

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549

FORM 10 - QSB

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2002

☐ TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 000-26403

FPB Financial Corp.  
( Exact name of small business issuer as specified in its charter)

LOUISIANA  
( State or other jurisdiction of  
incorporation or organization)

(72-1438784)  
(I R S Employer  
Identification No.)

300 WEST MORRIS AVENUE, HAMMOND, LOUISIANA 70401  
(Address of principal executive offices)

Issuer's telephone number, including area code: 985 345-1880

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15 (d) of the  
Exchange Act during the past 12 months (or for such shorter period that the issuer was required to file such  
reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Shares of common stock, par value \$.01 per share, outstanding as of August 9, 2002: 320,155

Transitional Small Business Disclosure Format (check one):

Yes ☐ No ☒

FPB FINANCIAL CORP.

FORM 10-QSB

QUARTER ENDED JUNE 30, 2002

PART I - FINANCIAL INFORMATION

Interim Financial Information required by Rule 10 - 01 of Regulation S - X and Item 303 of Regulation S - B is included in this Form 10 - QSB as referenced below:

Item 1 - Financial Statements

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FPB FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

JUNE 30, 2002 AND DECEMBER 31, 2001

	<u>June 30, 2002</u> (Unaudited)	<u>Dec. 31, 2001</u>
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and non-interest-earning deposits.....	\$ 425,513	\$ 432,258
Interest-earning deposits in other depository institutions.....	<u>7,064,776</u>	<u>3,217,356</u>
<b>TOTAL CASH AND CASH EQUIVALENTS.....</b>	<b>7,490,289</b>	<b>3,649,614</b>
Investment securities (Available for Sale) .....	4,241,645	4,232,558
Investment securities (Held to Maturity).....	976,826	1,200,668
Federal Home Loan Bank stock.....	589,200	564,000
Loans receivable.....	60,180,109	59,389,448
Less:		
Loans in process.....	(729,121)	(76,111)
Allowance for loan losses .....	(169,416)	(153,326)
Net deferred loan costs.....	<u>127,707</u>	<u>122,000</u>
Loans receivable, net .....	59,409,279	59,282,011
Accrued interest receivable .....	217,453	201,810
Premises and equipment, net.....	1,414,691	1,387,967
Prepaid expenses and other assets.....	<u>124,750</u>	<u>116,615</u>
<b>TOTAL ASSETS .....</b>	<b>\$ <u>74,464,133</u></b>	<b>\$ <u>70,635,243</u></b>
<b>LIABILITIES AND EQUITY</b>		
Deposits:		
Non-interest-bearing demand.....	\$ 3,701,669	\$ 3,029,372
Interest-bearing .....	<u>51,343,000</u>	<u>49,073,114</u>
<b>Total Deposits.....</b>	<b>55,044,669</b>	<b>52,102,486</b>
Interest payable on deposits .....	107,130	68,881
Advances from Federal Home Loan Bank .....	11,700,000	11,200,000
Accrued expense and other liabilities.....	<u>379,607</u>	<u>260,179</u>
<b>TOTAL LIABILITIES.....</b>	<b><u>67,231,406</u></b>	<b><u>63,631,546</u></b>

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

FPB FINANCIAL CORP. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

JUNE 30, 2002 AND DECEMBER 31, 2001

	<u>June 30, 2002</u> (Unaudited)	<u>Dec. 31, 2001</u>
EQUITY		
Preferred stock - \$.01 par value, 2,000,000 shares authorized, none issued	---	---
Common stock - \$ .01 par value, 5,000,000 shares authorized, 331,355 shares issued .....	3,314	3,314
Additional paid-in capital.....	2,992,111	2,986,660
Unearned compensation.....	(308,916)	(335,151)
Treasury stock (11,200 shares at cost at June 30, 2002)	(132,421)	(132,421)
Retained earnings - substantially restricted.....	4,664,799	4,468,431
Accumulated other comprehensive income.....	<u>13,840</u>	<u>12,864</u>
 TOTAL EQUITY.....	 <u>7,232,727</u>	 <u>7,003,697</u>
 TOTAL LIABILITIES AND EQUITY.....	 <u>\$74,464,133</u>	 <u>\$70,635,243</u>

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

FPB FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME  
AND COMPREHENSIVE INCOME

Three Months Ended June 30, 2002 and 2001  
Six Months Ended June 30, 2002 and 2001

	-----Three Months Ended-----		-----Six Months Ended-----	
	June 30, 2002 (Unaudited)	June 30, 2001 (Unaudited)	June 30, 2002 (Unaudited)	June 30, 2001 (Unaudited)
<b>INTEREST INCOME</b>				
Mortgage loans and fees .....	\$ 977,730	\$ 892,814	\$ 1,972,914	\$ 1,740,620
Loans on deposits.....	18,637	21,937	39,376	39,981
Consumer loans.....	68,908	57,609	135,520	104,743
FHLB stock and other investment securities				
Available for sale.....	26,584	84,572	66,952	189,755
Investment securities held to maturity.....	15,300	27,023	32,468	57,929
Demand deposits.....	<u>28,665</u>	<u>59,282</u>	<u>47,943</u>	<u>145,967</u>
<b>TOTAL INTEREST INCOME</b>	<u>1,135,824</u>	<u>1,143,237</u>	<u>2,295,173</u>	<u>2,278,995</u>
<b>INTEREST EXPENSE</b>				
Deposits .....	461,030	583,870	922,894	1,210,458
Federal Home Loan Bank advances.....	<u>159,991</u>	<u>125,436</u>	<u>318,803</u>	<u>250,463</u>
<b>TOTAL INTEREST EXPENSE</b>	<u>621,021</u>	<u>709,306</u>	<u>1,241,697</u>	<u>1,460,921</u>
<b>NET INTEREST INCOME</b>	514,803	433,931	1,053,476	818,074
Provision for Loan Losses.....	<u>15,000</u>	<u>---</u>	<u>30,000</u>	<u>---</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES .....</b>	<u>499,803</u>	<u>433,931</u>	<u>1,023,476</u>	<u>818,074</u>
<b>NON-INTEREST INCOME</b>				
Profit on sale of investments.....	---	---	1,710	---
Insurance commissions .....	2,769	1,911	7,622	3,821
Service charges on deposits .....	11,339	8,578	21,817	16,042
Other .....	<u>46,389</u>	<u>39,973</u>	<u>90,016</u>	<u>70,126</u>
<b>TOTAL NON-INTEREST INCOME .....</b>	<u>60,497</u>	<u>50,462</u>	<u>121,165</u>	<u>89,989</u>

FPB FINANCIAL CORP. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME  
AND COMPREHENSIVE INCOME

Three Months Ended June 30, 2002 and 2001  
Six Months Ended June 30, 2002 and 2001

	Three Months Ended		Six Months Ended	
	June 30, 2002 (Unaudited)	June 30, 2001 (Unaudited)	June 30 2002 (Unaudited)	June 30, 2001 (Unaudited)
NON-INTEREST EXPENSE				
Compensation and employee benefits .....	222,424	187,998	433,386	365,909
Occupancy and equipment .....	18,746	18,647	36,993	38,473
Data processing .....	35,521	27,919	75,463	54,133
Professional fees .....	12,750	20,600	26,581	33,273
Advertising .....	9,311	9,229	21,848	22,579
Federal insurance expense .....	2,290	2,196	4,550	4,371
Stationery, printing, & supplies.....	17,163	12,678	20,061	19,137
Other .....	<u>77,009</u>	<u>69,462</u>	<u>151,555</u>	<u>148,567</u>
TOTAL NON-INTEREST EXPENSE .....	<u>395,214</u>	<u>348,729</u>	<u>770,437</u>	<u>686,442</u>
INCOME BEFORE INCOME TAXES .....				
	165,086	135,664	374,204	221,621
Income tax expense .....	<u>58,000</u>	<u>47,750</u>	<u>131,450</u>	<u>77,600</u>
NET INCOME .....	<u>\$107,086</u>	<u>\$87,914</u>	<u>\$242,754</u>	<u>\$144,021</u>
Basic earnings per common share	<u>\$ .37</u>	<u>\$ .30</u>	<u>\$ .84</u>	<u>\$ .49</u>
Diluted earnings per common share	<u>\$ .36</u>	<u>\$ .30</u>	<u>\$ .81</u>	<u>\$ .49</u>
COMPREHENSIVE INCOME				
Other comprehensive income (loss).....				
Unrealized gain (loss) on investment securities, net of deferred tax expense (benefit)	<u>1,980</u>	<u>(3,896)</u>	<u>976</u>	<u>5,270</u>
COMPREHENSIVE INCOME .....	<u>\$ 109,066</u>	<u>\$ 84,018</u>	<u>\$ 243,730</u>	<u>\$ 149,291</u>
Cash dividends paid	<u>\$ .0750</u>	<u>\$ .0625</u>	<u>\$ .150</u>	<u>\$ .125</u>

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

FPB FINANCIAL CORP. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Six Months Ended June 30, 2002 and 2001

	<u>Common Stock</u>	<u>Additional Paid-In Capital</u>	<u>Treasury Stock</u>	<u>Unearned Compen- sation</u>	<u>Retained Earnings Substan- tially Restricted</u>	<u>Accumulated Other Compre- hensive Income</u>	<u>Total Equity</u>
Balance, January 1, 2001 .....	\$3,314	2,981,758	(28,354)	(360,900)	4,168,372	15,233	\$6,779,423
Net income .....	—	—	—	—	144,021	—	144,021
Other comprehensive income, net of tax							
Unrealized losses on securities	—	—	—	—	—	5,270	5,270
Dividends declared	—	—	—	—	(40,353)	—	(40,353)
ESOP shares released for allocation	—	1,616	—	10,195	—	—	11,811
Treasury Stock (5,700 shares at cost)	—	—	(35,317)	—	—	—	(35,317)
Common stock acquired by Management							
Recognition and Retention Plan	—	—	—	(11,567)	—	—	(11,567)
Distribution of Management Recognition							
and Retention Plan stock	—	—	—	16,926	—	—	16,926
Balance, June 30, 2001 .....	<u>\$ 3,314</u>	<u>\$2,983,374</u>	<u>\$ (63,671)</u>	<u>\$ (345,346)</u>	<u>\$4,272,040</u>	<u>\$ 20,503</u>	<u>\$6,870,214</u>

	Common <u>Stock</u>	Additional <u>Paid-In Capital</u>	Treasury <u>Stock</u>	Unearned Compen- <u>sation</u>	Retained Earnings Substan- tially <u>Restricted</u>	Accumulated Other Compre- hensive <u>Income</u>	Total <u>Equity</u>
Balance January 1, 2002 .....	\$ 3,314	\$2,986,660	\$ (132,421)	\$ (335,151)	\$4,468,431	\$12,864	\$7,003,697
Net Income.....	—	—		—	242,754	—	242,754
Other comprehensive income, net of tax							
Unrealized losses on securities	—	—		—	—	976	976
Dividends declared	—	—		—	(46,386)	—	(46,386)
ESOP shares released for allocation	—	6,160		10,195	—	—	16,355
Distribution of Management Recognition and Retention Plan stock	—	(709)	—	16,040	—	—	15,331
Balance, June 30, 2002 .....	\$ 3,314	\$2,992,111	\$ (132,421)	\$ (308,916)	\$4,664,799	\$13,840	\$7,232,727

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



FPB FINANCIAL CORP. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2002 and 2001

	Six Months Ended June 30, 2002 (Unaudited)	June 30, 2001 (Unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income.....	<u>\$242,754</u>	<u>\$144,021</u>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation.....	18,524	19,611
Net Loan Costs Deferred	(5,707)	(19,042)
Stock dividends on Federal Home Loan Bank Stock.....	(8,200)	(10,600)
Accretion of net discounts on investment securities available for sale.....	(1,585)	(15,606)
Amortization of net premiums on investment securities		
Held to maturity.....	1,772	2,145
Gain on investments.....	(1,710)	---
Provision for allowance for loan losses.....	30,000	---
ESOP compensation.....	16,793	12,361
Management Recognition and Retention Plan Expense	9,864	8,374
Changes in Operating Assets and Liabilities:		
Accrued interest receivable.....	(15,643)	54,754
Prepaid expenses and other assets.....	(8,134)	(179,242)
Interest payable on deposits .....	38,249	55,127
Accrued expenses and other liabilities .....	8,917	(50,396)
Federal income tax payable	<u>115,037</u>	<u>94,600</u>
Total Adjustments .....	<u>198,177</u>	<u>(27,914)</u>
Net Cash Provided by Operating Activities .....	<u>440,931</u>	<u>116,107</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net increase in loans receivable.....	(151,560)	(5,435,680)
Purchase of investment securities-available for sale	(1,006,000)	(3,010,000)
Proceeds from sale of investment securities	1,001,687	---
Maturities of investment securities-available for sale	---	5,500,000
Principal payments from investment securities-held to maturity	222,070	276,000
Purchase of Federal Home Loan Bank stock .....	(17,000)	---
Improvements to premises .....	(31,013)	---
Purchase of land.....	(2,201)	---
Purchase of furniture, equipment and/or software.....	<u>(12,035)</u>	<u>(21,556)</u>
Net cash provided by (used in) investing activities.....	<u>3,948</u>	<u>(2,691,236)</u>

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

FPB FINANCIAL CORP. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS

Six Months Ended June 30, 2002 and 2001

	Six Months Ended June 30, 2002 (Unaudited)	June 30, 2001 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits .....	2,942,183	2,352,526
Advances from Federal Home Loan Bank .....	500,000	---
Purchases of stock for management recognition plan.....	---	(11,567)
Purchase of treasury stock.....	---	(35,317)
Dividends paid on common stock .....	<u>(46,387)</u>	<u>(40,354)</u>
Net cash provided by financing activities .....	<u>3,395,796</u>	<u>2,265,288</u>
NET INCREASE (DECREASE) IN CASH AND		
CASH EQUIVALENTS .....	3,840,675	(309,841)
Cash and cash equivalents - beginning of period .....	<u>3,649,614</u>	<u>3,436,172</u>
Cash and cash equivalents - end of period .....	<u>\$ 7,490,289</u>	<u>\$ 3,126,331</u>

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

FPB FINANCIAL CORP. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

June 30, 2002

Note 1 - Basis of Presentation -

The accompanying consolidated financial statements at June 30, 2002 and for the three and six months ended June 30, 2002 and 2001 include the accounts of FPB Financial Corp. (the Company) and its wholly owned subsidiary, Florida Parishes Bank (the Bank). Currently, the business and management of FPB Financial Corp. is primarily the business and management of the Bank. All significant inter-company transactions and balances have been eliminated in the consolidation.

On February 23, 1999, the Bank incorporated FPB Financial Corp. to facilitate the conversion of the Bank from mutual to stock form (the Conversion). In connection with the Conversion, the Company offered its common stock to the depositors and borrowers of the Bank as of specified dates, to an employee stock ownership plan and to members of the general public. Upon consummation of the Conversion on June 30, 1999, all of the Bank's outstanding common stock was issued to the Company, the Company became the holding company for the Bank and the Company issued 331,355 shares of common stock.

The Conversion was accounted for under the pooling of interest method of accounting. In the Conversion, the Company issued 331,355 shares of common stock, 26,508 shares of which were acquired by its Employee Stock Ownership Plan, and the Bank issued 1,000 shares of \$.01 par value common stock to the Company.

The accompanying consolidated unaudited financial statements were prepared in accordance with instructions for Form 10-QSB and, therefore, do not include information or footnotes necessary for a complete presentation of financial position, results of operations and cash flows in conformity with generally accepted accounting principles. However, all adjustments (consisting only of normal recurring accruals), which, in the opinion of management, are necessary for a fair presentation of the consolidated financial statements, have been included. The results of operations for the six months ended June 30, 2002 are not necessarily indicative of the results to be expected for the year ending December 31, 2002.

Note 2 - Employee Stock Ownership Plan-

The Company sponsors a leveraged employee stock ownership plan (ESOP) that covers all employees who have at least one year of service with the Company. The ESOP shares initially were pledged as collateral for its debt. The debt is being repaid based on a thirteen-year amortization and the shares are being released for allocation to active employees annually over the thirteen-year period. The shares pledged as collateral are deducted from stockholders equity as unearned ESOP shares in the accompanying balance sheets.

As shares are released from collateral, the Company reports compensation expense equal to the average market price of the shares. Dividends on allocated ESOP shares are recorded as a reduction of retained earnings and unallocated ESOP shares are used to reduce ESOP debt. Dividends on allocated and unallocated ESOP shares for the six months ended June 30, 2002, were \$4,000.

The ESOP shares as of June 30, 2002 were as follows:

Allocated shares.....	6,699
Shares released for allocation.....	1,063
Unreleased shares.....	<u>19,046</u>
Total ESOP shares.....	<u>26,808</u>
Fair value of unreleased shares.....	<u>\$342,828</u>

#### Note 3 - Earnings Per Share -

The computation of basic earnings per share for the three and six months ended June 30, 2002 includes reported net income of \$107,086 and \$242,754 in the numerator, respectively, and the weighted average number of shares outstanding of 290,105 and 289,343 in the denominator, respectively. Diluted earnings per share are calculated with reported net income in the numerator and the weighted average number of shares outstanding of 300,230 and 298,111 in the denominator.

#### Note 4 – Recognition and Retention Plan

On April 25, 2000, the Company's stockholders approved a Recognition and Retention Plan (RRP) as an incentive to retain personnel of experience and ability in key positions. The shareholders approved a total of 13,254 shares of stock to be acquired for the Plan, of which 7,954 shares have been allocated for distribution to key employees and directors. As shares are acquired for the plan, the purchase price of these shares is recorded as unearned compensation, a contra equity account. As the shares are distributed, the contra equity account is reduced. The allocated shares are earned by participants as plan share awards vest over a specified period. If the service of an employee plan participant is terminated prior to the end of the vesting period for any reason other than death or disability, the recipient shall forfeit the right to any shares subject to the awards, which have not been earned. If a non-employee director plan participant is terminated prior to the end of the vesting period for any reason other than death, disability or retirement, the recipient shall forfeit the right to any shares subject to the awards which have not been earned. The compensation cost associated with the plan is based on the market price of the stock as of the date on which the plan shares were granted.

#### Note 5 – Stock Option Plan

On April 25, 2000, the Company's stockholders approved a stock option plan for the benefit of directors, officers, and other key employees. An amount equal to 10% of the total number of common shares issued in the initial public offering or 33,135 shares are reserved for issuance under the stock option plan. The option exercise price cannot be less than the fair value of the underlying common stock as of the date of the option grant and the maximum option term cannot exceed ten years.

The stock option plan also permits the granting of stock appreciation rights (SARs). SARs entitle the holder to receive, in the form of cash or stock, the increase in fair value of the Company's common stock from the date of the grant to the date of exercise. No SARs have been issued under the plan.

The following table summarizes the activity related to stock options:

	<u>Exercise Price</u>	<u>Available For Grant</u>	<u>Options Outstanding</u>
At inception.....	--	33,135	--
Granted.....	\$10.50	(25,603)	25,603
Granted.....	\$11.50	(900)	900
Granted.....	\$14.00	(1,000)	1,000
Cancelled.....	--	--	--
Exercised.....	--	--	--
At June 30, 2002.	--	5,632	27,503

## FPB FINANCIAL CORP. AND SUBSIDIARY

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### General

The following discussion compares the consolidated financial condition of FPB Financial Corp. and Subsidiary at June 30, 2002 to December 31, 2001 and the results of operations for the three and six months ended June 30, 2002 with the same periods in 2001. Currently, the business and management of FPB Financial Corp. is primarily the business and management of the Bank. This discussion should be read in conjunction with the interim consolidated financial statements and footnotes included herein.

The Company has less than 300 stockholders and is able to de-register its common stock under the Securities Exchange Act of 1934 if it chooses to do so. The Company has considered de-registering its common stock from time to time and may elect to do so in order to save the time and expense associated with filing annual, quarterly and other reports with the Securities and Exchange Commission. If the Company de-registers its common stock, there will be less information about the Company readily available to the stockholders. In addition, this could adversely affect the market for the Company's common stock and have an adverse effect on the market price of our shares. There are no assurances that the Company will continue to be subject to the reporting requirements under the Securities Exchange Act of 1934.

This quarterly report on Form 10 - QSB includes statements that may constitute forward-looking statements, usually containing the words "believe", "estimate", "expect", "intend" or similar expressions. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements inherently involve risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause future results to vary from current expectations include, but are not limited to, the following: changes in economic conditions (both generally and more specifically in the markets in which the Company operates); changes in interest rates, accounting principles, policies or guidelines and in government legislation and regulation (which change from time to time and over which the Company has no control); and other risks detailed in this quarterly report on Form 10 - QSB and the Company's other Securities and Exchange Commission filings. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

FPB Financial Corp. is the holding company for the Bank. Substantially all of the Company's assets are currently held in, and its operations are conducted through, its sole subsidiary the Bank. The Company's business consists primarily of attracting deposits from the general public and using such deposits to make loans for the purchase and construction of residential properties. The Company also originates commercial real estate loans and various types of consumer and commercial loans.

#### Changes in Financial Condition

The Company's total assets increased \$3.8 million, or 5.4%, from \$70.6 million at December 31, 2001 to \$74.4 million at June 30, 2002. This increase was primarily due to increases of \$3.8 million in cash and cash equivalents, \$127,000 in net loans receivable and \$50,000 in other assets, and was offset by a decrease of \$190,000 in investment securities.

Interest-earning deposits in other institutions increased by \$3.8 million, or 119.6%, from \$3.2 million at December 31, 2001 to \$7.0 million at June 30, 2002. This increase was primarily due to lower loan demand.

The demand for mortgage and consumer loans in the Bank's market area increased marginally during the past six months. The net loan portfolio increased \$127,000, or 0.2%, from \$59.2 million at December 31, 2001 to \$59.4 million at June 30, 2002. The Bank had \$729,000 of loans in process at June 30, 2002.

The Company's total classified assets for regulatory purposes at June 30, 2002 (excluding loss assets specifically reserved for) amounted to \$465,000, all of which are classified as substandard. This represents a decrease of \$26,000, or 5.3%, from \$491,000 at December 31, 2001. The largest classified asset at June 30, 2002 consisted of an \$80,000 residential loan. The remaining \$385,000 of substandard assets at June 30, 2002 consisted of ten residential mortgage loans and one consumer loan.

Deposits increased by \$2.9 million, or 5.6%, to \$55.0 million at June 30, 2002 from \$52.1 million at June 30, 2001. The \$2.9 million increase was made up of \$2.3 million in interest-bearing deposits and \$672,000 in non-interest bearing deposits. Federal Home Loan Bank advances were \$11.7 million at June 30, 2002, and \$11.2 million at December 31, 2001. Advances were utilized to structure liabilities for asset liability management purposes.

Total stockholders' equity increased by \$229,000 in the six months ending June 30, 2002. Net income of \$243,000, and the impact of ESOP shares released for allocation of \$16,000, \$15,000 release of Management Recognition and Retention Plan stock and \$1,000 unrealized gain on investment securities were partially offset by \$46,000 in dividends paid.

#### Liquidity and Capital Resources

In 2001, the OTS deleted the requirement that a savings institution maintain an average daily balance of liquid assets of at least 4% of its liquidity base. The OTS now requires savings institutions to maintain sufficient liquidity to ensure their safe and sound operation.

The Bank is required to maintain regulatory capital sufficient to meet core and risk-based capital ratios of at least 4.0% and 8.0%, respectively. At June 30, 2002, the Bank's core capital amounted to \$6.0 million, or 8.09% of adjusted total assets of \$74.2 million, and the Bank's risk-based capital amounted to \$6.2 million, or 15.85% of adjusted risk-weighted assets of \$38.9 million.

The Company purchased a parcel of land in 2001, and plans to construct a new office on this parcel at an estimated cost of land and improvements of \$3.0 million. The Company anticipates completion in the third quarter of 2003.

As of June 30, 2002, the Bank's unaudited regulatory capital requirements are as indicated in the following table:

	(In Thousands)	
	CORE CAPITAL	RISK-BASED CAPITAL
GAAP Capital.....	\$6,004	\$6,004
<b>Additional Capital Items:</b>		
General Valuation Allowances	—	170
Equity Investments	—	(15)
Regulatory Capital Computed.	6,004	6,159
Minimum Capital Requirement	<u>2,969</u>	<u>3,109</u>
Regulatory Capital Excess	<u>\$3,035</u>	<u>\$3,050</u>
Regulatory Capital as a Percentage	8.09%	15.85%
 <b>Minimum Capital Required as a Percentage</b>	 <u>4.00%</u>	 <u>8.00%</u>
 <b>Regulatory Capital as a Percentage in Excess of Requirements</b>	 <u>4.09%</u>	 <u>7.85%</u>



Based on the above capital ratios, the Bank meets the criteria for a “well capitalized” institution at June 30, 2002. The Bank’s management believes that under the current regulations, the Bank will continue to meet its minimum capital requirements in the foreseeable future. However, events beyond the control of the Bank, such as increased interest rates or a downturn in the economy of the Bank’s area, could adversely affect future earnings and, consequently, the ability of the Bank to continue to exceed its future minimum capital requirements.

## Results of Operations

The profitability of the Company depends primarily on its net interest income, which is the difference between interest income on interest-earning assets, principally loans, mortgage-backed securities, and investment securities, and interest expense on interest-bearing deposits and advances from the Federal Home Loan Bank. Net interest income is dependent upon the level of interest rates and the extent to which such rates are changing. The Company’s profitability also is dependent, to a lesser extent, on the level of its non-interest income, provision for loan losses, non-interest expenses and income taxes. In each of the three and six months periods ended June 30, 2002, net interest income after provision for loan losses exceeded total non-interest expense. Total non-interest expense consists of general, administrative and other expenses, such as compensation and employee benefits, occupancy and equipment expense, federal insurance premiums, professional fees, advertising, stationery, printing, and supplies, state shares tax and miscellaneous other expenses.

Net income increased by \$19,000, or 21.8%, in the quarter ended June 30, 2002 and increased by \$99,000, or 68.5%, in the first six months ended June 30, 2002 compared to the respective 2001 periods. The increase in the June 30, 2002 quarter was due to an increase of \$81,000 in net interest income, and an increase in non-interest income of \$10,000, which was offset by an increase in non-interest expense of \$46,000, an increase of \$15,000 for provision for loan losses and an increase in income tax expense of \$10,000. The increased net income for the first six months of 2002 was due to an increase of \$235,000 in net interest income and an increase in non-interest income of \$31,000, which was offset by an increase of \$84,000 in non-interest expense, an increase in provision for loan losses of \$30,000 and a \$53,000 increase in provision for income tax.

Net interest income increased by \$80,000, or 18.6%, in the quarter ended June 30, 2002 and increased by \$235,000, or 28.8%, for the six months ended June 30, 2002 over the comparable 2001 periods. These increases are due to a decrease in the average rates paid on interest-bearing liabilities for both the three and six month periods ending June 30, 2002 over the comparable 2001 periods, as well as an increase in net interest-earning assets. Net interest-earning assets increased to \$20.4 million and \$19.7 million for the three and six months ending June 30, 2002, compared to \$17.0 million and \$16.5 million in the 2001 respective periods. The net interest margin for the three and six months ended June 30, 2002, were 2.88% and 3.00%, compared to 2.80% for the three months and 2.66% for the six months ended June 30, 2001. We anticipate our net interest margin may improve in the third quarter of 2002, which could increase our net interest income.

Total interest income decreased by \$7,000, or .65%, in the quarter ended June 30, 2002 and increased by \$16,000, or .71%, for the six months ended June 30, 2002 over the comparable 2001 periods. The decrease for the quarter ended June 30, 2002 is due primarily to lower average interest rates earned on interest-earning assets. The overall increase in total interest income for the six months ended June 30, 2002 is due to the overall increase in average interest-earning assets. Net average loans receivable increased to \$59.6 million for the six months ended June 30, 2002 compared to average net loans receivable of \$48.5 million for the six months ended June 30, 2001, and average interest-earning deposits increased to \$5.9 million for the six months ended June 30, 2002 compared to \$5.3 million for the six months ended June 30, 2001. These increases were partially offset by a decrease in average investment securities to \$5.2 million for the six months ended June 30, 2002, compared to \$7.7 million for the six months ended June 30, 2001.

Total interest expense decreased by \$88,000, or 12.5%, for the quarter and decreased \$219,000, or 15.0%, for the six months ended June 30, 2002 over the comparable 2001 periods. These decreases are due primarily to a decrease in the average cost of funds during the first three and six months of 2002, due to lower average rates paid in 2002 compared to 2001. Average interest-bearing deposits increased to \$51.1 million for the three months and \$50.5 million for the six months ended June 30, 2002, compared to \$45.1 million for the three months and \$45.0 million for the six months ended June 30, 2001. FHLB advances averaged \$11.3 million for the three months and \$11.3 million for the six months ended June 30, 2002, compared to \$8.2 million for the three and \$8.2 million for the six months ended June 30, 2001. The Company's average cost of funds decreased to 3.98% for the three months and 4.02% for the six months ended June 30, 2002, compared to 5.33% for the three months and 5.50% for the six months ended June 30, 2001.

The Company increased its provision for loan losses by \$15,000 in the three months ended June 30, 2002 and \$30,000 in the six months ended June 30, 2002. No provision for loan losses was added for the three and six months ended June 30, 2001. The 2002 provision was offset by \$9,000 charge-off of two consumer loans and two loans classified loss of \$5,000 in the six months ended June 30, 2002, compared to \$8,000 of charged-off loans in the comparable 2001 six month period. There were no charge-off loans for the three month periods of both June 30, 2002 and June 30, 2001. At June 30, 2002, the Company's non-accruing loans amounted to \$161,000, a decrease of \$130,000 or 44.9%, compared to December 31, 2001. The allowance for loan losses amounted to \$169,000 at June 30, 2002, \$153,000 at December 31, 2001, and \$162,000 at June 30, 2001, representing 0.3%, 0.3% and 0.3%, respectively, of the total loans held in portfolio and 105.2%, 52.6% and 145.8%, respectively, of total non-accruing loans at such dates. The non-accruing loans are made up of residential and consumer loans. Management believes our allowance for loan losses is adequate as of June 30, 2002.

Non-interest income increased by \$10,000, or 19.9%, in the three months ended June 30, 2002 and increased by \$31,000, or 34.6%, in the six months ended June 30, 2002 over the comparable 2001 periods. The increase for both periods was attributed to increased fees for deposit accounts with insufficient funds and deposit account service charges, and to a lesser extent income from the sale of investment securities and sale of insurance products.

Non-interest expenses increased in the quarter ended June 30, 2002 by \$46,000, or 13.3%, and increased by \$84,000, or 12.2%, in the six months ended June 30, 2002 over the comparable 2001 periods. The increase in the quarter was due to increases of \$34,000 in compensation and employee benefits, \$4,000 printing, stationery & supplies, \$8,000 data processing and \$8,000 in other expenses that were offset by a decrease of \$8,000 in professional fees. The increase in the six-month period was due to increases of \$67,000 in compensation and employee benefits, \$21,000 data processing, \$1,000 in stationery, printing and supplies and \$3,000 other expenses, which was offset by a decrease of \$1,000 in occupancy and equipment, and \$7,000 in professional fees.

Income tax expense increased in the quarter ended June 30, 2002, to \$58,000 and to \$131,000 for the six months ended June 30, 2002, compared to \$48,000 and \$78,000 in the 2001 period due to an increase in pre-tax income.

FPB Financial Corp.

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PART II - OTHER INFORMATION

Item 1 - Legal Proceedings:

There are no matters required to be reported under this item.

Item 2 - Changes in Securities and Use of Proceeds:

There are no matters required to be reported under this item.

Item 3 - Defaults Upon Senior Securities:

There are no matters required to be reported under this item.

Item 4 - Submission of Matters to a Vote of Security Holders:

On April 24, 2002, in conjunction with Company's annual meeting of stockholders, there were two matters submitted for a vote of security holders: (1) The election of directors Fritz W. Anderson, Dan R. Durham and Richard S. Inge for a term of three years expiring in 2005; and (2) To ratify the appointment of LaPorte, Sehrt, Romig & Hand as the Company's independent auditors for the year ending December 31, 2002. On matter (1) described above votes were cast as follows: Fritz W. Anderson for = 232,795; withheld 200, not voted = 75,703, Dan R. Durham for =232,795; withheld 200, not voted = 75,703, Richard S. Inge for 232,795; withheld 200, not voted = 75,703. On matter (2) described above votes were cast as follows for = 232,995; against = 0; abstain = 0, not voted = 75,703.

Item 5 - Other Information:

There are no matters required to be reported under this item.

Item 6 - Exhibits and Reports on Form 8-K:

(a) No exhibits are filed herewith.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed by the Registrant during the quarter ended June 30, 2002.

## SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized

FBP FINANCIAL CORP.  
Registrant

Date: August 9, 2002

By: /s/ Fritz W. Anderson II

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Fritz W. Anderson II  
President and Chief Executive Officer

Date: August 9, 2002

By: /s/ G. Wayne Allen

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G. Wayne Allen  
Secretary

## CERTIFICATION

The undersigned executive officers of the registrant hereby certify that this Form 10-QSB fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that the information contained herein fairly presents, in all material respects, the financial condition and results of operations of the registrant.

Date: August 9, 2002

By: /s/ Fritz W. Anderson II

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Fritz W. Anderson II  
President, Chief Executive Officer and  
Chief Financial Officer