FPB FINANCIAL CORP.
AND SUBSIDIARIES

Audits of Consolidated Financial Statements

December 31, 2011 and 2010

LAPORTE
CPAs & BUSINESS ADVISORS

Contents

LAPORTE
CPAs & BUSINESS ADVISORS

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Independent Auditor's Report

To the Board of Directors
FPB Financial Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheets of FPB Financial Corp. and Subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of FPB Financial Corp. and Subsidiaries at December 31, 2011 and 2010, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
February 24, 2012

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2011 and 2010

	2011	2010
Assets		
Cash and Cash Equivalents		
Cash and Noninterest-Earning Deposits	$ 4,848,444	$ 3,747,116
Interest-Earning Deposits in Other Depository Institutions	1,847,507	3,493,529
Total Cash and Cash Equivalents	6,695,951	7,240,645
Certificates of Deposit	5,239,000	2,000,000
Securities - Available-for-Sale	24,452,121	18,788,050
Trading Securities	243,069	14,239,436
Federal Home Loan Bank Stock, at Cost	1,283,800	1,279,200
Loans, Net of Allowance for Loan Losses of $2,976,683 in 2011 and $2,574,347 in 2010	124,884,851	116,935,763
Loans Held for Sale	1,424,610	2,290,550
Accrued Interest Receivable	622,775	543,470
Premises and Equipment, Net	7,870,052	7,645,630
Foreclosed Assets	1,133,388	1,526,432
Deferred Tax Asset	129,895	-
Other Assets	620,268	1,230,478
Total Assets	$ 174,599,780	$ 173,719,654

The accompanying notes are an integral part of these consolidated financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2011 and 2010

	2011	2010
Liabilities and Stockholders' Equity		
Deposits		
Noninterest-Bearing Demand Deposits	**$ 22,776,068**	$ 20,829,595
Interest-Bearing Demand Deposits	**66,030,520**	64,145,755
Time Deposits - $100,000 and Over	**17,840,206**	17,003,879
Other Time Deposits	**22,688,760**	28,229,147
Total Deposits	**129,335,554**	130,208,376
Accrued Interest Payable	**31,034**	61,124
Federal Home Loan Bank Advances	**25,361,627**	24,752,506
Subordinated Debentures/Trust Preferred Securities	**3,093,000**	3,093,000
Other Liabilities	**646,442**	657,000
Total Liabilities	**158,467,657**	158,772,006
Stockholders' Equity		
Common Stock - $.01 Par Value, 5,000,000 Shares Authorized, 443,053 Shares Issued at December 31, 2011 and 428,453 Shares Issued at December 31, 2010	**4,431**	4,285
Additional Paid-In Capital	**6,274,941**	6,258,067
Unearned ESOP Stock	**-**	-
Unearned MRP Trust Stock	**(19,974)**	(45,581)
Treasury Stock, at Cost - 75,698 Shares at December 31, 2011 and 60,950 Shares at December 31, 2010	**(1,783,468)**	(1,227,321)
Retained Earnings	**11,424,555**	9,892,611
Accumulated Other Comprehensive Income	**231,638**	65,587
Total Stockholders' Equity	**16,132,123**	14,947,648
Total Liabilities and Stockholders' Equity	**$ 174,599,780**	$ 173,719,654

The accompanying notes are an integral part of these consolidated financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Income
For the Years Ended December 31, 2011 and 2010

	2011	2010
Interest and Dividend Income		
Interest and Fees on Loans	**$ 9,498,030**	$ 9,651,031
Interest and Dividends on Investment Securities and Other Interest-Earning Deposits	**530,099**	473,243
Total Interest and Dividend Income	**10,028,129**	10,124,274
Interest Expense		
Interest on Deposits	**977,992**	1,472,691
Interest on Borrowings	**604,567**	738,460
Interest on Subordinated Debentures	**106,812**	107,913
Total Interest Expense	**1,689,371**	2,319,064
Net Interest Income	**8,338,758**	7,805,210
Provision for Loan Losses	**(656,468)**	(995,000)
Net Interest Income After Provision for Loan Losses	**7,682,290**	6,810,210
Non-Interest Income		
Gain on Sale of Investments	**-**	304,563
(Loss) Gain on Trading Securities	**(93,076)**	12,966
Service Charges on Deposits	**793,911**	940,398
Mortgage Banking Fees	**731,221**	1,226,345
Other Income	**669,197**	568,641
Total Non-Interest Income	**2,101,253**	3,052,913
Non-Interest Expense		
Compensation and Employee Benefits	**3,895,945**	3,797,817
Occupancy and Equipment	**828,133**	755,660
Technology and Information Processing	**564,122**	566,401
Professional Fees	**242,479**	258,420
Regulatory Fees	**327,102**	387,001
Other General and Administrative	**1,249,234**	1,072,486
Total Non-Interest Expense	**7,107,015**	6,837,785
Income Before Income Taxes	**2,676,528**	3,025,338
Income Tax Expense	**858,287**	927,191
Net Income	**1,818,241**	2,098,147
Preferred Stock Dividends	**-**	74,190
Accretion of Discount on Preferred Stock	**-**	102,671
Net Income Available to Common Shareholders	**$ 1,818,241**	$ 1,921,286
Earnings Per Share - Basic	**$ 5.11**	$ 5.29
Earnings Per Share - Diluted	**$ 5.08**	$ 5.27

The accompanying notes are an integral part of these consolidated financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the Years Ended December 31, 2011 and 2010

	2011	2010
Net Income	**$ 1,818,241**	$ 2,098,147
Other Comprehensive Income (Loss), Net of Tax		
Unrealized Holding Gains (Losses) Arising During the Period	**166,051**	(44,793)
Reclassification Adjustment for Gains Included in Net Income	**-**	(201,012)
Total Other Comprehensive Income (Loss)	**166,051**	(245,805)
Comprehensive Income	**$ 1,984,292**	$ 1,852,342

The accompanying notes are an integral part of these consolidated financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the Years Ended December 31, 2011 and 2010

	Preferred Stock A	Preferred Stock B	Common Stock	Additional Paid-In Capital	Unearned ESOP Stock	Unearned MRP Trust Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - January 1, 2010	$ 2,137,329	$ 162,000	$ 4,271	$ 6,228,300	$ -	$ (60,936)	$ (1,227,321)	$ 8,255,116	$ 311,392	$ 15,810,151
Net Income	-	-	-	-	-	-	-	2,098,147	-	2,098,147
Option Exercised	-	-	14	14,726	-	-	-	-	-	14,740
Distribution of Stock for Management	-	-	-	15,041	-	15,355	-	-	-	30,396
Other Comprehensive Loss, Net of Tax Unrealized Loss on Investment Securities - Available-for-Sale	-	-	-	-	-	-	-	-	(245,805)	(245,805)
Dividends Paid on Common Stock	-	-	-	-	-	-	-	(283,791)	-	(283,791)
Redemption of Preferred Stock	(2,137,329)	(162,000)	-	-	-	-	-	(102,671)	-	(2,402,000)
Dividends Paid on Preferred Stock	-	-	-	-	-	-	-	(74,190)	-	(74,190)
Balance- December 31, 2010	-	-	4,285	6,258,067	-	(45,581)	(1,227,321)	9,892,611	65,587	14,947,648
Net Income	-	-	-	-	-	-	-	1,818,241	-	1,818,241
Common Stock issued for MRP Trust	-	-	142	-	-	(142)	-	-	-	-
Option Exercised	-	-	4	5,596	-	-	-	-	-	5,600
Distribution of Stock for Management	-	-	-	11,278	-	25,749	-	-	-	37,027
Other Comprehensive Income, Net of Tax Unrealized Loss on Investment Securities - Available-for-Sale	-	-	-	-	-	-	-	-	166,051	166,051
Purchase of Treasury Stock	-	-	-	-	-	-	(556,147)	-	-	(556,147)
Dividends Paid on Common Stock	-	-	-	-	-	-	-	(286,297)	-	(286,297)
Balance - December 31, 2011	$ -	$ -	$ 4,431	$ 6,274,941	$ -	$ (19,974)	$ (1,783,468)	$ 11,424,555	$ 231,638	$ 16,132,123

The accompanying notes are an integral part of these consolidated financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Net Income	**$ 1,818,241**	$ 2,098,147
Adjustments to Reconcile Net Income to Net Cash Provided by (Used in) Operating Activities		
Depreciation	**387,963**	383,254
Net Loss on Sale/Disposal of Premises and Equipment	**-**	7,601
Net Loss (Gain) on Sale of Foreclosed Assets	**2,275**	(29,445)
Charge Down on Other Real Estate	**243,532**	42,291
Provision for Loan Losses	**656,468**	995,000
Amortization of Investment Security Premiums	**190,215**	4,310
Gain on Sale of Investments	**-**	(304,563)
Deferred Tax Provision	**(360,424)**	92,337
Management Recognition and Retention Plan Expense	**37,027**	30,396
Stock Dividends on Federal Home Loan Bank Stock	**(4,600)**	(4,500)
Changes in Operating Assets and Liabilities		
Accrued Interest Receivable	**(79,305)**	(77,687)
Trading Securities	**13,996,367**	(11,602,110)
Loans Held for Sale	**865,940**	(372,050)
Other Assets	**610,195**	(394,361)
Accrued Interest Payable	**(30,090)**	(32,743)
Other Liabilities	**133,987**	(15,695)
Deferred Loan Origination and Commitment Costs	**33,085**	18,004
Net Cash Provided by (Used in) Operating Activities	**18,500,876**	(9,161,814)
Cash Flows from Investing Activities		
Loan Originations and Principal Collections, Net	**(9,264,834)**	10,786,860
Purchase of Premises and Equipment	**(612,386)**	(130,741)
Proceeds from Sale of Foreclosed Assets	**773,431**	354,897
Purchase of Federal Home Loan Bank Stock	**-**	(64,400)
Purchase of Certificates of Deposit	**(2,239,000)**	-
Purchase of Investment Securities - Available-for-Sale	**(43,744,348)**	(14,749,095)
Proceeds from Sale of Investment Securities - Available-for-Sale	**-**	5,826,371
Maturities of Investment Securities - Available-for-Sale	**36,035,507**	-
Principal Payments from Investment Securities - Available-for-Sale	**2,106,606**	1,341,884
Net Cash (Used in) Provided by Investing Activities	**(16,945,024)**	3,365,776

The accompanying notes are an integral part of these consolidated financial statements.

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Financing Activities		
Proceeds from Stock Options Exercised	**5,600**	14,740
Net (Decrease) Increase in Deposits	**(872,822)**	10,070,011
Repayment of Federal Home Loan Bank Advances	**(95,590,945)**	(12,628,934)
Advances from Federal Home Loan Bank	**96,200,065**	12,250,000
Redemption of Preferred Stock	**-**	(2,402,000)
Purchase of Treasury Stock	**(556,147)**	-
Dividends Paid on Common Stock	**(286,297)**	(283,791)
Dividends Paid on Preferred Stock	**-**	(74,190)
Net Cash (Used in) Provided by Financing Activities	**(1,100,546)**	6,945,836
Net Increase in Cash and Cash Equivalents	**(544,694)**	2,149,798
Cash and Cash Equivalents, Beginning of Year	**7,240,645**	5,090,847
Cash and Cash Equivalents, End of Year	**$ 6,695,951**	$ 7,240,645
Supplemental Disclosures of Cash Flow Information		
Cash Paid for:		
Interest	**$ 1,721,642**	$ 2,351,807
Income Taxes	**$ 1,277,090**	$ 1,277,090
Market Value Adjustment for Gain (Loss) on Securities - Available-for-Sale	**$ 251,593**	$ (372,431)
Supplemental Disclosures of Noncash Investing and Financing Activities		
Transfers of Premises and Equipment to Other Real Estate	**$ -**	$ 854,591
Transfers of Loans to Foreclosed Assets	**$ 626,194**	$ 939,203
Transfers of Foreclosed Assets to Premises and Equipment	**$ -**	$ 64,800

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of FPB Financial Corp. and Subsidiaries conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. The following is a description of the more significant policies.

Nature of Operations
FPB Financial Corp. (Company) is a Louisiana thrift holding company in Hammond, Louisiana. The Company's subsidiary is Florida Parishes Bank (Bank), which has been in continuous operation since 1922, and represents virtually all of the operations and net income of the Company. During 2000, the Bank established and incorporated FPB Insurance and Investments, Inc. (FPBII), which is wholly-owned by the Bank.

The Bank provides a variety of deposit products and a mixture of fixed and adjustable rate mortgages, primarily first mortgages on single-family residences, various types of consumer loans, and lines of credit. It operates from locations in Hammond, Ponchatoula, and Amite, Louisiana, and all of its mortgages are secured by properties located primarily in Tangipahoa Parish and the surrounding areas.

FPBII was created to conduct securities brokerage and investment advisor activities and insurance activities through a contractual agreement with a third-party financial services corporation.

On June 28, 2003, FPB Financial Statutory Trust I was formed as a subsidiary of the Company to issue mandatorily redeemable capital securities to the public (see Note 2). The Company applies the provisions of U.S. Generally Accepted Accounting Principles (GAAP) requiring the deconsolidation of certain entities. In accordance with these provisions, the consolidated financial statements do not include the accounts of FPB Financial Statutory Trust I.

Basis of Presentation and Consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries, Florida Parishes Bank and FPB Insurance and Investments, Inc. All significant intercompany balances and transactions have been eliminated. Certain prior year amounts have been reclassified to conform to presentation in the current year.

Use of Estimates
In preparing consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of estimated losses on loans, management obtains independent appraisals for significant collateral.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates (Continued)

The Bank's loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Cash and Cash Equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents include cash and balances due from banks, federal funds sold and securities purchased under agreements to resell, all of which mature within ninety days.

Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as "held-to-maturity" and recorded at amortized cost. Securities not classified as held-to-maturity or trading are classified as "available-for-sale" and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income. Securities classified as "trading securities" are recorded at fair value, with unrealized gains and losses included in earnings.

Purchase premiums and discounts are recognized in interest income over the terms of the securities. Gains and losses on the sale of investment securities are recorded on the trade date and are determined using first-in, first-out or weighted average methods.

Loans

The Company, through its subsidiary bank, grants mortgage, commercial, and consumer loans, and lines of credit to customers. A substantial portion of the loan portfolio is represented by mortgage loans throughout Tangipahoa Parish. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Any deferred fees or costs on origination and commitment fees, as well as certain direct origination costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the level yield method. Amortization of net deferred loan fees or costs is discontinued when a loan is placed on nonaccrual status.

Note 1. Summary of Significant Accounting Policies (Continued)

Loans (Continued)

The accrual of interest income on loans is discontinued at the time the loan becomes 90 days past due. At that time, uncollected interest previously recorded is reversed. If the delinquent interest is subsequently collected, it is credited to income in the period collected. Interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due.

Loans Held for Sale

Loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value. Mortgage loans held for sale are sold with the mortgage servicing rights released by the Company.

Gains and losses on the sale of loans are accounted for by imputing gain or loss by charging a varying premium and servicing fee to the buyer. The gain or loss is increased or reduced by the amount of fees carried on the loan. Such gains and losses are recognized as loan fees in the consolidated financial statements for the year of sale.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reductions of principal.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the Bank's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to pay, the estimated value of any underlying collateral, and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable the Bank will be unable to collect the scheduled payment of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Impairment is measured on a loan by loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Note 1. Summary of Significant Accounting Policies (Continued)

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of the related loan balance or fair value less estimated cost to sell at the date of foreclosure, establishing a new cost basis. Management periodically performs valuations, and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs related to improvement of the property are capitalized, whereas costs related to holding the property are charged to operations.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line and accelerated methods over the estimated useful lives of the assets. Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized. Gains and losses on dispositions are included in current operations.

Income Taxes

The Company and its wholly-owned subsidiary, Florida Parishes Bank, file a consolidated Federal income tax return. Each entity pays its pro rata share of income taxes in accordance with a written tax-sharing agreement.

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

All tax returns have been appropriately filed by the Company. The Company's tax filings are subject to audit by various taxing authorities. The Company's Federal tax returns for 2008, 2009 and 2010 are subject to examination by the IRS, generally for three years after they were filed. As of December 31, 2011, management evaluated the Company's tax position and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements.

The Company had no amount of interest and/or penalties recognized in the consolidated statements of income for the years ended December 31, 2011 and 2010, respectively, nor any amount of interest and/or penalties payable that were recognized in the consolidated balance sheets as of December 31, 2011 or 2010, in relation to its income tax returns.

Off-Balance Sheet Financial Statements

In the ordinary course of business, the Bank has entered into off-balance sheet financial instruments consisting of commitments to extend credit, commercial letters-of-credit and standby letters-of-credit. Such financial instruments are recorded in the financial statements when they become payable.

Note 1. Summary of Significant Accounting Policies (Continued)

Stock Compensation Plans

ASC 718 *Stock Compensation* requires the Company to recognize in the income statement the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. The amount of expense associated with options which vested during 2011 and 2010 were considered to be immaterial for financial reporting purposes.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs were $125,920 and $166,973, for the years ended December 31, 2011 and 2010, respectively.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities are reported as a separate component of the equity section of the balance sheets, such items, along with net income, are components of comprehensive income.

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

Recent Accounting Pronouncements

In December 2010, the FASB issued authoritative guidance that modified Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist such as if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This new authoritative guidance is effective on January 1, 2012 and is not expected to have a significant impact on the Company's financial statements.

In April 2011, the FASB updated the accounting guidance on the evaluation of whether a restructuring constitutes a troubled debt restructuring. The guidance clarifies the creditor's evaluation of whether it has granted a concession as well as the evaluation of whether a debtor is experiencing financial difficulties. The guidance also clarifies that a creditor is precluded from using the effective interest rate test in the debtor's guidance on restructuring of payables when evaluating whether a restructuring constitutes a troubled debt restructuring. The new guidance will be effective for the fiscal year ending December 31, 2012.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In April 2011, the FASB amended the accounting guidance related to repurchase agreements and other agreements that both entitle and obligate a transferor to repurchase or redeem financial assets before their maturity. The amendments remove from the assessment of effective internal control the criterion relating to the transferor's ability to repurchase or redeem financial assets on substantially the agreed terms, even in the event of default by the transferee. The amendments also eliminate the requirement to demonstrate that the transferor possesses adequate collateral to fund substantially all the cost of purchasing replacement financial assets. The guidance is effective January 1, 2012 and is not expected to have a significant impact on the Company's financial statements.

In May 2011, the FASB amended the accounting guidance related to fair value measurement and disclosure, the result of which being common fair value measurement and disclosure requirements in U.S. GAAP and International Financial Reporting Standards. The FASB does not intend for the amendment to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the FASB's intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for disclosing information about fair value measurements. The amendments are effective January 1, 2012 with no significant impact expected on the Company's financial statements.

In June 2011, the FASB amended the accounting guidance for presentation of other comprehensive income. The new guidance requires that all nonowner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The new guidance will be effective for the fiscal year ending December 31, 2012 and is not expected to have a significant impact on the Company's financial statements. In addition, this guidance requires the entity to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB issued an amendment to the guidance released in June 2011 to defer the changes related to the presentation of reclassification adjustments to give the FASB more time to reassess and evaluate alternative presentation formats. Thus, the requirements for the presentation of reclassifications out of accumulated other comprehensive income that were in place before the issuance of the June 2011 guidance were reinstated until the FASB's deliberation is complete.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In September 2011, the FASB amended guidance pertaining to goodwill impairment testing. The amendments permit an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. An entity is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. The guidance is effective January 1, 2012 with no significant impact expected on the Company's financial statements.

In December 2011, the FASB issued guidance which relates to deconsolidation events. Under this amendment, when a parent (reporting entity) ceases to have a controlling financial interest in a subsidiary that is in substance real estate as a result of the default on the subsidiary's nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20, *Property, Plant and Equipment - Real Estate Sales,* to determine whether it should derecognize the in substance real estate. This guidance is effective for the fiscal year ending December 31, 2013 and is not expected to have a significant impact on the Company's financial statements.

In December 2011, the FASB issued authoritative guidance to provide enhanced disclosures in the financial statements about offsetting and netting arrangements. The new guidance requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting agreement. This guidance was issued to facilitate comparison between financial statements prepared on a U.S. GAAP and IFRS reporting. The new guidance will be effective January 1, 2013 and is not expected to have a significant impact on the Company's financial statements.

Note 2. Subordinated Debentures/Trust Preferred Securities

In June 2003, the Company, through its wholly-owned subsidiary FPB Financial Statutory Trust I, issued mandatorily redeemable capital securities to the public. The capital securities consisted of 3,000 Capital Securities with a $1,000 liquidation amount for each capital security, for total gross proceeds of $3,000,000. The capital securities are fully guaranteed by the Company. Through June 26, 2008, each capital security paid a quarterly interest payment at the annual rate of 5.55%. Subsequent to June 26, 2008, each capital security pays a quarterly interest payment at a rate equal to the three-month LIBOR plus 3.10%. Each capital security represents an undivided preferred beneficial interest in the assets of FPB Financial Statutory Trust I. FPB Financial Statutory Trust I used the proceeds of the above sale and the proceeds of its issuance of common securities to the Company to buy $3,093,000 of subordinated debentures issued by the Company. These subordinated debentures have the same interest rate structure as do the capital securities. The subordinated debentures have a stated term of 30 years and have the same financial terms as the capital securities.

Note 2. Subordinated Debentures/Trust Preferred Securities (Continued)

The Company's obligations under the subordinated debentures are unsecured and rank junior to all of the Company's other borrowings, except borrowings that by their terms rank equal or junior to the subordinated debentures. The Company has guaranteed the payment by FPB Financial Statutory Trust I of the amounts that are required to be paid on the capital securities, to the extent that FPB Financial Statutory Trust I has funds available for such payments.

Note 3. Securities - Available-for-Sale

The amortized costs and fair values of securities available-for-sale, with gross unrealized gains and losses, follow:

	December 31, 2011			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available-for-Sale				
U.S. Government Agency Mortgage - Backed Securities	**$ 14,246,971**	**$ 203,351**	**$ 26,354**	**$ 14,423,968**
U.S. Government Agency Notes	**3,031,583**	**18,077**	**305**	**3,049,355**
State and Municipal Obligations	**4,692,371**	**99,600**	**1,467**	**4,790,504**
U.S. Agency - SBA Loan Pool	**2,019,729**	**59,365**	**-**	**2,079,094**
Equity Securities	**110,500**	**-**	**1,300**	**109,200**
Total Securities Available-for-Sale	**$ 24,101,154**	**$ 380,393**	**$ 29,426**	**$ 24,452,121**

	December 31, 2010			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available-for-Sale				
U.S. Government Agency Mortgage - Backed Securities	$ 8,688,676	$ 99,403	$ -	$ 8,788,079
U.S. Treasury Bond	10,000,000	-	29	9,999,971
Total Securities Available-for-Sale	$ 18,688,676	$ 99,403	$ 29	$18,788,050

At December 31, 2011 and 2010, investments with a total market value of approximately $6,804,458 and $6,973,986, respectively were pledged to secure public deposits.

Note 3. Securities - Available-for-Sale (Continued)

The amortized cost and fair value of debt securities available-for-sale by contractual maturity at December 31, 2011 follows:

	Amortized Cost	Fair Value
Amounts Maturing in:		
Within One Year	$ 1,081,746	$ 1,088,542
One to Five Years	1,005,733	1,008,288
Five to Ten Years	12,235,890	12,446,733
Over Ten Years	9,667,285	9,799,357
	$ 23,990,654	$ 24,342,920

Proceeds from sales of available-for-sale securities during years 2011 and 2010 were $-0- and $5,826,371, respectively. Gross realized gains on sales during years 2011 and 2010 were $-0- and $304,563, respectively.

At December 31, 2011 and 2010, none of the Company's investment securities had been in loss positions for greater than 12 months. The unrealized losses on the Company's investments at December 31, 2011 and 2010, were caused by interest rate increases. The contractual cash flows of these investments are guaranteed by the U.S. Government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost of the Company's investment. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company has the ability and intent to hold these investments until a recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2011.

Note 4. Loans and Allowances for Loan Losses

The summary of the balances of loans follows:

	December 31, 2011	December 31, 2010
Real Estate Loans		
Secured by One-to-Four Family Residences and Home Equity Loans	**$ 49,000,500**	$ 50,400,892
Multi-Family	**7,876,019**	5,648,452
Second Mortgages	**4,535,622**	3,404,939
Construction for One-to-Four Family Residences	**5,907,112**	4,600,775
Construction for Commercial Real Estate	**456,181**	1,240,999
Commercial Real Estate	**31,030,374**	24,216,557
Land	**15,871,778**	17,084,217
Total Mortgage Loans	**114,677,586**	106,596,831
Consumer Loans		
Secured		
Loans Secured by Certificates of Deposit	**1,544,672**	1,805,712
Automobile	**1,990,045**	2,296,105
Secured - Other	**1,231,766**	1,397,999
Unsecured		
Unsecured - Other	**2,069,799**	2,060,852
Bankcards	**906,239**	852,402
Total Consumer Loans	**7,742,521**	8,413,070
Commerical Loans		
Secured, Other than Mortgages	**3,490,334**	2,949,742
Unsecured	**1,893,033**	1,459,322
Total Commercial Loans	**5,383,367**	4,409,064
Total Loans	**127,803,474**	119,418,965
Allowance for Loan Losses	**(2,976,683)**	(2,574,347)
Net Deferred Loan Origination Costs	**58,060**	91,145
Loans, Net	**$ 124,884,851**	$ 116,935,763

Note 4. Loans and Allowances for Loan Losses (Continued)

An analysis of the allowance for loan losses for the years ended December 31st follows:

	December 31, 2011	December 31, 2010
Balance, Beginning of Year	**$ 2,574,347**	$ 2,190,038
Provision Charged to Operations	**656,468**	995,000
Loans Charged-Off	**(376,374)**	(651,131)
Recoveries Credited to Allowance	**122,242**	40,440
Balance, End of Year	**$ 2,976,683**	$ 2,574,347

The following presents by portfolio segment the activity in the allowance for the year ended December 31, 2011. The following also presents by portfolio segment the balance in the allowance disaggregated on the basis of the Bank's impairment measurement method and the related recorded investment in loans as of December 31, 2011.

	Real Estate Loans - Residential	Real Estate Loans - Commercial	Real Estate Loans - Other	Commercial Loans	Consumer Loans	Total
Allowance for Loan Losses:						
Beginning Balances	$ 1,282,529	$ 530,278	$ 264,314	$ 165,896	$ 331,330	$ 2,574,347
Charge-Offs	(134,774)	(9,691)	-	-	(231,909)	(376,374)
Recoveries	34,263	3,949	-	-	84,030	122,242
Current Provision	153,412	72,546	97,700	26,448	306,362	656,468
Ending Balances	$ 1,335,430	$ 597,082	$ 362,014	$ 192,344	$ 489,813	$ 2,976,683
Ending Balance Allocated to:						
Individually Evaluated for Impairment	$ 380,001	$ 105,001	$ 205,000	$ 131,500	$ 205,037	$ 1,026,539
Collectively Evaluated for Impairment	955,429	492,081	157,014	60,844	284,776	1,950,144
	$ 1,335,430	$ 597,082	$ 362,014	$ 192,344	$ 489,813	$ 2,976,683
Ending Loans Receivable						
Disaggregated by Evaluation Method:						
Ending Balances:						
Individually Evaluated for Impairment	$ 4,193,252	$ 1,589,203	$ 2,577,489	$ 246,899	$ 319,762	$ 8,926,605
Collectively Evaluated for Impairment	49,342,870	29,441,171	27,533,601	5,136,468	7,422,759	118,876,869
Ending Balance - Total	$ 53,536,122	$ 31,030,374	$ 30,111,090	$ 5,383,367	$ 7,742,521	$ 127,803,474

Note 4. Loans and Allowances for Loan Losses (Continued)

Credit Quality Indicators

The Bank uses several credit quality indicators to manage credit risk in an ongoing manner. The Bank's primary credit quality indicators are to use an internal credit risk rating system that categorizes loans into pass, special mention, substandard, or doubtful categories. Credit risk ratings are applied individually to those classes of loans that have significant or unique credit characteristics that benefit from a case-by-case evaluation. Groups of loans and leases that are underwritten and structured using standardized criteria and characteristics, such as statistical models (e.g., credit scoring or payment performance), are typically risk rated and monitored collectively.

The following are the definitions of the Bank's credit quality indicators:

Pass: Loans that comply in all material respects with the Bank's loan policies are adequately secured with conforming collateral and are extended to borrowers with documented cash flow and/or liquidity to safely cover their total debt service requirements.

Pass/Watch: Loans that represent an acceptable level of loss exposure to the Bank. A definite possibility of rapid financial deterioration exists if adverse factors prevail. The Bank remains protected by sound, but less liquid net worth of the borrower. Unsecured loans lacking definite and specific repayment plans, but with identified sources of repayment, may also fall into this category.

Special Mention: Loans that have potential weaknesses that, if left uncorrected, may result in deterioration of repayment prospects for the asset or in the Bank's credit position at some future date. These assets are not adversely classified and do not expose the Bank to sufficient risk to warrant adverse classification. Performing loans with a collateral agreement not properly executed may also fall into this category.

Substandard: Loans that are inadequately protected by the current net worth and paying capacity of the obligor or the by the collateral pledged. These assets have a well defined weakness or weaknesses. The Bank has a distinct possibility to sustain some loss if the deficiencies are not corrected.

Doubtful: Loans that have the weaknesses of those classified Substandard, with the added characteristic that the weaknesses make the collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. The likelihood of a loss on an asset is high.

Note 4. Loans and Allowances for Loan Losses (Continued)

The following presents by class and by credit quality indicator, the recorded investment in the Bank's loans as of December 31, 2011.

	Pass	Pass/Watch	Special Mention	Substandard	Doubtful	Total
Real Estate Loans - One-to-Four Family Residential	$ 45,643,328	$ 3,699,542	$ 908,434	$ 3,284,818	$ -	$ 53,536,122
Real Estate Loans - Commercial	28,276,034	1,165,137	644,483	944,720	-	31,030,374
Real Estate Loans - Other	25,298,886	2,234,715	1,309,207	1,268,282	-	30,111,090
Commercial Loans	4,933,382	203,086	7,300	239,599	-	5,383,367
Consumer Loans	7,322,593	100,166	39,366	268,582	11,814	7,742,521
Total	$ 111,474,223	$ 7,402,646	$ 2,908,790	$ 6,006,001	$ 11,814	$ 127,803,474

The Bank's credit quality indicators are periodically updated on a case-by-case basis.

Impaired Loans

The following presents by class, information related to impaired loans as of and for the year ended December 31, 2011:

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real Estate Loans - One-to-Four Family Residential	$ 4,193,252	$ 1,543,327	$2,649,925	$ 4,193,252	$ 380,001	$ 4,389,423
Real Estate Loans - Commercial	1,589,203	919,300	669,903	1,589,203	105,001	1,166,881
Real Estate Loans - Other	2,577,489	616,241	1,961,248	2,577,489	205,000	2,596,173
Commercial Loans	246,899	28,980	217,919	246,899	131,500	258,507
Consumer Loans	319,762	24,803	294,959	319,762	205,037	437,850
Total	$ 8,926,605	$ 3,132,651	$ 5,793,954	$ 8,926,605	$ 1,026,539	$ 8,848,834

Loans for which impairment had been recognized totaled $9,925,076 at December 31, 2010. The valuation allowance related to impaired loans amounted to $990,447at December 31, 2010.

The amount of interest income that would have been recorded on impaired loans at December 31, 2011 and 2010, was $126,000 and $56,600, respectively.

The Bank is not committed to lend additional funds to debtors whose loans are on nonaccrual status, or loans that have been modified in troubled debt restructurings, at December 31, 2011.

Note 4. Loans and Allowances for Loan Losses (Continued)

Non-Accrual Loans

The following presents by class, the recorded investment in loans on non-accrual status as of December 31, 2011:

Real Estate Loans - One-to-Four Family Residential	$	817,419
Real Estate Loans - Commercial		-
Real Estate Loans - Other		919,442
Commercial Loans		72,503
Consumer Loans		19,775
Total	$	1,829,139

Aging Analysis of Past Due Loans

The following presents by class, an aging analysis and the recorded investment in loans as of December 31, 2011:

			Greater than 90 Days				
	30-59 Days Past Due	60-89 Days Past Due	Nonaccrual	Recorded Investment > 90 Days and Accruing	Total Past Due	Current	Total Loans Receivable
Real Estate Loans - One-to-Four Family Residential	$ 854,633	$ 776,727	$ 817,419	$ 32,757	$ 2,481,536	$ 51,054,586	$ 53,536,122
Real Estate Loans - Commercial	301,165	-	-	-	301,165	30,729,209	31,030,374
Real Estate Loans - Other	22,824	-	919,442	-	942,266	29,168,824	30,111,090
Commercial Loans	-	-	72,503	-	72,503	5,310,864	5,383,367
Consumer Loans	123,847	55,331	19,775	89,708	288,661	7,453,860	7,742,521
Total	$ 1,302,469	$ 832,058	$ 1,829,139	$ 122,465	$ 4,086,131	$123,717,343	$127,803,474

Troubled Debt Restructurings

Troubled debt restructurings (TDR's) are modified loans in which a concession is provided to a borrower experiencing financial difficulties. Loan modifications are considered TDR's when the concessions provided are not available to the borrower through either normal channels or other sources. However, not all loan modifications are TDR's.

Each potential loan modification is reviewed individually and the terms of the loan are modified to meet a borrower's specific circumstances at a point in time. The types of concessions provided to borrowers include interest rate adjustment or extension of the maturity date. All TDR's in each portfolio segment are placed on the watch list and evaluated individually for any potential loss and the allowance is adjusted accordingly.

Note 4. Loans and Allowances for Loan Losses (Continued)

Troubled Debt Restructurings (Continued)

The troubled debt restructured loans shown in the following table were modified by either an interest rate adjustment or extension of the maturity date.

	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Real Estate Loans - One-to-Four Family Residential	8	$ 1,729,990	$ 1,706,328
Real Estate Loans - Commercial	4	594,526	594,526
Real Estate Loans - Other	9	2,167,896	2,134,958
Commercial Loans	8	145,327	145,327
Consumer Loans	16	150,407	150,407
Total		$ 4,788,146	$ 4,731,546

The following table presents TDR's modified during the year ended December 31, 2011:

	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Real Estate Loans - One-to-Four Family Residential	3	$ 430,792	$ 430,792
Real Estate Loans - Commercial	2	310,884	310,884
Real Estate Loans - Other	4	1,202,615	1,202,615
Commercial Loans	4	90,738	90,738
Consumer Loans	1	7,641	7,641
Total		$ 2,042,670	$ 2,042,670

Note 4. Loans and Allowances for Loan Losses (Continued)

Troubled Debt Restructurings (Continued)

The following table presents TDR's modified within the previous twelve months that have subsequently redefaulted during the year ended December 31, 2011:

	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Real Estate Loans - One-to-Four Family Residential	2	$ 234,415	$ 234,415
Real Estate Loans - Other	3	819,095	819,095
Commercial Loans	2	34,677	34,677
Consumer Loans	1	7,641	7,641
Total		$ 1,095,828	$ 1,095,828

At December 31, 2011, there are no commitments to lend additional funds to any borrower whose loan terms have been modified in a troubled debt restructuring.

Related Party Loans

In the ordinary course of business, the Bank has granted loans to principal officers and directors and entities for which they have significant ownership or management position. An analysis of the changes in loans to such borrowers follows:

Balance, Beginning of Year	$ 1,470,154
Additions	114,789
Payments and Renewals	(239,948)
Balance, End of Year	$ 1,344,995

Note 5. Accrued Interest Receivable

Accrued interest receivable consists of the following:

	December 31, **2011**	December 31, 2010
Loans Receivable	**$ 506,014**	$ 490,573
Securities	**116,761**	52,897
Total	**$ 622,775**	$ 543,470

Note 6. Premises and Equipment

A summary of the cost and accumulated depreciation of premises and equipment follows:

	December 31, 2011	2010
Land	**$ 2,261,972**	$ 1,984,353
Building	**5,427,951**	5,574,460
Leasehold Improvements	**17,048**	-
Furniture and Equipment	**2,037,160**	1,604,946
	9,744,131	9,163,759
Less: Accumulated Depreciation	**(1,874,079)**	(1,518,129)
Net Book Value	**$ 7,870,052**	$ 7,645,630

Depreciation expense for the years ended December 31, 2011 and 2010, was $387,963 and $383,254, respectively.

Note 7. Deposits

Interest and Non-Interest Bearing Deposits

The amount of noninterest-bearing demand deposits was $22,776,068 and $20,829,595, at December 31, 2011 and 2010, respectively.

Interest-bearing demand deposits were as follows:

	December 31, 2011	2010
NOW Accounts	**$ 45,594,211**	$ 43,720,059
Savings Accounts	**6,994,233**	6,954,634
Money Market Accounts	**13,442,076**	13,471,062
Total	**$ 66,030,520**	$ 64,145,755

Note 7. Deposits (Continued)

Certificates of Deposit

Certificates of deposit with a minimum denomination of $100,000 were $17,840,206 and $17,003,879, at December 31, 2011 and 2010, respectively. At December 31, 2011, scheduled maturities of time deposits are as follows:

Year Ended December 31,	Amount
2012	$ 24,655,024
2013	6,076,616
2014	4,326,108
2015	4,390,348
2016	994,212
Thereafter	86,658
Total	$ 40,528,966

Deposits with Related Parties

The Bank held deposits of $4,960,367 and $5,318,504 for officers, directors, and entities for which they have significant ownership or management position at December 31, 2011 and 2010, respectively.

Overdrafts

At December 31, 2011 and 2010, the Bank had deposit accounts in an overdraft position totaling $201,567 and $89,337, respectively. For financial reporting purposes, these amounts were reclassified as loans receivable.

Note 8. Borrowings

Pursuant to collateral agreements with the Federal Home Loan Bank (FHLB), advances are secured by a blanket floating lien on first mortgage loans. Total interest expense recognized in 2011 and 2010 was $604,567 and $738,460, respectively.

Note 8. Borrowings (Continued)

Advances consisted of the following at December 31, 2011 and 2010, respectively:

	Advance Total	
Contract Rate	**2011**	2010
0.00% to 1.99%	**$ 7,850,000**	$ 5,750,000
2.00% to 2.99%	**12,000,000**	12,000,000
3.00% to 3.99%	**4,500,000**	5,873,500
4.00% to 4.99%	**383,000**	473,500
5.00% to 5.99%	**628,627**	655,506
Total	**$ 25,361,627**	$ 24,752,506

Contractual maturities of advances at December 31, 2011, are as follows:

Year Ended December 31,	**Amount**
2012	$ 7,350,000
2013	6,591,500
2014	4,673,500
2015	4,600,000
2016	18,000
After 2016	2,128,627
Total	$ 25,361,627

Note 9. Income Taxes

The provision for income taxes for 2011 and 2010, consists of the following:

	2011	2010
Current	**$ 1,255,063**	$ 1,139,878
Deferred	**(396,776)**	(212,687)
	$ 858,287	$ 927,191

Note 9. Income Taxes (Continued)

The components of the net deferred tax liability at December 31, 2011 and 2010, are as follows:

	2011	2010
Deferred Tax Assets:		
Management Recognition Plan	$ -	$ 223
Capital Loss - ARM Fund	239,617	242,676
Allowance for Loan Losses	1,094,873	875,278
Deferred Income	5,440	5,440
Foreclosed Assets Charge Offs	90,908	-
Other	65,582	31,879
Total Deferred Tax Assets	1,496,420	1,155,496
Valuation Allowance	(239,617)	(242,676)
Net Deferred Tax Asset	1,256,803	912,820
Deferred Tax Liabilities:		
FHLB Stock Dividends	(68,978)	(67,414)
Deferred Loan Costs/Fees	(19,740)	(30,989)
Net Unrealized Gain on Securities Available-for-Sale	(119,771)	(33,787)
Fixed Assets	(895,767)	(891,061)
Prepaid Expenses	(22,652)	(34,114)
Total Deferred Tax Liabilities	(1,126,908)	(1,057,365)
Net Deferred Tax Asset (Liability)	$ 129,895	$ (144,545)

The provision for Federal income taxes differs from that computed at the statutory 34% corporate tax rate, as follows:

	Years Ended December 31,			
	2011		2010	
	Amount	Effective Rate %	Amount	Effective Rate %
Tax at Statutory Rate	$ 910,020	34.00	$1,028,615	34.00
Other	(51,733)	(1.93)	(101,424)	(3.35)
	$ 858,287	32.07	$ 927,191	30.65

Note 9. Income Taxes (Continued)

Included in retained earnings at December 31, 2011 and 2010, is $502,945 in bad debt reserves for which no deferred Federal income tax liability has been recorded. These amounts represent allocations of income to bad debt deductions for tax purposes only. Reduction of these reserves for purposes other than tax bad debt losses or adjustments arising from carryback of net operating losses would create income for tax purposes, which would be subject to the then-current income tax rate. The unrecorded deferred liability on these amounts was approximately $171,000 at December 31, 2011 and 2010, respectively.

Note 10. Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments consist of commitments to extend credit, standby letters-of-credit, and undisbursed lines-of-credit. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the Company's balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

At December 31, 2011 and 2010, the following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31,	
	2011	2010
Commitments to Grant Loans	**$ 2,100,900**	$ 3,214,000
Undisbursed Construction Loans	**2,468,414**	2,304,395
Unfunded Commitments Under Lines-of-Credit	**9,049,385**	9,583,653
Standy Letters-of-Credit	**196,550**	413,644

Commitments to grant loans are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer. Undisbursed construction loans consist of amounts available to be drawn down against construction loans. Unfunded commitments under lines-of-credit are commitments for possible future extensions of credit to existing customers.

Note 10. Financial Instruments with Off-Balance Sheet Risk (Continued)

Standby letters-of-credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those letters-of-credit are primarily issued to support private borrowing arrangements. Essentially all letters-of-credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending loan facilities to customers. The Company generally holds collateral supporting those commitments if deemed necessary.

Note 11. Comprehensive Income

Comprehensive income was comprised of changes in the Company's unrealized holding gains and losses on securities available-for-sale during 2011 and 2010. The components of comprehensive income and related tax effects are as follows:

	2011	2010
Gross Unrealized Holding Gains (Losses) Arising During the Period	**$ 251,593**	$ (67,868)
Tax (Expense) Benefit	**(85,542)**	23,075
Total	**166,051**	(44,793)
Reclassification Adjustment for Gains Included in Net Income	**-**	(304,563)
Tax Expense	**-**	103,551
Total	**-**	(201,012)
Net Unrealized Holding Gains (Losses) Arising During the Period	**$ 166,051**	$ (245,805)

Note 12. Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, formerly the Office of Thrift Supervision and currently the Office of the Comptroller of the Currency. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary actions by regulators, which, if undertaken, could have a direct material effect on the Bank and the financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Note 12. Regulatory Matters (Continued)

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total risk-based capital and Tier I capital to risk-weighted assets (as defined in the regulations), Tier I capital to adjusted total assets (as defined), tangible capital to adjusted total assets (as defined), and tangible equity to adjusted total assets (as defined.) As of December 31, 2011, the Bank meets all of the capital requirements to which it is subject and is deemed to be well capitalized.

The actual and required capital amounts and ratios applicable to the Bank for the years ended December 31, 2011 and 2010, are presented in the following tables.

	Actual		Minumum for Adequacy Purposes		Minimum to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in Thousands)			
December 31, 2011						
Total Risk-Based Capital						
(to risk-weighted assets)	$ 18,071	15.01%	$ 9,629	8.00%	$ 12,037	10.00%
Tier 1 Capital						
(to risk-weighted assets)	$ 16,548	13.75%	$ 4,815	4.00%	$ 7,222	6.00%
Tier 1 Capital						
(to adjusted total assets)	$ 16,548	9.52%	$ 5,214	3.00%	$ 8,690	5.00%
December 31, 2010						
Total Risk-Based Capital						
(to risk-weighted assets)	$ 18,359	16.66%	$ 8,818	8.00%	$ 11,022	10.00%
Tier 1 Capital						
(to risk-weighted assets)	$ 16,966	15.39%	$ 4,409	4.00%	$ 6,613	6.00%
Tier 1 Capital						
(to adjusted total assets)	$ 16,966	9.79%	$ 5,197	3.00%	$ 8,662	5.00%

Note 13. Employee Stock Ownership Plan (ESOP)

During 1999, the Company established an employee stock ownership plan. The ESOP acquired 26,508 shares of FPB Financial Corp. stock at $10 a share in FPB Financial Corp.'s initial public offering. The acquisition was funded by a loan from FPB Financial Corp., which was paid off as of December 31, 2009. Additional shares were acquired in 2001, by the ESOP through dividends received from the Company. The ESOP was terminated effective December 31, 2009, and the ESOP made all final distributions as of June 30, 2011. No assets or liabilities related to the ESOP remain as of December 31, 2011, and no ESOP compensation expense was recognized by the Company during the years ended December 31, 2011 and 2010, respectively.

Note 14. Management Recognition and Retention Plan

On April 25, 2000, the shareholders of the Company approved the establishment of the Management Recognition and Retention Plan (the "2000 Plan") as an incentive to retain personnel of experience and ability in key positions. As shares are acquired for the 2000 Plan, the purchase price of these shares is recorded as a contra equity account. As the shares are distributed, the contra equity account is reduced.

2000 Plan shares are earned by recipients at a rate of 20% of the aggregate number of shares granted under the 2000 Plan, with the first 20% to be vested on the one-year anniversary of the date of the grant. If the employment of an employee or service as a non-employee director is terminated prior to the fifth anniversary of the date of the grant of the 2000 Plan share award for any reason, the recipient shall forfeit the right to any shares subject to the award that have not been earned. The cost associated with the 2000 Plan is based on the market price of the stock as of the date on which the 2000 Plan shares were granted. This cost is being recognized over the five-year vesting schedule. For the years ended December 31, 2011 and 2010, compensation expense pertaining to the 2000 Plan was $37,027 and $30,396, respectively.

A summary of the changes in stock pertaining to the 2000 Plan follows:

	Unawarded Shares	Awarded Shares
Balance at January 1, 2010	366	2,860
Purchased by Plan	-	-
Granted	-	-
Forfeited	-	-
Earned and Issued	-	(980)
Balance at December 31, 2010	366	1,880
Purchased by Plan	-	-
Granted	-	-
Forfeited	-	-
Earned and Issued	-	(520)
Balance at December 31, 2011	366	1,360

As of April 2010, no further shares can be granted to employees or non-employee directors from the 2000 Plan.

Note 14. Management Recognition and Retention Plan (Continued)

On April 23, 2008, the shareholders of the Company approved the establishment of a new Management Recognition and Retention Plan (the "2008 Plan") as an incentive to retain personnel of experience and ability in key positions. The 2008 Plan is substantially similar to the Company's 2000 Management and Retention Plan previously approved by stockholders, except the 2008 Plan does not require a minimum five-year vesting period, does not impose limits on the number of shares that may be granted to any director, executive officer or all directors as a group, and provides for accelerated vesting of all outstanding awards upon a change in control of the Company or the Bank. Under the terms of the 2008 Plan agreement, the Company may purchase shares as they are issued to recipients.

A summary of the changes in stock pertaining to the 2008 Plan follows:

	Unawarded Shares	Awarded Shares
Balance at January 1, 2010	(1,400)	2,200
Purchased by Plan	-	-
Granted	(1,400)	1,400
Forfeited	-	-
Earned and Issued	-	(140)
Balance at December 31, 2010	(2,800)	3,460
Issued for Plan	14,200	-
Granted	(2,700)	2,700
Forfeited	-	-
Earned and Issued	-	(795)
Balance at December 31, 2011	8,700	5,365

Note 15. Stock Option Plan

During 2000, the Company adopted a stock option plan for the benefit of directors, officers, and other key employees. The number of shares of common stock reserved for issuance under the stock option plan is 33,134 shares, which is equivalent to 10% of the total number of shares of common stock sold in the Company's initial public offering of its common stock. Both incentive stock options and non-qualified stock options may be granted under the plan. The exercise price of each option cannot be less than the fair value of the underlying common stock as of the date the option is granted. Incentive stock options and non-qualified stock options granted under this plan become vested and exercisable at the rate of 20% per year over five years, commencing one year from the date of the grant with an additional 20% vesting on each successive annual anniversary of the date the option was granted.

Note 15. Stock Option Plan (Continued)

A summary of the status of the Company's stock option plan as of December 31, 2011 and 2010, and changes during the years ending on those dates is presented below:

	2011		2010	
Fixed Options	**Shares**	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at Beginning of Year	**4,850**	**$ 21.20**	6,175	$ 18.89
Granted	**-**	**-**	-	-
Exercised	**(400)**	**14.00**	(1,325)	11.54
Forfeited	**-**	**-**	-	-
Outstanding at End of Year	**4,450**	**$ 22.10**	4,850	$ 21.20

The following table summarizes information about fixed stock options outstanding at December 31, 2011:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding at 12/31/11**	**Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number Exercisable at 12/31/11**	**Weighted-Average Exercise Price**
$17.75	600	.9 Years	$17.75	600	$17.75
$22.00	1,350	1.9 Years	$22.00	1,350	$22.00
$24.00	2,500	2.5 Years	$24.00	2,500	$24.00

Note 16. Preferred Stock and Warrants

On January 23, 2009, the Company issued 3,240 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series A and Warrants to acquire 162 shares of Fixed Rate Cumulative Perpetual Preferred Stock, Series B to the U.S. Treasury for a total price of $3,240,000 in a private placement transaction as part of the Troubled Asset Relief Program Capital Purchase Program (TARP CPP), a voluntary initiative for healthy U.S. financial institutions. The Warrants were exercised immediately by the U.S. Treasury for the 162 shares of Preferred Stock, Series B. The Preferred Stock, Series A and the Warrants were initially recorded at an allocated value of the total cash proceeds.

Note 16. Preferred Stock and Warrants (Continued)

The Preferred Stock, Series A was recorded at a discount to its face value of $3,240,000. The discount was being accreted monthly on a method that approximated the constant yield method to the dividend reset date of February 15, 2014.

On December 16, 2009, the Company repurchased 1,000 shares of its Preferred Stock, Series A from the U.S. Treasury at a purchase price of $1,000,000. On June 16, 2010, the Company repurchased the remaining 2,240 shares of its Preferred Stock, Series A, and all 162 shares of its Preferred Stock, Series B from the U.S. Treasury at a price of $2,402,000.

Note 17. Commitments and Contingencies

Employment Contracts

Two employees of the Company serve under employment contracts that are due to expire on September 30, 2014. The contracts cover compensation and termination.

Other Matters

As part of its operations, the Bank sells to third-party investors certain mortgage loans it initially underwrites and funds. Under arrangements with these third-party investors, the Bank may be required to indemnify and possibly repurchase loans that were sold if certain criteria are met. These criteria include, but are not limited to, the following:

- A material breach of representation or warranty to a particular loan
- A material breach of terms or conditions of the agreement between the Bank and the third-party investor
- Improper or incomplete documentation
- Fraud on the part of the Bank, or of the borrower for which the loan was sold

Note 18. Estimated Fair Value of Financial Instruments

The following disclosure is made in accordance with the requirements of ASC 825, *Financial Instruments.* Financial instruments are defined as cash and contractual rights and obligations that require settlement, directly or indirectly, in cash. In cases where quoted market prices are not available, fair values have been estimated using the present value of future cash flows or other valuation techniques. The results of these techniques are highly sensitive to the assumptions used, such as those concerning appropriate discount rates and estimates of future cash flows, which require considerable judgment. Accordingly, estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current settlement of the underlying financial instruments. ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. These disclosures should not be interpreted as representing an aggregate measure of the underlying value of the Company.

Note 18. Estimated Fair Value of Financial Instruments (Continued)

The estimated fair values of financial instruments are as follows (in thousands):

	As of December 31,			
	2011		2010	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Financial Assets:				
Cash and Noninterest-Earning Deposits	**$ 4,848**	**$ 4,848**	$ 3,745	$ 3,745
Interest-Earning Deposits in Other Depository Institutions	**4,848**	**4,848**	5,496	5,496
Certificates of Deposit	**2,239**	**2,239**	-	-
Securities - Available-for-Sale	**24,452**	**24,452**	18,788	18,788
Trading Securities	**243**	**243**	14,239	14,239
Loans Receivable, Net	**126,309**	**126,249**	119,226	136,107
Federal Home Loan Bank Stock	**1,284**	**1,284**	1,279	1,279
Accrued Interest Receivable	**623**	**623**	543	543
Financial Liabilities:				
Deposits	**$ 129,336**	**$ 128,026**	$ 130,208	$ 131,800
Advances from FHLB	**25,362**	**25,643**	24,753	25,452
Accrued Interest Payable	**31**	**31**	61	61

The following significant methods and assumptions were used by the Company in estimating the fair value of financial instruments:

Cash and Short-Term Investments
The carrying value of highly liquid instruments, such as cash on hand and amounts due from depository institutions, and interest-earning deposits in other institutions, provides a reasonable estimate of their fair value.

Securities
Fair value estimates for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying amount of accrued interest on securities approximates its fair value.

Loans Receivable, Net
The fair values for loans are estimated through discounted cash flow analysis, using current rates at which loans with similar terms would be made to borrowers of similar credit quality. Appropriate adjustments are made to reflect probable credit losses. The carrying amount of accrued interest on loans approximated its fair value.

Federal Home Loan Bank Stock
The value of Federal Home Loan Bank Stock is set by the FHLB at $100 per share.

Note 18. Estimated Fair Value of Financial Instruments (Continued)

Deposit Liabilities
ASC 825 specifies that the fair value of deposit liabilities with no defined maturity is the amount payable on demand at the reporting date, i.e., their carrying or book value. The fair value of fixed-rate certificates of deposit is estimated using a discounted cash flow calculation that applies interest rates currently offered on certificates of similar remaining maturities to a schedule of aggregate expected cash flows on time deposits.

Advances from Federal Home Loan Bank
The fair value of fixed rate borrowings is estimated using discounted cash flows, based on current incremental borrowing rates for similar types of borrowing arrangements.

Accrued Interest Payable
The carrying amount of accrued interest payable approximates its fair value.

Off-Balance Sheet Instruments
Off-balance sheet financial instruments include commitments to extend credit and undisbursed lines of credit. The fair value of such instruments is estimated using fees currently charged for similar arrangements in the marketplace, adjusted for changes in terms and credit risk as appropriate. The estimated fair value for these instruments was not significant at December 31, 2011 and 2010. The contract or notional amounts of the Company's financial instruments with off-balance sheet risk are disclosed in Note 10.

Note 19. Earnings per Share

The following table presents the components of average outstanding shares for each of the years ended December 31, 2011 and 2010:

	2011	2010
Weighted Average Common Shares Issued	**430,696**	428,117
Weighted Average Treasury Shares Held	**(69,920)**	(60,950)
Weighted Average Unearned MRP Trust Shares	**(4,846)**	(3,801)
Weighted Average Number of Common Shares Used in Basic EPS	**355,930**	363,366
Effect of Dilutive Securities Stock Options	**1,646**	1,470
Weighted Average Number of Common Share and Dilutive Potential Common Stock Used in Dilutive EPS	**357,576**	364,836

Note 20. Fair Value Measurements

The Company follows FASB ASC Topic 820, *Fair Value Measurement*. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs have the lowest priority. The Company uses appropriate valuation techniques based on the available inputs to measure the fair value. Level 3 inputs were used only when Level 1 or Level 2 inputs were not available.

The Company's investments are reported at fair value in the accompanying schedule:

	Fair Value Measurements at Reporting Date Using			
December 31, 2011	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Available-for-Sale Securities				
Mortgage-Backed Securities	**$ 14,423,968**	**$ -**	**$ 14,423,968**	**$ -**
U.S. Government Agency Notes	**3,049,355**	**1,041,067**	**2,008,288**	**-**
State and Municipal Obligations	**4,790,504**	**-**	**4,790,504**	**-**
U.S. Agency - SBA Loan Pool	**2,079,094**	**-**	**2,079,094**	**-**
Equity Securities	**109,200**	**109,200**	**-**	**-**
Trading Securities				
Equity Securities	**243,069**	**243,069**	**-**	**-**
Loans Held for Sale	**1,424,610**	**1,424,610**	**-**	**-**
Total	**$ 26,119,800**	**$ 2,817,946**	**$ 23,301,854**	**$ -**

	Fair Value Measurements at Reporting Date Using			
December 31, 2010	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-Sale Securities				
Mortagage-Backed Securities	$ 8,788,079	$ -	$ 8,788,079	$ -
U.S. Treasury Bond	9,999,971	-	9,999,971	-
Trading Securities				
Equity Securities	14,239,436	-	14,239,436	-
Loans Held for Sale	2,290,550	2,290,550	-	-
Total	$ 35,318,036	$ 2,290,550	$ 33,027,486	$ -

The Company did not record any liabilities at fair market value for which measurement of the fair value was made on a recurring basis at December 31, 2011 or 2010.

Note 20. Fair Value Measurements (Continued)

The following table presents the Company's assets and liabilities measured at fair value on a non-recurring basis at December 31, 2011 and 2010:

		Fair Value Measurements at Reporting Date Using		
December 31, 2011	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Impaired Loans	**$ 8,926,605**	**$ -**	**$ -**	**$ 8,926,605**
Other Real Estate Owned	**1,133,388**	**-**	**1,133,388**	**-**
Total	**$ 10,059,993**	**$ -**	**$ 1,133,388**	**$ 8,926,605**

		Fair Value Measurements at Reporting Date Using		
December 31, 2010	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired Loans	$ 8,734,169	$ -	$ -	$ 8,734,169
Other Real Estate Owned	1,526,432	-	1,526,432	-
Total	$ 10,260,601	$ -	$ 1,526,432	$ 8,734,169

Note 21. Summarized Financial Information of Parent Company

Summarized financial information of FPB Financial Corp., Parent Company only, follows:

FPB FINANCIAL CORP.
Condensed Statement of Financial Condition
(Dollars in Thousands)
December 31, 2011 and 2010

	2011	2010
Assets		
Cash	$ 1,778	$ 497
Investment Securities - Available-for-Sale	109	-
Trading Securities	243	230
Investment in Florida Parishes Bank	16,780	17,032
Investment in FPB Financial Statutory Trust I	93	93
Property and Equipment, Net	73	73
Deferred Tax Asset	52	27
Due from Subsidiary Bank	110	110
Total Assets	$ 19,238	$ 18,062
Liabilities and Stockholders' Equity		
Liabilities		
Due to FPB Financial Statutory Trust	$ 3,093	$ 3,093
Other Liabilities	6	14
Total Liabilities	3,099	3,107
Stockholders' Equity	16,139	14,955
Total Liabilities and Stockholders' Equity	$ 19,238	$ 18,062

Note 21. Summarized Financial Information of Parent Company (Continued)

FPB FINANCIAL CORP.
Condensed Statements of Operations
(Dollars in Thousands)
For the Years Ended December 31, 2011 and 2010

	2011	2010
Income		
Interest on Securities	$ 4	$ 10
Dividend from Florida Parishes Bank	2,500	1,900
Dividend from FPB Financial Statutory Trust I	3	3
Other Income (Expense)	(73)	6
Total Income	2,434	1,919
Operating Expenses	332	368
Income Before Equity in Undistributed Net (Loss) Income of Florida Parishes Bank	2,102	1,551
Equity in Undistributed Net (Loss) Income of Florida Parishes Bank	(419)	433
Net Income Before Income Taxes	1,683	1,984
Income Tax Benefit	135	122
Net Income	$ 1,818	$ 2,106

Note 21. Summarized Financial Information of Parent Company (Continued)

FPB FINANCIAL CORP.
Condensed Statements of Cash Flows
(Dollars in Thousands)
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash Flows from Operating Activities		
Net Income	**$ 1,818**	$ 2,106
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Equity in Undistributed Net Loss (Income) of Subsidiary	**419**	(433)
Trading Securities, Net	**(13)**	430
Gain on Sale of Investments	**-**	(1)
Increase in Deferred Tax Asset	**(25)**	(8)
Increase in Due from Florida Parishes Bank	**-**	(85)
(Decrease) Increase in Other Liabilities	**(8)**	7
Net Cash Provided by Operating Activities	**2,191**	2,016
Cash Flows from Investing Activities		
Purchase of Fixed Assets	**-**	(73)
Purchase of Investment Securities - Available-for-Sale	**(110)**	-
Net Cash Used in Investing Activities	**(110)**	(73)
Cash Flows from Financing Activities		
Proceeds Received from Subsidiary on MRP Stock Distribution	**37**	30
Proceeds Received from Options Exercised	**5**	15
Purchase of Treasury Stock	**(556)**	-
Proceeds Received from Redemption of Preferred Stock	**-**	(2,402)
Dividends Paid on Preferred Stock	**-**	(74)
Dividends Paid on Common Stock	**(286)**	(284)
Net Cash Used in Financing Activities	**(800)**	(2,715)
Net Increase (Decrease) in Cash and Cash Equivalents	**1,281**	(772)
Cash and Cash Equivalents, Beginning of Year	**497**	1,269
Cash and Cash Equivalents, End of Year	**$ 1,778**	$ 497

Note 22. Evaluation of Subsequent Events

In accordance with FASB ASC Topic 855, *Subsequent Events*, the Company evaluated subsequent events through February 24, 2012 the date these consolidated financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these consolidated financial statements.