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

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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III
FACING PAGE**

OMB APPROVAL	
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Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

FNBB CAPITAL MARKETS, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

600 University Park Place, Suite 380

(No. and Street)

Homewood
(City)

Alabama
(State)

35209
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Laura Boudreaux

225-231-5011
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

701 Poydras Street, Suite 3700
(Address)

New Orleans
(City)

Louisiana
(State)

70139-3700
(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

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**THOMSON
FINANCIAL**

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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OATH

I, Laura Boudreaux, swear that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of FNBB Capital Markets, LLC, as of and for the years ended December 31, 2007 and 2006, are true and correct. I further swear that neither the company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

Laura Boud
Signature
Vice President, FNOPS
Title

J.P. Hoblin
Notary Public

2014 0984
My Commission expires WZTD LIFE

FNBB CAPITAL MARKETS, LLC

TABLE OF CONTENTS

This report contains (check all applicable boxes):

- (a) Facing page.
- (b) Statements of Financial Condition.
- (c) Statements of Net Income (Loss).
- (d) Statements of Cash Flows.
- (e) Statements of Changes in Member's Equity.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors. (Not Applicable)
- (g) Notes to Financial Statements.
- (h) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 Under the Securities Exchange Act of 1934.
- (i) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934.
- (j) Information Relating to the Possession or control Requirements Pursuant to Rule 15c3-3 Under the Securities Exchange Act of 1934. (Not Applicable)
- (k) A Reconciliation, including Appropriate Explanations, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Rule 15c3-3.
- (l) A Reconciliation between the Audited and Unaudited Statements of Financial Condition With Respect to Methods of Consolidation. (Not Applicable)
- (m) An Oath or Affirmation.
- (n) A Copy of the SIPC Supplemental Report. (Not Required).
- (o) A Report Describing Any Material Inadequacies Found to Exist or Found to Have Existed Since the Date of the Previous Audit. (Supplemental Report on Internal Control)

FNBB Capital Markets, LLC

(S.E.C. I.D. No. 66553)

**Financial Statements as of and for the
Years Ended December 31, 2007 and 2006,
Supplemental Schedules as of December 31, 2007,
Independent Auditors' Report, and
Supplemental Report on Internal Control**

Filed as a public document in accordance with Rule 17a 5(e)(3) under the Securities Exchange Act of
1934.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FNBB Capital Markets, LLC
Birmingham, AL

We have audited the following financial statements of FNBB Capital Markets, LLC (a wholly owned subsidiary of First National Bankers' Bankshares, Inc.) (the "Company") as of and for the years ended December 31, 2007 and 2006, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934:

	Page
Statements of Financial Condition	3
Statements of Net Loss	4
Statements of Cash Flows	5
Statements of Changes in Member's Equity	6

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplemental schedules of the Company as of December 31, 2007, are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934:

	Page
Computation of Net Capital for Brokers and Dealers	
Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934	11
Computation for Determination of Reserve Requirements	
Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934	12

These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Deloitte + Touche LLP

February 22, 2008

FNBB CAPITAL MARKETS, LLC

STATEMENTS OF FINANCIAL CONDITION AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 379,336	\$ 351,300
RESTRICTED CASH	16,371	15,708
RECEIVABLES FROM BROKERS AND OTHER	29,713	15,970
PREPAID EXPENSES	11,679	9,425
FURNITURE AND EQUIPMENT — Net	<u>11,995</u>	<u>18,736</u>
TOTAL	<u>\$ 449,094</u>	<u>\$ 411,139</u>
 LIABILITIES AND MEMBER'S EQUITY		
LIABILITIES — Due to affiliates	<u>\$ 92,633</u>	<u>\$ 23,799</u>
MEMBER'S EQUITY:		
Contributed capital	690,000	690,000
Accumulated deficit	<u>(333,539)</u>	<u>(302,660)</u>
Total member's equity	<u>356,461</u>	<u>387,340</u>
TOTAL	<u>\$ 449,094</u>	<u>\$ 411,139</u>

See notes to financial statements.

FNBB CAPITAL MARKETS, LLC

STATEMENTS OF NET LOSS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
REVENUES:		
Commissions	\$ 349,984	\$ 63,949
Administrative service fees	93,695	34,840
Interest income	<u>5,702</u>	<u>544</u>
 Total revenues	 <u>449,381</u>	 <u>99,333</u>
 EXPENSES:		
Salaries and employee benefits	206,292	237,150
Commissions	169,271	30,967
Other general and administrative expenses	51,861	116,785
Licenses and fees	34,376	28,035
Accounting and auditing fees	22,375	15,870
Consulting fees	5,182	13,509
Depreciation expense	<u>6,741</u>	<u>6,438</u>
 Total expenses	 <u>496,098</u>	 <u>448,754</u>
 LOSS BEFORE INCOME TAXES	 (46,717)	 (349,421)
 INCOME TAX BENEFIT	 <u>(15,838)</u>	 <u>(118,592)</u>
 NET LOSS	 <u>\$ (30,879)</u>	 <u>\$ (230,829)</u>

See notes to financial statements.

FNBB CAPITAL MARKETS, LLC

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (30,879)	\$ (230,829)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation expense	6,741	6,438
Gain on sale of asset		(43)
Changes in operating assets and liabilities:		
Receivables from brokers	(13,743)	(14,391)
Prepaid expenses	(2,254)	(7,195)
Due to affiliates	<u>68,834</u>	<u>3,799</u>
Net cash provided by (used in) operating activities	<u>28,699</u>	<u>(242,221)</u>
CASH FLOWS FROM IN INVESTING ACTIVITIES:		
Purchases of furniture and equipment		(18,558)
Restricted cash	<u>(663)</u>	<u>(15,708)</u>
Net cash used in investing activities	<u>(663)</u>	<u>(34,266)</u>
CASH FLOWS FROM FINANCING ACTIVITIES — Proceeds from contributed capital		<u>550,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,036	273,513
CASH AND CASH EQUIVALENTS — Beginning of year	<u>351,300</u>	<u>77,787</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 379,336</u>	<u>\$ 351,300</u>

See notes to financial statements.

FNBB CAPITAL MARKETS, LLC

STATEMENTS OF CHANGES IN MEMBER'S EQUITY FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	Contributed Capital	Accumulated Deficit	Total
BALANCE — January 1, 2006	\$ 140,000	\$ (71,831)	\$ 68,169
Proceeds from contributed capital	550,000		550,000
Net loss	_____	<u>(230,829)</u>	<u>(230,829)</u>
BALANCE — December 31, 2006	690,000	(302,660)	387,340
Net loss	_____	<u>(30,879)</u>	<u>(30,879)</u>
BALANCE — December 31, 2007	<u>\$ 690,000</u>	<u>\$ (333,539)</u>	<u>\$ 356,461</u>

See notes to financial statements.

FNBB CAPITAL MARKETS, LLC

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of the Company — FNBB Capital Markets, LLC (the “Company”) is a National Association of Securities Dealers, Inc. (NASD) registered broker/dealer under the Securities Exchange Act of 1934. The Company was capitalized on January 13, 2004. The Company received its approval to begin operations on December 10, 2004; however, it did not begin to service brokerage transactions until January 2005. The Company was initially approved to offer retirement products consisting of mutual funds and variable annuities to member banks of its sole member.

Prior to July 28, 2005, FNBB Capital Markets, LLC was a limited liability company whose sole member was First National Bankers Bank (FNBB). Because FNBB is a wholly owned subsidiary of First National Bankers’ Bankshares, Inc., the Company is effectively a wholly owned subsidiary of First National Bankers’ Bankshares, Inc. (the “Parent”).

Effective July 28, 2005, in order to allow the Company to offer services to customers other than member banks of FNBB due to restrictions within FNBB’s charter, FNBB transferred its interest in the Company to the Parent, and coincident therewith, the Parent became the sole member of the Company. The Company was approved by the NASD in November 2005 to offer the sale of general securities including but not limited to mutual funds and variable insurance products to individual and corporate customers. In March 2005, the Company executed an agreement with a third-party clearing broker/dealer to carry customer accounts and to accept customer funds and securities. The Company also began executing contracts with registered representatives and brokers for the sale of these products. However, the Company did not execute any transactions as an introducing broker/dealer related to this new service line until February 2006.

Cash and Cash Equivalents — Cash and cash equivalents consist of cash and interest-bearing deposits. Restricted cash primarily represents amounts on deposit with a clearing firm in connection with the agreements discussed above.

Receivables From Brokers and Other — Receivables from brokers consist of receivables related to fees earned on the sale of retirement products and general securities and receivables from other consist of receivables from registered representatives. Management reviews the receivables for collectibility and, as deemed necessary, establishes an allowance for estimated uncollectible amounts.

Furniture and Equipment — Net — Furniture and equipment is recorded at cost. Depreciation is recorded on a straight-line basis using an estimated useful life of 10 years. Accumulated depreciation was \$12,906 and \$6,165 at December 31, 2007 and 2006, respectively.

Commissions — Commissions consist of dealer commissions generated on securities transactions.

Administrative Service Fees — Administrative service fees consist of fee income earned on the sale of retirement products consisting of mutual fund investments based on specified percentages of the net asset values for each fund at the end of each quarter.

Use of Estimates — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes — The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards (SFAS) No.109, *Accounting for Income Taxes*.

Reclassifications — Certain amounts have been reclassified in 2006 to conform to the 2007 presentation. Commissions expense of \$30,967 which was previously included in salaries and employee benefits was reclassified to a separate financial statement line item in the 2006 accompanying statement of net loss for comparative purposes.

2. INCOME TAXES

Effective January 1, 2006, pursuant to a tax-sharing agreement (the "Agreement") with the Parent, the Company's tax expense is determined on a separate return basis; and, therefore, the Company is required to recognize an allocation of income taxes in its separate financial statements in accordance with the Agreement. For the years ended December 31, 2007 and 2006, the income tax benefit recorded of \$15,838 and 118,592, respectively, is classified as current in the accompanying statements of net loss as the Parent was able to utilize the income tax credits during 2007 and 2006 in the consolidated returns. In accordance with the terms of the Agreement, the Parent made estimated tax payments to the Company for the estimated tax benefits during 2007 and 2006 totaling \$53,000 and \$134,000 respectively. Accordingly, the difference between the actual recorded income tax benefit and the estimated tax payments received is recorded as amounts due to affiliates in the accompanying statements of financial condition. Amounts due to affiliates relating to income taxes totaled \$52,570 and \$15,408 as of December 31, 2007 and 2006, respectively.

3. RELATED PARTY TRANSACTIONS

The Company operates in facilities that are owned by its Parent. During 2007 and 2006, the Company was charged with certain operating expenses relating to salaries and benefits, rent, and insurance totaling \$384,050 and \$272,968, respectively, by the Parent. In addition, certain other operating expenses, including telephone, utilities, and other overhead costs were absorbed by the Company's Parent in 2007 and 2006. The Company has amounts due to the Parent at December 31, 2007 and 2006, of \$92,633 and \$23,799, respectively, relating to income taxes (see Note 2) and salaries and employee benefits expenses.

4. REGULATORY REQUIREMENTS

The Company, as a registered broker/dealer in securities, is subject to the Uniform Net Capital Rule (Rule 15c3-1 under the Securities Exchange Act of 1934), which requires the maintenance of minimum net capital, as defined in the Rule of \$50,000, or 6.67% of aggregate indebtedness, whichever is greater. Also, the Uniform Net Capital Rule precludes the withdrawal of equity capital if the ratio of aggregate indebtedness to net capital exceeds 10 to 1. At December 31, 2007, the Company had net capital of \$288,787, which was \$238,787 in excess of its required net capital of \$50,000. The Company had aggregate indebtedness of \$92,633 at December 31, 2007. At December 31, 2006, the Company had net capital of \$339,179, which was \$289,179 in excess of its required net capital of \$50,000. The Company had aggregate indebtedness of \$23,799 at December 31, 2006.

The Company is required to maintain a blanket fidelity bond, in a form substantially similar to the standard form of Brokers Blanket Bond promulgated by the Surety Association of America, covering officers and employees which provides against loss. The Financial Industry Regulatory Authority has allowed the Company to use the Parent's fidelity bond in the amount of \$50,000.

* * * * *

SUPPLEMENTAL SCHEDULES

FNBB CAPITAL MARKETS, LLC

COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 AS OF DECEMBER 31, 2007

	Amounts Per Audited Financials	Per Unaudited Focus	Difference
NET CAPITAL:			
Total member's equity	\$ 356,461	\$ 338,215	\$ 18,246
Less nonallowable assets:			
Furniture and equipment — net	(11,995)	(11,995)	
Prepaid expenses	(11,679)	(2,011)	(9,668)
Fidelity bond	<u>(44,000)</u>	<u>(44,000)</u>	<u> </u>
NET CAPITAL	<u>\$ 288,787</u>	<u>\$ 280,209</u>	<u>\$ 8,578</u>
AGGREGATE INDEBTEDNESS	<u>\$ 92,633</u>	<u>\$ 71,499</u>	<u>\$ 21,134</u>
NET CAPITAL REQUIREMENT — Greater of \$50,000 or 6½% of aggregate indebtedness	<u>\$ 50,000</u>	<u>\$ 50,000</u>	
EXCESS NET CAPITAL	<u>\$ 238,787</u>	<u>\$ 230,209</u>	
RATIO — Aggregate indebtedness to net capital	<u>.32 to 1</u>	<u>.26 to 1</u>	

Note: The above computation differs from the computation of net capital under Rule 15c3-1 as of December 31, 2007, filed by the Company with the Securities and Exchange Commission in January 2008. The difference is audit adjustments primarily relating to revenue from commissions, commission expenses, prepaid expenses, and income taxes which affected member's equity and aggregate indebtedness.

FNBB CAPITAL MARKETS, LLC

**COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS PURSUANT TO
RULE 15C3-3 OF THE SECURITIES EXCHANGE ACT OF 1934
AS OF DECEMBER 31, 2007**

The Company has claimed exemption from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(2)(ii) of the Rule.



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February 22, 2008

To the Board of Directors of
FNBB Capital Markets, LLC
Birmingham, AL

In planning and performing our audit of the financial statements of FNBB Capital Markets, LLC (the "Company") as of and for the year ended December 31, 2007 (on which we have issued our report thereon dated February 20, 2008), in accordance with auditing standards generally accepted in the United States of America, we considered its internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934, and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered broker-dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte + Touche LLP