Compensation Committee (the “Compensation Committee”) of the Board of Directors (the “Board”) of First Defiance Financial Corp. (the “Company”).

PURPOSE

The primary purposes of the Compensation Committee are to discharge the Board’s responsibilities relating to compensation of the Company’s executive officers and to produce an annual report on executive compensation to be included in the Company’s proxy statement in accordance with applicable rules and regulations of the Securities and Exchange Commission (the “SEC”) and the NASDAQ Stock Market (“NASDAQ”). The Compensation Committee shall have the authority to undertake the specific responsibilities listed below and to undertake such other responsibilities as the Board from time to time may prescribe.

COMPOSITION

The Compensation Committee shall consist of at least three members of the Board, each of whom shall be appointed by the Board and serve at the pleasure of the Board. Each member of the Compensation Committee must:

- satisfy the independence requirements prescribed by applicable sections of the NASDAQ Stock Market Rules, including, without limitation, Rule 5605(a)(2), or other corporate governance requirements of NASDAQ;
- be a “Non-Employee Director” as defined in Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”);
- be an “Outside Director” as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended (the “Code”), and the regulations promulgated thereunder;
- not accept directly or indirectly any consulting, advisory or other compensatory fee from the Company or any subsidiary thereof, which fees shall not include (i) fees received as a member of the Compensation Committee, the Board or any other Board committee, or (ii) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the Company (provided that such compensation is not contingent in any way on continued service);

- be free of any relationship that, in the opinion of the Board, may impair or otherwise interfere with the exercise of his or her independent judgment in carrying out the responsibilities of a member of the Compensation Committee; and
- satisfy any other standards of independence that may from time to time be in effect and applicable to the Compensation Committee.

MEETINGS

The Compensation Committee shall meet at least two times annually and may convene more frequently as circumstances dictate. The Compensation Committee shall be chaired by one of its members appointed by the Board. If the Board does not appoint a Chairperson or the Chairperson is not present at a meeting, the members of the Compensation Committee may designate a Chairperson by majority vote of the full Compensation Committee membership, or those members present, as the case may be. The Chairperson of the Compensation Committee or any member of the Compensation Committee may call a meeting of the Compensation Committee. All Compensation Committee members are expected to attend each meeting, in person or via teleconference or other means of electronic communications permitted under applicable law and the Company's Articles of Incorporation, as amended, and Code of Regulations.

The Compensation Committee shall maintain written minutes of its meetings, and the minutes shall be filed with the minutes of the meetings of the Board. The Compensation Committee may act by a majority of its members at a meeting or without a meeting if all members of the Compensation Committee consent to the action in writing or by other means of electronic transmission permitted under applicable law. At the first regularly scheduled meeting of the Board following a meeting of the Compensation Committee or an action by the Compensation Committee without a meeting, the Chairperson of the Compensation Committee shall provide the Board with a report of the Compensation Committee's activities and proceedings.

The Compensation Committee may have in attendance at its meetings such members of management, human resources personnel, Compensation Advisers (as defined below) or others as the Compensation Committee may deem necessary or desirable to provide such information or assistance as the Compensation Committee may need to carry out its duties and responsibilities. Notwithstanding the foregoing, the compensation of the Company's Chief Executive Officer and all other officers (as that term is defined in Rule 16a-1(f) under the Exchange Act) must be determined by the Compensation Committee voting in executive session. The Company's Chief Executive Officer may not be present during the Compensation Committee's deliberations regarding his or her compensation. The Company's Chief Executive Officer may be present during the Compensation Committee's deliberations regarding the compensation of all other officers of the Company, provided he or she shall not be present during voting on the compensation of any of the executive officers of the Company.

RESPONSIBILITIES

The Compensation Committee's primary responsibilities include:

1. Reviewing with Company management and approving the general compensation policy for executive officers of the Company, and such other employees of the Company and its subsidiaries as directed by the Board.
2. Reviewing and approving goals and objectives relevant to the compensation of the Company's executive officers, evaluating such executive officers' performance in light of those goals and objectives and determining such executive officers' compensation based on this evaluation. In determining the appropriate compensation to be awarded to the Company's Chief Executive Officer and other executive officers, the Compensation Committee may consider any matters it deems relevant, including, without limitation, the performance of each executive officer, the Company's performance and level of achievement of quantitative goals and objectives, the incentive awards given to each executive officer in past years, the recommendations of Compensation Advisers, if any, and reviews of compensation paid to executive officers at peer companies determined by the Compensation Committee.
3. Reviewing with Company management and approving all forms of compensation (including all compensation under a "plan," as such term is defined in Item 402(a)(6) of Regulation S-K promulgated by the SEC, and all non-plan compensation) to be provided to the executive officers of the Company.
4. Administering or providing for the administration of each of the Company's equity-based plans and any other plans that require administration by the Compensation Committee or that applicable laws, rules or regulations (including, without limitation, Rule 16b-3 under the Exchange Act, Section 162(m) of the Code and the rules promulgated thereunder and NASDAQ rules) require the Compensation Committee to administer, with respect to the executive officers of the Company and/or other participants in such plans, such administration to be in accordance with all applicable laws, rules and regulations. In administering these plans, the Compensation Committee may, unless otherwise directed by the Board or the terms of the applicable plan: (a) determine the individuals eligible to participate in each plan; (b) grant stock options or other awards authorized under each plan to individuals eligible for such grants; and (c) make such changes to each plan and the awards granted thereunder as the members of the Compensation Committee deem appropriate, to the extent shareholder approval is not required and to the extent permitted by the respective plan and the provisions of applicable laws, rules and regulations.

5. Overseeing the preparation of the compensation discussion and analysis and recommending its inclusion in the Company's proxy statement in accordance with the then applicable rules and regulations of the SEC and NASDAQ, as applicable.
6. Recommending to the Board the compensation for directors (including committee member and committee chair's fees, equity-based awards and other similar items as appropriate).
7. Reviewing the company's incentive compensation plans and equity-based plans in accordance with applicable laws, rules and regulations, including, without limitation, the rules and regulations of the SEC and NASDAQ.
8. Reviewing and reassessing the adequacy of this Charter on an annual basis and submitting any suggested changes to the Board for review and approval as needed.
9. Completing and reviewing a self-assessment process for the evaluation of the Compensation Committee.
10. The Committee shall periodically evaluate the risks to the Company by the design and implementation of the compensation plans of the Company and evaluate the implementation of appropriate risk management and controls to avoid or mitigate any excessive risk to the Company.

The foregoing duties and responsibilities shall be common, recurring activities of the Compensation Committee. The Compensation Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal or other conditions. The Compensation Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time that are related to the purpose of the Compensation Committee.

GENERAL

The Compensation Committee has the authority, to the extent it deems necessary or appropriate in its sole discretion, to retain or obtain the advice of one or more compensation consultants, legal counsel or other advisers (collectively, "Compensation Advisers") to assist in the evaluation of director and executive officer compensation. The Compensation Committee shall be directly responsible for the appointment, compensation and oversight of the work of any Compensation Adviser retained by the Compensation Committee. The Compensation Committee shall have sole authority to retain and terminate any such Compensation Advisers, including sole authority to approve the fees and other retention terms. The Company shall provide for appropriate funding, as determined by the Compensation Committee, for payment of reasonable compensation to any Compensation Adviser retained by the Compensation Committee.

The Compensation Committee may select, or receive advice from, a Compensation Adviser, other than in-house legal counsel, only after taking into consideration the following factors:

- the provision of other services to the Company by the person that employs the Compensation Adviser;
- the amount of fees received from the Company by the person that employs the Compensation Adviser, as a percentage of the total revenue of the person that employs the Compensation Adviser;
- the policies and procedures of the person that employs the Compensation Adviser that are designed to prevent conflicts of interest;
- any business or personal relationship of the Compensation Adviser with a member of the Compensation Committee;
- any stock of the Company owned by the Compensation Adviser; and
- any business or personal relationship of the Compensation Adviser or the person employing the Compensation Adviser with an Executive Officer of the Company.

The Compensation Committee is required to conduct the independence assessment outlined above with respect to any Compensation Adviser that provides advice to the Compensation Committee, other than in-house legal counsel. However, nothing in this Charter requires a Compensation Adviser to be independent, only that the Compensation Committee considers the enumerated independence factors before selecting, or receiving advice from, a Compensation Adviser. The Compensation Committee may select, or receive advice from, any Compensation Adviser they prefer, including ones that are not independent, after considering the six independence factors outlined above.

In performing their responsibilities, Compensation Committee members are entitled to rely in good faith on information, opinions, reports or statements prepared or presented by:

- One or more officers or employees of the Company whom the Compensation Committee members reasonably believe to be reliable and competent in the matters prepared or presented;
- Compensation Advisers or other persons as to matters which the Compensation Committee members reasonably believe to be within the professional or expert competence of such persons; or
- Another committee of the Board, as to matters within such other committee's designated authority, which committee the Compensation Committee members reasonably believe to merit confidence.

