

FIRST FEDERAL BANCSHARES

FOR
IMMEDIATE
RELEASE

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**FOR FURTHER INFORMATION CONTACT:
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FIRST FEDERAL BANCSHARES OF ARKANSAS, INC. ANNOUNCES EARNINGS

Harrison, Arkansas – October 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 \$1,617,000 or \$0.53 basic earnings per share and \$0.52 diluted earnings per share during the third quarter of 2001 compared to net income of \$1,386,000 or \$0.41 basic and diluted earnings per share during the third quarter of 2000. Earnings for the nine months ended September 30, 2001 amounted to \$3,823,000 or \$1.21 basic earnings per share and \$1.20 diluted earnings per share compared to earnings of \$4,388,000 or \$1.23 basic and diluted earnings per share for the same period ended September 30, 2000. Book value, or stockholders' equity per share, at September 30, 2001, was \$22.77.

Larry J. Brandt, President/CEO of the Corporation said, "We are extremely pleased with the increase in excess of 25% in earnings per share as compared to the same quarter last year. This was the highest quarterly earnings per share since becoming a public company in 1996. Two significant reasons for our record quarterly earnings per share were the increase in excess of 60% in non-interest income and an improvement in the net interest margin. The stock repurchase program was also very accretive to earnings for the earnings per share and overall book value. I also want to announce the retirement of a long term key executive, Carolyn Thomason, and express our appreciation for her devotion and exemplary performance during her 38 year career with First Federal Bank. Her retirement will be effective January 1, 2002, and she will be replaced as corporate secretary by Tommy Richardson."

Total assets at September 30, 2001 amounted to \$697.7 million, total liabilities were \$625.2 million and stockholders' equity totaled \$72.4 million or 10.4% of total assets. This compares with total assets of \$713.9 million, total liabilities of \$637.3 million and stockholders' equity of \$76.6 million or 10.7% of total assets at December 31, 2000. At September 30, 2001 compared to December 31, 2000, cash and cash equivalents increased \$37.7 million or 326.1%, investment securities-held to maturity decreased \$51.3 million or 27.8%, net loans receivable decreased \$16.0 million or 3.2%, and prepaid expenses and other assets increased \$15.3 million. The decrease in net loans receivable was primarily due to customer refinancings in the lower rate environment and the sale by the Bank of such loans in the secondary mortgage market. Prepaid expenses and other assets increased primarily due to the Bank's investment in bank owned life insurance. At September 30, 2001, liabilities were

\$625.2 million compared to \$637.3 million at December 31, 2000. The \$12.1 million or 1.9% decrease was primarily due to a decrease of \$37.5 million or 40.2% in Federal Home Loan Bank of Dallas (“FHLB of Dallas”) advances which was partially offset by an increase of \$11.8 million or 2.2% in deposits. The funds available from the sale of loans and the maturity of certain securities were used primarily to pay down FHLB of Dallas advances with the excess temporarily invested in cash and cash equivalents. Stockholders' equity decreased during the nine month period ended September 30, 2001 primarily due to the purchase of 372,314 shares of treasury stock totaling \$7.8 million in connection with the Corporation's stock repurchase program and to a lesser extent due to the payment of quarterly cash dividends aggregating \$1.1 million. Such decrease was partially offset by net income, for the nine month period ended September 30, 2001, in the amount of \$3.8 million resulting from continued profitable operations.

Non-performing assets, consisting of non-accruing loans and repossessed assets, amounted to \$2.7 million or .38% of total assets at September 30, 2001, compared to \$1.9 million or .27% of total assets at December 31, 2000. Such increase was primarily due to an increase in non-accruing loans secured by one-to four family mortgage loans. The allowance for loan losses amounted to \$680,000 at September 30, 2001.

Net interest income, the primary component of net income, increased from \$4.6 million to \$4.7 million for the three months ended September 30, 2000 and 2001, respectively. Net interest income decreased from \$14.4 million to \$13.6 million for the nine months ended September 30, 2000 and 2001, respectively. Net interest margin for the three months and nine months ended September 30, 2001 was 2.86% and 2.72%, respectively, compared to 2.67% and 2.85%, respectively, for the same periods in 2000.

Noninterest income increased \$363,000 or 64.4% to \$927,000 for the three month period ended September 30, 2001 compared to \$564,000 for the three months ended September 30, 2000 and increased \$1.1 million or 75.5% to \$2.5 million for the nine month period ended September 30, 2001 compared to \$1.4 million for the nine months ended September 30, 2000. The increase in noninterest income for the three months and nine months ended September 30, 2001 compared to the three months and nine months ended September 30, 2000 was primarily due to increases in deposit fee income, loan related insurance commissions, profit on sale of mortgage loans in the secondary mortgage market and additional fees related to such loans, earnings from bank owned life insurance, and a decline in the loss recognized from the operations of foreclosed property.

Noninterest expenses increased \$54,000 or 1.8% between the 2001 and 2000 three month periods ended September 30 and increased \$1.0 million or 11.3% between the 2001 and 2000 nine month periods ended September 30. Such increase for the three month comparable periods was primarily due to an increase in data processing expenses, which was partially offset by a decrease in salaries and employee benefits. Such increase for the nine month comparable periods was primarily due to an increase in salaries and employee benefits, an increase in data processing expenses, and to a nonrecurring expense for \$352,000. In the second quarter, a nonrecurring noninterest expense was incurred in the amount of \$352,000 pre-tax with a \$235,000 after-tax affect. The nonrecurring expense was due to a death benefit payable pursuant to the employment contract of the Bank's Chief Executive Officer and Chairman of the Board, as a result of his death.

During the third quarter of 2001, the Bank began promoting our new Account Information Center (AIC). The AIC handles both deposit and loan inquiries and is committed to provide superior service to our customers. Hours for the AIC are 7:30 a.m. – 5:30 p.m. Monday – Friday and 8:00 a.m. – Noon on Saturday. The Bank also successfully promoted a SUMMER ON US special and a PRIME TIME FOR CONSUMER LOANS special. For information on all the products and services we offer, visit us at www.ffbh.com or call our new Account Information Center at (870) 365-8329 or (866) AIC-FFBH or by email at aic@ffbh.com. The Bank, in its 67th 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	September 30, 2001 <u>(Unaudited)</u>	December 31, 2000 <u></u>
Cash and cash equivalents	\$ 49,268	\$ 11,564
Investment securities - held to maturity	133,039	184,310
Federal Home Loan Bank stock	4,881	5,098
Loans receivable, net of allowances	482,337	498,305
Accrued interest receivable	5,261	6,910
Real estate acquired in settlement of loans, net	299	261
Office properties and equipment, net	7,000	7,170
Prepaid expenses and other assets	<u>15,580</u>	<u>284</u>
TOTAL ASSETS	<u>\$697,665</u>	<u>\$713,902</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits	\$552,079	\$540,327
Federal Home Loan Bank advances	55,848	93,359
Advance payments by borrowers for taxes and insurance	823	1,006
Other liabilities	<u>16,466</u>	<u>2,588</u>
Total liabilities	625,216	637,280
TOTAL STOCKHOLDERS' EQUITY	<u>72,449</u>	<u>76,622</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$697,665</u>	<u>\$713,902</u>

FIRST FEDERAL BANCSHARES OF ARKANSAS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

AND RELATED SELECTED OPERATING DATA

(In thousands of dollars, except earnings per share)

	<u>Three Months Ended Sept. 30,</u>		<u>Nine Months Ended Sept. 30,</u>	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	\$12,412	\$13,218	\$38,371	\$38,661
Interest expense	<u>7,747</u>	<u>8,626</u>	<u>24,738</u>	<u>24,278</u>
Net interest income	4,665	4,592	13,633	14,383
Provision for loan losses	<u>102</u>	<u>--</u>	<u>163</u>	<u>--</u>
Net interest income after provision for loan losses	4,563	4,592	13,470	14,383
Noninterest income	927	564	2,457	1,400
Noninterest expenses	<u>3,146</u>	<u>3,092</u>	<u>10,276</u>	<u>9,232</u>
Income before income taxes	2,344	2,064	5,651	6,551
Income tax provision	<u>727</u>	<u>678</u>	<u>1,828</u>	<u>2,163</u>
Net income and comprehensive income	<u>\$ 1,617</u>	<u>\$ 1,386</u>	<u>\$ 3,823</u>	<u>\$ 4,388</u>

Earnings Per Share:

Basic	<u>\$0.53</u>	<u>\$0.41</u>	<u>\$1.21</u>	<u>\$1.23</u>
Diluted	<u>\$0.52</u>	<u>\$0.41</u>	<u>\$1.20</u>	<u>\$1.23</u>

Selected Operating Data (Annualized):

Interest rate spread	2.48%	2.19%	2.27%	2.38%
Net interest margin	2.86%	2.67%	2.72%	2.85%
Return on average assets	0.95%	0.78%	0.74%	0.84%
Noninterest expenses to average assets	1.84%	1.75%	1.98%	1.77%
Return on average equity	8.74%	7.22%	6.81%	7.51%