

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

January 26, 2004

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(Date of earliest event reported)

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First Federal Bancshares of Arkansas, Inc.

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(Exact name of registrant as specified in its charter)

Texas	0-28312	71-0785261
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1401 Highway 62-65 North, Harrison, Arkansas	72601
(Address of principal executive offices)	(Zip Code)

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(870) 741-7641

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(Registrant's telephone number, including area code)

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Not Applicable

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(Former name, former address and former fiscal year, if changed since last report)

**Item 7. Financial Statements, Pro Forma Financial Information and Exhibits**

- (a) Not applicable.
- (b) Not applicable.
- (c) The following exhibit is included with this Report:

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release, dated January 26, 2004

**Item 9. Regulation FD Disclosure (Results of Operations and Financial Condition)**

On January 26, 2004, First Federal Bancshares of Arkansas, Inc. issued a press release announcing its results of operations for the quarter ended December 31, 2004. A copy of the press release is included as Exhibit 99.1 and is incorporated herein by reference. This information, which is required by Item 12 of Form 8-K, is being provided under Item 9 pursuant to Commission Release 34-47583.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST FEDERAL BANCSHARES OF  
ARKANSAS, INC.

By: /s/ Larry J. Brandt  
Name: Larry J. Brandt  
Title: President and Chief Executive Officer

Date: January 26, 2004

**FIRST  
FEDERAL  
BANCSHARES**

1401 Highway 62-65 North  
P. O. Box 550  
Harrison, AR 72601

**FOR  
IMMEDIATE  
RELEASE**

**FOR FURTHER INFORMATION CONTACT:  
Larry J. Brandt/President-CEO  
Tommy Richardson/EVP-COO  
Sherri Billings/EVP-CFO  
870-741-7641**

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

**Harrison, Arkansas – January 26, 2004** - (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's net income amounted to \$1,713,000 or \$0.33 basic earnings per share and \$0.31 diluted earnings per share during the fourth quarter of 2003 compared to net income of \$1,964,000 or \$0.38 basic earnings per share and \$0.37 diluted earnings per share during the fourth quarter of 2002. Earnings for the twelve months ended December 31, 2003 amounted to \$7,456,000 or \$1.46 basic earnings per share and \$1.38 diluted earnings per share compared to earnings of \$7,778,000 or \$1.44 basic earnings per share and \$1.39 diluted earnings per share for the same period ended December 31, 2002. Book value or stockholders' equity per share, at December 31, 2003, was \$14.06.

Larry J. Brandt, President/CEO for the Corporation said, "I am very pleased to report we finished the year strong with a 62% increase in our stock price at December 31, 2003 compared to December 31, 2002. As a result of our excellent stock performance during the year, we declared a two-for-one stock split payable December 31, 2003. In addition, our basic earnings per share for 2003 improved to \$1.46 compared to last year's basic earnings per share of \$1.44. We also increased our cash dividend by 30% for the year which further enhanced our shareholders' value."

Total assets at December 31, 2003 amounted to \$690.7 million, total liabilities were \$615.6 million and stockholders' equity totaled \$75.1 million or 10.9% of total assets. This compares with total assets of \$679.9 million, total liabilities of \$610.6 million and stockholders' equity of \$69.3 million or 10.2% of total assets at December 31, 2002. At December 31, 2003 compared to December 31, 2002, cash and cash equivalents increased \$11.7 million or 26.3%, investment securities held to maturity decreased \$34.1 million or 29.8% and net loans receivable increased \$29.3 million or 6.1%. At December 31, 2003, liabilities were \$615.6 million compared to \$610.6 million at December 31, 2002. The \$5.0 million or 0.8% increase was primarily due to an increase of \$4.8 million or 0.9% in deposits and an increase in Federal Home Loan

Bank (“FHLB”) of Dallas advances of \$1.0 million or 2.5%. The funds available from the proceeds of matured or called investment securities held to maturity and the increase in deposits and FHLB advances were temporarily invested in cash and cash equivalents and used to fund loan growth. Stockholders' equity increased during the twelve month period ended December 31, 2003, due to net income in the amount of \$7.5 million resulting from continued profitable operations, as well as the issuance of 145,768 shares of treasury stock totaling \$1.4 million as a result of the exercise of stock options. Such increase was partially offset by the purchase of 190,400 shares of treasury stock totaling \$2.8 million in connection with the Corporation's stock repurchase program and, to a lesser extent, the payment of quarterly cash dividends in the amount of \$1.8 million.

Non-performing assets, consisting of nonaccrual and restructured loans and repossessed assets, amounted to \$5.0 million or 0.72% of total assets at December 31, 2003, compared to \$7.3 million or 1.07% of total assets at December 31, 2002. At December 31, 2003, nonaccrual loans, restructured loans, and repossessed assets amounted to \$2.8 million, \$1.4 million, and \$839,000, respectively, compared to \$2.7 million, \$4.2 million, and \$361,000, respectively, at December 31, 2002. The allowance for loan losses amounted to \$1.6 million at December 31, 2003 or .29% of total loans. The allowance for loan losses amounted to \$1.5 million at December 31, 2002 or 0.30% of total loans. The allowance for loan losses includes \$252,000 and \$625,000 in allowances allocated to specific loans as of December 31, 2003 and December 31, 2002, respectively.

Net interest income, the primary component of net income, decreased from \$5.9 million for the three months ended December 31, 2002 to \$5.8 million for the comparable period in 2003 and increased from \$22.5 million to \$22.8 million for the twelve months ended December 31, 2002 and 2003, respectively. Net interest margin for the three months and twelve months ended December 31, 2003 was 3.59% and 3.52%, respectively, compared to 3.73% and 3.50%, respectively, for the same periods in 2002.

The provision for loan losses decreased \$446,000 to \$71,000 for the three month period ended December 31, 2003 compared to \$517,000 for the three month period ended December 31, 2002 and decreased \$810,000 to \$690,000 for the twelve month period ended December 31, 2003 compared to \$1,500,000 for the twelve month period ended December 31, 2002. The decrease in the provision for loan losses for the twelve month period ended December 31, 2003, compared to the same period in 2002, was due primarily to a significant provision in 2002 resulting from a charge-off on a commercial real estate loan of approximately \$415,000, as well as a decrease in 2003 of approximately \$440,000 in the loss allowance allocated to a specific commercial loan relationship.

Noninterest income decreased \$37,000 or 2.5% to \$1.4 million for the three month period ended December 31, 2003 compared to \$1.5 million for the three months ended December 31, 2002 primarily due to a decrease in profit on sale of mortgage loans in the secondary market which was partially offset by an increase in deposit fee income. Non-interest income increased \$1.6 million or 30.7% to \$7.0 million for the twelve month period ended December 31, 2003 compared to \$5.3 million for the twelve months ended December 31, 2002 primarily due to an increase in profit on sale of mortgage loans in the secondary market and the corresponding recognition of fees related to such loans, an increase in deposit fee income and the

appreciation in value recognized on the contribution of the office building formerly occupied by the Bank's lending operations.

Noninterest expenses increased \$768,000 or 19.6% between the 2002 and 2003 three month periods ended December 31 and increased \$3.7 million or 25.7% between the 2002 and 2003 twelve month periods ended December 31. Such increases were primarily due to an increase in salaries and employee benefits and net occupancy expense. In addition, the increase between the twelve month periods was due to an increase in contributions as a result of the donation of the building discussed above.

First Federal Bank is a community bank serving consumers and businesses with a full range of checking, savings, investment and loan products and services. The Bank, in its 70<sup>th</sup> year, conducts business from 15 full-service branch locations, one stand-alone loan production office, and 24 ATMS located in northcentral and northwest Arkansas. The Bank recently opened another office in Bentonville, Arkansas, one of the fastest growing areas of the country. For information on all the products and services we offer, visit us at [www.ffbh.com](http://www.ffbh.com) or contact our Account Information Center at (870) 365-8329 or (866) AIC-FFBH toll free or by email at [aic@ffbh.com](mailto:aic@ffbh.com).

**Financial Tables Attached**

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

ASSETS	December 31, 2003	December 31, 2002
Cash and cash equivalents	\$ 56,201	\$ 44,493
Investment securities held to maturity	80,379	114,471
Federal Home Loan Bank stock	3,749	5,064
Loans receivable, net of allowances	512,756	483,468
Accrued interest receivable	4,089	4,380
Real estate acquired in settlement of loans, net	822	320
Office properties and equipment, net	14,238	10,690
Prepaid expenses and other assets	<u>18,419</u>	<u>17,010</u>
<b>TOTAL ASSETS</b>	<b><u>\$690,653</u></b>	<b><u>\$679,896</u></b>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Deposits	\$573,580	\$568,762
Federal Home Loan Bank advances	39,562	38,610
Advance payments by borrowers for taxes and insurance	725	760
Other liabilities	<u>1,708</u>	<u>2,498</u>
Total liabilities	615,575	610,630
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b><u>75,078</u></b>	<b><u>69,266</u></b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b><u>\$690,653</u></b>	<b><u>\$679,896</u></b>

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

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>Dec. 31,</u>		<u>Dec. 31,</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Interest income	\$ 9,464	\$10,678	\$38,745	\$44,094
Interest expense	<u>3,681</u>	<u>4,758</u>	<u>15,986</u>	<u>21,633</u>
Net interest income	5,783	5,920	22,759	22,461
Provision for loan losses	<u>71</u>	<u>517</u>	<u>690</u>	<u>1,500</u>
Net interest income after provision for loan losses	5,712	5,403	22,069	20,961
Noninterest income	1,440	1,477	6,989	5,346
Noninterest expenses	<u>4,689</u>	<u>3,921</u>	<u>18,263</u>	<u>14,524</u>
Income before income taxes	2,463	2,959	10,795	11,783
Income tax provision	<u>750</u>	<u>995</u>	<u>3,339</u>	<u>4,005</u>
Net income	<u>\$1,713</u>	<u>\$ 1,964</u>	<u>\$ 7,456</u>	<u>\$ 7,778</u>
 Earnings Per Share:				
Basic	<u>\$0.33</u>	<u>\$0.38</u>	<u>\$1.46</u>	<u>\$1.44</u>
Diluted	<u>\$0.31</u>	<u>\$0.37</u>	<u>\$1.38</u>	<u>\$1.39</u>
 <u>Selected Operating Data (Quarter</u> <u>Annualized):</u>				
Interest rate spread	3.48%	3.56%	3.40%	3.30%
Net interest margin	3.59%	3.73%	3.52%	3.50%
Return on average assets	.99%	1.16%	1.08%	1.14%
Noninterest expenses to average assets	2.72%	2.32%	2.64%	2.14%
Return on average equity	9.16%	11.33%	10.25%	11.01%