

# FIRST FEDERAL BANCSHARES

FOR  
IMMEDIATE  
RELEASE

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## FIRST FEDERAL BANCSHARES OF ARKANSAS, INC. ANNOUNCES EARNINGS

**Harrison, Arkansas – January 25, 2001** - (NASDAQ NMS:FFBH) First Federal Bancshares of Arkansas, Inc. (the "Corporation"), a unitary savings and loan holding company for First Federal Bank of Arkansas, FA (the "Bank") announced today that the Corporation earned \$1,204,000 or \$0.36 basic and diluted earnings per share during the fourth quarter of 2000 compared to net income of \$1,529,000 or \$0.40 basic and diluted earnings per share during the fourth quarter of 1999. Earnings for the twelve months ended December 31, 2000 amounted to \$5,592,000 or \$1.60 basic and diluted earnings per share compared to earnings of \$6,280,000 or \$1.57 basic and diluted earnings per share for the same period ended December 31, 1999. Book value, or stockholders' equity per share, at December 31, 2000 was \$21.56.

Larry J. Brandt, President of the Corporation said, "We are pleased that our stock price increased 20.2% for the year and closed at a 52 week high of \$19 per share at year end. Our asset quality continues to remain strong and our earnings per share increased for the year from \$1.57 to \$1.60. However, our earnings for the quarter were down primarily due to the tightening of our net interest margin from the past year of increased interest rates. We are also pleased we continue to have steady growth in both our total assets and deposits in all our market areas."

Total assets at December 31, 2000 amounted to \$713.9 million, total liabilities were \$637.3 million and stockholders' equity totaled \$76.6 million or 10.7% of total assets. This compares with total assets of \$680.7 million, total liabilities of \$601.1 million and stockholders' equity of \$78.8 million or 11.6% of total assets at December 31, 1999. At December 31, 2000 compared to December 31, 1999, investment securities-held to maturity decreased \$5.0 million or 2.6%, net loans receivable increased \$38.3 million or 8.3%, and real estate acquired in settlement of loans decreased \$3.7 million or 93.4%. At December 31, 2000, liabilities were \$637.3 million compared to \$601.1 million at December 31, 1999. The \$36.2 million or 6.0% increase was primarily due to an increase of \$32.5 million or 6.4% in deposits and an increase of \$9.4 million or 11.2% in Federal Home Loan Bank of Dallas ("FHLB of Dallas") advances. The increases in deposits and FHLB of Dallas advances were used to fund the increase in net loans receivable. Stockholders' equity decreased during the twelve month period ended December 31, 2000 primarily due to the purchase of 485,393 shares of treasury stock totaling \$7.7 million in connection with the Corporation's stock repurchase program and to a lesser extent due to the payment of quarterly cash dividends aggregating \$1.5 million. Such decrease was partially offset by net income, for the twelve month period ended December 31, 2000, in the amount of \$5.6 million resulting from continued profitable operations.

Non-performing assets, consisting of non-accruing loans and repossessed assets, amounted to \$1.9 million or .27% of total assets at December 31, 2000, compared to \$5.3 million or .78% of total assets at December 31, 1999. Such decrease in non-performing assets was primarily due to the sale of a commercial real estate property in June 2000.

Net interest income, the primary component of net income, decreased from \$4.9 million and \$19.3 million for the three months and twelve months ended December 31, 1999, respectively, to \$4.4 million and \$18.7 million for the comparable periods in 2000. Net interest margin for the three months and twelve months ended December 31, 2000 was 2.53% and 2.77%, respectively, compared to 3.01% and 3.10%, respectively, for the same periods in 1999.

Noninterest income increased \$151,000 or 33.8% to \$598,000 for the three month period ended December 31, 2000 compared to \$447,000 for the three months ended December 31, 1999. Noninterest income increased \$222,000 or 12.5% to \$2.0 million for the twelve month period ended December 31, 2000 compared to \$1.8 million for the twelve months ended December 31, 1999.

Noninterest expenses increased \$148,000 or 4.9% between the 2000 and 1999 three month periods ended December 31 and increased \$804,000 or 6.9% between the 2000 and 1999 twelve month periods ended December 31.

During the fourth quarter of 2000, the Bank promoted its 50+ Checking Account with Golden Advantages, a Fall CD Special and a Home Equity Special. The Bank also promoted the First Money Visa Check Card, OnLine Banking and VoiceLine 24, our telephone banking service. For information on all the products and services we offer, visit us at [www.ffbh.com](http://www.ffbh.com). The Bank, in its 67<sup>th</sup> year, conducts business from 16 offices in Northcentral and Northwest Arkansas.

### **Financial Tables Attached**

**FIRST FEDERAL BANCSHARES OF ARKANSAS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION**  
(In thousands of dollars)

ASSETS	December 31, <u>2000</u> (Unaudited)	December 31, <u>1999</u>
Cash and cash equivalents	\$ 11,564	\$ 9,983
Investment securities - held to maturity	184,310	189,263
Federal Home Loan Bank stock	5,098	4,258
Loans receivable, net of allowances	498,305	459,978
Accrued interest receivable	6,910	5,977
Real estate acquired in settlement of loans, net	261	3,940
Office properties and equipment, net	7,170	6,809
Prepaid expenses and other assets	<u>284</u>	<u>511</u>
<b>TOTAL ASSETS</b>	<b><u>\$713,902</u></b>	<b><u>\$680,719</u></b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Deposits	\$540,327	\$507,875
Federal Home Loan Bank advances	93,359	83,972
Advance payments by borrowers for taxes and insurance	1,006	1,089
Other liabilities	<u>2,588</u>	<u>8,146</u>
Total liabilities	637,280	601,082
<b>MINORITY INTEREST</b>	<b>--</b>	<b>822</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>76,622</u></b>	<b><u>78,815</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$713,902</u></b>	<b><u>\$680,719</u></b>

**FIRST FEDERAL BANCSHARES OF ARKANSAS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**AND COMPREHENSIVE INCOME AND RELATED SELECTED OPERATING DATA**  
(In thousands of dollars, except earnings per share)

	<u>Three Months Ended Dec. 31.</u>		<u>Twelve Months Ended Dec. 31.</u>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Interest income	\$13,321	\$ 12,281	\$51,982	47,066
Interest expense	<u>8,965</u>	<u>7,399</u>	<u>33,243</u>	<u>27,799</u>
Net interest income	4,356	4,882	18,739	19,267
Provision for loan losses	<u>--</u>	<u>--</u>	<u>--</u>	<u>20</u>
Net interest income after provision for loan losses	4,356	4,882	18,739	19,247
Noninterest income	598	447	1,998	1,776
Noninterest expenses	<u>3,166</u>	<u>3,018</u>	<u>12,398</u>	<u>11,594</u>
Income before income taxes	1,788	2,311	8,339	9,429
Income tax provision	<u>584</u>	<u>782</u>	<u>2,747</u>	<u>3,149</u>
Net income and comprehensive income	<u>\$ 1,204</u>	<u>\$ 1,529</u>	<u>\$ 5,592</u>	<u>\$ 6,280</u>

Earnings Per Share:

Basic	<u>\$0.36</u>	<u>\$0.40</u>	<u>\$1.60</u>	<u>\$1.57</u>
Diluted	<u>\$0.36</u>	<u>\$0.40</u>	<u>\$1.60</u>	<u>\$1.57</u>

Selected Operating Data (Annualized):

Interest rate spread	2.02%	2.53%	2.29%	2.59%
Net interest margin	2.53%	3.01%	2.77%	3.10%
Return on average assets	0.68%	0.91%	0.80%	0.97%
Noninterest expenses to average assets	1.78%	1.79%	1.77%	1.80%
Return on average equity	6.29%	7.71%	7.21%	7.84%