



BANK NOTES

Created by Community Bankers for Community Bankers

2nd QUARTER 2011



CORPORATE OFFICES

First National Bankers Bank

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Shreveport, LA 71101
866.453.5150

Mississippi Region

300 Concourse Boulevard, Suite 100
Ridgeland, MS 39157
888.355.8739

Alabama Region

600 University Park Place, Suite 380
Birmingham, AL 35209
800.318.6272

732 Kennesaw Avenue, Suite 210
Marietta, GA 30060
888.311.1051

Arkansas Region

325 West Capitol Avenue, Suite 300
Little Rock, AR 72201
800.737.0535

FNBB Capital Markets

600 University Park Place, Suite 380
Birmingham, AL 35209
866.405.6864

FNBB Services Corp.

300 Concourse Boulevard, Suite 100
Ridgeland, MS 39157
888.355.8739

FNBB Insurance Agency, LLC

300 Concourse Boulevard, Suite 100
Ridgeland, MS 39157
888.355.8739

Chairman's Message

First National Bankers Bankshares, Inc. concluded the first quarter ending March 31, 2011 on a successful note. The company reported consolidated net income of \$810,108 for the quarter after contributing \$1,000,000 to the allowance for the loan loss reserve during the same period. This resulted in an ALLL of 3.18% of loans outstanding and a Tier 1 leverage ratio of 14.68%. While loan demand has remained flat, our company has been able to sustain its loan portfolio resulting in loans outstanding of \$425,754,675 as of quarter end. Our philosophical approach remains to be one of conservatism and caution as we continue to navigate through this difficult and prolonged economic environment, and our robust ALLL is testimony to that cautious approach.

We concluded the successful consolidation of our four subsidiary bankers banks into one on March 31, 2011, which will result in the name of our consolidated bank being First National Bankers Bank or FNBB. We appreciate your patience and understanding during the consolidation process, and our goal and philosophy is that we are the same company, same employees, same service while we continue to maintain our corporate mantra of "Service Beyond Comparison". The current regulatory environment made it difficult to efficiently manage and operate while dealing with our multiple regulators prior to our consolidation. We also anticipate benefitting greatly from the economies of scale associated with this consolidation.

As we continue into 2011, we will continue to closely monitor the economic landscapes throughout the markets that we serve. In some areas of our geographic footprint there are signs of continued financial struggles such as the states of Georgia and Florida. Most other areas that we serve are still performing satisfactorily. We are cautiously optimistic that we are beginning to see a bottoming out in the most troubled sectors, thus indicating that we may be near the beginning of some type of recovery. Until we are convinced that any potential recovery is sustainable, we will maintain our very conservative approach throughout the remainder of this year.

We are blessed with incredible shareholder and customer loyalty and support, and we extend our heartfelt appreciation to you. The opportunity to serve you is never taken for granted, and we are humbled by the many long standing relationships with which you have provided us. We look forward to the opportunity to serve you in the future with the finest state of the art correspondent services available along with excellent personalized service. Thank you.

Joseph F. Quinlan, Jr.
Chairman, President & CEO

First National Bankers Bankshares, Inc.

FINANCIAL HIGHLIGHTS

March 31, 2011
(Unaudited)

BALANCE SHEET

ASSETS

Cash and Due From Banks	\$320,384,465
Certificates of Deposit	\$1,376,543
Federal Funds Sold	19,180,000
Securities Purchased URA	1,510,168
Investment Securities	119,937,495
Trading Assets	1,508,080
Loans Outstanding	425,754,675
Loan Loss Reserve	(13,526,394)
Other Assets	<u>46,146,547</u>
Total Assets	922,271,579
Agent Federal Funds Sold	847,650,000
TOTAL RESOURCES ADMINISTERED	<u>\$1,769,921,579</u>

LIABILITIES AND CAPITAL

Deposits	\$361,901,853
Federal Funds Purchased	376,500,000
Securities Sold UAR	2,151,941
Borrowings from FHLB	34,385,713
Long-Term Subordinated Debt	8,248,000
Other Liabilities	5,869,231
Equity Capital	<u>133,214,841</u>
Total Liabilities and Capital	922,271,579
Agent Federal Funds Purchased	847,650,000
TOTAL RESOURCES ADMINISTERED	<u>\$1,769,921,579</u>

INCOME STATEMENT

Interest Income	\$6,176,650
Interest Expense	<u>551,256</u>
Net Interest Income	5,625,394
Provision for Loan Losses	1,000,000
Other Income	7,187,196
Operating Expenses	10,551,232
Tax	<u>451,250</u>
NET INCOME	<u>\$810,108</u>

Book value per common share \$390

NetLink Exchange Hits the 5 Million Mark

FNBB now aggregates and processes over 5 million cashletter items each month through NetLink Exchange. Items are cleared with participating community banks and through various direct send and least cost routing relationships.

The volume has grown significantly as our network has grown to 135 banks, with a market presence in 5 states. Reaching this volume milestone has allowed us to establish select clearing relationships and offer preferential pricing in the recently created Premier Tier. The addition of this tier has resulted in an average monthly savings of 15% for our participants.

As the total cashletter volume increases, we will continue to negotiate other associations that yield benefits for our network of community banks. We appreciate our community banks for trusting in the service we are building. Together, we are investing in the future of community banks.

Employee Acknowledgements

Our employees continue to broaden their education and banking knowledge to better serve you. We are happy to celebrate their accomplishments and invite you to join us in congratulating them.

- **Jason Hebert**, Senior Vice President/IT Director and Information Security Officer, completed Mississippi Banking School.
- **Sandy Flynn**, Vice President and Senior Analyst, completed Mississippi Banking School. Sandy was one of two graduating students to be recognized by the Mississippi Bankers Association and Mississippi Young Bankers for outstanding academic excellence. Sandy was awarded a scholarship for the Mississippi Banking School and also a first year scholarship to the LSU Graduate School of Banking.
- **Douglas Dupont**, Loan Review Analyst, received his Loan Review Certification through BAI.
- **Kenneth Mitchell**, Compliance Auditor, obtained a Certified Community Bank Compliance Officer (CCBCO) certification sponsored by the Independent Community Bankers of America (ICBA).

Annual Summer Conference and Investment Conference

The 2011 Annual Summer Conference and Investment Conference will be held **Sunday, June 12 to Thursday, June 16**. The conference will be held at Sandestin Golf and Beach Resort in Destin, Florida and hosted by the FNBB, Inc. family.

For the past 26 years, FNBB, Inc. has hosted a conference that provides a broad range of current educational topics for today's community banker.

Also included, are social events that provide the registrant, their family, and guests with entertainment during the conference.

Again this year, we will enjoy the excitement of *The Village of Baytowne Wharf* and its many restaurants, shops, and nightlife. We will be hosting our meetings at the *Baytowne Conference Center*. Attendees will also enjoy accommodations at *The Village* and *Grand Sandestin*, which is walking distance to the meetings and all of the social gatherings during the conference as well as accommodations throughout the Sandestin property.

SCHEDULE

Sunday, June 12, 2011

Conference Registration
Check-in
Welcome Reception

Monday, June 13, 2011

Breakfast
Business Meeting
Golf Tournament

Tuesday, June 14, 2011

Breakfast
Business Meeting
Bingo
Dinner & Entertainment

Wednesday, June 15, 2011

Breakfast
Business Meeting
Day at the Beach

This year we have new and exciting activities for children of all ages.

GUEST SPEAKERS

Jeff Hammond

United State Army Major General
Senior Associate Director of Athletics, University of Southern Mississippi

"Making a Difference"

William M. Isaac

Chairman
LECG's Global Financial Services

"Current Regulatory Environment for Community Banks"

Jack Schultz

CEO
Agracel, Inc.

"Boomtown USA: The 7 1/2 Keys to Big Success in Small Towns"

To view a brochure or register online go to www.bankers-bank.com and click on the conference registration link on the bank home page.

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Welcoming Our Newest Employees

FNBB

Stacie Cofield
ALM Administrative Assistant
Baton Rouge, LA

Ryan Strawbridge
Loan Review Analyst
Ridgeland, MS

FNBB Capital Markets

Alanna Heinrichs
Investment Operations Specialist
Baton Rouge, LA

New Partnerships

Our strength and success come from our customers. We are proud to welcome the following banks as of March 31, 2011.

- **Alliance Banking Company**
Winchester, KY
- **Citizens Bank of Cumberland County**
Burkesville, KY
- **Jackson County Bank**
McKee, KY
- **Peoples Community National Bank**
Bremen, GA
- **Savannah River Banking Company**
Augusta, GA
- **The Cecilian Bank**
Elizabethtown, KY
- **Wayne County Bank**
Waynesboro, TN

ACH Updates For 2011

Changes have been made to the NACHA Operating Rules that go into effect in 2011. We have chosen to highlight three Rules enhancements for you that become effective September 16, 2011. We recommend that you reference the 2011 ACH Rules Book for complete information on these and all rules that may impact you or your customer.

Recurring TEL entries

Your institution will be able to originate recurring TEL transactions. The formatting will be similar to the recurring WEB. You will need to enter an "R" for recurring or an "S" for single payment in the discretionary data field. For receiving banks you will be able to send the recurring TEL entry back as R07.

Expansion of use for XCK

XCK SEC will be expanded to include certain damaged checks that cannot be imaged or other check images that cannot be processed. These include checks missing part of the MICR line, checks that are unreadable, obscured or mutilated and checks that do not pass standard quality test for image creation for Check 21. The current use of XCK, clearing checks that were a part of a cash letter that has been lost or destroyed, will remain valid. Checks are required to be under \$2500 to qualify for XCK. The RDFI still has the option to return these entries for any reason.

Collection of Return Fees

This change will allow for the collection of fees for NSF or Uncollected Funds returns. There are formatting and notification requirements for these entries so please check with your ACH processor. This will allow the originator of the entry to send a debit entry to the receiver for a return fee to the extent permitted by applicable legal requirements.

We May Be Able To Save You Money

Were you aware that FNBB offers a service to our customers that may allow an outgoing international wire to be sent as a domestic wire? Our Client Services Department can research the Foreign Bank information to locate their US Correspondent bank. If the bank has a US Correspondent we will provide the bank name and routing number so that funds can be sent as a domestic wire via NetLink. Utilizing this method reduces your wire fees and expedites the delivery time. Please contact Client Services for more information.

Business Trade Shows: Do They Really Yield Results?

Many organizations, including numerous Chambers of Commerce, put on annual trade shows or business expos. Most banks are targeted to put booths at these events and many do so as a service to the sponsoring organization.

However, the consensus is that the actual business generated is nominal. Banks generally regard these events as marketing mechanisms to hand out various branded items such as key chains, pens, and cups. But in addition to the people who frequent the trade shows there is another audience that the bank's can solicit at the event, the other vendors at the show.

If a business expo has over 100 booths, and 15 are banks, that leaves 85 businesses that can be called on simply by navigating the room. If you were to attempt to make 85 prospect calls in two days; that would be impossible. But in the trade show environment you have ready access to a qualified representative of that company who often can be a decision maker. Instead of staying trapped in your booth, you reach out and go visit the other vendors. You can even be more effective by going over the roster of exhibitors and targeting ahead of time the businesses you want to make contact with. This narrows the field and allows you to make even better use of your time.

One component that is important is to make sure that the event restricts outside solicitations. This prevents someone from coming in from the outside and just passing out business cards without having to incur the cost of a booth. While this is hard to enforce, a few well posted signs will discourage most ethical people from doing that.

Business Expos and Trade Shows don't have to be strictly marketing events, if you are willing to work the room. Making the extra effort is what we at FNBB try to do on a daily basis. If you have a loan opportunity or just want to discuss a potential deal, our trained staff of lenders are ready to assist.

Promotions and Appointments

FNBB Promotions

Jason Hebert, promoted to Senior Vice President and IT Director.

Amee Goodhew, promoted to Vice President and Senior ALM Analyst.

Chad Davis, promoted to Assistant Vice President & Network Manager, IT Division.

Brent LeBlanc, promoted to Assistant Vice President, Compliance Services Division.

Cynthia Oliver, promoted to Assistant Vice President, Business Development.

Brent Voisin, promoted to Assistant Vice President and Regional Systems Manager, IT Division.

Amanda Chiek, promoted to ALM Senior Analyst.

Katie Day, promoted to Senior Investments Operations Specialist Capital Markets Division.

FNBB Appointments

Laura Boudreaux, appointed to Compliance and BSA Officer and Risk Management Coordinator.

Chad Davis, appointed to Physical Security Officer.

FNBB Services Corp. Promotions

Deborah Barrett, promoted to Vice President.

Jeff Sudduth, promoted to Vice President.

Congratulations to Jason, Amee, Chad, Brent, Cynthia, Brent, Amanda, Katie, Laura, Deborah, and Jeff on their accomplishment!



Inflation: Is Your Bank Ready?

All of us in the banking community have continuously speculated on when inflation will begin. With interest rates at record lows it was never a matter of if inflation comes but when. But with rising fuel prices and food costs, along with the raising of interest rates by both the European Central Bank and China Central Bank, all indications are that the inevitability of rates being raised here at home is closer than ever.

There are numerous negative effects when our currency is devalued. On all debt that bank's have, the value of that money will decrease and our client base may draw down on savings to cover expenses or make purchases on assets that may hold value better in inflationary periods. But conversely there could be opportunities as well. Many clients who have been delaying projects that would require financing might be spurred to act more quickly given that their costs to borrow could rise.

With earnings on investments at record lows and competition for business being at times severe, all banks have felt pricing pressure to try and capture new business or retain existing clients. This has resulted in more aggressive pricing combined at times with longer terms and amortizations.

The delicate balance needed to insure profitability and soundness is a challenge during an inflationary period. While longer amortizations might improve cash flows, the slower reduction of principal can leave leverage in place longer than what is considered prudent. Fixing rates for extended terms also can be detrimental to a bank's profit margin during inflationary periods.

If you have not already crafted a plan to deal with your customers as it relates to pricing and structure of credits during inflationary times, now might be the time to do so. As always, your correspondent lending partners at FNBB are available to discuss scenarios with you, exchange ideas, and be a sounding board as you address these kinds of issues on a go forward basis.

The value of a good banking partner is never tested more than in difficult times. Please know that as your correspondent bank FNBB stands ready to assist and work diligently with you in this period of economic uncertainty.

→ Seminar Schedule

- **May 10, 11, 12** - Quarterly Compliance Meeting
- **May 18** - Regulatory Compliance Meeting, AL
- **June 12 - 16** - Annual Summer Conference and Investment Conference
- **August 11** - Regulatory Compliance Meeting, MS
- **August 16, 17, 18** - Quarterly Compliance Meeting
- **September 13 & 14** - ACH Boot Camp (SWACHA)
- **November 2** - Regulatory Compliance Meeting, AL
- **November 15, 16, 17** - Quarterly Compliance Meeting

For more detailed information and locations please go to the calendar on our website at www.bankers-bank.com.

Change!

The Dodd-Frank Act has made change a way of life and continued change is guaranteed. The act calls for massive change in the form of new regulations and a new regulator. The new regulator-the Bureau of Consumer Financial Protection (CFPB)-will become the agency that regulates all aspects of consumer credit products and relationships. According to Dr. Elizabeth Warren, the Assistant to the President and Special Adviser to the Treasury Secretary on the Consumer Financial Protection Bureau, the CFPB will be working to educate consumers, supervise and enforce consumer financial laws and analyze available information to better understand consumers, financial services providers, and consumer financial markets.

About 4 years ago, the Financial Services Roundtable – a trade association representing America’s biggest banks – embraced a new, principles-based regulatory framework. Their first principle is “Fair treatment for consumers.” Their explanation of how to tell if that principle has been met is based on questions like: Can customers understand the product? Can they figure out the costs and risks of a given product? And can they compare products in the marketplace? The new CFPB is focused on these same questions and are finding that the current regulations are not adequately answering these questions. Starting with the combination of Truth-In-Lending mortgage disclosures with Real Estate Settlement Procedures Act requirements and by continuing to work on credit card disclosure, more changes are coming soon.

If the Compliance professionals at FNBB can assist you with compliance audits, training or consulting regarding the changes your bank is facing, please contact Lori Anderson at 225-924-8015.

Quarterly Compliance Meetings

FNBB is hosting Quarterly Compliance Meetings in May. Below are the topics, dates, and details of the meetings:

Tuesday, May 10
Juban’s Restaurant
Baton Rouge, LA

Wednesday, May 11
Juban’s Restaurant
Baton Rouge, LA

Thursday, May 12
Hilton Garden Inn
West Monroe, LA

General Discussion Topics:

- And MORE Regulation Z
- A Guide to the FDIC Overdraft Guidance
- Compliance Management Corner
 - What Good Compliance Managers and Camels Have in Common.
- Compliance Calendar Update
- What’s On Your Mind and Questions & Answers

For more information on the Quarterly Compliance Meetings go to www.bankers-bank.com to the banks home page.



7813 Office Park Blvd.
Baton Rouge, LA 70809

➔ SERVICE BEYOND COMPARISON

➔ OUR MISSION STATEMENT

FNBB, Inc. is organized to be a profitable and well capitalized financial services corporation providing high quality correspondent services which encourage the growth of its shareholders and clients. It is focused on serving the management and financial needs of community banks in Louisiana, Mississippi, Alabama, Arkansas and the Southern United States.

AUDIT SERVICES

- ACH Audit
- Compliance Audit
- Compliance Training
- Information Systems Audit
- Information Security Service
- Internal Audit
- Loan Review
- Specialized Audits

OPERATIONS SERVICES

- Agency Federal Funds
- ACH File Receipt
- ACH Origination
- ACH Returns and NOCs
- Adjustments - FRB and WIN
- Cash Letter Clearing
- Cash Management/Sweep
- Cash Vault Service
- Domestic Wire Transfers
- Excess Balance Accounts
- Image Cash Letter Exchange
- International Services
- Online Communications Network
- OFAC Scanning
- Principal Federal Funds
- Reconciliation Assistance
- Savings Bond Orders

OUR SERVICES

LENDING SERVICES

- Bank Stock Financing
- Credit Analysis
- Leasing Services
- Letters of Credit
- Loan Participations Purchased and Sold
- Loans to Senior Officers and Directors
- Loans for Physical Plant and Land
- Overline Assistance

INVESTMENT SERVICES

- Asset/Liability Management
- Bond Accounting
- Certificates of Deposit
- Employee Benefit Plans
- Investment Security Trading
- Municipal Lending
- Municipal Underwriting
- Safekeeping
- Trust Preferred Issues

INSURANCE SERVICES

- Directors and Officer Liability
- Financial Institution Bond
- Property & Casualty & Workers' Compensation
- Lenders Single Interest
- Mortgage Impairment & Force-Placed Programs
- Excess FDIC

ADDITIONAL SERVICES

- Executive Compensation Packages (BOLI)
- Flood Determination Services
- Mortgage Lending
- Official Checks and Money Orders
- Sale Leaseback Transactions

