First Bancshares of Texas, Inc. and Subsidiaries

Financial Statements
Years Ended December 31, 2006 and 2005

Johnson Miller & Co.
Certified Public Accountants
A Professional Corporation

First Bancshares of Texas, Inc. and Subsidiaries

Contents

JOHNSON MILLER & CO., CPA's PC
Certified Public Accountants
A Professional Corporation
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Odessa, Texas
Midland, Texas
Hobbs, New Mexico

Report of Independent Certified Public Accountants

Board of Directors and Stockholders
First Bancshares of Texas, Inc. and Subsidiaries
Midland, Texas

We have audited the consolidated statements of financial condition of First Bancshares of Texas, Inc. (the "Company") and Subsidiaries as of December 31, 2006 and 2005, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Bancshares of Texas, Inc. and Subsidiaries as of December 31, 2006 and 2005, and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Johnson Miller & Co., CPA's PC

Odessa, Texas
March 23, 2007

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Consolidated Financial Statements

First Bancshares of Texas, Inc. and Subsidiaries

Consolidated Statements of Financial Condition

December 31,		2006	2005
ASSETS			
Cash Equivalents (Notes 1 and 2)			
Cash and due from banks	$	**7,344,009**	7,833,253
Interest bearing deposits with banks		**505,736**	3,009,695
Federal funds sold		**3,975,000**	9,970,000
Total cash equivalents		**11,824,745**	20,812,948
Securities (Notes 1 and 3)			
Held to maturity		**44,857,831**	40,656,401
Available for sale		**16,010,994**	8,915,798
Restricted		**289,300**	259,300
Loans Held for Sale (Note 1)		**2,642,361**	1,001,000
Loans, Net (Notes 1 and 4)		**82,286,300**	75,597,711
Bank Premises and Equipment (Notes 1 and 5)		**5,165,038**	4,304,338
Investment in Unconsolidated Subsidiary (Note 10)		**109,702**	102,568
Deferred Income Taxes (Notes 1 and 7)		**514,889**	398,157
Interest Receivable and Other Assets		**1,534,259**	1,210,065
Total assets	$	**165,235,419**	153,258,286
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits			
Non-interest bearing demand	$	**60,750,071**	57,128,085
Interest bearing:			
Demand deposits		**57,001,158**	55,889,302
Savings accounts		**3,027,346**	2,072,706
Certificates of deposit (Note 6)		**25,707,773**	21,164,569
Total deposits		**146,486,348**	136,254,662
Securities sold under agreements to repurchase (Note 1)		**4,064,420**	3,772,146
Interest payable and other liabilities		**608,778**	492,361
Subordinated debentures (Note 10)		**3,093,000**	3,093,000
Total liabilities		**154,252,546**	143,612,169
Commitments and Contingencies (Notes 8, 11, 12 and 14)			
Stockholders' Equity			
Common stock; $1 par value; 10,000,000 shares authorized; 3,874,518 shares issued and outstanding at December 31, 2006 and 2005		**3,874,518**	3,874,518
Capital surplus		**4,447,276**	4,445,576
Accumulated surplus		**2,819,269**	1,527,749
Treasury stock at cost; 417 shares at December 31, 2005		**-**	(1,355)
Accumulated other comprehensive (loss) income		**(158,190)**	(200,371)
Total stockholders' equity		**10,982,873**	9,646,117
Total liabilities and stockholders' equity	$	**165,235,419**	153,258,286

See accompanying notes to consolidated financial statements.

First Bancshares of Texas, Inc. and Subsidiaries

Consolidated Statements of Income

Years Ended December 31,		**2006**	2005
Interest Income:			
Loans	$	**6,569,563**	5,029,104
Securities		**2,360,203**	1,779,829
Federal funds sold		**450,570**	280,369
Deposits with banks		**98,311**	97,866
		9,478,647	7,187,168
Interest Expense:			
Deposits and securities sold under agreements to repurchase		**2,142,797**	1,365,344
Other borrowed funds		**260,999**	204,608
		2,403,796	1,569,952
Net interest income		**7,074,851**	5,617,216
Provision for Loan Losses (Note 4)		**355,000**	530,000
Net interest income after provision for loan losses		**6,719,851**	5,087,216
Noninterest Income:			
Real estate mortgage fees		**999,751**	361,135
Other service charges and fees		**680,325**	538,912
Income from fiduciary activities		**234,011**	171,399
Equity in income of unconsolidated subsidiary		**7,132**	5,437
Net (loss) gain on sale or call of investment securities		**(3,328)**	(12,351)
		1,917,891	1,064,532
Noninterest Expense:			
Salaries and employee benefits		**3,635,290**	2,449,938
Occupancy and equipment expense		**1,172,882**	892,768
Data processing		**351,314**	291,629
Professional fees		**209,686**	188,808
Advertising and promotion (Note 1)		**207,477**	157,731
Director fees and other expense		**136,350**	117,153
Telephone		**108,335**	76,477
Supplies		**88,517**	62,255
Postage and freight		**87,616**	87,087
Regulatory fees		**59,716**	53,102
Other		**705,801**	505,648
		6,762,984	4,882,596
Income before income taxes		**1,874,758**	1,269,152
Income Tax Expense (Note 7)		**583,238**	365,700
NET INCOME	$	**1,291,520**	903,452

See accompanying notes to consolidated financial statements.

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 2006 and 2005		Common Stock	Capital Surplus	Accumulated Surplus	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 1, 2005	$	3,864,518	4,435,576	624,297	(103,680)	(84,827)	8,735,884
Issuance of Common Stock (Note 9)		10,000	10,000	-	-	-	20,000
Sale of Treasury Stock, 34,560 Shares		-	-	-	103,680	-	103,680
Purchase of Treasury Stock, 417 Shares		-	-	-	(1,355)	-	(1,355)
Comprehensive Income:							
Net income for the year		-	-	903,452	-	-	903,452
Amortization of unrealized gain on securities transferred from available-for-sale to held-to- maturity, net of tax of $1,350		-	-	-	-	2,620	2,620
Net change in unrealized appreciation (depreciation) on the Bank's available-for-sale securities, net of tax $60,578		-	-	-	-	(118,164)	(118,164)
Total Comprehensive Income		-	-	-	-	-	787,908
Balance at December 31, 2005		3,874,518	4,445,576	1,527,749	(1,355)	(200,371)	9,646,117

See accompanying notes to consolidated financial statements.

First Bancshares of Texas, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Continued)

Years Ended December 31, 2006 and 2005		Common Stock	Capital Surplus	Accumulated Surplus	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Purchase of Treasury Stock, 31,800 Shares	$	-	-	-	(106,750)	-	(106,750)
Sale of Treasury Stock, 32,217 Shares		-	1,700	-	108,105	-	109,805
Comprehensive Income:							
Net income for the year		-	-	1,291,520	-	-	1,291,520
Amortization of unrealized gain on securities transferred from available-for-sale to held-to-maturity, net of tax of $1,351		-	-	-	-	2,624	2,624
Net change in unrealized appreciation (depreciation) on the Bank's available-for-sale securities, net of tax $20,380		-	-	-	-	39,557	39,557
Total Comprehensive Income		-	-	-	-	-	1,333,701
Balance at December 31, 2006	$	3,874,518	4,447,276	2,819,269	-	(158,190)	10,982,873

See accompanying notes to consolidated financial statements.

First Bancshares of Texas, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Years Ended December 31,		**2006**	2005
Increase (Decrease) in Cash and Cash Equivalents			
Cash flows from operating activities:			
Net income	$	**1,291,520**	903,452
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		**516,846**	366,398
Deferred income taxes		**(138,463)**	(89,764)
Net gain on calls of securities – held to maturity		**(1,461)**	(13,199)
Net (gain) loss on sales and calls of securities – available for sale		**(1,867)**	28
Net amortization of marketable securities		**273,872**	322,997
Provision for possible loan losses		**355,000**	530,000
Equity in undistributed earnings of unconsolidated subsidiary		**(7,134)**	(5,436)
Net increase in loans held for sale		**(1,641,361)**	(1,001,000)
(Increase) in interest receivable and other assets		**(324,194)**	(255,145)
Increase (decrease) in interest payable and other liabilities		**116,417**	(30,277)
Net cash provided by operating activities		**439,175**	728,054
Cash flows from investing activities:			
Purchases of securities – held to maturity		**(6,858,133)**	(16,869,155)
Purchases of securities – available for sale securities		**(7,918,622)**	(511,438)
Purchases of securities – restricted		**(30,000)**	(15,000)
Proceeds from calls and maturities of securities – held to maturity		**2,496,435**	4,444,149
Proceeds from sales, calls and maturities of securities – available for sale		**777,062**	2,659,294
Net increase in loans		**(7,043,589)**	(9,403,874)
Purchase of bank premises and equipment		**(1,379,982)**	(1,784,967)
Proceeds from sale of bank premises and equipment		**2,436**	79,879
Net cash used in investing activities		**(19,954,393)**	(21,401,112)
Cash flows from financing activities:			
Net increase in non-interest bearing demand, NOW, savings and money market accounts		**5,688,482**	23,241,380
Net increase in certificates of deposits		**4,543,204**	(2,828,552)
Net increase in securities sold under agreements to repurchase		**292,274**	396,860
Proceeds from issuance of common stock		**-**	20,000
Purchase of treasury stock		**(106,750)**	(1,355)
Proceeds from sale of treasury stock		**109,805**	103,680
Net cash provided by financing activities		**10,527,015**	20,932,013
Net (decrease) increase in cash and cash equivalents		**(8,988,203)**	258,955
Cash and cash equivalents at beginning of year		**20,812,948**	20,553,993
Cash and cash equivalents at end of year	$	**11,824,745**	20,812,948

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31,		**2006**	2005
Cash paid during the year for:			
Interest	$	2,025,139	1,539,324
Income taxes		848,264	315,490
Noncash investing and financing activities:			
Changes in unrealized appreciation (depreciation) on available-for-sale securities and securities transferred from available-for-sale to held-to-maturity	$	(63,912)	174,772
Changes in available deferred tax		21,731	(59,228)
	$	(42,181)	115,544

See accompanying notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

First Bancshares of Texas, Inc. (the "Company") through its wholly-owned subsidiaries, First Midland Nevada Corp. ("Nevada"), the First National Bank of Midland (the "Bank") and First Bancshares of Texas Statutory Trust 1 (the "Trust"), conducts business in the commercial and consumer banking industry. The Company generates commercial and consumer loans and receives deposits from customers located in Midland, the surrounding Permian Basin, and the Panhandle of Texas.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America and prevailing practices within the banking industry. A summary of the Company's more significant accounting policies follows:

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries except for the Trust. In accordance with the provisions of Financial Accounting Standards Board ("FASB") Interpretation No. 46R ("FIN 46R"), *Consolidation of Variable Interest Entities an Interpretation of ARB No. 51*, the Company does not consolidate the Trust. FIN 46R requires the Company's investment in the Trust be accounted for under the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers cash and due from banks, interest bearing deposits, and federal funds sold to be cash equivalents.

Securities Held to Maturity

Bonds, notes and debentures for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the period to maturity.

Securities Available for Sale

Available-for-sale securities consist of bonds, notes, and debentures, not classified as held-to-maturity securities. Such securities are carried at estimated fair value based on quoted market prices.

Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in a separate component of shareholders' equity until realized.

Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method.

1. Summary of Significant Accounting Policies (Continued)

Securities Available-for-Sale

Any nontemporary declines in the fair value of individual held-to-maturity or available-for-sale securities below their cost would result in write-downs on the individual securities to their fair value. The related write-downs, if any, have been included in earnings as realized losses. During 2005 and 2004, the Company was not required to write-down any securities for such market declines.

Premiums and discounts are recognized in interest income using the interest method over the period to maturity.

Restricted Securities

Restricted securities consist of stock in depository institutions, including the Federal Reserve Bank (FRB). Ownership in these stocks is restricted and such stocks do not have a readily determinable fair value. Accordingly, the Company reports these securities at cost.

Loans Held for Sale

Loans held for sale are comprised of mortgage loans and are stated at the lower of aggregate cost or market value. The determination of market value includes consideration of all open positions, outstanding commitments from investors, related fees paid and related hedging gains and losses, if any. Gains and losses on sales are recognized at settlement dates and are determined by the difference between sales proceeds and the carrying values of the mortgages. Gains and losses are recorded in noninterest income.

Loans Receivable

Loans receivable for which management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances reduced by any charge-offs or specific valuation accounts and net of any deferred fees or costs on originated loans, or unamortized premiums or discounts on purchased loans.

Loan origination fees and certain direct origination costs are generally recognized in the period in which fees were received and/or costs were incurred. Under accounting principles generally accepted in the United States of America, such fees and costs are deferred and recognized over the life of the loan as an adjustment of the yield. As of December 31, 2006 and 2005, management believes that the effect of not deferring such fees and costs, and amortizing them over the life of the related loan does not materially affect the financial position of the Bank.

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectibility of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions, and other risks inherent in the portfolio.

1. Summary of Significant Accounting Policies (Continued)

Loans Receivable (Continued)

Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. Although management uses available information to recognize losses on loans, because of uncertainties associated with local economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that a material change could occur in the allowance for loan losses in the near term. However, the amount of the change that is reasonably possible cannot be estimated. The allowance is increased by a provision for loan losses, which is charged to expense and reduced by charge-offs, net of recoveries. Changes in the allowance relating to impaired loans are charged or credited to the provision for loan losses.

The accrual of interest on impaired loans is discontinued when, in management's opinion, the borrower may be unable to meet payments as they become due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received.

A loan is considered impaired when it is probable, based upon current information and events, the Company will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. Impaired loans are accounted for at the net present value of expected future cash flows, discounted at the loan's effective interest rate, the observable market price of the loan or at the fair value of the collateral if the loan is collateral dependent.

The Company grants commercial, real estate and consumer loans to customers primarily in Midland, the surrounding Permian Basin, and the Panhandle of Texas. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent upon the general economic conditions of the area.

Bank Premises and Equipment

Land is stated at cost. Buildings, furniture and equipment are stated at cost less accumulated depreciation. Depreciation is recognized on the straight-line method over estimated useful lives of 20 years for buildings and 3 to 7 years for furniture and equipment. Gains or losses on dispositions are credited or charged to income. Maintenance, repairs and minor improvements are charged to expense as incurred.

Income Taxes

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

1. Summary of Significant Accounting Policies (Continued)

Advertising Expenses

All advertising costs are expensed when incurred. Advertising expenses were approximately $207,000 and $158,000 for the years ended December 31, 2006 and 2005, respectively.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded or related fees are incurred or received.

Fair Values of Financial Instruments

The FASB's Statement of Financial Accounting Standards ("SFAS") No. 107, *Disclosures about Fair Value of Financial Instruments*, requires disclosure of the estimated fair value of an entity's financial instrument assets and liabilities. For the Company, as for most financial institutions, the bulk of its assets and liabilities are considered financial instruments as defined in SFAS No. 107. However, many of these instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction. Also, it is the Company's general practice and intent to hold its financial instruments, other than available-for-sale securities, to maturity and not to engage in trading or sales activities with those instruments. Therefore, the Company had to use significant estimations and present value calculations to prepare this disclosure.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, management is concerned that there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and methodologies in the absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

Fair values have been estimated using data that management considered the best available, as generally provided in the Company's Regulatory Reports, and the estimation methodologies deemed suitable for the pertinent category of financial instrument. The carrying amounts are the amounts at which the financial instruments are reported in the financial statements.

The following methods and assumptions were used by the Company in estimating fair values of financial instruments as disclosed herein:

Cash and Cash Equivalents – The carrying amounts of cash and short-term instruments approximate their fair value.

1. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

Held-to-Maturity and Available-for-Sale Securities – Fair values for investment securities, excluding restricted equity securities, are based on quoted market prices. The carrying values of restricted equity securities approximate fair values.

Loans Held for Sale – The carrying amount is a reasonable estimate of fair value because of the relatively short period of time between loan origination and sale.

Loans Receivable – For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for certain mortgage loans (for example, one-to-four family residential), credit card loans, and other consumer loans are based on quoted market prices of similar loans sold in conjunction with securitization transactions, adjusted for differences in loan characteristics. Fair values for commercial real estate and commercial loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

Deposit Liabilities – The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). The carrying amounts of variable-rate, fixed-term money market accounts and certificates of deposit (CDs) approximate their fair values at the reporting date. Fair values for fixed-rate CDs are estimated using a discounted cash flow calculation that applies interest rates currently being offered on CDs to a schedule of aggregated expected monthly maturities.

Short-Term Borrowings - The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings maturing within 90 days approximate their fair values. Fair values of other short-term borrowings are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Long-Term Debt – The fair values of the Company's long-term debt are estimated using discounted cash flow analyses based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Accrued Interest – The carrying amounts of accrued interest approximate their fair values.

1. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments (Continued)

Off-Balance-Sheet Instruments – Fair values for off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing.

Securities Sold Under Agreements to Repurchase

The Company's repurchase agreements mature within 90 days. The Company requires collateral, i.e., the underlying securities, sufficient to cover the redemption of the repurchase agreements. At December 31, 2006, the repurchase agreements were secured by certain of the Bank's available-for-sale securities, with fair values of approximately $5,390,000.

Stock Option Plan

Prior to January 1, 2006, the Company elected to account for its stock option plan using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB 25"). Under APB 25, compensation cost is the excess, if any, of the quoted market price of the stock at the grant date over the amount the employee must pay to acquire the stock. Stock options issued under the Company's stock option plan have no intrinsic value at the grant date. As a result, no compensation cost has been recognized for them.

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 123 (revised), which requires companies to measure all stock-based compensation awards using a fair value method, and to recognize the related compensation cost in their financial statements. The adoption of this Standard did not materially impact the Company's financial statements.

Use of Estimates

In preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

Certain Reclassifications

Certain reclassifications have been made to conform to the 2006 presentation.

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In December 2004, the FASB issued a revised Statement No. 123, *Accounting for Stock-Based Compensation*. This Statement eliminates the alternative to use Accounting Principles Board ("APB") Opinion No. 25's intrinsic value method of accounting. This Statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of these instruments. An entity will measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of those instruments, except in certain circumstances. The provisions of this interpretation became effective for the Company as of the beginning of fiscal 2006.

In December 2004, the FASB issued Statement of Financial Accounting Standards ("SFAS") No. 153, *Exchanges of Nonmonetary Assets*. This Statement amends APB Opinion No. 29, to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. The provisions of this Statement became effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. This Statement replaces APB Opinion 20 and FASB Statement No. 3 and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed. The provisions of this Statement became effective for accounting changes and corrections of errors made in the Company's 2006 fiscal year.

In April 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Intrustments – an Amendment of FASB Statements No. 133 and 140*. This statement resolves issues addressed in Statement 133 Implementation Issue No. D1, *Application of Statement 133 to Beneficial Interests in Securitized Financial Assets* and amends Statement 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. The Statement permits fair value remeasurements for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation.

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

It clarifies which interest-only strips and principal-only strips are not subject to the requirements of Statement 133 and that concentrations of credit risk in the form of subordination are not embedded derivatives. The Statement also establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation. This Statement is effective for all financial instruments acquired or issued after the beginning of the entity's first fiscal year that begins after September 15, 2006.

In June 2006, the FASB issued SFAS No. 156, *Accounting for Servicing of Financial Assets – an Amendment of FASB Statement No. 140*. This statement requires an entity to recognize a servicing asset or servicing liability each time it undertakes an obligation to service a financial asset by entering into a servicing contract in certain situations. It requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value, if practicable. This Statement also requires separate presentation of servicing assets and servicing liabilities subsequently measured at fair value in the statement of financial position and additional disclosures for all separately recognized servicing assets and servicing liabilities. This Statement should be adopted as of the beginning of the entity's first fiscal year that begins after September 15, 2006.

Management does not believe these new standards will have a material impact on its financial statements.

2. Concentrations of Credit – Risk

The Company maintains cash balances including federal funds sold at several financial institutions located in the Southwest. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $100,000. Uninsured balances aggregate to approximately $5,676,000 and $14,538,000 at December 31, 2006 and 2005, respectively. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The Company was required to have $830,000 on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at December 31, 2006.

3. Investment Securities

Investment securities have been classified in the statement of financial condition according to management's intent. The amortized cost of securities and their approximate fair values were as follows:

		2006	
		Amortized Cost	Fair Value
HELD-TO-MATURITY:			
Mortgage backed securities	$	20,895,930	20,473,674
Municipal bonds		9,096,999	8,938,867
U.S. Agency securities		14,864,902	14,674,973
	$	44,857,831	44,087,514

		Gross Unrealized Gains	Gross Unrealized Losses
HELD-TO-MATURITY:			
Mortgage backed securities	$	8,164	(430,420)
Municipal bonds		28,125	(186,257)
U.S. Agency securities		5,825	(195,754)
	$	42,114	(812,431)

		Amortized Cost	Fair Value
AVAILABLE-FOR-SALE:			
Mortgage backed securities	$	4,039,119	3,996,641
U.S. Agency securities		12,183,860	12,014,353
	$	16,222,979	16,010,994

		Gross Unrealized Gains	Gross Unrealized Losses
AVAILABLE-FOR-SALE:			
Mortgage backed securities	$	6,451	(48,929)
U.S. Agency securities		8,321	(177,828)
	$	14,772	(226,757)

3. Investment Securities (Continued)

		2005	
		Amortized Cost	Fair Value
HELD-TO-MATURITY:			
Mortgage backed securities	$	18,336,362	17,909,501
Municipal bonds		8,559,716	8,485,552
U.S. Agency securities		13,760,323	13,507,143
	$	40,656,401	39,902,196

		Gross Unrealized Losses	Gross Unrealized Gains
HELD-TO-MATURITY:			
Mortgage backed securities	$	812	(427,673)
Municipal bonds		37,993	(112,157)
U.S. Agency securities		-	(253,180)
	$	38,805	(793,010)

		Amortized Cost	Fair Value
AVAILABLE-FOR-SALE:			
Mortgage backed securities	$	2,399,050	2,342,177
U.S. Agency securities		6,788,674	6,573,621
	$	9,187,724	8,915,798

		Gross Unrealized Losses	Gross Unrealized Gains
AVAILABLE-FOR-SALE:			
Mortgage backed securities	$	6,793	(63,666)
U.S. Agency securities		-	(215,053)
	$	6,793	(278,719)

Investment securities also include restricted securities with a cost of $289,300 and $259,300, respectively at December 31, 2006 and 2005. The carrying values approximate fair values.

3. Investment Securities (Continued)

Gross realized gains and losses on held-to-maturity securities called and on sales of available-for-sale securities were:

		2006	2005
Gross realized gains:			
AVAILABLE-FOR-SALE			
Mortgage backed securities	$	-	28
	$	-	28
Gross realized losses:			
HELD-TO-MATURITY			
Mortgage backed securities	$	1,461	126
Corporate securities		-	13,073
	$	1,461	13,199
Gross unrealized losses:			
AVAILABLE-FOR-SALE			
Mortgage backed securities	$	1,867	-
	$	1,867	-

The scheduled maturities of securities held-to-maturity and securities available-for-sale at December 31, 2006 were as follows:

		Held-to-Maturity	
		Carrying Value	Fair Value
Due in one year or less	$	-	-
Due in one to five years		19,049,970	18,780,214
Due in five to ten years		12,476,702	12,213,099
Due after ten years		13,331,159	13,094,201
	$	44,857,831	44,087,514

		Available-for-Sale	
		Amortized Cost	Fair Value
Due in one year or less	$	-	-
Due in one to five years		12,183,860	12,014,353
Due in five to ten years		-	-
Due after ten years		4,039,119	3,996,641
	$	16,222,979	16,010,994

3. Investment Securities (Continued)

The maturity distribution above is based on contractual lives of the underlying securities. The amortized cost and fair value of mortgage backed securities are presented by contractual maturity in the preceding table. Management believes a significant portion of the mortgage backed securities will pay down prior to the end of their contractual lives. Some securities have call dates which are not reflected in the above maturity distribution.

Investment securities with a carrying amount of approximately $7,850,000 and $7,200,000 at December 31, 2006 and 2005, respectively, were pledged to secure public deposits and for other purposes required or permitted by law.

4. Loans

Major classifications of loans are summarized as follows at December 31:

		2006	2005
Commercial	$	**43,887,809**	40,300,313
Real estate		**34,859,966**	32,983,626
Consumer		**3,126,329**	2,653,146
Agricultural		**1,653,299**	632,954
		83,527,403	76,570,039
Less – allowance for possible loan losses		**(1,241,103)**	(972,328)
Loans, net	$	**82,286,300**	75,597,711

Changes in the allowance for loan losses were as follows for the years ended December 31:

		2006	2005
Balance, beginning of year	$	**972,328**	840,159
Provision charged to earnings		**355,000**	530,000
Recoveries		**28,466**	8,763
Loans charged off		**(114,691)**	(406,594)
Balance, end of year	$	**1,241,103**	972,328

Loans considered to be impaired have carrying values of approximately $75,000 and $331,000 at December 31, 2006 and 2005, respectively. The total allowance for credit losses related to these loans was approximately $9,700 and $182,000 at December 31, 2006 and 2005, respectively. Had these loans been on the accrual basis during the year, additional interest income recognized would have been insignificant to these financial statements. No additional funds are committed to be advanced in connection with these loans. As of December 31, 2006, there were no loans ninety days past due and still accruing interest.

5. Bank Premises and Equipment

Major categories of bank premises and equipment are summarized as follows at December 31:

		2006	2005
Land and improvements	$	**898,157**	804,265
Building and improvements		**3,725,795**	1,856,511
Furniture and equipment		**2,519,611**	1,810,926
Construction in progress		**52,718**	1,348,338
		7,196,281	5,820,040
Less – accumulated depreciation		**(2,031,243)**	(1,515,702)
Total	$	**5,165,038**	4,304,338

Depreciation expense was $516,846 and $366,398 in 2006 and 2005, respectively.

6. Certificates of Deposit

The aggregate amount of certificates of deposit (CDs) issued in amounts of $100,000 or more, was approximately $15,537,000 and $10,535,000 at December 31, 2006 and 2005, respectively.

At December 31, 2006, the scheduled maturities of CDs are as follows:

2007	$	24,550,776
2008		935,492
2009		145,235
2010		-
2011		76,270
	$	25,707,773

7. Income Taxes

Taxes are provided on all revenues and expenses in the statement of earnings, regardless of the period in which such items are recognized for income tax purposes, except for items representing a permanent difference between pretax accounting and taxable income, or the effect of a valuation allowance on deferred tax assets.

7. Income Taxes (Continued)

The following reconciliation summarizes those differences:

		2006	2005
Tax expense at statutory federal rate on income before taxes	$	**637,417**	431,512
Permanent differences and other nontaxable interest income		**(97,529)**	(82,903)
Other, net		**43,350**	17,091
	$	**583,238**	365,700

The Bank's income tax expense (benefit) is comprised of the following components:

		2006	2005
Current provision	$	**721,701**	455,464
Deferred		**(138,463)**	(89,764)
	$	**583,238**	365,700

The main components of the net deferred tax asset (liability) consist of the following at December 31:

		2006	2005
Deferred tax assets (liabilities):			
Allowance for possible loan losses	$	**421,975**	330,592
Depreciation on premises and equipment		**11,422**	(35,657)
Net unrealized appreciation (depreciation) on available-for-sale securities		**81,492**	103,222
Net deferred tax asset	$	**514,889**	398,157

8. Related Party Transactions

The Company conducts banking transactions with its directors, officers, employees and their associates in the ordinary course of business. It is the Company's policy that all such loan and deposit transactions be on approximately the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with other customers.

8. Related Party Transactions (Continued)

These related parties had aggregate loan balances of approximately $9,076,000 and $2,751,000, and deposit balances of approximately $13,523,000 and $13,349,000 at December 31, 2006 and 2005, respectively.

Effective January 1, 2001, the Company entered into an operating lease agreement, with a related party, for one of its branch facilities. The lease will expire December 31, 2010. The minimum future lease payments for years subsequent to December 31, 2006, are as follows:

2007	$	107,273
2008		107,273
2009		107,273
2010		107,272
2011		-
	$	429,091

9. Employee Benefits

401(k) Plan

The Company has a 401(k) plan in which substantially all employees may participate. The Company matches employees' contributions based on a percentage of salary contributed by participants. The Company's expense for the plan was $123,027 and $62,816 for the years ended December 31, 2006 and 2005, respectively.

Stock Option Plan

Under the Company's stock option plan, the Company has granted options for 279,000 shares of its $1 par common stock to several key employees, officers and directors. The exercise price of each option equals an amount greater than the estimated market price of the Company's stock on the date of grant. As of December 31, 2006 and 2005, all remaining options were fully vested and exercisable under the plan at an option rate of $2.00 to 2.10 per share. During 2005, 10,000 of the options were exercised. The remaining options for 50,000 shares were exercised on February 19, 2007.

Prior to January 1, 2006, the Company applied APB 25 and related Interpretations in accounting for the stock option plan. Effective January 1, 2006, the Company adopted SFAS No. 123 (revised). The adoption of this Standard did not materially impact the Company's financial statement.

9. Employee Benefits (Continued)

The following is the Company's stock option activity and per share option prices for the years ended December 31, 2006 and 2005:

Options		**2006**	2005
Beginning balance		**50,000**	60,000
Options granted		**-**	-
Options exercised		**-**	10,000
Options forfeited		**-**	-
Ending Balance		**50,000**	50,000

Option Prices		**2006**	2005
Beginning balance	**$**	**2.10**	2.00-2.10
Options granted		**-**	-
Options exercised		**-**	2.00
Ending option prices		**2.10**	2.10

10. Floating Rate Junior Subordinated Deferrable Interest Debentures

On December 30, 2003, the Company completed the placement of $3,093,000 in subordinated debentures to the Trust. The Trust funded the purchase of the subordinated debentures through the sale of trust preferred securities to First Tennessee Bank National Association with a liquidation value of $3,000,000.

Using interest payments made by the Company on the debentures, the Trust began paying quarterly dividends to preferred security holders on June 17, 2004. The annual percentage rate of the interest payable on the subordinated debentures and distributions payable on the preferred securities is 3-Month LIBOR plus 2.85% (currently 5.3601%). Also, the interest rate cannot exceed the maximum rate permitted by New York law. Dividends on the preferred securities are cumulative and the Trust may defer the payments for up to five years. The preferred securities mature in March 2034 unless the Company elects and obtains regulatory approval to accelerate the maturity date to as early as December 30, 2008.

Subordinated debt may be included in regulatory Tier 1 capital subject to a limitation that such amounts not exceed 25% of Tier 1 capital. The remainder of subordinated debt is included in Tier II capital. There is no limitation for inclusion of subordinated debt in total risk-based capital and, as such, all subordinated debt was included in total risk-based capital. For the years ended December 31, 2006 and 2005, interest expense on the subordinated debentures was $248,861 and $192,470. Deferred debt financing costs of $60,691 are included in other assets at December 31, 2006 and 2005. These costs are being amortized to the first call date of the debentures. Amortization of deferred debt financing costs for 2006 and 2005 was $12,138.

11. Financial Instruments

Financial Instruments with Off-Balance-Sheet Risk

The Company is party to financial instruments with off-balance-sheet risk which involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. At December 31, 2006 and 2005, unused commitments under standby letters of credit totaled approximately $4,270,000 and $2,230,000, respectively, and commitments to fund loans totaled approximately $37,511,000 and $26,898,000, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any conditions established in the contract. Standby letters of credit are conditional commitments used by the bank to guarantee the performance of a customer to a third party. Commitments and letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments and letters of credit are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Company upon extension of credit is based on management's credit evaluation. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties.

11. Financial Instruments (Continued)

Fair Value of Financial Instruments

The estimated fair values of the Company's financial instruments were as follows at December 31:

	2006	
	Carrying Amount	Fair Value
Financial assets (liabilities):		
Cash and short-term investments	$ **11,824,745**	**11,824,745**
Securities available for sale	**16,010,994**	**16,010,994**
Securities held to maturity	**44,857,831**	**44,087,514**
Restricted securities	**289,300**	**289,300**
Loans held for sale	**2,642,361**	**2,642,361**
Loans receivable	**82,286,300**	**82,687,358**
Accrued interest receivable	**1,267,211**	**1,267,211**
Deposits	**(146,486,340)**	**(146,424,000)**
Securities sold under agreement to repurchase	**(4,064,420)**	**(4,064,420)**
Subordinated debentures	**(3,093,000)**	**(3,093,000)**

	2005	
	Carrying Amount	Fair Value
Financial assets (liabilities):		
Cash and short-term investments	$ 20,812,948	20,812,948
Securities available for sale	8,915,798	8,915,798
Securities held to maturity	40,656,401	39,902,196
Restricted securities	259,300	259,300
Loans held for sale	1,001,000	1,001,000
Loans receivable	75,597,711	75,929,374
Accrued interest receivable	969,829	969,829
Deposits	(136,254,662)	(126,830,534)
Securities sold under agreement to repurchase	(3,772,146)	(3,772,146)
Subordinated debentures	(3,093,000)	(3,093,000)

The fair value of the off-balance sheet financial instruments is not significant to these financial statements.

12. Commitments

Pursuant to terms of operating lease agreements, the Company leases three of its branch facilities, including one with a related party as discussed in Note 8. Lease terms range from five to eight years. Future minimum lease payments are as follows:

2007	$	147,017
2008		114,275
2009		107,273
2010		107,272
2011 and thereafter		-
	$	475,837

13. Regulatory Matters

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if under-taken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company'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 Company to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2006, that the Company meets all capital adequacy requirements to which it is subject.

As of December 31, 2006, the most recent notification from the Federal Reserve Bank of Dallas categorized the Company as adequately capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Company's category.

13. Regulatory Matters (Continued)

		Actual	
		Amount 000s	Ratio
As of December 31, 2006:			
Total Capital (to Risk-Weighted Assets)	**$**	**15,382**	**15.47%**
Tier 1 Capital (to Risk-Weighted Assets)		**14,141**	**14.23%**
Tier 1 Capital (to Average-Assets)		**14,141**	**8.63%**

		For Capital Adequacy Purposes	
		Amount 000s	Ratio
As of December 31, 2006:			
Total Capital (to Risk-Weighted Assets)	**$**	**≥7,952**	**≥8.00%**
Tier 1 Capital (to Risk-Weighted Assets)		**≥3,976**	**≥4.00%**
Tier 1 Capital (to Average-Assets)		**≥6,554**	**≥4.00%**

		Actual	
		Amount 000s	Ratio
As of December 31, 2005**:**			
Total Capital (to Risk-Weighted Assets)	$	13,821	14.40%
Tier 1 Capital (to Risk-Weighted Assets)		12,849	13.39%
Tier 1 Capital (to Average-Assets)		12,849	8.72%

13. Regulatory Matters (Continued)

		For Capital Adequacy Purposes	
		Amount 000s	Ratio
As of December 31, 2005:			
Total Capital (to Risk-Weighted Assets)	$	≥7,677	≥8.00%
Tier 1 Capital (to Risk-Weighted Assets)		≥3,839	≥4.00%
Tier 1 Capital (to Average-Assets)		≥5,894	≥4.00%

14. Subsequent Events

On December 27, 2006, the Company issued an offering circular relating to the offering of 2,380,953 shares of common stock with a par value of $1.00 per share, and an offering price of $4.20 per share. As a result of the over-subscription of shares, the Company reserves the right to accept subscriptions for up to an additional 357,143 shares. The offering will terminate on March 31, 2007, or at the sole discretion of the Company. As of March 20, 2007, the Company had issued 2,418,107 shares at $4.20 per share or $10,156,049.

In February 2007, the Company purchased a branch facility in Lubbock, Texas for $2,150,000. Branch operations also commenced in February 2007.

Also in February 2007, the Company committed to sell its main bank facility in Midland, Texas for $1,025,000. Coincident with the sale, the Company is negotiating a long-term operating lease to move its main bank operations to another facility in downtown Midland.

Supplementary Information

JOHNSON MILLER & CO., CPA's PC
Certified Public Accountants
A Professional Corporation
An Independent Member Of BDO Seidman Alliance

Odessa, Texas
Midland, Texas
Hobbs, New Mexico

Report of Independent Certified Public Accountants on Supplementary Information

The Board of Directors
First Bancshares of Texas, Inc. and Subsidiaries

Our report on our audits of the consolidated financial statements of First Bancshares of Texas, Inc. (the "Company") and Subsidiaries as of December 31, 2006 and 2005, and for the years then ended, is included separately herein. These audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies. The consolidating statement of financial condition information as of December 31, 2006, and the consolidating statement of income information for the year ended December 31, 2006, have been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Johnson Miller & Co., CPA's PC

Odessa, Texas
March 23, 2007

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audit@jmaudit.com

First Bancshares of Texas, Inc. and Subsidiaries

Consolidating Statement of Financial Condition Information

December 31, 2006

ASSETS

	First Bancshares of Texas, Inc.	First Midland Nevada Corp.	FNB Midland	Eliminations Debit	Eliminations Credit	Consolidated
CASH EQUIVALENTS						
Cash and due from banks	$ 428,476	1,623	7,344,009	-	430,099	7,344,009
Interest bearing deposits	505,736	-	-	-	-	505,736
Federal funds sold	-	-	3,975,000	-	-	3,975,000
SECURITIES						
Held to maturity	-	-	44,857,831	-	-	44,857,831
Available for sale	-	-	16,010,994	-	-	16,010,994
Restricted	-	-	289,300	-	-	289,300
LOANS HELD FOR SALE	-	-	2,642,361	-	-	2,642,361
LOANS, net	320,718	-	81,965,582	-	-	82,286,300
BANK PREMISES and equipment, net	-	-	5,165,038	-	-	5,165,038
INVESTMENT IN SUBSIDIARIES	12,620,912	12,509,588	-	-	2,854,838	109,702
	-	-	-	-	3,097,250	-
	-	-	-	-	16,193,250	-
	-	-	-	316,380	3,191,840	-
DEFERRED INCOME TAXES	-	-	514,889	-	-	514,889
INTEREST RECEIVABLE and other assets	261,606	-	1,486,319	-	213,666	1,534,259
Total assets	$ 14,137,448	12,511,211	164,251,323	316,380	25,980,943	165,235,419

Consolidating Statement of Financial Condition Information (Continued)

December 31, 2006

LIABILITIES AND STOCKHOLDERS' EQUITY

	First Bancshares of Texas, Inc.	First Midland Nevada Corp.	FNB Midland	Eliminations Debit	Eliminations Credit	Consolidated
LIABILITIES						
Deposits						
Non-interest bearing demand	$ -	-	61,180,170	430,099	-	60,750,071
Demand deposits	-	-	57,001,158	-	-	57,001,158
Savings accounts	-	-	3,027,346	-	-	3,027,346
Time certificates of deposit	-	-	25,707,773	-	-	25,707,773
Securities sold under agreements to repurchase	-	-	4,064,420	-	-	4,064,420
Interest payable and other liabilities	61,575	-	760,869	213,666	-	608,778
Subordinated debentures	3,093,000	-	-	-	-	3,093,000
Total liabilities	3,154,575	-	151,741,736	643,765	-	154,252,546
STOCKHOLDERS' EQUITY						
Common stock	3,874,518	1,000	3,096,250	3,097,250	-	3,874,518
Capital surplus	4,447,276	9,647,000	6,546,250	16,193,250	-	4,447,276
Accumulated surplus	2,819,269	3,021,401	3,025,277	3,191,840	-	2,819,269
	-	-	-	2,854,838	-	-
Treasury stock	-	-	-	-	-	-
Accumulated other comprehensive income (loss)	(158,190)	(158,190)	(158,190)	-	316,380	(158,190)
Total stockholders' equity	10,982,873	12,511,211	12,509,587	25,337,178	316,380	10,982,873
Total liabilities and stockholders' equity	$ 14,137,448	12,511,211	164,251,323	25,980,943	316,380	165,235,419

First Bancshares of Texas, Inc. and Subsidiaries

Consolidating Statement of Income Information

December 31, 2006

	First Bancshares of Texas, Inc.	First Midland Nevada Corp.	FNB Midland	Eliminations Debit	Eliminations Credit	Consolidated
Interest income:						
Loans	$ 96,435	-	6,473,128	-	-	6,569,563
Securities	-	-	2,360,203	-	-	2,360,203
Federal funds sold	-	-	450,570	-	-	450,570
Deposits with banks	-	-	98,311	-	-	98,311
	96,435	-	9,382,212	-	-	9,478,647
Interest expense:						
Deposit accounts and repurchase agreements	-	-	2,142,797	-	-	2,142,797
Subordinated debentures	260,999	-	-	-	-	260,999
Net interest income (loss)	(164,564)	-	7,239,415	-	-	7,074,851
Provision for loan losses	-	-	355,000	-	-	355,000
Net interest income (loss) after provision for loan losses	(164,564)	-	6,884,415	-	-	6,719,851
Noninterest income:						
Real estate mortgage loan fees	-	-	999,751	-	-	999,751
Other service charges and fees	-	-	680,325	-	-	680,325
Income from fiduciary activities	-	-	234,011	-	-	234,011
Net loss on sale or call of securities	-	-	(3,328)	-	-	(3,328)
Equity in income of unconsolidated subsidiary	1,433,534	1,428,436	-	2,854,838	-	7,132
	1,433,534	1,428,436	1,910,759	2,854,838	-	1,917,891

First Bancshares of Texas, Inc. and Subsidiaries

Consolidating Statement of Income Information (Continued)

December 31, 2006

	First Bancshares of Texas, Inc.	First Midland Nevada Corp.	FNB Midland	Eliminations Debit	Eliminations Credit	Consolidated
Noninterest expense:						
Salaries and employee benefits	$ -	-	3,635,290	-	-	3,635,290
Occupancy and equipment expense	-	-	1,172,882	-	-	1,172,882
Data processing expense	-	-	351,314	-	-	351,314
Professional services	525	2,034	207,127	-	-	209,686
Advertisement and promotion	-	-	207,477	-	-	207,477
Directors fees and other expense	-	-	136,350	-	-	136,350
Telephone	-	-	108,335	-	-	108,335
Supplies	-	-	88,517	-	-	88,517
Postage and freight	-	-	87,616	-	-	87,616
Regulatory fees	-	-	59,716	-	-	59,716
Other expense	1,217	-	704,584	-	-	705,801
	1,742	2,034	6,759,208	-	-	6,762,984
Income before taxes	1,267,228	1,426,402	2,035,966	-	-	1,874,758
Income tax benefit (expense)	24,292	-	(607,530)	-	-	(583,238)
NET INCOME	$ 1,291,520	1,426,402	1,428,436	2,854,838	-	1,291,520

Description of Eliminating Entries

1. To eliminate intercompany cash and deposits
2. To eliminate intercompany accounts receivable/payable
3. To eliminate intercompany income
4. To eliminate the Company's investment in consolidated subsidiaries
5. To eliminate equity in accumulated comprehensive income of subsidiaries