

SAGONA, BOURG, LEE, MATTHEW & CO., L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

To the Board of Directors of
Metairie Bank and Trust Company
Metairie, Louisiana

Dear Members:

In planning and performing our audit of the financial statements of Metairie Bank and Trust Company (the Bank) as of and for the year ended December 31, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered the Bank's internal control over financial reporting (internal control) as a basis for designing 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 Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bank's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified.

The accounting records of the Bank, as well as its deposit and loan accounts, are maintained by Financial Institutions Service Corporation (FISC), a data processing center located in Monroe, Louisiana. In accordance with existing audit pronouncements of the American Institute of Certified Public Accountants, FISC was reviewed by other certified public accountants. Their report, dated December 13, 2012, was relied upon in our consideration of the Bank's internal control.

This report is intended solely for the information and use of the Board of Directors, management and employees of the Bank, the regulatory authorities and the Bank's bonding company.

Sagona, Bourg, Lee, Matthew & Co., L.L.C.

Certified Public Accountants
New Orleans, Louisiana
March 4, 2013

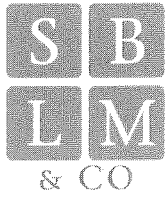
METAIRIE BANK AND TRUST COMPANY
REPORT ON AUDITS OF FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011

METAIRIE BANK AND TRUST COMPANY

DECEMBER 31, 2012 AND 2011

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SAGONA, BOURG, LEE, MATTHEW & CO., L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders
Metairie Bank and Trust Company
Metairie, Louisiana

We have audited the accompanying financial statements of Metairie Bank and Trust Company, which comprise the statements of financial condition as of December 31, 2012 and 2011, and the related statements of income, comprehensive income, shareholders' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide the bases for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Metairie Bank and Trust Company as of December 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sagona, Bourg, Lee, Matthew & Co., L.L.C.

Certified Public Accountants
New Orleans, Louisiana
March 4, 2013

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF CONDITION

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and due from banks	\$ 43,424,030	\$ 32,663,127
Federal funds sold	<u>1,019,898</u>	<u>1,759,098</u>
Total Cash and Cash Equivalents	44,443,928	34,422,225
Interest bearing deposits in other financial institutions	1,221,797	1,461,396
Securities available for sale	80,443,493	78,224,537
Mortgage loans available for sale	122,500	466,000
Loans, less allowance for loan losses of \$2,013,922 for 2012 and \$2,061,915 for 2011	207,780,510	207,177,856
Bank premises and equipment, net	11,136,423	11,568,701
Accrued interest receivable	957,237	1,105,789
Investment in FNBB stock	250,000	250,000
Investment in FHLB of Dallas stock	155,300	261,800
Other investments	400,000	400,000
Cash surrender value of life insurance	2,995,127	2,924,713
Other assets	<u>1,582,441</u>	<u>851,313</u>
TOTAL ASSETS	<u>\$351,488,756</u>	<u>\$339,114,330</u>
 <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Deposits:		
Non-interest bearing deposits	\$ 89,801,659	\$ 82,865,082
Interest bearing deposits	<u>222,264,960</u>	<u>215,868,571</u>
Total Deposits	312,066,619	298,733,653
Advances from the FHLB of Dallas	354,755	379,028
Accrued interest payable	106,681	141,273
Dividends payable	-	1,021,772
Deferred income taxes	898,555	698,383
Other liabilities	<u>1,103,678</u>	<u>1,080,253</u>
Total Liabilities	<u>314,530,288</u>	<u>302,054,362</u>
Shareholders' Equity:		
Common stock, \$1 par value, 2,100,000 shares authorized 2,043,543 issued and outstanding	2,043,543	2,043,543
Capital surplus	5,956,457	5,956,457
Retained earnings	29,231,477	29,356,804
Accumulated other comprehensive income (loss)	<u>(273,009)</u>	<u>(296,836)</u>
Total Shareholders' Equity	<u>36,958,468</u>	<u>37,059,968</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$351,488,756</u>	<u>\$339,114,330</u>

See notes to financial statements.

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
INTEREST INCOME:		
Loans, including fees	\$10,553,127	\$11,424,006
Investment securities:		
Taxable	1,133,854	1,497,238
Non-taxable	228,532	123,906
Federal funds sold	<u>2,692</u>	<u>4,930</u>
INTEREST INCOME	<u>11,918,205</u>	<u>13,050,080</u>
INTEREST EXPENSE:		
Deposits	924,926	1,207,050
Other borrowed funds	<u>18,527</u>	<u>19,716</u>
INTEREST EXPENSE	<u>943,453</u>	<u>1,226,766</u>
NET INTEREST INCOME	10,974,752	11,823,314
PROVISION FOR LOAN LOSSES	<u>-</u>	<u>-</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>10,974,752</u>	<u>11,823,314</u>
NONINTEREST INCOME:		
Customer service fees	2,345,358	2,451,722
Gain on sale of loans	142,239	96,951
Other	<u>332,460</u>	<u>315,719</u>
NONINTEREST INCOME	<u>2,820,057</u>	<u>2,864,392</u>
	<u>13,794,809</u>	<u>14,687,706</u>
NONINTEREST EXPENSES:		
Salaries and employee benefits	6,324,714	6,659,314
Occupancy expenses	1,094,534	1,162,161
Other operating expenses	<u>3,539,584</u>	<u>3,544,283</u>
NONINTEREST EXPENSES	<u>10,958,832</u>	<u>11,365,758</u>
INCOME BEFORE INCOME TAXES	2,835,977	3,321,948
INCOME TAXES	<u>917,761</u>	<u>1,038,172</u>
NET INCOME	<u>\$ 1,918,216</u>	<u>\$ 2,283,776</u>

See notes to financial statements.

METAIRIE BANK AND TRUST COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
NET INCOME	\$ <u>1,918,216</u>	\$ <u>2,283,776</u>
OTHER COMPREHENSIVE INCOME:		
Unrealized gains (losses) on securities	506,152	(565,337)
Income tax effect	<u>(172,092)</u>	<u>192,215</u>
	<u>334,060</u>	<u>(373,122)</u>
Unrecognized pension plan gains (losses)	(470,049)	(201,155)
Income tax effect	<u>159,816</u>	<u>68,392</u>
	<u>(310,233)</u>	<u>(132,763)</u>
Other comprehensive income (loss), net of tax	<u>23,827</u>	<u>(505,885)</u>
COMPREHENSIVE INCOME	\$ <u>1,942,043</u>	\$ <u>1,777,891</u>

See notes to financial statements.

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>COMMON STOCK</u>		<u>CAPITAL</u>	<u>RETAINED</u>	<u>ACCUMULATED</u>	<u>TOTAL</u>
	<u>SHARES</u>	<u>PAR</u>	<u>SURPLUS</u>	<u>EARNINGS</u>	<u>OTHER</u>	<u>SHAREHOLDERS'</u>
	<u>VALUE</u>	<u>VALUE</u>	<u>INCOME (LOSS)</u>	<u>EQUITY</u>		
BALANCE - January 1, 2011	2,043,543	\$2,043,543	\$5,956,457	\$29,116,571	\$ 209,049	\$37,325,620
Net income	-	-	-	2,283,776	-	2,283,776
Dividends declared \$1 per share	-	-	-	(2,043,543)	-	(2,043,543)
Other comprehensive (loss)	-	-	-	-	(505,885)	(505,885)
BALANCE - December 31, 2011	2,043,543	2,043,543	5,956,457	29,356,804	(296,836)	37,059,968
Net income	-	-	-	1,918,216	-	1,918,216
Dividends declared \$1 per share	-	-	-	(2,043,543)	-	(2,043,543)
Other comprehensive income	-	-	-	-	23,827	23,827
BALANCE - December 31, 2012	2,043,543	\$2,043,543	\$5,956,457	\$29,231,477	\$(273,009)	\$36,958,468

See notes to financial statements.

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES:		
Net income	\$ 1,918,216	\$ 2,283,776
Adjustments to reconcile net income to net cash provided by operating activities:		
Net amortization of premium on investments	725,004	595,336
Stock dividend on FHLB of Dallas stock	(600)	(800)
Depreciation and amortization	548,449	536,572
Deferred tax (benefit) expense	187,896	37,258
Change in mortgage loans held for sale	343,500	(119,500)
Change in accrued interest receivable	148,552	99,231
Change in cash surrender value of life insurance	(70,414)	(73,502)
Change in other assets	(1,201,177)	346,928
Change in accrued interest payable	(34,592)	(9,841)
Change in dividends payable	(1,021,772)	1,021,772
Change in other liabilities	<u>23,425</u>	<u>1,731</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,566,487</u>	<u>4,718,961</u>
INVESTING ACTIVITIES:		
Purchases of interest bearing deposits in other financial institutions	(1,220,000)	(1,461,396)
Proceeds from maturities of interest bearing deposits in other financial institutions	1,461,396	-
Purchases of available for sale securities	(30,439,605)	(34,558,147)
Proceeds from maturities of available for sale securities	28,000,000	26,000,000
Proceeds from sale of FHLB of Dallas stock	107,100	-
Decrease (increase) in loans	(602,654)	705,811
Purchases of bank premises and equipment	<u>(116,171)</u>	<u>(260,569)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(2,809,934)</u>	<u>(9,574,301)</u>
FINANCING ACTIVITIES:		
Net increase in deposit accounts	13,332,966	7,658,080
Principal repayments of advances from FHLB of Dallas	(24,273)	(23,084)
Cash dividends paid	<u>(2,043,543)</u>	<u>(2,043,543)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>11,265,150</u>	<u>5,591,453</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,021,703	736,113
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>34,422,225</u>	<u>33,686,112</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$44,443,928</u>	<u>\$34,422,225</u>

(Continued)

See notes to financial statements.

METAIRIE BANK AND TRUST COMPANY

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

	<u>2012</u>	<u>2011</u>
<u>SUPPLEMENTAL DISCLOSURES:</u>		
Cash paid during the year for:		
Interest	<u>\$ 899,020</u>	<u>\$1,236,607</u>
Income taxes	<u>\$ 768,000</u>	<u>\$1,007,727</u>
Gross unrealized gains (losses) on securities available for sale	<u>\$1,390,763</u>	<u>\$ 884,612</u>

See notes to financial statements.

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations - Metairie Bank and Trust Company (the Bank) operates under a state bank charter and provides full banking services. The Bank is subject to regulation of the Federal Deposit Insurance Corporation and the Office of Financial Institutions of the State of Louisiana. The Bank serves the immediate and surrounding geographic areas from its seven offices located in Metairie and Mandeville, Louisiana, and generates commercial, mortgage and consumer loans to and receives deposits from individual and business customers located in these and surrounding areas.

The Bank's loan portfolio consists mainly of consumer, commercial and mortgage loans. That portion of the Bank's loan portfolio, which is secured, has been collateralized largely by area real estate. The loans are expected to be repaid from cash flows of the borrowers. Some of the activities that the economy of the region of Louisiana in which the Bank operates is dependent upon include the petrochemical industry, port activity along that region of the Mississippi River, healthcare and tourism. Significant declines in these activities and the general economic conditions in the Bank's market areas could affect borrowers' abilities to repay loans and cause a decline in value of the assets securing the loan portfolio.

The Bank's operations are subject to customary business risks associated with activities of a financial institution. Some of those risks include competition from other institutions and changes in economic conditions, interest rates and regulatory requirements.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for losses on loans, the valuation of foreclosed real estate (the Bank held no foreclosed real estate at December 31, 2012 and 2011), the valuation of deferred tax assets, other than temporary impairments of securities and the fair value of financial instruments. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that these estimates may change in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

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METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The accounting and reporting policies of the Bank are in accordance with U.S. generally accepted accounting principles and conform to general practices within the banking industry. The more significant of the principles used in preparing the financial statements are briefly described below:

Cash and Cash Equivalents - For purposes of reporting cash flows, cash and cash equivalents include cash on hand and due from banks, interest bearing deposits with maturities of less than 90 days and federal funds sold.

Securities - Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates this classification periodically. Trading account securities are held for resale in anticipation of short-term market movements. Debt securities are classified as held to maturity when the Bank has the positive intent and ability to hold the securities to maturity. Securities not classified as held to maturity or trading are classified as available for sale.

Trading account securities are carried at market value. Gains and losses, both realized and unrealized, are reflected in earnings. Held to maturity securities are stated at amortized cost. Available for sale securities are stated at fair value, with unrealized gains and losses, net of tax, reported in a separate component of other comprehensive income.

The amortized cost of debt securities classified as held to maturity or available for sale is adjusted for amortization of premiums and accretion of discounts to maturity or, in the case of mortgage-backed securities, over the estimated life of the security. Amortization, accretion and accrued interest are included in interest income on securities.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net securities gains and losses. The cost of securities sold is determined based on the specific identification method.

Declines in the fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The written down amount then becomes the security's new cost basis. The related write-downs are included in earnings as realized losses. In estimating whether to recognize other-than-temporary impairment losses on a security, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Recently issued accounting guidance amends the recognition guidance for other-than-temporary impairments on debt and equity securities. The recent guidance replaced the "intent and ability" indication in prior guidance by specifying that (a) if management does not have the intent to sell a debt security prior to recovery and (b) it is more likely than not that it will not have to sell the debt security

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METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Securities - (Continued)

prior to recovery, the security would not be considered other-than-temporarily impaired unless there is a credit loss identified within the security. When management does not intend to sell the security, and it is more likely than not, management will not have to sell the security before recovery of its cost basis, it will recognize the credit component of an other-than-temporary impairment of a debt security in earnings and the remaining portion in other comprehensive income. For held-to-maturity debt securities, the amount of an other-than-temporary impairment recorded in other comprehensive income for the noncredit portion of a previous other-than-temporary impairment should be amortized prospectively over the remaining life of the security on the basis of the timing of future estimated cash flows of the security.

Mortgage Loans Held for Sale – Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value under fair value option accounting guidance for financial instruments. For these loans, gains and losses on loan sales are recorded in noninterest income, and direct loan origination costs and fees are deferred at origination of the loan and are recognized in noninterest income upon sale of the loan.

Loans - The Bank grants mortgage, commercial and consumer loans to customers. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding unpaid principal balances adjusted for unearned income, the allowance for loan losses and any unamortized deferred fee or costs on originated loans, and premiums or discounts on purchased loans. Unearned income relates principally to consumer installment loans. Interest income on these loans is recognized using the interest method over the life of the loan.

When the payment of principal or interest on a loan is delinquent for 90 days, or earlier in some cases, the loan is placed on non-accrual status, unless the loan is in the process of collection and the underlying collateral fully supports the carrying value of the loan. Past due status is based on contractual terms of the loan. In all cases, loans are placed on non-accrual status or charged off at an earlier date if collection of principal or interest is considered doubtful.

If the decision is made to continue accruing interest on the loan, periodic reviews are made to confirm the accruing status of the loan. When a loan is placed on a non-accrual basis, interest accrued during the current year prior to the judgment of uncollectability is charged to operations. Interest accrued during prior periods is charged to allowance for loan losses. Generally, any payments received on non-accrual loans are applied first to outstanding loan amounts and next to the recovery of charged-off loan amounts. Any excess is treated as recovery of lost interest.

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METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans - (Continued)

The Bank considers a loan to be impaired when, based upon current information and events, it believes it is probable that the Bank will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Bank's impaired loans include troubled debt restructuring and performing and non-performing major loans in which full payment of principal or interest is not expected. Non-major homogenous loans, which are evaluated on an overall basis, generally include all loans under \$500,000. The Bank calculates a reserve required for impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate, or at the loan's observable market price or the fair value of its collateral. Generally, loans of all types which become 90 days delinquent and are in the process of collection through repossession or foreclosure have been deemed currently uncollectible. Loans deemed currently uncollectible are charged-off against the allowance for loan losses account. As a matter of policy, loans are placed on a non-accrual status where doubt exists as to collectability.

Allowance for Loan Losses - The allowance for loan losses is maintained at a level which is considered adequate to reflect estimated probable credit losses inherent in the loan portfolio that have been incurred as of the statement of condition date as well as estimated credit losses associated with specifically identified loans. A formal review of the allowance for loan losses is prepared periodically to assess the risk of loss in the loan portfolio and to determine the adequacy of the allowance for loan losses. For purposes of the periodic review, loans are aggregated into pools based on various characteristics. Some of those characteristics include payment status, concentrations, risk rating, loan to collateral value and the financial status of borrowers.

The allowance allocated to each of these pools is based on historical charge-off rates, adjusted for changes in the credit risk characteristics within these pools, as determined from current information and analyses. Management also ensures that the overall allowance appropriately reflects current macroeconomic conditions, industry exposure and a margin for the imprecision inherent in most estimates of expected credit losses.

As a result, such amount is reflected in a portion of the allowance that is included to provide for probable losses incurred but unidentified within the loan portfolio as of the statement of condition date and not to provide for possible or future losses beyond the statement of condition date. This portion of the allowance, which is judgmentally determined, generally serves to compensate for the uncertainty in estimating loan losses, particularly in times of changing economic conditions, and considers the possibility of improper risk rating and possible over or under allocation of specific allowances.

It also considers the lagging impact of historical charge-off ratios in periods where future charge-offs are expected to increase or decrease significantly. In addition, this segment of the allowance considers trends in delinquencies and non-accrual loans, concentrations, the volatility of risk ratings and the

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METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Loan Losses - (Continued)

evolving portfolio mix in terms of collateral, relative loan size and the degree of seasoning within the various loan products. Changes in underwriting standards, credit administration and collection policies, regulation and other factors which affect the credit quality and collectability of the loan portfolio also impact this portion of the allowance level. The allowance also consists of amounts provided for each loan that is reviewed for impairment or for which a probable loss has been identified.

The allowance related to loans that are identified as impaired is based on discounted expected future cash flows (using the loan's initial effective interest rate), the observable market value of the loan or the estimated fair value of the collateral for certain collateral dependent loans. Factors contributing to the determination of specific allowances include the financial condition of the borrower, changes in the value of pledged collateral and general economic conditions.

The allowance for loan losses is based on management's estimate of probable credit losses inherent in the loan portfolio and represents an estimate in the financial statements. As such, the actual level of allowance required could vary from the amount estimated by management at the statement of condition date and actual credit losses could vary from the current estimate. As adjustments to the allowance for loan losses become necessary, they are reflected as a provision for loan losses in current-period earnings. Actual loan charge-offs are deducted from and subsequent recoveries of previously charged-off loans are added to the allowance.

Impaired Loans - A loan is considered impaired, in accordance with the impairment accounting guidance of FASB ASC 310-10-35-16, *Receivables*, when based on current information and events it is probable that the Bank will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payments delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record, and the amount of shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis by either the present value of expected cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance. This valuation allowance is recorded in the allowance for loan losses on the statement of condition.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impaired Loans – (Continued)

Interest payments received on impaired loans are recorded as interest income unless collection of the remaining recorded investment is doubtful, at which time payments received are recorded as reductions of principal. Changes in the present value due to the passage of time are recorded as interest income, while changes in estimated cash flows are recorded in the provision for loan losses.

Bank Premises and Equipment - Bank premises and equipment are carried at cost less accumulated depreciation and amortization. Depreciation expense is computed using the straight-line method for bank premises and leaseholds over estimated useful lives of those assets of 39 years and accelerated methods for equipment, furniture and fixtures over their estimated useful lives ranging from 3 to 7 years.

Foreclosed Assets - Properties acquired through foreclosure or deed taken in lieu of foreclosure are recorded at fair value at time of foreclosure, net of disposal costs. Write-downs from cost to fair value at the time of foreclosure are charged to the allowance for loan losses. Subsequent write-downs and gains and losses recognized on the sales of such properties are included in the statements of income. Determinations of fair value are based on periodic appraisals, which are subject to significant fluctuations as economic conditions change.

Other Investments - Investments in entities such as a partnership or a limited liability company are accounted for under the equity method in which the original investment is recorded at its historical cost adjusted by the investor's share of profits or losses and additional funds invested by or funds disbursed to the investor.

Income Taxes - The Bank accounts for income taxes in accordance with income tax guidance of FASB ASC 740, *Income Taxes*, and has adopted the recent accounting guidance related to accounting for uncertainty in income taxes, which sets forth a consistent framework to determine the appropriate level of tax reserves to maintain for uncertain tax positions.

The income tax guidance results in two components of income tax expense: current and deferred. Current income tax expense reflects taxes to be paid or refunded for the current period by applying the provisions of enacted tax law to the taxable income or excess deductions over revenues. The Bank determines deferred income taxes using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is based on the tax effects of the difference between the book and tax bases of assets and liabilities. Enacted changes in tax rates and laws are recognized in the period in which they occur.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes - (Continued)

Deferred income tax expense results from changes in deferred tax assets and liabilities between periods. Deferred tax assets are recognized if it is more likely than not, based on the technical merits, that the tax position will be realized or sustained upon examination. The term more likely than not means a likelihood of more than 50 percent; the terms examined and upon examination also include resolution of the related appeals or litigation processes, if any. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than 50 percent likelihood of being realized upon settlement with a taxing authority that has full knowledge of all relevant information. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances, and information available at the reporting date and is subject to management's judgment. Deferred tax assets are reduced by a valuation allowance if, based on the weight of evidence available, it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Bank files income tax returns in the U.S. federal jurisdiction. With few exceptions, the Bank is no longer subject to federal tax examinations by the federal tax authorities for years before 2008. The Bank recognizes interest and penalties on income taxes, if incurred, as a component of income tax expense.

The Bank is not currently subject to state or local income taxes.

Comprehensive Income - The Bank reports comprehensive income in accordance with the accounting guidance related to FASB ASC 220, *Comprehensive Income*. Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes net unrealized gains and (losses) on securities and net unrecognized pension plan gains and (losses) and is presented in the statements of stockholders' equity and comprehensive income. FASB ASC 220 requires only additional disclosures in the financial statements and does not affect the Bank's financial position or results of operations.

Statement of Cash Flows - The statement of cash flows was prepared in accordance with the accounting guidance of FASB ASC 230, *Statement of Cash Flows*, which permits certain financial institutions to report, in a statement of cash flows, net receipts and payments for deposits placed, time deposits accepted and repaid and loans made and collected.

Fair Value Measurement - The Bank uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, the fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based on quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - (Continued)

In cases where quoted market prices are not available, fair values are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, fair value estimates may not be realized in an immediate settlement of the instrument.

The fair value accounting 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, a change in valuation technique or 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 the 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.

In accordance with this guidance, the Bank groups its financial assets and financial liabilities 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.

Level 1 - Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- a. Quoted prices for similar assets or liabilities in active markets;
- b. Quoted prices for identical or similar assets or liabilities in markets that are not active, that is, markets in which there are few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers (for example, some brokered markets), or in which little information is released publicly (for example, a principal-to-principal market);
- c. Inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates);
- d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means (market-corroborated inputs).

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

1. NATURE OF OPERATIONS, USE OF ESTIMATES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - (Continued)

Level 3 - Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of a market participant that holds the asset or owes the liability.

Therefore, unobservable inputs shall reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs shall be developed based on the best information available in the circumstances, which might include the reporting entity's own data. However, the reporting entity's own data used to develop unobservable inputs shall be adjusted if information is reasonably available without undue cost and effort that indicates that market participants would use different assumptions.

Advertising - The Bank follows the policy of charging the costs of advertising to expense as incurred. Advertising expense was approximately \$133,000 and \$262,000 for the years ended December 31, 2012 and 2011, respectively, and is included in other operating expenses.

Reclassifications - There were no significant reclassifications to any amounts in the 2011 financial statements to conform to the presentation adopted for 2012.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

2. INVESTMENT SECURITIES

At December 31, 2012 and 2011 the Bank had no securities classified as trading or held to maturity.

A summary of investment securities classified as available for sale is presented below.

	<u>December 31, 2012</u>			
	<u>Amortized</u>	<u>Gross</u>	<u>Gross</u>	<u>Fair</u>
	<u>Cost</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Value</u>
		<u>Gains</u>	<u>(Losses)</u>	
<u>Available for sale:</u>				
U.S. Treasury securities and obligations of U.S. government agencies	\$72,083,721	\$1,060,777	\$(17,795)	\$73,126,703
Securities issued by states and political subdivisions in the U. S.	<u>6,969,009</u>	<u>347,781</u>	<u>-</u>	<u>7,316,790</u>
	<u>\$79,052,730</u>	<u>\$1,408,558</u>	<u>\$(17,795)</u>	<u>\$80,443,493</u>
	<u>December 31, 2011</u>			
	<u>Amortized</u>	<u>Gross</u>	<u>Gross</u>	<u>Fair</u>
	<u>Cost</u>	<u>Unrealized</u>	<u>Unrealized</u>	<u>Value</u>
		<u>Gains</u>	<u>(Losses)</u>	
<u>Available for sale:</u>				
U.S. Treasury securities and obligations of U.S. government agencies	\$70,313,123	\$768,014	\$ (45,867)	\$71,035,270
Securities issued by states and political subdivisions in the U. S.	<u>7,026,802</u>	<u>226,827</u>	<u>(64,362)</u>	<u>7,189,267</u>
	<u>\$77,339,925</u>	<u>\$994,841</u>	<u>\$(110,229)</u>	<u>\$78,224,537</u>

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

2. INVESTMENT SECURITIES - (Continued)

The carrying value and estimated fair value of securities at December 31, 2012, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	<u>Available for Sale</u>	
	<u>Amortized</u>	<u>Estimated</u>
	<u>Cost</u>	<u>Fair</u>
		<u>Value</u>
Amounts maturing in:		
One year or less	\$12,004,824	\$12,154,902
After one year through five years	48,305,847	49,139,748
After five years through ten years	<u>18,742,059</u>	<u>19,148,843</u>
	<u>\$79,052,730</u>	<u>\$80,443,493</u>

Estimated fair values for securities are determined from quoted prices or quoted market prices of similar securities of comparable risk and maturity where no quoted market price exists. Management does not anticipate a requirement to sell any of the Bank's investment securities for liquidity or other operating purposes.

There were no sales of securities during 2012 and 2011. Investment securities with amortized costs of approximately \$5,100,075 and \$5,108,180 and estimated market values of approximately \$5,224,554 and \$5,330,151 at December 31, 2012 and 2011, respectively, were pledged to secure public deposits and for other purposes as required or permitted by law.

Fair values of investment securities measured on a recurring basis at December 31, 2012 and 2011 are as follows:

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

2. INVESTMENT SECURITIES - (Continued)

		Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2012</u>	<u>Fair Value</u>			
Available for sale:				
U.S. Treasury securities and obligations of U.S. government agencies	\$73,126,703	\$ -	\$73,126,703	\$ -
Securities issued by states and political subdivisions in the U. S.	<u>7,316,790</u>	-	<u>7,316,790</u>	-
	<u>\$80,443,493</u>	\$ -	<u>\$80,443,493</u>	\$ -
		Fair Value at Reporting Date Using		
		Quoted Prices in Active Markets or Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2011</u>	<u>Fair Value</u>			
Available for sale:				
U.S. Treasury securities and obligations of U.S. government agencies	\$71,035,270	\$ -	\$71,035,270	\$ -
Securities issued by states and political subdivisions in the U. S.	<u>7,189,267</u>	-	<u>7,189,267</u>	-
	<u>\$78,224,537</u>	\$ -	<u>\$78,224,537</u>	\$ -

Gross unrealized losses in investment securities at December 31, 2012 existing for continuous periods of less than 12 months and for continuous periods of 12 months or more are required financial statement disclosures and are as follows:

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

2. INVESTMENT SECURITIES - (Continued)

December 31, 2012

<u>Security Description</u>	<u>Less Than 12 Months</u>		<u>12 Months or More</u>		<u>Totals</u>	
	<u>Fair Value</u>	<u>Unrealized (Losses)</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized (Losses)</u>
<u>Available for Sale</u>						
U.S. Treasury securities and obligations of U.S. government agencies	\$6,002,814	\$(17,795)	\$ -	\$ -	\$6,002,814	\$(17,795)
Securities issued by states and political subdivisions in the U. S.	-	-	-	-	-	-
Totals	<u>\$6,002,814</u>	<u>\$(17,795)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,002,814</u>	<u>\$(17,795)</u>

Management evaluates securities for other-than-temporary impairment on a periodic and regular basis, as well as when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2012, these unrealized losses related principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As the Bank has the ability to hold debt securities until maturity, or for the foreseeable future if classified as available-for-sale, no declines are deemed to be other-than-temporary.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS

The loan portfolio consists of loans classified by major types at December 31, 2012 and 2011 as follows:

	<u>2012</u>	<u>2011</u>
Real estate – mortgage	\$109,278,993	\$112,242,193
Installment	22,983,993	25,151,246
Commercial, financial and industrial	77,429,145	71,699,610
Overdrafts	<u>102,301</u>	<u>146,722</u>
	209,794,432	209,239,771
Allowance for loan losses	<u>(2,013,922)</u>	<u>(2,061,915)</u>
	<u>\$207,780,510</u>	<u>\$207,177,856</u>

Loan balances past due more than ninety days and on which the accrual of interest had been discontinued amounted to approximately \$466,000 and \$622,000 at December 31, 2012 and 2011, respectively. Non-accrual status is not necessarily an indication of probable loss. The loss of income associated with non-accrual loans was not significant in 2012 and 2011.

The Bank's impaired loans amounted to approximately \$466,000 and \$622,000 at December 31, 2012 and 2011, respectively, and amounts for losses on impaired loans have been provided for in the allowance for loan losses at those dates. Interest income recognized on these loans was not significant for the years ended December 31, 2012 and 2011.

There were no transfers from loans to other real estate in 2012 or 2011.

An analysis of activity in the allowance for loan losses is as follows for the year ended December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
Balance, January 1	\$2,061,915	\$2,112,331
Loans charged off	(190,559)	(214,470)
Recoveries	142,566	164,054
Provision for estimated loan losses	<u> -</u>	<u> -</u>
Balance, December 31	<u>\$2,013,922</u>	<u>\$2,061,915</u>

The Bank has entered into transactions with certain directors, executive officers, significant stockholders and their affiliates. Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

	<u>2012</u>	<u>2011</u>
Balance, January 1	\$ 5,968,781	\$ 6,105,561
Advances	206,734	474,000
Payments	<u>(221,947)</u>	<u>(610,780)</u>
Balance, December 31	<u>\$ 5,953,568</u>	<u>\$ 5,968,781</u>

Management segregates the loan portfolio into portfolio segments which is defined as the level at which the Bank develops and documents a systematic method for determining its allowance for loan losses. The portfolio segments are segregated based on loan types and the underlying risk factors present in each loan type. Such risk factors are periodically reviewed by management and revised as deemed appropriate. The following table sets forth, as of December 31, 2012, the balance of the allowance for loan losses by portfolio segment, disaggregated by impairment methodology, which is then further segregated by amounts evaluated for impairment collectively and individually. The allowance for loan losses allocated to each portfolio segment is not necessarily indicative of future losses in any particular portfolio segment and does not restrict the use of the allowance to absorb losses in other portfolio segments.

Allowance for Loan Losses and Recorded Investment in Loans Receivable for the year ended December 31, 2012 and 2011:

2012

	Real Estate <u>Residential</u>	Real Estate- Non <u>Residential</u>	<u>Commercial</u>	Consumer & <u>Credit Cards</u>	Construction & Land <u>Development</u>	<u>Total</u>
	<i>(in thousands)</i>					
Allowance for loan losses:						
Beginning balance	\$ 488	\$ 244	\$ 98	\$ 1,134	\$ 98	\$ 2,062
Charge-offs	-	-	(14)	(151)	(25)	(190)
Recoveries	14	-	(2)	130	-	142
Provision	-	-	-	-	-	-
Ending balance	<u>\$ 502</u>	<u>\$ 244</u>	<u>\$ 82</u>	<u>\$ 1,113</u>	<u>\$ 73</u>	<u>\$ 2,014</u>
Recorded Investment in Loans Receivable:						
Ending balance	<u>\$ 120,324</u>	<u>\$ 67,937</u>	<u>\$ 8,742</u>	<u>\$ 6,039</u>	<u>\$ 6,752</u>	<u>\$ 209,794</u>
Ending balance: individually evaluated for impairment	464	-	-	2	-	466
Ending balance: collectively evaluated for impairment	119,860	67,937	8,742	6,037	6,752	209,328

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

2011

	<u>Real Estate- Residential</u>	<u>Real Estate- Non Residential</u>	<u>Commercial</u>	<u>Consumer & Credit Cards</u>	<u>Construction & Land Development</u>	<u>Total</u>
	<i>(in thousands)</i>					
Allowance for loan losses:						
Beginning balance	\$ 500	\$ 250	\$ 100	\$ 1,162	\$ 100	\$ 2,112
Charge-offs	(31)	-	-	(183)	-	(214)
Recoveries	38	-	-	126	-	164
Provision	-	-	-	-	-	-
Ending balance	507	250	100	1,105	100	2,062

Recorded Investment in
Loans Receivable:

Ending balance	\$ 119,788	\$ 60,955	\$ 10,573	\$ 7,048	\$ 10,875	\$ 209,239
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Ending balance: individually evaluated for impairment	\$ 494	\$ 50	\$ -	\$ 8	\$ 70	\$ 622
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Ending balance: collectively evaluated for impairment	\$ 119,294	\$ 60,905	\$ 10,573	\$ 7,040	\$ 10,805	\$ 208,617
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Management further disaggregates the loan portfolio segments into classes of loans, which are based on the initial measurement of the loan, risk characteristics of the loan and the method for monitoring and assessing the credit risk of the loan.

As of December 31, 2012 and 2011, there were no loan balances outstanding more than 90 days and still accruing interest.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

At December 31, 2012 and 2011, the credit quality indicators (performing and non-performing loans), disaggregated by class of loan, are as follows:

2012

	<u>Pass</u>	<u>Watch</u> <u>List</u>	<u>Sub-</u> <u>Standard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
	<i>(in thousands)</i>					
Real estate loans , residential	\$ 113,336	\$ 6,096	\$ 892	\$ -	\$ -	\$ 120,324
Real estate loans - non-residential	60,978	6,959	-	-	-	67,937
Commercial loans	8,498	4	240	-	-	8,742
Consumer & Credit Card	5,814	204	21	-	-	6,039
Construction & Land Development	6,307	41	404	-	-	6,752
Totals	\$ 194,933	\$ 13,304	\$ 1,557	\$ -	\$ -	\$ 209,794

2011

	<u>Pass</u>	<u>Watch</u> <u>List</u>	<u>Sub-</u> <u>Standard</u>	<u>Doubtful</u>	<u>Loss</u>	<u>Total</u>
	<i>(in thousands)</i>					
Real estate loans, residential	\$ 112,867	\$ 5,771	\$ 1,150	\$ -	\$ -	\$ 119,788
Real estate loans, non-residential	55,531	5,248	176	-	-	60,955
Commercial loans	10,062	45	466	-	-	10,573
Consumer & Credit Card	6,839	175	34	-	-	7,048
Construction & Land Development	10,009	-	866	-	-	10,875
Totals	\$ 195,308	\$ 11,239	\$ 2,692	\$ -	\$ -	\$ 209,239

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

The following table reflects certain information with respect to the loan portfolio delinquencies by loan class and amount as of December 31, 2012 and 2011:

2012

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Recorded Investment Over 90 Days and Still Accruing</u>
	<i>(in thousands)</i>						
Aged Analysis of Past Due Loans Receivable:							
Real estate loans - residential	\$ 186	\$ 17	\$ 464	\$ 667	\$ 119,657	\$ 120,324	\$ -
Real estate loans, non-residential	-	43	-	43	67,894	67,937	-
Commercial loans	3	66	-	69	8,673	8,742	-
Consumer & Credit Card	16	20	2	38	6,001	6,039	-
Construction & Land Development	-	-	-	-	6,752	6,752	-
Total	\$ 205	\$ 146	\$ 466	\$ 817	\$ 208,977	\$ 209,794	\$ -

2011

	<u>30-59 Days Past Due</u>	<u>60-89 Days Past Due</u>	<u>Greater Than 90 Days</u>	<u>Total Past Due</u>	<u>Current</u>	<u>Total Loans Receivable</u>	<u>Recorded Investment Over 90 Days and Still Accruing</u>
	<i>(in thousands)</i>						
Aged Analysis of Past Due Loans Receivable:							
Real estate loans – residential	\$ 186	\$ -	\$ 494	\$ 680	\$ 119,108	\$ 119,788	\$ -
Real estate loans, non-residential	-	-	50	50	60,905	60,955	-
Commercial loans	-	-	-	-	10,573	10,573	-
Consumer & Credit Card	-	-	8	8	7,040	7,048	-
Construction & Land Development	-	-	70	70	10,805	10,875	-
Totals	\$ 186	\$ -	\$ 622	\$ 808	\$ 208,431	\$ 209,239	\$ -

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

All impaired loans by class of loans as of December 31, 2012 and 2011 are as follows:

2012

	<u>Recorded</u>	Unpaid	<u>Recorded</u>	Average	Interest
	<u>Investment</u>	Principal	<u>Allowance</u>	<u>Recorded</u>	<u>Income</u>
		<u>Balance</u>		<u>Investment</u>	<u>Recognized</u>
		<i>(in thousands)</i>			
Impaired Loans:					
With no related allowance recorded:					
Real estate loans – residential	\$ 464	\$ 464	\$ -	\$ 446	\$ -
Real estate loans, non-residential	-	-	-	-	-
Commercial loans	-	-	-	-	-
Construction & Land Development	-	-	-	-	-
Consumer & Credit Card	2	2	-	2	-
<hr/>					
With an allowance recorded:					
Real estate loans – residential	\$ -	\$ -	\$ -	\$ -	\$ -
Real estate loans, non-residential	-	-	-	-	-
Commercial loans	-	-	-	-	-
Construction & Land Development	-	-	-	-	-
Consumer & Credit Card	-	-	-	-	-
Totals	\$ 466	\$ 466	\$ -	\$ 448	\$ -
<hr/>					
Real estate loans – residential	\$ 464	\$ 464	\$ -	\$ 446	\$ -
Real estate loans, non-residential	-	-	-	-	-
Commercial loans	-	-	-	-	-
Construction & Land Development	-	-	-	-	-
Consumer & Credit Card	2	2	-	2	-
Totals	\$ 466	\$ 466	\$ -	\$ 448	\$ -

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

2011

	Recorded Investment	Unpaid Principal Balance	Recorded Allowance	Average Recorded Investment	Interest Income Recognized
	<i>(in thousands)</i>				
Impaired Loans:					
With no related allowance recorded:					
Real estate loans – residential	\$ 494	\$ 494	\$ -	\$ 433	\$ -
Real estate loans, non-residential	50	50	-	15	-
Commercial loans	-	-	-	115	-
Construction & Land Development	70	70	-	18	-
Consumer & Credit Card	8	8	-	22	-
With an allowance recorded:					
Real estate loans – residential	-	-	-	-	-
Real estate loans, non-residential	-	-	-	-	-
Commercial loans	-	-	-	-	-
Construction & Land Development	-	-	-	-	-
Consumer & Credit Card	-	-	-	-	-
Totals	\$ 622	\$ 622	\$ -	\$ 603	\$ -
Real estate loans – residential	\$ 494	\$ 494	\$ -	\$ 433	\$ -
Real estate loans, non-residential	50	50	-	15	-
Commercial loans	-	-	-	115	-
Construction & Land Development	70	70	-	18	-
Consumer & Credit Card	8	8	-	22	-
Totals	\$ 622	\$ 622	\$ -	\$ 603	\$ -

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

Loans receivable on non-accrual status by loan class at December 31, 2012 and 2011 are as follows:

2012

	<i>(in thousands)</i>
Real estate loans -- residential	\$ 464
Real estate loans, non-residential	-
Commercial loans	-
Consumer & Credit Card	2
Construction & Land Development	<u>-</u>
Total	<u>\$ 466</u>

2011

	<i>(in thousands)</i>
Real estate loans -- residential	\$ 494
Real estate loans, non-residential	50
Commercial loans	-
Consumer & Credit Card	8
Construction & Land Development	<u>70</u>
Total	<u>\$ 622</u>

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

The following tables summarize information relative to loan modifications determined to be Troubled Debt Restructurings as of December 31, 2012; none of the troubled debt restructurings defaulted subsequent to the restructuring through the date the financial statements were available to be issued. The Bank had no troubled debt restructurings at December 31, 2011, and for the year then ended the Bank modified no loans that were considered to be troubled debt restructurings.

	<u>Number of Contracts</u>	<u>Pre-Modification Outstanding Recorded Investment</u>	<u>Post-Modification Outstanding Recorded Investment</u>
		<i>(in thousands)</i>	
Troubled Debt Restructurings:			
Real estate loans – residential	2 \$	243 \$	243
Real estate loans, non-residential	-	-	-
Commercial loans	-	-	-
Construction & Land Development	-	-	-
Consumer & Credit Card	-	-	-
Totals	2 \$	243 \$	243

	<u>Number of Contracts</u>	<u>Recorded Investment</u>
		<i>(in thousands)</i>
Troubled Debt restructurings:		
Real estate loans – residential	2 \$	243
Real estate loans, non-residential	0	0
Commercial loans	0	0
Construction & Land Development	0	0
Consumer & Credit Card	0	0
Totals	2 \$	243

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

The following provides information about the Bank's non-performing assets at December 31, 2012 and 2011:

2012

	<i>(in thousands)</i>
Non Accrual Loans	\$ 466
Loans Past due 90 or more days and still accruing interest	-
Total non-performing loans	<u>466</u>
Foreclosed real estate	-
Repossessed Assets	-
Total non-performing assets	<u>\$ 466</u>
Allowance for loan losses	<u>\$ 2,014</u>
Non-performing loans to period-end loans, excluding loans held for sale	<u>0.222%</u>
Allowance for loan losses to period-end loans, excluding loans held for sale	<u>0.960%</u>
Non-performing assets as a percentage of:	
Loans, foreclosed real estate, and investment in partnerships	<u>0.222%</u>
Total assets	<u>0.133%</u>
Ratio of allowance for loan losses to non performing loans	<u>432.19%</u>

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

3. LOANS - (Continued)

2011

	<i>(in thousands)</i>
Non Accrual Loans	\$ 622
Loans Past due 90 or more days and still accruing interest	-
Total non-performing loans	<u>622</u>
Foreclosed real estate	-
Repossessed Assets	-
Total non-performing assets	<u>622</u>
Allowance for loan losses	<u>\$ 2,062</u>
Non-performing loans to period-end loans, excluding loans held for sale	<u>0.297%</u>
Allowance for loan losses to period-end loans, excluding loans held for sale	<u>0.985%</u>
Non-performing assets as a percentage of:	
Loans, foreclosed real estate, and investment in partnerships	<u>0.297%</u>
Total assets	<u>0.183%</u>
Ratio of allowance for loan losses to non-performing loans	<u>332%</u>

4. BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31, 2012 and 2011 are summarized below:

	<u>2012</u>	<u>2011</u>
Land	\$ 2,299,424	\$ 2,299,424
Buildings	7,403,553	7,403,553
Leasehold improvements	3,284,869	3,284,869
Furniture, fixtures and equipment	<u>4,676,575</u>	<u>4,560,404</u>
	17,664,421	17,548,250
Less accumulated depreciation	<u>6,593,694</u>	<u>6,045,245</u>
	11,070,727	11,503,005
Construction in process	<u>65,696</u>	<u>65,696</u>
	<u>\$11,136,423</u>	<u>\$11,568,701</u>

Depreciation and amortization amounted to \$548,449 and \$536,572 in 2012 and 2011, respectively.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

5. INVESTMENTS IN MEMBERSHIP STOCKS

The Bank maintains investments in membership stocks of First National Bankers' Bank (FNBB) and the Federal Home Loan Bank (FHLB) of Dallas. The carrying amounts of these investments are stated at cost.

6. OTHER INVESTMENT

The Bank has invested in Community Financial Insurance Center, L.L.C., a limited liability company organized to engage in the insurance agency business, including the acquisition of existing insurance agencies and such other related activities, but only to the extent such activities are permissible for banks, either directly or through their affiliates. The Bank's initial investment of \$400,000 amounted to approximately 2.5% of the limited liability company's contributed capital at inception. The Bank accounts for its investment in the company by the equity method. The carrying amount of the investment approximates the Bank's investment in the amount of underlying equity in the company's net assets.

7. DEPOSITS

Deposit account balances at December 31, 2012 and 2011 are summarized as follows:

	<u>2012</u>	<u>2011</u>
Non-interest bearing demand	\$ 88,371,662	\$ 82,482,766
Official checks and money orders	1,429,997	382,316
Interest bearing demand	65,670,693	60,148,957
Savings	106,676,097	103,641,489
Certificates of deposit	<u>49,918,170</u>	<u>52,078,125</u>
	<u>\$312,066,619</u>	<u>\$298,733,653</u>

The aggregate amount of certificates of deposit with denominations in excess of \$100,000 was approximately \$17,931,000 and \$17,914,000 at December 31, 2012 and 2011, respectively. The aggregate amount of certificates of deposit with denominations in excess of \$250,000 was approximately \$5,736,000 and \$7,356,000 at December 31, 2012 and 2011, respectively. The Bank has no brokered deposits and there are no major concentrations of deposits.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

7. DEPOSITS – (Continued)

Maturity and repricing data for all certificates of deposit as of December 31, 2012 is presented as follows (in thousands):

Three months or less	\$15,520
Over three months through twelve months	16,200
Over one year through three years	11,871
Over three years	<u>6,327</u>
	<u>\$49,918</u>

Certificates of deposit with balances of \$100,000 through \$250,000 with a remaining maturity of one year or less at December 31, 2012 and 2011 amounted to approximately \$6,834,000 and \$7,124,000, respectively. Certificates of deposit with balances of more than \$250,000 with a remaining maturity of one year or less at December 31, 2012 and 2011 amounted to approximately \$3,477,000 and \$2,661,000, respectively.

8. ADVANCES FROM THE FHLB OF DALLAS

The Bank had the following outstanding advance from the FHLB of Dallas (FHLB) as of December 31, 2012:

<u>Origination</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Balance December 31, 2012</u>
8/14/2008	9/01/2023	5.034%	<u>\$354,755</u>

The advance requires monthly principal payments over the term; the interest rate is fixed over the term with interest payable monthly, and in the event the advance is prepaid by the bank, a prepayment penalty applies.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

8. ADVANCES FROM THE FHLB OF DALLAS – (Continued)

The aggregate maturities of the advance for each of the subsequent five years and thereafter are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 25,631
2014	26,951
2015	28,340
2016	29,800
Thereafter	<u>244,033</u>
	<u>\$354,755</u>

The Bank has an available line of credit with the FHLB with an additional borrowing capacity at December 31, 2012 of approximately \$105,891,000, and, as indicated above, the outstanding balance of those borrowings from the FHLB at December 31, 2012 amounted to \$354,755.

The advances are secured by the following assets:

	<u>Carrying Value December 31, 2012</u>
A blanket lien bearing on the Bank's mortgage loans	\$106,246,000
Pledge of FHLB stock	\$ 155,300
Pledge of deposit account with the FHLB	\$ 522,000

At December 31, 2012, the amount of FHLB stock required to be owned by the bank was approximately \$135,800. On the date, the bank owned \$155,300 of FHLB stock.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

9. INCOME TAXES

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

	<u>2012</u>	<u>2011</u>
Current	\$ 729,865	\$1,000,915
Deferred	<u>187,896</u>	<u>37,257</u>
	<u>\$ 917,761</u>	<u>\$1,038,172</u>

The provision for federal income taxes differs from that computed by applying federal statutory rates to income before federal income tax expense, as indicated in the following analysis:

	<u>2012</u>	<u>2011</u>
Federal statutory income tax at 34%	\$ 964,232	\$1,129,462
Nontaxable income	(28,346)	(42,128)
Nondeductible expenses	7,749	12,123
Increase in Cash Surrender Value of Life Insurance	(23,941)	(24,991)
Other	<u>(1,933)</u>	<u>(36,294)</u>
	<u>\$ 917,761</u>	<u>\$1,038,172</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Bank's deferred tax assets and liabilities as of December 31, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Deferred tax assets:		
Allowance for loan losses	\$ 409,580	\$ 425,337
Deferred compensation payable	<u>307,466</u>	<u>292,393</u>
	<u>717,046</u>	<u>717,730</u>
Deferred tax (liabilities):		
Pension costs	(581,960)	(323,861)
Depreciation	<u>(1,174,279)</u>	<u>(1,245,166)</u>
	<u>(1,756,239)</u>	<u>(1,569,027)</u>
Subtotal	(1,039,193)	(851,297)
Unrealized (gains) losses - available for sale securities	(472,861)	(300,768)
Unrecognized pension plan (gains) losses	<u>613,499</u>	<u>453,682</u>
Net deferred tax (liability)	<u>\$ (898,555)</u>	<u>\$ (698,383)</u>

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

10. NONINTEREST INCOME

The components of other noninterest income were as follows:

Other:	2012	2011
Insurance commissions	\$236,872	\$219,427
Increase in cash surrender of life insurance	70,415	73,502
Other income	25,173	22,790
Total	\$332,460	\$315,719

11. NONINTEREST EXPENSE

The components of other noninterest expense were as follows:

Other Operating Expenses:	2012	2011
Ad valorem taxes	\$ 419,000	\$ 264,000
Data processing services	346,095	351,381
Maintenance and repairs	260,759	215,805
Telephone	211,868	197,538
Directors' fees	178,569	161,175
FDIC assessments	170,448	336,148
Professional fees	151,211	148,543
Software maintenance	140,336	110,417
Advertising	132,810	262,194
Dues and subscriptions	132,429	119,676
Postage	131,447	149,769
ATM interchange expense	122,616	100,306
Other	1,141,996	1,127,331
Total	\$3,539,584	\$3,544,283

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

12. EMPLOYEE BENEFITS

Defined Benefit Plan

The Bank has a defined benefit retirement plan covering substantially all employees. All employees enter the plan when they attain the age of 21 and have 18 months of service. Participants are 100% vested upon entry into the plan. The defined benefit plan pays benefits to employees at retirement using formulas based on years of service and compensation rates near retirement. The Bank's funding policy is generally to make the maximum annual contributions required by applicable regulations. Contributions are intended to provide not only for benefits attributable to service to date but also for those expected to be earned in the future.

Effective September 30, 2012, the Bank amended the plan to freeze benefit accruals and anyone who was not a participant in the plan as of that date will not be eligible to enter the plan.

Accounting for defined benefit retirement plans is subject to the accounting guidance of FASB ASC 715, *Compensation - Retirement Benefits*.

At December 31, 2012 and 2011, the net periodic pension cost for each fiscal year was as follows:

	<u>2012</u>	<u>2011</u>
Service cost	\$ 504,354	\$ 432,582
Interest cost	254,618	265,083
Expected return on assets	(294,127)	(274,506)
Net amortization amounts		
(Gain) or loss recognized	<u>103,582</u>	<u>66,157</u>
Net periodic pension cost	<u>\$ 568,427</u>	<u>\$ 489,316</u>

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

12. EMPLOYEE BENEFITS - (Continued)

Defined Benefit Plan - (Continued)

At December 31, 2012 and 2011, the funded status of the plan was as follows:

	2012			2011
	Pre- <u>Curtailment</u>	Post- <u>Curtailment</u>	Post- Curtailment and Discount <u>Rate Change</u>	
Fair value of plan assets at December 31	\$ 5,429,938	\$ 5,429,938	\$ 5,429,938	\$ 4,424,436
Benefit obligation at December 31	<u>(5,203,479)</u>	<u>(4,624,346)</u>	<u>(5,395,333)</u>	<u>(5,149,261)</u>
Funded status	226,459	805,592	34,605	(724,825)
Unrecognized net loss	<u>1,639,919</u>	<u>1,060,786</u>	<u>1,831,773</u>	<u>1,804,413</u>
Prepaid Pension Cost	<u>\$1,866,378</u>	<u>\$1,866,378</u>	<u>\$1,866,378</u>	<u>\$1,079,588</u>
			2012	2011
Weighted average assumptions as of December 31:				
Discount rate			4.00%	5.00%
Expected return on plan assets			4.75%	6.50%
Rate of compensation increase			0.00%	3.50%

The plan's weighted-average asset allocations at December 31, by asset category, are as follows:

	2012	2011
Guaranteed fixed income single Group Annuity Contract	<u>100%</u>	<u>100%</u>

The underlying portfolio backing this group annuity contract is a segment of the General Account of Metropolitan Life Insurance Company. The portfolio is primarily invested in bonds and mortgages and seeks to maintain the highest possible quality consistent with attractive long-term investment returns.

There are no Bank securities in the plan assets.

The Bank's expected, estimated contribution to the plan in 2013 is \$630,000.

(Continued)

METAIRIE BANK AND TRUST COMPANY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)

12. EMPLOYEE BENEFITS - (Continued)

Defined Benefit Plan – (Continued)

The following estimated future benefit payments are expected to be made over the following periods:

	<u>Amount</u>
2013	\$ 154,220
2014	169,036
2015	202,549
2016	218,763
2017	222,489
2018 to 2022	<u>1,417,591</u>
	<u>\$2,384,648</u>

The reconciliation of the fair value of plan assets for 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Fair value of plan assets - beginning	\$4,424,436	\$4,093,468
Actual contributions	1,355,217	614,420
Actual distributions	(534,558)	(416,162)
Expected return on assets	294,127	274,506
Gain or (loss)	<u>(109,284)</u>	<u>(141,796)</u>
Fair value of plan assets - ending	<u>\$5,429,938</u>	<u>\$4,424,436</u>

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

12. EMPLOYEE BENEFITS - (Continued)

Defined Benefit Plan – (Continued)

The reconciliation of the projected benefit obligation (PBO) for 2012 and 2011 are as follows:

	2012			2011
	Pre- Curtailment	Post- Curtailment	Post- Curtailment and Discount Rate Change	
PBO - beginning	\$5,149,261	\$5,149,261	\$5,149,261	\$4,473,348
Interest cost	254,618	254,618	254,618	265,083
Service cost including interest	504,354	504,354	504,354	432,582
Actual distributions	(534,558)	(534,558)	(534,558)	(416,162)
Liability (gain) or loss	<u>(170,196)</u>	<u>(749,329)</u>	<u>21,658</u>	<u>394,410</u>
PBO - ending	<u>\$5,203,479</u>	<u>\$4,624,346</u>	<u>\$5,395,333</u>	<u>\$5,149,261</u>

The plan allows lump sum payments. The above estimated benefit payments represent amounts payable as participants reach normal retirement age during the specified years. The lump sums were based on the plan's actuarial assumptions and do not reflect the governmentally prescribed assumptions, which are subject to change each year, and often provide for a higher amount.

Defined Contribution Plan

The Bank offers a 401(k) Employee Savings Plan that covers employees working at least 1,000 hours a year, who are over 21 years of age and have six months of service, with entry on the first day of the following quarter. Employees are 100% vested in the funds they have contributed. The matching and discretionary funds contributed by the employer are partially vested after three years and fully vested after seven years of service. In 2012, participants may make contributions in the form of salary deferrals up to 15% of their compensation, up to a maximum of \$17,000, and, participants who have reached the age of 50 may make an additional \$5,500 "catch-up" contribution annually without regard to the above limitations. The Bank matches 50% of each employee's contributions, up to 4% of each employee's compensation, and there was no change in the percentage of the Bank's matching contributions for 2012 or 2011. The Bank's matching contribution for 2012 and 2011 amounted to \$54,582 and \$57,482, respectively.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

12. EMPLOYEE BENEFITS - (Continued)

Deferred Compensation Agreement

The Bank entered into a deferred compensation agreement covering one of its officers. The total deferred compensation payable under the agreement is \$1,275,000, payable \$85,000 annually for fifteen years commencing upon the officer's retirement. In accordance with accounting principles generally accepted in the United States of America, the deferred compensation is being accrued and charged to earnings as the related employee's services are rendered. The annual charge to earnings for 2012 and 2011 was approximately \$44,000 and \$172,000, respectively, and the amount of accrued deferred compensation at December 31, 2012 and 2011 was approximately \$904,000 and \$860,000, respectively. The agreement is unfunded and is payable from the general assets of the Bank.

The Bank anticipates the annual payments required in accordance with the terms of the agreement may commence in 2013.

13. LEASES

The Bank has long-term operating leases on certain buildings and land it occupies as branch offices in Metairie, Louisiana, which expire at various times through December 2057. Rent relating to these leases charged to expense was \$240,760 in 2012 and \$268,355 in 2011.

At December 31, 2012 the minimum rental commitments under these noncancellable leases were as follows:

2013	\$ 223,052
2014	200,553
2015	200,553
2016	200,553
2017	123,129
Thereafter	<u>2,001,354</u>
	<u>\$2,949,194</u>

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

14. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of accumulated other comprehensive income as of December 31, 2012 and 2011 are as follows:

	<u>Unrealized Gains (Losses) Securities</u>	<u>Defined Benefit Pension Plan Unrecognized Gains (Losses)</u>	<u>Total Accumulated Other Comprehensive Income</u>
Balance, January 1, 2011	\$ 956,966	\$ (747,917)	\$ 209,049
Unrealized holding (losses) arising during the period	(565,337)	-	(565,337)
Unrecognized pension plan gains (losses) during the period	-	(201,155)	(201,155)
Income tax effect	<u>192,215</u>	<u>68,392</u>	<u>260,607</u>
2011 Change	<u>(373,122)</u>	<u>(132,763)</u>	<u>(505,885)</u>
Balance, December 31, 2011	<u>583,844</u>	<u>(880,680)</u>	<u>(296,836)</u>
Unrealized holding gains arising during the period	506,152	-	506,152
Unrecognized pension plan gains (losses) during the period	-	(470,049)	(470,049)
Income tax effect	<u>(172,092)</u>	<u>159,816</u>	<u>(12,276)</u>
2012 Change	<u>334,060</u>	<u>(310,233)</u>	<u>23,827</u>
Balance December 31, 2012	\$ <u>917,904</u>	\$ <u>(1,190,913)</u>	\$ <u>(273,009)</u>

During 2012 and 2011, no securities were sold.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

15. FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

In the normal course of business, the Bank has outstanding commitments and contingent liabilities, such as commitments to extend credit and standby letters of credit, which are not included in the accompanying financial statements. The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters is represented by the contractual or notional amount of those instruments. The Bank uses the same credit policies in making such commitments as it does for instruments that are included in the statement of condition.

Financial instruments whose contract amount represents credit risk were as follows:

	<u>2012</u>	<u>2011</u>
Commitments to extend credit	\$31,540,000	\$30,678,000
Standby letters of credit	\$ 491,000	\$ 320,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Bank's policy for obtaining collateral, and the nature of such collateral, is essentially the same as that involved in making commitments to extend credit.

16. SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

As discussed previously, the Bank generates loans to individual and business customers within its immediate and surrounding geographic areas, and the majority of those loans, which are secured, are collateralized by area real estate and automobiles. Likewise, the Bank receives a majority of its deposits from substantially the same customers.

The Bank maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2012 cash deposits in excess of this limit amounted to approximately \$272,000. The Bank also had funds on deposit with the Federal Reserve Bank at December 31, 2012 of approximately \$36,373,000.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

17. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Deposit Insurance Corporation (FDIC). Failure to meet minimum regulatory capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total risk-based capital and Tier I capital to risk-weighted assets (as defined in the regulations), and of Tier I capital to average total assets (as defined).

Management believes, as of December 31, 2012, that the Bank meets all the capital adequacy requirements to which it is subject. As of December 31, 2012, the most recent notifications from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To remain categorized as well capitalized, the Bank will have to maintain minimum total risk-based, Tier I risk based, and Tier I leverage ratios as disclosed in the table below. There are no conditions or events since the most recent notification that management believes have changed the Bank's prompt corrective action category. The Bank's actual and required capital amounts and ratios are as follows:

	<u>Actual</u>		<u>Required for Capital Adequacy Purposes</u>		<u>Required to be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
As of December 31, 2012:						
Tier I capital (to average assets)	\$37,231,477	10.50%	\$10,635,180	3.00%	\$17,725,300	5.00%
Tier I capital (to risk weighted assets)	\$37,231,477	19.34%	\$ 7,700,160	4.00%	\$11,550,240	6.00%
Total capital (to risk weighted assets)	\$39,245,477	20.39%	\$15,400,320	8.00%	\$19,250,400	10.00%
As of December 31, 2011:						
Tier I capital (to average assets)	\$37,356,804	10.88%	\$10,302,570	3.00%	\$17,170,950	5.00%
Tier I capital (to risk weighted assets)	\$37,356,804	19.24%	\$ 7,766,320	4.00%	\$11,649,480	6.00%
Total capital (to risk weighted assets)	\$39,418,719	20.30%	\$15,532,640	8.00%	\$19,415,800	10.00%

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

17. REGULATORY MATTERS – (Continued)

The Bank is subject to certain restrictions on the amount of dividends that it may pay without prior regulatory approval. In addition, dividends paid by the Bank would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB ASC 815, *Financial Instruments*, requires the disclosure of estimated fair value information about certain on and off balance sheet financial instruments where it is practicable to estimate those values. If quoted market prices are not available, which is true for many of the Bank's financial instruments, the Bank estimates fair value using present value or other valuation techniques. The assumptions used in applying these techniques, such as those concerning appropriate discount rates and estimates of future cash flows, require considerable judgment and significantly affect the resulting fair value estimates. In addition, no value estimate is assigned to future business opportunities from long-term customer relationships underlying certain financial instruments. Accordingly, the derived fair value of estimates may not indicate the amount the Bank could realize in a current settlement of the financial instruments. Reasonable comparability of fair value estimates between financial institutions may not be possible due to the wide range of permitted valuation techniques and numerous assumptions involved. The aggregate fair value amounts presented do not, and are not intended to, represent an aggregate measure of the underlying fair value of the Bank.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Cash and Cash Equivalents - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.

Securities - For securities, fair value equals quoted market price, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

Loans - The fair value of loans is derived using the build-up approach. This approach views the discount rate as consisting of four components. The Treasury yield curve serves as a basis and is adjusted to be commensurate with the credit risk, overhead costs and optionality of such loans.

Cash Surrender Value of Life Insurance - The fair value is estimated to equal the cash equivalent available on redemption of the policies.

Deposits - The fair value of demand deposits, savings accounts and certain money market deposits is the amount payable on demand at the reporting date. The fair value of fixed maturity certificates of deposit is estimated using the rates currently offered for deposits of similar remaining maturities.

(Continued)

METAIRIE BANK AND TRUST COMPANY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

(Continued)

18. DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS - (Continued)

Advances from the FHLB of Dallas - The fair value is estimated using rates currently available for borrowings of similar remaining maturities.

The estimated fair values of the bank's financial instruments are as follows as of December 31, 2012 and 2011:

	<u>2012</u>		<u>2011</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:				
Cash and cash equivalents	\$ 44,443,928	\$ 44,443,928	\$ 34,422,225	\$ 34,422,225
Securities	81,665,290	81,665,290	79,685,933	79,685,933
Mortgage loans available for sale	122,500	123,500	466,000	466,000
Loans	209,794,432	216,865,000	209,239,771	215,624,000
Less: Allowance for loan losses	<u>(2,013,922)</u>	<u>-</u>	<u>(2,061,915)</u>	<u>-</u>
Loans, net of allowance	<u>207,780,510</u>	<u>216,865,000</u>	<u>207,177,856</u>	<u>215,624,000</u>
Cash surrender value of life insurance	2,995,127	2,995,127	2,924,713	2,924,713
Financial liabilities:				
Deposits	312,066,619	312,503,000	298,733,653	299,444,000
Advances from the FHLB of Dallas	354,755	363,000	379,028	407,000

The carrying amounts in the preceding tables are included in the statement of condition under the applicable captions. The contract or notional amounts of the Bank's financial instruments with off-balance-sheet risk are disclosed in Note 15.

19. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 4, 2013 the date which the financial statements were available to be issued.