FPB FINANCIAL CORP.
AND SUBSIDIARIES

Audits of Consolidated Financial Statements

December 31, 2012 and 2011

Contents

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Independent Auditor's Report

To the Board of Directors
FPB Financial Corp. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of FPB Financial Corp. and Subsidiaries (the Company) which comprise the consolidated balance sheets as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LaPorte

A Professional Accounting Corporation

Metairie, Louisiana
February 28, 2013

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2012 and 2011

	2012	2011
Assets		
Cash and Cash Equivalents		
Cash and Noninterest-Earning Deposits	**$ 5,648,027**	$ 4,848,444
Interest-Earning Deposits in Other Depository Institutions	**6,026,497**	1,847,507
Total Cash and Cash Equivalents	**11,674,524**	6,695,951
Certificates of Deposit	**4,235,000**	5,239,000
Investment Securities		
Available for Sale, at Fair Value	**47,445,662**	24,452,121
Held to Maturity, at Amortized Cost	**1,081,508**	-
Trading Securities, at Fair Value	**189,937**	243,069
Federal Home Loan Bank Stock, at Cost	**999,300**	1,283,800
Loans Held for Sale	**3,008,862**	1,424,610
Loans, Net of Allowance for Loan Losses of $3,208,815 in 2012 and $2,976,683 in 2011	**116,748,217**	124,884,851
Accrued Interest Receivable	**796,447**	622,775
Premises and Equipment, Net	**9,052,566**	7,870,052
Foreclosed Assets	**1,043,322**	533,388
Deferred Tax Asset	**78,622**	129,895
Other Assets	**1,500,929**	1,220,268
Total Assets	**$ 197,854,896**	$ 174,599,780

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

FPB FINANCIAL CORP. AND SUBSIDIARIES
Consolidated Balance Sheets (Continued)
December 31, 2012 and 2011

	2012	2011
Liabilities and Stockholders' Equity		
Deposits		
Deposits - Noninterest-Bearing	**$ 36,086,790**	$ 22,776,068
Deposits - Interest-Bearing	**81,641,901**	66,030,520
Time Deposits - $100,000 and Over	**25,694,289**	17,840,206
Other Time Deposits	**17,240,175**	22,688,760
Total Deposits	**160,663,155**	129,335,554
Accrued Interest Payable	**47,987**	31,034
Federal Home Loan Bank Advances	**15,591,803**	25,361,627
Subordinated Debentures/Trust Preferred Securities	**3,093,000**	3,093,000
Other Liabilities	**746,379**	646,442
Total Liabilities	**180,142,324**	158,467,657
Stockholders' Equity		
Common Stock - $.01 Par Value, 5,000,000 Shares Authorized, 443,653 Shares Issued at December 31, 2012 and 443,053 Shares Issued at December 31, 2011	**4,437**	4,431
Additional Paid-In Capital	**6,335,022**	6,274,941
Unearned MRP Trust Stock	**(12,909)**	(19,974)
Treasury Stock, at Cost - 75,698 Shares at December 31, 2012 and December 31, 2011	**(1,783,468)**	(1,783,468)
Retained Earnings	**12,974,449**	11,424,555
Accumulated Other Comprehensive Income	**195,041**	231,638
Total Stockholders' Equity	**17,712,572**	16,132,123
Total Liabilities and Stockholders' Equity	**$ 197,854,896**	$ 174,599,780

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, 2012 and 2011

	2012	2011
Interest and Dividend Income		
Interest and Fees on Loans	$ 9,537,476	$ 9,498,030
Interest and Dividends on Investment Securities and Other Interest-Earning Deposits	681,064	530,099
Total Interest and Dividend Income	10,218,540	10,028,129
Interest Expense		
Interest on Deposits	915,270	977,992
Interest on Borrowings	487,226	604,567
Interest on Subordinated Debentures	112,292	106,812
Total Interest Expense	1,514,788	1,689,371
Net Interest Income	8,703,752	8,338,758
Provision for Loan Losses	(897,000)	(656,468)
Net Interest Income After Provision for Loan Losses	7,806,752	7,682,290
Non-Interest Income		
Gain on Sale of Investments	229,443	-
Loss on Trading Securities	(8,686)	(93,076)
Service Charges on Deposits	735,137	793,911
Mortgage Banking Fees	754,185	731,221
Other Income	824,323	669,197
Total Non-Interest Income	2,534,402	2,101,253
Non-Interest Expense		
Compensation and Employee Benefits	4,306,195	3,895,945
Occupancy and Equipment	844,084	828,133
Technology and Information Processing	599,143	564,122
Professional Fees	302,972	242,479
Regulatory Fees	327,912	327,102
Other General and Administrative	1,176,022	1,249,234
Total Non-Interest Expense	7,556,328	7,107,015
Income Before Income Taxes	2,784,826	2,676,528
Income Tax Expense	928,042	858,287
Net Income	$ 1,856,784	$ 1,818,241
Earnings Per Share - Basic	$ 5.27	$ 5.11
Earnings Per Share - Diluted	$ 5.25	$ 5.08

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, 2012 and 2011

		2012		2011
Net Income	**$**	**1,856,784**	$	1,818,241
Other Comprehensive Income, Net of Tax				
Unrealized Holding Gains Arising During the Period		**114,835**		166,051
Reclassification Adjustment for Gains Included in Net Income		**(151,432)**		-
Total Other Comprehensive (Loss) Income		**(36,597)**		166,051
Comprehensive Income	**$**	**1,820,187**	$	1,984,292

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, 2012 and 2011

	Preferred Stock A	Preferred Stock B	Common Stock	Additional Paid-In Capital	Unearned MRP Trust Stock	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
Balance - January 1, 2011	$ -	$ -	$ 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 Gain 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
Net Income	-	-	-	-	-	-	1,856,784	-	1,856,784
Option Exercised	-	-	6	10,644	-	-	-	-	10,650
Distribution of Stock for Management	-	-	-	49,437	7,065	-	-	-	56,502
Other Comprehensive Income, Net of Tax									
Unrealized Loss on Investment Securities - Available-for-Sale	-	-	-	-	-	-	-	(36,597)	(36,597)
Dividends Paid on Common Stock	-	-	-	-	-	-	(306,890)	-	(306,890)
Balance - December 31, 2012	$ -	$ -	$ 4,437	$ 6,335,022	$ (12,909)	$ (1,783,468)	$ 12,974,449	$ 195,041	$ 17,712,572

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, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Net Income	**$ 1,856,784**	$ 1,818,241
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation	**390,640**	387,963
Net (Gain) Loss on Sale of Foreclosed Assets	**(64,277)**	2,275
Charge Down on Other Real Estate	**255,780**	243,532
Provision for Loan Losses	**897,000**	656,468
Amortization of Investment Security Premiums	**704,683**	190,215
Gain on Sale of Investments	**(229,443)**	-
Deferred Tax Provision (Benefit)	**70,569**	(360,424)
Management Recognition and Retention Plan Expense	**56,502**	37,027
Stock Dividends on Federal Home Loan Bank Stock	**(4,200)**	(4,600)
Changes in Operating Assets and Liabilities		
Accrued Interest Receivable	**(173,672)**	(79,305)
Trading Securities	**53,132**	13,996,367
Loans Held for Sale	**(1,584,252)**	865,940
Other Assets	**(281,104)**	610,195
Accrued Interest Payable	**16,953**	(30,090)
Other Liabilities	**99,937**	133,987
Deferred Loan Origination and Commitment Costs	**2,969**	33,085
Net Cash Provided by Operating Activities	**2,068,001**	18,500,876
Cash Flows from Investing Activities		
Loan Originations and Principal Collections, Net	**5,461,881**	(9,264,834)
Purchase of Premises and Equipment	**(1,573,154)**	(612,386)
Proceeds from Sale of Foreclosed Assets	**1,073,347**	773,431
Purchase of Federal Home Loan Bank Stock	**(168,300)**	-
Decrease (Increase) in Certificates of Deposit	**1,004,000**	(3,239,000)
Proceeds from Sale of Federal Home Loan Bank Stock	**457,000**	-
Purchase of Held to Maturity Securities	**(1,081,508)**	-
Purchase of Investment Securities - Available-for-Sale	**(45,883,571)**	(43,744,348)
Proceeds from Sale of Investment Securities - Available-for-Sale	**11,731,785**	-
Maturities of Investment Securities - Available-for-Sale	**224,127**	36,035,507
Principal Payments from Investment Securities - Available-for-Sale	**10,403,428**	2,106,606
Net Cash Used in Investing Activities	**(18,350,965)**	(17,945,024)

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, 2012 and 2011

	2012	2011
Cash Flows from Financing Activities		
Proceeds from Stock Options Exercised	10,650	5,600
Net Increase (Decrease) in Deposits	31,327,601	(872,822)
Repayment of Federal Home Loan Bank Advances	(86,066,324)	(95,590,945)
Advances from Federal Home Loan Bank	76,296,500	96,200,065
Purchase of Treasury Stock	-	(556,147)
Dividends Paid on Common Stock	(306,890)	(286,297)
Net Cash Provided by (Used in) Financing Activities	21,261,537	(1,100,546)
Net Increase (Decrease) in Cash and Cash Equivalents	4,978,573	(544,694)
Cash and Cash Equivalents, Beginning of Year	6,695,951	7,240,645
Cash and Cash Equivalents, End of Year	$ 11,674,524	$ 6,695,951
Supplemental Disclosures of Cash Flow Information		
Cash Paid for:		
Interest	$ 1,497,835	$ 1,721,642
Income Taxes	$ 1,162,451	$ 1,061,307
Market Value Adjustment for (Loss) Gain on Securities - Available-for-Sale	$ (55,451)	$ 251,593
Supplemental Disclosure of Noncash Investing and Financing Activities		
Transfers of Loans to Foreclosed Assets	$ 1,774,784	$ 626,194

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 wholly-owned subsidiary, Florida Parishes Bank. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Use of Estimates (Continued)

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.

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 have an original maturity within ninety days.

For 2012, the Bank is required to maintain cash in reserve accounts with the Federal Reserve Bank of Atlanta. For the reserve maintenance period ended December 31, 2012, the reserve requirement was $2,168,000.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

Allowance for Loan Losses (Continued)

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.

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 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed. As of December 31, 2012, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

The Company had no amount of interest and/or penalties recognized in the consolidated statements of income for the years ended December 31, 2012 and 2011, respectively, nor any amount of interest and/or penalties payable that were recognized in the consolidated balance sheets as of December 31, 2012 or 2011, 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.

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 2012 and 2011 were considered to be immaterial for financial reporting purposes.

Advertising Costs

Advertising costs are charged to operations as incurred. Advertising costs were $137,637 and $125,920, for the years ended December 31, 2012 and 2011, 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 2011 financial statements have been reclassified to conform to the 2012 presentation.

Recent Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2011-10, *Derecognition of in Substance Real Estate – a Scope Clarification* 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

In December 2011, the FASB issued ASU No. 2011-11, *Disclosures About Offsetting Assets and Liabilities,* 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. In January 2013, the FASB issued ASU No. 2013-01, *Clarifying the Scope of Disclosures About Offsetting Assets and Liabilities,* which limits the scope of the new balance sheet offsetting disclosures to the following financial instruments, to the extent they are offset in the financial statements or subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in the statement of financial position: (1) derivatives; (2) repurchase agreements and reverse repurchase agreements; and (3) securities borrowing and securities lending transactions. ASU No. 2013-01, which shares the same effective date as ASU No. 2011-11, is effective for interim and annual reporting periods beginning on or after January 1, 2013. As the provisions of ASU No. 2011-11 and ASU No. 2013-01 only impact the disclosure requirements related to the offsetting of assets and liabilities, the adoption is not expected to have a significant impact on the Company's financial statements.

In February 2013, the FASB issued ASU 2013-2, *Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income,* relating to the reporting of amounts reclassified out of accumulated other comprehensive income to improve the transparency of reporting these reclassifications. This guidance does not amend any existing requirements for reporting net income or other comprehensive income in the financial statements. The guidance requires an entity to disaggregate the total change of each component of other comprehensive income and separately present reclassification adjustments and current period other comprehensive income. The provisions of this guidance also requires that entities present either in a single note or parenthetically on the face of the financial statements, the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line item affected by the reclassification. If a component is not required to be reclassified to net income in its entirety, entities would instead cross reference to the related note to the financial statements for additional information. This guidance is effective for interim and annual reporting periods beginning after December 15, 2012. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements.

Note 1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)
In February 2013, the FASB issued ASU No. 2013-03, *Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities,* which clarifies that nonpublic entities that have total assets of $100 million or more or that have one or more derivative instruments would not qualify for exemption to disclose the fair value of financial instruments. It also clarifies that a nonpublic entity is not required to provide the level of the fair value hierarchy (Level 1, 2 or 3) for items disclosed at fair value but not measured at fair value in the statement of financial position. This guidance is effective immediately upon issuance 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.

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. Investment Securities

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

	December 31, 2012			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Securities Available-for-Sale				
U.S. Government Agency Mortgage - Backed Securities	**$ 24,165,192**	**$ 269,419**	**$ 49,971**	**$24,384,640**
U.S. Government Agency Notes	**2,010,080**	**10,967**	**-**	**2,021,047**
State and Municipal Obligations	**4,213,175**	**-**	**72,664**	**4,140,511**
U.S. Agency - SBA Loan Pool	**16,761,699**	**176,918**	**39,153**	**16,899,464**
Total Securities Available-for-Sale	**$ 47,150,146**	**$ 457,304**	**$ 161,788**	**$47,445,662**
Securities Held-to-Maturity				
U.S. Agency - SBA Loan Pool	**$ 1,081,508**	**$ 29,088**	**$ -**	**$ 1,110,596**
Total Securities Held-to-Maturity	**$ 1,081,508**	**$ 29,088**	**$ -**	**$ 1,110,596**

	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

At December 31, 2012 and 2011, investments with a total market value of approximately $8,742,609 and $6,804,458, respectively, were pledged to secure public deposits.

Note 3. Investment Securities (Continued)

The amortized cost and fair value of debt securities available-for-sale and held-to-maturity by contractual maturity at December 31, 2012 follows:

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Amounts Maturing in:				
Within One Year	$ -	$ -	$ -	$ -
One to Five Years	1,010,080	1,018,220	-	-
Five to Ten Years	16,460,746	16,707,601	-	-
Over Ten Years	29,679,320	29,719,841	1,081,508	1,110,596
	$ 47,150,146	$ 47,445,662	$ 1,081,508	$ 1,110,596

Proceeds from sales of available-for-sale securities during years 2012 and 2011 were $11,811,784 and $-0-, respectively. Gross realized gains on sales during years 2012 and 2011 were $229,443 and $-0-, respectively. No held-to-maturity securities were sold during 2012 or 2011.

At December 31, 2012 and 2011, 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, 2012 and 2011 were caused by interest rate increases. 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, 2012.

Note 4. Loans and Allowances for Loan Losses

The summary of the balances of loans follows:

	December 31, 2012	2011
Real Estate Loans		
Residential		
One-to-Four Family Residences and Home Equity Loans	**$ 44,372,499**	$ 49,000,500
Multi-Family	**6,926,057**	7,876,019
Second Mortgages	**4,439,787**	4,535,622
Construction for One-to-Four Family Residences	**6,085,921**	5,907,112
Total Residential Real Estate Loans	**61,824,264**	67,319,253
Commercial		
Construction for Commercial Real Estate	**118,171**	456,181
Commercial Real Estate	**29,378,611**	31,030,374
Total Commercial Real Estate Loans	**29,496,782**	31,486,555
Other		
Land	**16,472,489**	15,871,778
Total Real Estate Loans	**107,793,535**	114,677,586
Consumer Loans		
Secured		
Loans Secured by Certificates of Deposit	**1,663,535**	1,544,672
Automobile	**1,694,645**	1,990,045
Secured - Other	**1,343,996**	1,231,766
Unsecured		
Unsecured - Other	**2,141,952**	2,069,799
Bankcards	**1,004,372**	906,239
Total Consumer Loans	**7,848,500**	7,742,521
Commerical Loans		
Secured, Other than Mortgages	**2,375,542**	3,490,334
Unsecured	**1,884,365**	1,893,033
Total Commercial Loans	**4,259,907**	5,383,367
Total Loans	**119,901,942**	127,803,474
Allowance for Loan Losses	**(3,208,815)**	(2,976,683)
Net Deferred Loan Origination Costs	**55,090**	58,060
Loans, Net	**$ 116,748,217**	$ 124,884,851

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, 2012	2011
Balance, Beginning of Year	**$ 2,976,683**	$ 2,574,347
Provision Charged to Operations	**897,000**	656,468
Loans Charged-Off	**(829,585)**	(376,374)
Recoveries Credited to Allowance	**108,117**	122,242
Reclassification of Specific Valuation Allowance	**56,600**	-
Balance, End of Year	**$ 3,208,815**	$ 2,976,683

The following presents by portfolio segment the activity in the allowance for the year ended December 31, 2012. 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, 2012.

	Real Estate Loans - Residential	Real Estate Loans - Commercial	Real Estate Loans - Other	Consumer Loans	Commercial Loans	Total
Allowance for Loan Losses:						
Beginning Balances	$ 1,335,430	$ 597,082	$ 362,014	$ 489,813	$ 192,344	$ 2,976,683
Charge-Offs	(451,643)	(48,075)	(86,816)	(194,671)	(48,380)	(829,585)
Recoveries	11,310	584	2,736	86,330	7,157	108,117
Current Provision	427,251	147,366	110,547	151,728	60,108	897,000
Reclassification of Specific Valuation Allowance	-	56,600	-	-	-	56,600
Ending Balances	$ 1,322,348	$ 753,557	$ 388,481	$ 533,200	$ 211,229	$ 3,208,815
Ending Balance Allocated to:						
Individually Evaluated for Impairment	$ 310,003	$ 96,702	$ 212,488	$ 55,188	$ 108,109	$ 782,490
Collectively Evaluated for Impairment	1,012,345	656,855	175,993	478,012	103,120	2,426,325
	$ 1,322,348	$ 753,557	$ 388,481	$ 533,200	$ 211,229	$ 3,208,815
Ending Loans Receivable Disaggregated by Evaluation Method:						
Ending Balances:						
Individually Evaluated for Impairment	$ 3,055,329	$ 1,854,759	$ 1,194,124	$ 146,780	$ 148,944	$ 6,399,936
Collectively Evaluated for Impairment	58,768,935	27,642,023	15,278,365	7,701,720	4,110,963	113,502,006
Ending Balance - Total	$ 61,824,264	$ 29,496,782	$ 16,472,489	$ 7,848,500	$ 4,259,907	$ 119,901,942

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, 2012.

	Pass	Pass/Watch	Special Mention	Substandard	Doubtful	Total
Real Estate Loans - Residential	$ 54,019,482	$ 5,075,661	$ 955,551	$ 1,603,211	$ 170,359	$ 61,824,264
Real Estate Loans - Commercial	26,707,931	732,037	518,266	1,538,548	-	29,496,782
Real Estate Loans - Other	12,273,483	795,556	1,382,211	1,919,461	101,778	16,472,489
Consumer Loans	7,632,123	77,069	63,955	75,353	-	7,848,500
Commercial Loans	3,984,546	134,752	-	140,609	-	4,259,907
Total	$104,617,565	$ 6,815,075	$ 2,919,983	$ 5,277,182	$ 272,137	$ 119,901,942

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, 2012:

	Unpaid Principal Balance	Recorded Investment With No Allowance	Recorded Investment With Allowance	Total Recorded Investment	Related Allowance	Average Recorded Investment
Real Estate Loans - Residential	$ 3,338,997	$ 1,722,103	$1,333,226	$ 3,055,329	$ 310,003	$ 1,936,698
Real Estate Loans - Commercial	1,892,509	1,470,256	384,503	1,854,759	96,702	3,550,532
Real Estate Loans - Other	1,216,889	248,148	945,976	1,194,124	212,488	717,288
Consumer Loans	130,582	37,806	108,974	146,780	55,188	190,830
Commercial Loans	156,118	8,335	140,609	148,944	108,109	199,399
Total	$ 6,735,095	$ 3,486,648	$ 2,913,288	$ 6,399,936	$ 782,490	$ 6,594,747

The amount of interest income that would have been recorded on impaired loans for the years ended December 31, 2012 and 2011 was approximately $133,000 and $126,000, 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, 2012.

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, 2012:

Real Estate Loans - Residential	$ 398,314
Real Estate Loans - Commercial	678,429
Real Estate Loans - Other	1,330,844
Consumer Loans	11,475
Commercial Loans	41,996
Total	$ 2,461,058

Aging Analysis of Past Due Loans

The following presents by class, an aging analysis and the recorded investment in loans as of December 31, 2012:

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Nonaccrual	Greater than 90 Days Recorded Investment > 90 Days and Accruing	Total Past Due	Current	Total Loans Receivable
Real Estate Loans - Residential	$ 713,652	$ 149,786	$ 398,314	$ -	$ 1,261,752	$ 60,562,512	$ 61,824,264
Real Estate Loans - Commercial	213,964	-	678,429	-	892,393	28,604,389	29,496,782
Real Estate Loans - Other	236,617	108,145	1,330,844	-	1,675,606	14,796,883	16,472,489
Consumer Loans	17,326	2,104	11,475	-	30,905	7,817,595	7,848,500
Commercial Loans	14,952	-	41,996	-	56,948	4,202,959	4,259,907
Total	$ 1,196,511	$ 260,035	$ 2,461,058	$ -	$ 3,917,604	$115,984,338	$ 119,901,942

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 - Residential	12	$ 2,667,941	$ 2,438,264
Real Estate Loans - Commercial	6	1,508,007	1,470,257
Real Estate Loans - Other	5	513,156	513,156
Commercial Loans	6	142,811	135,637
Consumer Loans	14	118,242	118,242
Total		$ 4,950,157	$ 4,675,556

The following table presents TDR's modified during the year ended December 31, 2012:

	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Real Estate Loans - Residential	3	$ 123,014	$ 123,014
Real Estate Loans - Commercial	2	901,641	863,891
Real Estate Loans - Other	1	101,778	101,778
Commercial Loans	1	20,715	19,100
Consumer Loans	5	24,501	24,501
Total		$ 1,171,649	$ 1,132,284

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, 2012:

	Number of Contracts	Pre-Modification Recorded Investment	Post-Modification Recorded Investment
Real Estate Loans - Residential	1	$ 715,262	$ 677,512
Real Estate Loans - Other	1	101,778	101,778
Commercial Loans	1	20,715	19,100
Total		$ 837,755	$ 798,390

At December 31, 2012, 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	$ 1,344,995
Additions	31,066
Payments and Renewals	(290,591)
Balance, End of Year	$ 1,085,470

Note 5. Accrued Interest Receivable

Accrued interest receivable consists of the following:

	December 31, **2012**	December 31, 2011
Loans Receivable	**$ 491,202**	$ 506,014
Securities	**305,245**	116,761
Total	**$ 796,447**	$ 622,775

Note 6. Premises and Equipment

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

	December 31, 2012	December 31, 2011
Land	**$ 2,261,972**	$ 2,261,972
Building	**6,563,514**	5,427,951
Leasehold Improvements	**-**	17,048
Furniture and Equipment	**2,391,600**	2,037,160
	11,217,086	9,744,131
Less: Accumulated Depreciation	**(2,164,520)**	(1,874,079)
Net Book Value	**$ 9,052,566**	$ 7,870,052

Depreciation expense for the years ended December 31, 2012 and 2011 was $390,640 and $387,963, respectively.

Note 7. Deposits

Interest and Noninterest-Bearing Deposits
The amount of noninterest-bearing demand deposits was $36,086,790 and $22,776,068, at December 31, 2012 and 2011, respectively.

Interest-bearing demand deposits were as follows:

	December 31, 2012	December 31, 2011
NOW Accounts	**$ 44,112,646**	$ 45,594,211
Savings Accounts	**8,011,567**	6,994,233
Money Market Accounts	**29,122,166**	13,442,076
IRA Accounts	**395,522**	-
Total	**$ 81,641,901**	$ 66,030,520

Note 7. Deposits (Continued)

Certificates of Deposit

Certificates of deposit with a minimum denomination of $100,000 were $25,694,289 and $17,840,206, at December 31, 2012 and 2011, respectively. At December 31, 2012, scheduled maturities of time deposits are as follows:

Year Ended December 31,	Amount
2013	$ 21,021,685
2014	12,879,638
2015	5,942,813
2016	952,627
2017	2,126,977
Thereafter	10,724
Total	$ 42,934,464

Deposits with Related Parties

The Bank held deposits of $6,170,522 and $4,960,367 for officers, directors, and entities for which they have significant ownership or management position at December 31, 2012 and 2011, respectively.

Overdrafts

At December 31, 2012 and 2011 the Bank had deposit accounts in an overdraft position totaling $143,282 and $201,567, 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 2012 and 2011 was $487,226 and $604,567, respectively.

Advances consisted of the following at December 31, 2012 and 2011, respectively:

	Advance Total	
Contract Rate	**2012**	2011
0.00% to 1.99%	**$ 6,200,000**	$ 7,850,000
2.00% to 2.99%	**5,650,000**	12,000,000
3.00% to 3.99%	**3,000,000**	4,500,000
4.00% to 4.99%	**141,500**	383,000
5.00% to 5.99%	**600,303**	628,627
Total	**$ 15,591,803**	$ 25,361,627

Note 8. Borrowings (Continued)

Contractual maturities of advances at December 31, 2012 are as follows:

Year Ended December 31,	Amount
2013	$ 1,200,000
2014	5,673,500
2015	6,600,000
2016	18,000
2017	-
After 2017	2,100,303
Total	$ 15,591,803

Note 9. Income Taxes

The provision for income taxes for 2012 and 2011 consists of the following:

	2012	2011
Current	**$ 857,473**	$ 1,255,063
Deferred	**70,569**	(396,776)
	$ 928,042	$ 858,287

The components of the net deferred tax asset at December 31, 2012 and 2011 are as follows:

	2012	2011
Deferred Tax Assets:		
Capital Loss - ARM Fund	**$ 217,999**	$ 239,617
Allowance for Loan Losses	**1,090,997**	1,094,873
Deferred Income	**5,440**	5,440
Foreclosed Assets Charge Offs	**7,511**	90,908
Other	**39,614**	65,582
Total Deferred Tax Assets	**1,361,561**	1,496,420
Valuation Allowance	**(217,999)**	(239,617)
Net Deferred Tax Asset	**1,143,562**	1,256,803
Deferred Tax Liabilities:		
FHLB Stock Dividends	**(45,730)**	(68,978)
Deferred Loan Costs/Fees	**(18,731)**	(19,740)
Net Unrealized Gain on Securities Available-for-Sale	**(100,475)**	(119,771)
Fixed Assets	**(874,842)**	(895,767)
Prepaid Expenses	**(25,162)**	(22,652)
Total Deferred Tax Liabilities	**(1,064,940)**	(1,126,908)
Net Deferred Tax Asset	**$ 78,622**	$ 129,895

Note 9. Income Taxes (Continued)

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

	Years Ended December 31, 2012 Amount	2012 Effective Rate %	2011 Amount	2011 Effective Rate %
Tax at Statutory Rate	**$ 946,841**	**34.00**	$ 910,020	34.00
Other	**(18,799)**	**(1.01)**	(51,733)	(1.93)
	$ 928,042	**32.99**	$ 858,287	32.07

Included in retained earnings at December 31, 2012 and 2011 is $502,946 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 $226,000 and $171,000 at December 31, 2012 and 2011, 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, 2012 and 2011, the following financial instruments were outstanding whose contract amounts represent credit risk:

	December 31, 2012	2011
	(in thousands)	
Commitments to Extend Credit	**$ 16,549**	$ 14,533
Standy Letters-of-Credit	**552**	197

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

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract, and include amounts available to be drawn down against construction loans and unfunded commitments under lines-of-credit. 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.

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 2012 and 2011. The components of comprehensive income and related tax effects are as follows:

	2012	2011
Gross Unrealized Holding Gains Arising During the Period	**$ 173,993**	$ 251,593
Tax Expense	**(59,158)**	(85,542)
Total	**114,835**	166,051
Reclassification Adjustment for Gains Included in Net Income	**(229,443)**	-
Tax Expense	**78,011**	-
Total	**(151,432)**	-
Net Unrealized Holding (Losses) Gains Arising During the Period	**$ (36,597)**	$ 166,051

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.

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, 2012, 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, 2012 and 2011, 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, 2012						
Total Risk-Based Capital						
(to risk-weighted assets)	$ 20,075	17.57%	$ 9,142	8.00%	$ 11,427	10.00%
Tier 1 Capital						
(to risk-weighted assets)	$ 18,625	16.30%	$ 4,571	4.00%	$ 6,856	6.00%
Tier 1 Capital						
(to adjusted total assets)	$ 18,625	9.45%	$ 5,915	3.00%	$ 9,859	5.00%
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%

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, 2012 and 2011, 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 were acquired for the 2000 Plan, the purchase price of these shares was 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, 2012 and 2011, compensation expense pertaining to the 2000 Plan was $56,502 and $37,027, respectively.

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)

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

	Unawarded Shares	Awarded Shares
Balance at January 1, 2011	366	1,880
Purchased by Plan	-	-
Granted	-	-
Forfeited	-	-
Earned and Issued	-	(520)
Balance at December 31, 2011	366	1,360
Purchased by Plan	-	-
Granted	-	-
Forfeited	-	-
Earned and Issued	-	(620)
Balance at December 31, 2012	366	740

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, 2011	(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
Issued for Plan	-	-
Granted	(200)	200
Forfeited	-	(120)
Earned and Issued	-	(1,295)
Balance at December 31, 2012	8,500	4,150

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 was 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 were able to be granted under the plan, but as of 2010 no additional stock options can be granted under this 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.

A summary of the status of the Company's stock option plan as of December 31, 2012 and 2011, and changes during the years ending on those dates is presented below:

	2012		2011	
Fixed Options	**Shares**	**Weighted-Average Exercise Price**	Shares	Weighted-Average Exercise Price
Outstanding at Beginning of Year	**4,450**	**$ 22.10**	4,850	$ 21.20
Granted	**-**	**-**	-	-
Exercised	**(600)**	**17.75**	(400)	14.00
Forfeited	**-**	**-**	-	-
Outstanding at End of Year	**3,850**	**$ 22.84**	4,450	$ 22.10

The following table summarizes information about fixed stock options outstanding at December 31, 2012:

	Options Outstanding			**Options Exercisable**	
Range of Exercise Prices	**Number Outstanding at 12/31/12**	**Remaining Contractual Life**	**Weighted-Average Exercise Price**	**Number Exercisable at 12/31/12**	**Weighted-Average Exercise Price**
$22.00	1,350	.9 Years	$22.00	1,350	$22.00
$24.00	2,500	1.5 Years	$24.00	2,500	$24.00

Note 16. Commitments and Contingencies

Employment Contracts

Two employees of the Company serve under employment contracts that are due to expire on September 30, 2015. 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 17. 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 17. Estimated Fair Value of Financial Instruments (Continued)

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

	As of December 31,			
	2012		2011	
	Carrying Amount	**Estimated Fair Value**	Carrying Amount	Estimated Fair Value
Financial Assets:				
Cash and Noninterest-Earning Deposits	**$ 5,648**	**$ 5,648**	$ 4,848	$ 4,848
Interest-Earning Deposits in Other Depository Institutions	**6,026**	**6,026**	1,848	1,848
Certificates of Deposit	**4,235**	**4,235**	5,239	5,239
Available-for-Sale Securities	**47,446**	**47,446**	24,452	24,452
Trading Securities	**190**	**190**	243	243
Held to Maturity Security	**1,082**	**1,111**	-	-
Loans Receivable, Net	**116,748**	**116,633**	124,884	124,824
Loans Held for Sale	**3,009**	**3,009**	1,425	1,425
Federal Home Loan Bank Stock	**999**	**999**	1,284	1,284
Accrued Interest Receivable	**796**	**796**	623	623
Financial Liabilities:				
Deposits	**$ 160,663**	**$ 158,563**	$ 129,336	$ 128,026
Advances from FHLB	**15,592**	**16,242**	25,362	25,643

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 value for loans is 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.

Loans Held for Sale

The fair value for loans held for sale is estimated using discounted cash flow analysis, using current rates at which loans with similar terms would be valued in the secondary market.

Note 17. Estimated Fair Value of Financial Instruments (Continued)

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

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, 2012 and 2011. The contract or notional amounts of the Company's financial instruments with off-balance sheet risk are disclosed in Note 10.

Note 18. Earnings per Share

The following table presents the components of average outstanding shares for each of the years ended December 31, 2012 and 2011:

	2012	2011
Weighted Average Common Shares Issued	**443,300**	430,696
Weighted Average Treasury Shares Held	**(75,698)**	(69,920)
Weighted Average Unearned MRP Trust Shares	**(15,593)**	(4,846)
Weighted Average Number of Common Shares Used in Basic EPS	**352,009**	355,930
Effect of Dilutive Securities		
Stock Options	**1,372**	1,646
Weighted Average Number of Common Shares and Dilutive Potential Common Stock Used in Dilutive EPS	**353,381**	357,576

Note 19. 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, 2012	**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	**$ 24,384,640**	**$ -**	**$ 24,384,640**	**$ -**
U.S. Government Agency Notes	**2,021,047**	**-**	**2,021,047**	**-**
State and Municipal Obligations	**4,140,511**	**-**	**4,140,511**	**-**
U.S. Agency - SBA Loan Pool	**16,899,464**	**-**	**16,899,464**	**-**
Trading Securities				
Equity Securities	**189,937**	**189,937**	**-**	**-**
Loans Held for Sale	**3,008,862**	**3,008,862**	**-**	**-**
Total	**$ 50,644,461**	**$ 3,198,799**	**$ 47,445,662**	**$ -**

		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	-	3,049,355	-
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	$ 1,776,879	$ 24,342,921	$ -

Note 19. Fair Value Measurements (Continued)

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, 2012 or 2011.

The following table presents the Company's assets and liabilities measured at fair value on a non-recurring basis at December 31, 2012 and 2011:

		Fair Value Measurements at Reporting Date Using		
December 31, 2012	**Fair Value**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Impaired Loans	**$ 6,382,842**	**$ -**	**$ -**	**$ 6,382,842**
Other Real Estate Owned	**1,043,322**	**-**	**1,043,322**	**-**
Total	**$ 7,426,164**	**$ -**	**$ 1,043,322**	**$ 6,382,842**

		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

Note 20. 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, 2012 and 2011

	2012	2011
Assets		
Cash	**$ 1,509**	$ 1,778
Investment Securities - Available-for-Sale	**-**	109
Trading Securities	**190**	243
Investment in Florida Parishes Bank	**18,820**	16,780
Investment in FPB Financial Statutory Trust I	**93**	93
Property and Equipment, Net	**65**	73
Deferred Tax Asset	**40**	52
Due from Subsidiary Bank	**108**	110
Total Assets	**$20,825**	$19,238
Liabilities and Stockholders' Equity		
Liabilities		
Due to FPB Financial Statutory Trust	**$ 3,093**	$ 3,093
Other Liabilities	**20**	6
Total Liabilities	**3,113**	3,099
Stockholders' Equity	**17,712**	16,139
Total Liabilities and Stockholders' Equity	**$20,825**	$19,238

Note 20. Summarized Financial Information of Parent Company (Continued)

FPB FINANCIAL CORP.
Condensed Statements of Operations
(Dollars in Thousands)
For the Years Ended December 31, 2012 and 2011

	2012	2011
Income		
Interest on Securities	$ 2	$ 4
Dividend from Florida Parishes Bank	1,000	2,500
Dividend from FPB Financial Statutory Trust I	-	3
Other Income (Expense)	18	(73)
Total Income	1,020	2,434
Operating Expenses	336	332
Income Before Equity in Undistributed Net Income (Loss) of Florida Parishes Bank	684	2,102
Equity in Undistributed Net Income (Loss) of Florida Parishes Bank	1,077	(419)
Net Income Before Income Taxes	1,761	1,683
Income Tax Benefit	96	135
Net Income	$1,857	$1,818

Note 20. Summarized Financial Information of Parent Company (Continued)

FPB FINANCIAL CORP.
Condensed Statements of Cash Flows
(Dollars in Thousands)
For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Net Income	**$ 1,857**	$ 1,818
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Equity in Undistributed Net Income of Subsidiary	**(1,077)**	419
Trading Securities, Net	**53**	(13)
Gain on Sale of Investments	**(24)**	-
Decrease (Increase) in Deferred Tax Asset	**12**	(25)
Decrease in Due from Florida Parishes Bank	**2**	-
Increase (Decrease) in Other Liabilities	**14**	(8)
Net Cash Provided by Operating Activities	**837**	2,191
Cash Flows from Investing Activities		
Investment in Subsidiary	**(1,000)**	-
Proceeds from Sale of Investment Securities - Available-for-Sale	**133**	-
Purchase of Investment Securities - Available-for-Sale	**-**	(110)
Net Cash Used in Investing Activities	**(867)**	(110)
Cash Flows from Financing Activities		
Proceeds Received from Subsidiary on MRP Stock Distribution	**57**	37
Proceeds Received from Options Exercised	**11**	5
Purchase of Treasury Stock	**-**	(556)
Dividends Paid on Common Stock	**(307)**	(286)
Net Cash Used in Financing Activities	**(239)**	(800)
Net (Decrease) Increase in Cash and Cash Equivalents	**(269)**	1,281
Cash and Cash Equivalents, Beginning of Year	**1,778**	497
Cash and Cash Equivalents, End of Year	**$ 1,509**	$ 1,778

Note 21. Evaluation of Subsequent Events

In accordance with FASB ASC Topic 855, *Subsequent Events*, the Company evaluated subsequent events through February 28, 2013, 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.