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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

FEB 22 2012

Washington, DC
123

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FACING PAGE

**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 01/01/2011 AND ENDING 12/31/2011
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

OFFICIAL USE ONLY
FIRM I.D. NO.

Homewood (City) **AL** (State) **35209** (Zip Code)
(No. and Street)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
Laura Boudreaux **225-231-5011**
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*
Postlethwaite & Netterville, APAC

8550 United Plaza Blvd. Suite 1001 **Baton Rouge** **LA** **70809**
(Address) (City) (State) (Zip Code)
(Name - if individual, state last, first, middle name)

- CHECK ONE:**
- Certified Public Accountant
 - Public Accountant
 - Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*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)

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OATH OR AFFIRMATION

I, Laura Boudreaux, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of FNBB Capital Markets, LLC, as of December 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

N/A


Signature

Senior Vice President, FINOPS

Title



Notary Public
Allen David, 666 765

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

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Washington, DC
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FNBB CAPITAL MARKETS, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2011



A Professional Accounting Corporation

www.pncpa.com

FNBB CAPITAL MARKETS, LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2011

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial condition of FNBB Capital Markets, LLC (the Company) as of December 31, 2011 and 2010, and the related statements of income, changes in member's equity, changes in subordinated borrowings, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. 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 audits 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 controls 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, the financial statements referred to above present fairly, in all material respects, the financial position of FNBB Capital Markets, LLC as of December 31, 2011 and 2010, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 20, 2012

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA
STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2011 AND 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	632,398	\$ 365,195
Restricted cash	16,682	16,682
Securities purchased under agreements to resell	99,502	98,169
Commissions receivables	97,504	73,565
Prepaid expenses	24,679	18,678
Furniture and equipment, net	4,143	5,525
Total Assets	<u>\$ 874,908</u>	<u>\$ 577,814</u>

LIABILITIES AND MEMBER'S EQUITY

	<u>2011</u>	<u>2010</u>
<u>LIABILITIES</u>		
Accrued commissions withheld	\$ 105,402	\$ -
Due to affiliates (Note 4)	43,616	45,836
Accrued employee benefits (Note 4)	35,251	17,068
Other liabilities	8,875	-
Total Liabilities	<u>193,144</u>	<u>62,904</u>
<u>MEMBER'S EQUITY</u>		
Contributed capital	690,000	690,000
Accumulated deficit	(8,236)	(175,090)
Total Member's Equity	<u>681,764</u>	<u>514,910</u>
Total Liabilities and Member's Equity	<u>\$ 874,908</u>	<u>\$ 577,814</u>

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

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA
STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Revenues:		
Commissions and fees	\$ 946,905	\$ 666,155
Interest income	12,973	11,553
Total revenues	959,878	677,708
Expenses:		
Salaries and employee benefits	254,658	228,316
Commissions	293,695	270,936
Other general and administrative expenses	87,916	98,338
Licenses and fees	27,405	35,104
Accounting and auditing fees	13,400	11,500
Consulting fees	17,498	18,699
Depreciation expense	1,383	1,404
Total expenses	695,955	664,297
Income before income taxes	263,923	13,411
Income tax expense	97,069	9,634
Net income	\$ 166,854	\$ 3,777

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

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA
STATEMENTS OF CHANGES IN MEMBER'S EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>Contributed Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance, January 1, 2010	\$ 690,000	\$ (178,867)	\$ 511,133
Net income	-	3,777	3,777
Balance, December 31, 2010	690,000	(175,090)	514,910
Net income	-	166,854	166,854
Balance, December 31, 2011	<u>\$ 690,000</u>	<u>\$ (8,236)</u>	<u>\$ 681,764</u>

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

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA
STATEMENTS OF CHANGES IN SUBORDINATED BORROWINGS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Subordinated borrowings at January 1, 2010	\$ -
Increases	-
Decreases	-
	<hr/>
Subordinated borrowings at December 31, 2010	-
Increases	-
Decreases	-
	<hr/>
Subordinated borrowings at December 31, 2011	<u><u>\$ -</u></u>

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

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Net income	\$ 166,854	\$ 3,777
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation expense	1,383	1,404
Changes in operating assets and liabilities:		
Commissions receivable	(23,939)	(11,178)
Prepaid expenses	(6,001)	5,929
Accrued commissions withheld	105,402	-
Accrued employed benefits	18,182	(22,626)
Other liabilities	8,875	-
Due to affiliates	(2,220)	(49,475)
Net cash provided by (used in) operating activities	<u>268,536</u>	<u>(72,169)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Restricted cash	-	(9)
Increase in securities purchased under agreements to resell	(1,333)	(1,631)
Net cash used in investing activities	<u>(1,333)</u>	<u>(1,640)</u>
<u>NET INCREASE (DECREASE) IN CASH</u>	267,203	(73,809)
Cash, beginning of year	<u>365,195</u>	<u>439,004</u>
Cash, end of year	<u>\$ 632,398</u>	<u>\$ 365,195</u>

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

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Description of business

FNBB Capital Markets, LLC (the Company) is a Financial Industry Regulatory Authority (FINRA), formerly the National Association of Securities Dealers, Inc. (NASD), registered broker/dealer under the Securities Exchange Act of 1934. The Company was initially approved to offer retirement products consisting of mutual funds and variable annuities to member banks of its sole member.

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 (First National Bankers' Bankshares, Inc. (the "Parent"), and coincident therewith, the Parent became the sole member of the Company. The Company is a wholly owned subsidiary of the Parent. 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.

Cash and cash equivalents

Cash and cash equivalents consist of cash and interest-bearing deposits. At times during the year, the Company's cash accounts exceeded the related amount of federal depository insurance. The Company has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk.

The Company considers financial instruments with a maturity of less than 90 days to be cash equivalents.

Restricted cash

The Company has an interest bearing deposit with its clearing broker pursuant to its clearing agreement discussed above that is considered to be restricted.

Securities purchased under agreements to resell

Securities purchased under agreements to resell are accounted for as collateralized financing transactions and are recorded at their contractual amounts, plus accrued interest.

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 3-10 years.

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Commissions

Commissions consist of dealer commissions generated on securities transactions. Commissions, brokerage, and related clearing expenses are recorded on a settlement date basis as securities transactions occur, which approximates trade date.

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 tax under applicable guidance contained in the Accounting Standards Codification (ASC). Accordingly, the Company also applies this guidance pursuant to the tax sharing agreement described in Note 3. Pursuant to the applicable ASC, an asset liability approach requires the recognition of deferred tax assets and liabilities for the expected tax consequences that have been recognized in the Company's financial statement or tax returns. In estimating future tax consequences, applicable guidance contained in the accounting standards generally considers all expected future events other than enactments of changes in tax law or rates.

On January 1, 2009, the Company adopted the accounting guidance related to accounting for uncertainty in income taxes, which sets out a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions. In management's judgment, the Company does not have any tax positions that would result in a loss contingency considering the facts, circumstances, and information available at the reporting date. The federal tax years open for assessment include years ending after December 31, 2008.

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA

NOTES TO FINANCIAL STATEMENTS

1. Summary of significant accounting policies (continued)

Concentration of credit risk

The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

Fair value

Cash and restricted cash are considered short-term instruments, the carrying amounts are a reasonable estimate of fair value.

Receivables and credit policies

Commissions receivable are uncollateralized clearing broker obligations due under normal trade terms requiring payments within 30 days. The Company generally collects receivables within 30 days and does not charge interest on commissions receivable with invoice dates over 30 days old.

Receivables from brokers consist of commissions and fees earned on the sale of retirement products and general securities and receivables from others consist of receivables from registered representatives.

Commissions receivable, net of trading costs, are stated at the amount billed. Payments of commissions receivable are allocated to the specific transactions identified on the clearing broker statement or, if unspecified, are applied to the earliest unpaid amounts.

The carrying amount of commissions receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected.

Management individually reviews all commissions receivable balances that exceed 30 days from the invoice date and based on an assessment of current creditworthiness, writes off the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining commissions receivable based on historical collectability. In the opinion of management, at December 31, 2011 and 2010, all commissions were considered collectible and no allowance was necessary.

Reclassification

Certain amounts in the 2010 financial statements have been reclassified to conform with the current year presentation.

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA

NOTES TO FINANCIAL STATEMENTS

2. Furniture and equipment, net

Classification of furniture and equipment, net are summarized as follows:

	<u>2011</u>	<u>2010</u>
Furniture	\$ 6,685	\$ 6,685
Office equipment	2,841	2,841
Computer equipment	16,193	16,193
Computer software	<u>2,522</u>	<u>2,522</u>
	28,241	28,241
Less: accumulated depreciation	<u>24,098</u>	<u>22,716</u>
	<u>\$ 4,143</u>	<u>\$ 5,525</u>

3. 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, 2011 and 2010, the income tax expense recorded of \$97,069 and \$9,634 respectively, is classified as current in the accompanying statement of net income. In accordance with the terms of the Agreement, the Parent made estimated tax payments to the Company for the estimated tax expense during 2011 and 2010 totaling \$106,574 and \$12,076, respectively. Accordingly, the difference between the actual recorded income tax expense and the estimated tax payments received is included in amounts due to affiliates in the accompanying statements of financial condition. Amounts due from or (due to) affiliates relating to income tax totaled \$3,841 and (\$4,229) as of December 31, 2011 and 2010, respectively.

4. Related party transactions

The Company operates in facilities that are owned by the Parent. During 2011 and 2010, the Company was charged with certain operating expenses relating to salaries and benefits, rent, and insurance totaling \$582,011 and \$525,189, 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 2011 and 2010. The Company has amounts due to the Parent at December 31, 2011 and 2010, of \$78,867 and \$62,904, respectively, relating to income taxes (see Note 3) and salaries and employee benefits expenses.

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA

NOTES TO FINANCIAL STATEMENTS

5. Fair Value Measurement

The Fair Value Measurements and Disclosure topic of the FASB ASC, requires disclosure of fair value information about financial instruments, whether or not recognized in the statements of financial condition. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instruments from its disclosure requirements. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, or a change in valuation technique the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents - the carrying amounts are a reasonable estimate of fair value.

Securities purchased under agreements to resell - the carrying amounts approximate value.

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of assets or liabilities.

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA

NOTES TO FINANCIAL STATEMENTS

5. Fair Value Measurement (continued)

- Level 3 – inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Fair Value of Assets Measured on a Recurring Basis

The Company's securities purchased under agreements to resell are considered level 2 in the hierarchy measured at fair value on a recurring basis of (\$99,502) and (\$98,169) at December 31, 2011 and 2010, respectively.

6. 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, 2011, the Company had net capital of \$456,761, which was \$406,761 in excess of its required net capital of \$50,000. The Company had aggregate indebtedness of \$192,066 at December 31, 2011. The Company's ratio of aggregate indebtedness to net capital ratio was 0.42 to 1 at December 31, 2011.

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 \$100,000.

The Company acts as an introducing broker or dealer, promptly transmitting all funds and delivering all securities received in connection with its activities as a broker or dealer and does not otherwise hold funds or securities for or owe money or securities to customers. The Company operates under Section (k) (2) (ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and is therefore exempt from the requirement of Rule 15c3-3.

7. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued February 20, 2012 and determined no subsequent events have occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

SUPPLEMENTAL SCHEDULES

**Independent Auditors' Report – Supplementary
Information Required by Rule 17a-5 of
The Securities and Exchange Commission**

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

We have audited the accompanying financial statements of FNBB Capital Markets, LLC as of and for the years ended December 31, 2011 and 2010, and have issued our report thereon dated February 20, 2012, which contained an unqualified opinion on those financial statements. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information contained in Schedules I and II required by Rule 17a-5 under the Securities and Exchange Act of 1934 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 20, 2012

FNBB CAPITAL MARKETS, LLC
BIRMINGHAM, ALABAMA
SCHEDULE I
COMPUTATION OF NET CAPITAL
DECEMBER 31, 2011

<u>NET CAPITAL</u>	
Total member's equity	\$ 681,764
Less nonallowable assets:	
Limited commissions payable	(2,679)
Furniture and equipment, net	(4,143)
Prepaid expenses	(24,679)
Securities purchased under agreements to resell	(99,502)
Other deductions:	
Fidelity bond	(94,000)
NET CAPITAL	<u><u>\$ 456,761</u></u>
<u>COMPUTATION OF NET CAPITAL REQUIREMENT</u>	
Minimum net capital required	<u><u>\$ 50,000</u></u>
<u>EXCESS NET CAPITAL</u>	<u><u>\$ 406,761</u></u>
<u>AGGREGATE INDEBTEDNESS</u>	
Total liabilities	\$ 193,144
Less nonallowable liabilities:	
Deferred income taxes payable	(1,078)
AGGREGATE INDEBTEDNESS	<u><u>\$ 192,066</u></u>
<u>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</u>	<u><u>0.42 to 1</u></u>

There are no differences between the audited Computation of Net Capital above and the Company's corresponding Calculation of Net Capital in the Unaudited Part II Focus Report, other than a one dollar rounding difference.

FNBB CAPITAL MARKETS, LLC

Schedule II

**Computation for Determination of Reserve Requirements for
Broker-Dealers under Rule 15c3-3
of the Securities Exchange Act of 1934**

December 31, 2011

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.

**Report on Internal Control Required by
SEC Rule 17a-5 for a Broker-Dealer Claiming
an Exemption from SEC Rule 15c3-3**

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

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, 2011 (on which we have issued our report thereon dated February 20, 2012), in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our 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 (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 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. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by Rule 17a-13.
2. 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.

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 the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. 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 *deficiency in internal control* 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 and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Company's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purposes 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 and 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, 2011, 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, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Postlethwaite & Netterville

Baton Rouge, Louisiana
February 20, 2012

AGREED UPON PROCEDURES

**Independent Accountants' Report on
Applying Agreed-Upon Procedures Related to an
Entity's SIPC Assessment Reconciliation**

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

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, we have performed the procedures enumerated below with respect to the accompanying Schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the year ended December 31, 2011, which were agreed to by FNBB Capital Markets, LLC and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating FNBB Capital Markets, LLC's compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). FNBB's Capital Market, LLC's management is responsible for FNBB Capital Market, LLC's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

- 1) Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records (cancelled check), noting no differences;
- 2) Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011, noting no differences;
- 3) Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences, as there were no adjustments proposed;
- 4) Proved the arithmetical accuracy of the calculations reflected in Form SIPC -7 and in the related schedules and working papers supporting the adjustments noting no differences, as there were no adjustments proposed; and
- 5) Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences, as there was no prior overpayment applied.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Pestlethurite & Nettewille

Baton Rouge, Louisiana

February 20, 2012

SIPC-7

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION
P.O. Box 92185 Washington, D.C. 20090-2185
202-371-8300

General Assessment Reconciliation

SIPC-7

(33-REV 7/10)

For the fiscal year ended December 31, 2011
(Read carefully the instructions in your Working Copy before completing this Form)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

066553 FINRA DEC
FNBB CAPITAL MARKETS LLC 16*16
600 UNIVERSITY PARK PL STE 380
BIRMINGHAM AL 35209-8806

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

LAURA BOUDREAUX (225) 231-5011

2. A. General Assessment (item 2e from page 2)	\$ <u>396.00</u>
B. Less payment made with SIPC-6 filed (exclude interest)	(<u>190.00</u>)
<u>07/20/2011</u>	
Date Paid	
C. Less prior overpayment applied	(<u>0.00</u>)
D. Assessment balance due or (overpayment)	<u>206.00</u>
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum	<u>0.00</u>
F. Total assessment balance and interest due (or overpayment carried forward)	\$ <u>206.00</u>
G. PAID WITH THIS FORM:	
Check enclosed, payable to SIPC	
Total (must be same as F above)	\$ <u>206.00</u>
H. Overpayment carried forward	\$(<u>0.00</u>)

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

NONE

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

FNBB CAPITAL MARKETS, LLC

(Name of Corporation, Partnership or other organization)

(Authorized Signature)

SENIOR VICE PRESIDENT, FINOPS

(Title)

Dated the 16 day of FEBRUARY, 2012.

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER Dates: Postmarked Received Reviewed

Calculations Documentation Forward Copy

Exceptions:

Disposition of exceptions:

**DETERMINATION OF "SIPC NET OPERATING REVENUES"
AND GENERAL ASSESSMENT**

Amounts for the fiscal period
beginning 1/1, 2011
and ending 12/31, 2011
Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 959,878

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

0

(2) Net loss from principal transactions in securities in trading accounts.

0

(3) Net loss from principal transactions in commodities in trading accounts.

0

(4) Interest and dividend expense deducted in determining item 2a.

0

(5) Net loss from management of or participation in the underwriting or distribution of securities.

0

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

0

(7) Net loss from securities in investment accounts.

0

Total additions

0

2c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

785,037

(2) Revenues from commodity transactions.

0

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

5,740

(4) Reimbursements for postage in connection with proxy solicitation.

0

(5) Net gain from securities in investment accounts.

0

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

5,146

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

5,390

(8) Other revenue not related either directly or indirectly to the securities business.
(See Instruction C):

0

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 0

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 0

Enter the greater of line (i) or (ii)

0

Total deductions

801,313

2d. SIPC Net Operating Revenues

\$ 158,565

2e. General Assessment @ .0025

\$ 396

(to page 1, line 2.A.)