

FIRST FEDERAL BANCSHARES

FOR
IMMEDIATE
RELEASE

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FIRST FEDERAL BANCSHARES OF ARKANSAS, INC. ANNOUNCES EARNINGS

Harrison, Arkansas – January 25, 2002 - (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 \$1,637,000 or \$0.56 basic earnings per share and \$0.55 diluted earnings per share during the fourth quarter of 2001 compared to net income of \$1,204,000 or \$0.36 basic and diluted earnings per share during the fourth quarter of 2000. Net income for the twelve months ended December 31, 2001 amounted to \$5,460,000 or \$1.76 basic earnings per share and \$1.75 diluted earnings per share compared to net income of \$5,592,000 or \$1.60 basic and diluted earnings per share for the same period ended December 31, 2000. Book value, or stockholders' equity per share, at December 31, 2001, was \$23.29.

Larry J. Brandt, President/CEO for the Corporation said, "We are very pleased with our fourth quarter performance for the year 2001. It was a record finish for the year with a 53% increase in earnings per share at \$0.55 per share for the quarter as compared to the same quarter last year of \$0.36 per share. The Corporation also had a record in earnings per share for the year at \$1.75 per share as compared to \$1.60 per share for last year. The repurchase of our stock was a significant factor in the increased earnings per share for both the quarter and the year. In addition, an improvement in the net interest margin was a significant factor in the increased earnings per share for the quarter."

Total assets at December 31, 2001 amounted to \$680.3 million, total liabilities were \$609.2 million and stockholders' equity totaled \$71.1 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 December 31, 2001 compared to December 31, 2000, cash and cash equivalents increased \$60.8 million or 525.4%, investment securities-held to maturity decreased \$83.4 million or 45.3%, net loans receivable decreased \$23.8 million or 4.8%, and prepaid expenses and other assets increased \$15.5 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 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 December 31, 2001, liabilities were \$609.2 million compared to \$637.3 million at December 31, 2000. The \$28.1 million or 4.4% decrease was primarily due to a decrease of \$45.5 million or 48.8% in Federal Home Loan Bank of

Dallas (“FHLB of Dallas”) advances which was partially offset by an increase of \$15.6 million or 2.9% 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 twelve month period ended December 31, 2001 primarily due to the purchase of 503,022 shares of treasury stock totaling \$10.7 million in connection with the Corporation's stock repurchase program and to a lesser extent due to the payment of quarterly cash dividends aggregating \$1.4 million. Such decrease was partially offset by net income, for the twelve month period ended December 31, 2001, in the amount of \$5.5 million resulting from continued profitable operations.

Non-performing assets, consisting of non-accruing loans and repossessed assets, amounted to \$3.6 million or .53% of total assets at December 31, 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 \$923,000 at December 31, 2001 or 29.7% of nonperforming loans and 0.2% of total loans.

Net interest income, the primary component of net income, increased from \$4.4 million to \$4.7 million for the three months ended December 31, 2000 and 2001, respectively. Net interest income decreased from \$18.7 million to \$18.3 million for the twelve months ended December 31, 2000 and 2001, respectively. Net interest margin for the three months and twelve months ended December 31, 2001 was 2.87% and 2.76%, respectively, compared to 2.53% and 2.77%, respectively, for the same periods in 2000.

Noninterest income increased \$689,000 or 115.2% to \$1.3 million for the three month period ended December 31, 2001 compared to \$598,000 for the three months ended December 31, 2000 and increased \$1.7 million or 87.4% to \$3.7 million for the twelve month period ended December 31, 2001 compared to \$2.0 million for the twelve months ended December 31, 2000. The increase in noninterest income for the three months and twelve months ended December 31, 2001 compared to the three months and twelve months ended December 31, 2000 was primarily due to increases in deposit fee income, profit on sale of mortgage loans in the secondary mortgage market and additional fees related to such loans, and earnings from bank owned life insurance. For the twelve month periods ended December 31, noninterest income also increased due to a decline in the loss recognized from the operations of foreclosed property and an increase in loan related insurance commissions.

Noninterest expenses increased \$154,000 or 4.9% between the 2001 and 2000 three month periods ended December 31 and increased \$1.2 million or 9.7% between the 2001 and 2000 twelve month periods ended December 31. Such increase for the three month comparable periods was primarily due to increases in data processing expenses, postage and supplies, net occupancy expense and advertising expense, which were partially offset by a decrease in salaries and employee benefits. Such increase for the twelve month comparable periods was primarily due to increases in salaries and employee benefits, data processing expenses, postage and supplies, net occupancy expense, advertising expense and to a nonrecurring expense of \$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 in May 2001.

During the fourth quarter of 2001, the Bank promoted a special overdraft protection privilege called “Bounce Protection”. Bounce Protection gives our customers the support they need to meet financial obligations with confidence. The Bank also promoted the First Money Visa Check Card, ATM Locations and VoiceLine 24. For information on all the products and services we offer, visit us at www.ffbh.com or call our Account Information Center at 870-365-8329 or 866-AIC-FFBH toll free or by email at aic@ffbh.com. The Bank, in its 68th year, conducts business from 16 offices in North Central 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, 2001 <u>(Unaudited)</u>	December 31, 2000 <u></u>
Cash and cash equivalents	\$ 72,326	\$ 11,564
Investment securities - held to maturity	100,878	184,310
Federal Home Loan Bank stock	4,918	5,098
Loans receivable, net of allowances	474,494	498,305
Accrued interest receivable	4,420	6,910
Real estate acquired in settlement of loans, net	455	261
Office properties and equipment, net	7,006	7,170
Prepaid expenses and other assets	<u>15,758</u>	<u>284</u>
TOTAL ASSETS	<u>\$680,255</u>	<u>\$713,902</u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits	\$555,933	\$540,327
Federal Home Loan Bank advances	47,844	93,359
Advance payments by borrowers for taxes and insurance	929	1,006
Other liabilities	<u>4,484</u>	<u>2,588</u>
Total liabilities	609,190	637,280
TOTAL STOCKHOLDERS' EQUITY	<u>71,065</u>	<u>76,622</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$680,255</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)

	Three Months Ended Dec. 31,		Twelve Months Ended Dec. 31,	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Interest income	\$11,781	\$13,321	\$50,152	\$51,982
Interest expense	<u>7,123</u>	<u>8,965</u>	<u>31,862</u>	<u>33,243</u>
Net interest income	4,658	4,356	18,290	18,739
Provision for loan losses	<u>289</u>	<u>--</u>	<u>452</u>	<u>--</u>
Net interest income after provision for loan losses	4,369	4,356	17,838	18,739
Noninterest income	1,287	598	3,745	1,998
Noninterest expenses	<u>3,320</u>	<u>3,166</u>	<u>13,596</u>	<u>12,398</u>
Income before income taxes	2,336	1,788	7,987	8,339
Income tax provision	<u>699</u>	<u>584</u>	<u>2,527</u>	<u>2,747</u>
Net income and comprehensive income	\$ <u>1,637</u>	\$ <u>1,204</u>	\$ <u>5,460</u>	\$ <u>5,592</u>
Earnings Per Share:				
Basic	<u>\$0.56</u>	<u>\$0.36</u>	<u>\$1.76</u>	<u>\$1.60</u>
Diluted	<u>\$0.55</u>	<u>\$0.36</u>	<u>\$1.75</u>	<u>\$1.60</u>

Selected Operating Data (Annualized):

Interest rate spread	2.57%	2.02%	2.35%	2.29%
Net interest margin	2.87%	2.53%	2.76%	2.77%
Return on average assets	0.96%	0.68%	0.79%	0.80%
Noninterest expenses to average assets	1.94%	1.78%	1.97%	1.77%
Return on average equity	9.09%	6.29%	7.36%	7.21%