



**FOR
IMMEDIATE
RELEASE**

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

Harrison, Arkansas – October 28, 2005 - (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 \$2,036,000 or \$0.41 basic earnings per share and \$0.39 diluted earnings per share during the third quarter of 2005 compared to net income of \$2,098,000 or \$0.42 basic earnings per share and \$0.39 diluted earnings per share during the third quarter of 2004. Earnings for the nine months ended September 30, 2005 amounted to \$5,950,000 or \$1.19 basic earnings per share and \$1.14 diluted earnings per share compared to earnings of \$5,788,000 or \$1.14 basic earnings per share and \$1.07 diluted earnings per share for the same period ended September 30, 2004. Book value or stockholders' equity per share, at September 30, 2005, was \$15.33.

Larry J. Brandt, President/CEO for the Corporation said, "We are pleased to report another solid quarter of earnings with net income of \$2 million for the quarter and \$6 million for the nine months ended September 30, 2005. Loan demand continues to be strong in Northwest Arkansas, as evidenced by our nearly \$80 million increase in net loans receivable since December 31, 2004. The resulting increase in interest income, as well as increased deposit fee income, have had a positive impact on return on average equity, which has increased to 11.2% this quarter compared to 10.4% for the year ended December 31, 2004. During the third quarter, the Corporation increased the quarterly cash dividend by 8% to \$0.13 per share compared to \$0.12 per share last quarter and \$0.11 per share for the same quarter in 2004, an 18% increase. The grand opening for our third full-service office in Mountain Home was held in August and construction progress is on schedule for a December completion date for both our Springdale and Centerton offices."

Total assets at September 30, 2005 amounted to \$840.9 million, total liabilities were \$763.3 million and stockholders' equity totaled \$77.6 million or 9.2% of total assets. This compares with total assets of \$751.7 million, total liabilities of \$676.4 million and stockholders' equity of \$75.3 million or 10.0% of total assets at December 31, 2004. At September 30, 2005 compared to December 31, 2004, cash and cash equivalents increased \$2.4 million or 14.8%, Federal Home Loan Bank stock increased \$3.5 million or 70.8%, net loans receivable increased \$79.4 million or 12.5% and office

properties and equipment increased by \$2.4 million or 16.0%. The \$86.9 million or 12.9% increase in total liabilities was primarily due to an increase in Federal Home Loan Bank (“FHLB”) of Dallas advances of \$79.7 million or 88.8% and an increase of \$6.9 million or 1.2% in deposits. Cash and cash equivalents, funds available from the proceeds of matured or called investment securities held to maturity, and the increases in deposits and FHLB advances were used to fund loan growth. The increase in office properties and equipment was due to land purchased for branch expansion, construction costs for new branches in Mountain Home and Springdale, and remodeling of existing branch locations. Stockholders' equity increased during the nine month period ended September 30, 2005, due to net income in the amount of \$6.0 million resulting from continued profitable operations, as well as the issuance of 201,543 shares of treasury stock totaling \$2.0 million as a result of the exercise of stock options. Such increase was partially offset by the purchase of 233,000 shares of treasury stock totaling \$5.7 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 \$1.9 million.

Non-performing assets, consisting of certain classified loans and repossessed assets, amounted to \$13.8 million or 1.64% of total assets at September 30, 2005, compared to \$8.5 million or 1.13% of total assets at December 31, 2004. This increase was primarily due to two lending relationships. The allowance for loan losses amounted to \$2.1 million at September 30, 2005 or 0.26% of total loans and \$1.8 million at December 31, 2004 or 0.26% of total loans.

Net interest income, the primary component of net income, increased to \$6.8 million and \$19.7 million for the three and nine months ended September 30, 2005 from \$6.5 million and \$18.6 million for the comparable periods in 2004. Net interest margin for the three months and nine months ended September 30, 2005 was 3.55% and 3.54%, respectively, compared to 3.83% and 3.76% for the same periods in 2004.

The provision for loan losses increased \$83,000 to \$285,000 for the three month period ended September 30, 2005 compared to \$202,000 for the three month period ended September 30, 2004 and increased \$157,000 to \$820,000 for the nine month period ended September 30, 2005 compared to \$663,000 for the nine month period ended September 30, 2004.

Noninterest income increased \$245,000 or 15.6% to \$1.8 million for the three month period ended September 30, 2005 compared to \$1.6 million for the same period in 2004 and increased \$523,000 or 11.4% to \$5.1 million for the nine month period ended September 30, 2005 compared to \$4.6 million for the same period in 2004, primarily due to an increase in deposit fee income during both periods in 2005.

Noninterest expenses increased \$579,000 or 12.2% to \$5.3 million for the three months ended September 30, 2005 compared to \$4.7 million for the same period in 2004 and increased \$1.2 million or 8.3% to \$15.2 million for the nine months ended September 30, 2005 compared to \$14.0 million for the same period in 2004. Such increases were primarily due to increases in salaries and employee benefits.

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 71st year, conducts business from 16 full-service branch locations, one stand-alone loan production office, and 25 ATMs located in Northcentral and Northwest Arkansas. For information on all the products and services we offer, visit us at 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.

Financial Tables Attached

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

ASSETS	September 30, 2005	December 31, 2004
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 18,376	\$ 16,003
Investment securities held to maturity	56,184	56,660
Federal Home Loan Bank stock	8,329	4,876
Loans receivable, net of allowances	713,576	634,217
Accrued interest receivable	6,469	4,427
Real estate acquired in settlement of loans, net	348	563
Office properties and equipment, net	17,742	15,295
Cash surrender value of life insurance	18,476	17,897
Prepaid expenses and other assets	1,404	1,727
TOTAL ASSETS	<u><u>\$ 840,904</u></u>	<u><u>\$ 751,665</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES:		
Deposits	\$ 589,298	\$ 582,424
Federal Home Loan Bank advances	169,491	89,756
Advance payments by borrowers for taxes and insurance	595	757
Other liabilities	3,911	3,427
Total liabilities	<u>763,295</u>	<u>676,364</u>
 TOTAL STOCKHOLDERS' EQUITY	 <u>77,609</u>	 <u>75,301</u>
 TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	 <u><u>\$ 840,904</u></u>	 <u><u>\$ 751,665</u></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)

(Unaudited)

	Three Months Ended Sept. 30,		Nine Months Ended Sept. 30,	
	2005	2004	2005	2004
Interest income	\$ 11,916	\$ 10,083	\$ 33,512	\$ 29,176
Interest expense	5,135	3,620	13,850	10,559
Net interest income	6,781	6,463	19,662	18,617
Provision for loan losses	285	202	820	663
Net interest income after provision for loan losses	6,496	6,261	18,842	17,954
Noninterest income	1,818	1,573	5,111	4,588
Noninterest expenses	5,313	4,734	15,188	14,031
Income before income taxes	3,001	3,100	8,765	8,511
Income tax provision	965	1,002	2,815	2,723
Net income	<u>\$ 2,036</u>	<u>\$ 2,098</u>	<u>\$ 5,950</u>	<u>\$ 5,788</u>

Earnings Per Share:

Basic	<u>\$ 0.41</u>	<u>\$ 0.42</u>	<u>\$ 1.19</u>	<u>\$ 1.14</u>
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Diluted	<u>\$ 0.39</u>	<u>\$ 0.39</u>	<u>\$ 1.14</u>	<u>\$ 1.07</u>
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Cash Dividends Declared	<u>\$ 0.13</u>	<u>\$ 0.11</u>	<u>\$ 0.37</u>	<u>\$ 0.31</u>
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Selected Operating Data (Quarter Annualized):

Interest rate spread	3.45%	3.73%	3.44%	3.65%
Net interest margin	3.55%	3.83%	3.54%	3.76%
Return on average assets	1.00%	1.16%	1.00%	1.09%
Noninterest expenses to average assets	2.61%	2.62%	2.55%	2.64%
Return on average equity	11.15%	11.20%	10.60%	10.24%