First Bancshares of Texas, Inc.
and Subsidiaries

Financial Statements
Years Ended December 31, 2007 and 2006

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
An Independent Member Of BDO Seidman Alliance

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 accompanying consolidated statements of financial condition of First Bancshares of Texas, Inc. (the "Company") and Subsidiaries as of December 31, 2007 and 2006, 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 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, 2007 and 2006, 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 18, 2008

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Consolidated Financial Statements

First Bancshares of Texas, Inc. and Subsidiaries

Consolidated Statements of Financial Condition

December 31,		**2007**	2006
ASSETS			
Cash Equivalents (Notes 1 and 2)			
Cash and due from banks	$	**13,919,364**	7,344,009
Interest bearing deposits with banks		**531,079**	505,736
Federal funds sold		**6,925,000**	3,975,000
Total cash equivalents		**21,375,443**	11,824,745
Securities (Notes 1 and 3)			
Held to maturity		**40,588,779**	44,857,831
Available for sale		**10,371,387**	16,010,994
Restricted		**1,076,900**	289,300
Loans Held for Sale (Note 1)		**2,758,816**	2,642,361
Loans, Net (Notes 1 and 4)		**157,609,377**	82,286,300
Bank Premises and Equipment (Notes 1 and 5)		**7,866,015**	5,165,038
Investment in Unconsolidated Subsidiary (Notes 1 and 12)		**117,505**	109,702
Deferred Income Taxes (Notes 1 and 9)		**720,041**	514,889
Interest Receivable and Other Assets (Note 6)		**1,798,096**	1,534,259
Total assets	$	**244,282,359**	165,235,419
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities			
Deposits			
Non-interest bearing demand	$	**68,317,451**	60,750,071
Interest bearing:			
Demand deposits		**80,966,711**	57,001,158
Savings accounts		**4,116,531**	3,027,346
Certificates of deposit (Note 7)		**58,816,919**	25,707,773
Total deposits		**212,217,612**	146,486,348
Securities sold under agreements to repurchase (Note 1)		**3,858,570**	4,064,420
Interest payable and other liabilities (Note 8)		**798,118**	608,778
Subordinated debentures (Note 12)		**3,093,000**	3,093,000
Total liabilities		**219,967,300**	154,252,546
Commitments and Contingencies (Notes 10, 11, 13 and 14)			
Stockholders' Equity			
Common stock; $1 par value; 1,000,000 shares authorized; 6,672,614 and 3,874,518 shares issued and outstanding at December 31, 2007 and 2006, respectively		**6,672,614**	3,874,518
Capital surplus		**13,210,249**	4,447,276
Accumulated surplus		**4,481,269**	2,819,269
Accumulated other comprehensive (loss) income		**(49,073)**	(158,190)
Total stockholders' equity		**24,315,059**	10,982,873
Total liabilities and stockholders' equity	$	**244,282,359**	165,235,419

See accompanying notes to consolidated financial statements.

First Bancshares of Texas, Inc. and Subsidiaries

Consolidated Statements of Income

Years Ended December 31,		**2007**	2006
Interest Income:			
Loans	$	**11,192,113**	6,569,563
Securities		**2,392,010**	2,360,203
Federal funds sold		**166,520**	450,570
Deposits with banks		**36,761**	98,311
		13,787,404	9,478,647
Interest Expense:			
Deposits and securities sold under agreements to repurchase		**3,950,502**	2,142,797
Other borrowed funds		**259,521**	260,999
		4,210,023	2,403,796
Net interest income		**9,577,381**	7,074,851
Provision for Loan Losses (Note 4)		**820,000**	355,000
Net interest income after provision for loan losses		**8,757,381**	6,719,851
Noninterest Income:			
Real estate mortgage loan fees		**1,320,212**	999,751
Other service charges and fees		**807,251**	680,325
Income from fiduciary activities		**295,682**	234,011
Net gain (loss) on sale or call of investment securities		**39,186**	(3,328)
Equity in income of unconsolidated subsidiary		**7,803**	7,132
		2,470,134	1,917,891
Noninterest Expense:			
Salaries and employee benefits		**4,996,038**	3,635,290
Occupancy and equipment expense		**1,306,808**	1,172,882
Data processing		**386,934**	351,314
Advertising and promotion (Note 1)		**329,991**	207,477
Professional services		**308,396**	209,686
Director fees and other expense		**147,296**	136,350
Telephone		**146,092**	108,335
Supplies		**126,363**	88,517
Postage and freight		**112,592**	87,616
Regulatory fees		**68,770**	59,716
Other		**926,296**	705,801
		8,855,576	6,762,984
Income before income taxes		**2,371,939**	1,874,758
Income Tax Expense (Note 9)		**709,939**	583,238
NET INCOME	$	**1,662,000**	1,291,520

See accompanying notes to consolidated financial statements.

First Bancshares of Texas, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity (Continued)

Years Ended December 31, 2007 and 2006		Common Stock	Capital Surplus	Accumulated Surplus	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
Balance at January 1, 2006	$	3,874,518	4,445,576	1,527,749	(1,355)	(200,371)	9,646,117
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 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
Sale of Common Stock, 2,798,096 shares		2,798,096	8,762,973	-	-	-	11,561,069
Comprehensive Income:							
Net income for the year		-	-	1,662,000	-	-	1,662,000
Amortization of unrealized gain on securities transferred from available-for-sale to held-to-maturity, net of tax of $1,350		-	-	-	-	2,621	2,621
Net change in unrealized depreciation on the Bank's available-for-sale securities, net of tax $54,861		-	-	-	-	106,496	106,496
Total Comprehensive Income							1,771,117
Balance at December 31, 2007	$	6,672,614	13,210,249	4,481,269	-	(49,073)	24,315,059

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Years Ended December 31,		**2007**	2006
Increase (Decrease) in Cash and Cash Equivalents			
Cash flows from operating activities:			
Net income	$	**1,662,000**	1,291,520
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		**559,018**	516,846
Deferred income taxes		**(261,363)**	(138,463)
Net gain on sale of bank premises and equipment		**30,504**	-
Net gain on sale of repossessed assets		**17,000**	-
Net gain on calls of securities – held to maturity		**-**	(1,461)
Net loss (gain) on sales and calls of securities – available for sale		**8,318**	(1,867)
Net amortization of marketable securities		**81,102**	273,872
Provision for possible loan losses		**820,000**	355,000
Equity in undistributed earnings of unconsolidated subsidiary		**(7,803)**	(7,134)
Net increase in loans held for sale		**(116,455)**	(1,641,361)
(Increase) in interest receivable and other assets		**(280,837)**	(324,194)
Increase in interest payable and other liabilities		**189,340**	116,417
Net cash provided by operating activities		**2,700,824**	439,175
Cash flows from investing activities:			
Purchases of securities – held to maturity		**-**	(6,858,133)
Purchases of securities – available for sale securities		**-**	(7,918,622)
Purchases of securities – restricted		**(787,600)**	(30,000)
Proceeds from calls and maturities of securities – held to maturity		**4,181,416**	2,496,435
Proceeds from sales, calls and maturities of securities – available for sale		**5,803,151**	777,062
Net increase in loans		**(76,143,077)**	(7,043,589)
Purchase of bank premises and equipment		**(4,265,233)**	(1,379,982)
Proceeds from sale of bank premises and equipment		**974,734**	2,436
Net cash used in investing activities		**(70,236,609)**	(19,954,393)
Cash flows from financing activities:			
Net increase in non-interest bearing demand, NOW, savings and money market accounts		**32,622,118**	5,688,482
Net increase in certificates of deposits		**33,109,146**	4,543,204
Net (decrease) increase in securities sold under agreements to repurchase		**(205,850)**	292,274
Proceeds from issuance of common stock		**11,561,069**	-
Purchase of treasury stock		**-**	(106,750)
Proceeds from sale of treasury stock		**-**	109,805
Net cash provided by financing activities		**77,086,483**	10,527,015
Net increase (decrease) in cash and cash equivalents		**9,550,698**	(8,988,203)
Cash and cash equivalents at beginning of year		**11,824,745**	20,812,948
Cash and cash equivalents at end of year	$	**21,375,443**	11,824,745

See accompanying notes to consolidated financial statements.

First Bancshares of Texas, Inc. and Subsidiaries

Consolidated Statements of Cash Flows (Continued)

Years Ended December 31,		**2007**	2006
Cash paid during the year for:			
Interest	**$**	**3,906,298**	2,025,139
Income taxes		**835,934**	848,264
Noncash investing and financing activities:			
Changes in unrealized appreciation (depreciation) on available-for-sale securities and securities transferred from available-for-sale to held-to-maturity	**$**	**(165,328)**	(63,912)
Changes in available deferred tax		**56,211**	21,731
	$	**(109,117)**	(42,181)

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 2007 and 2006, 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, 2007 and 2006, 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 $330,000 and $207,000 for the years ended December 31, 2007 and 2006, 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, 2007, the repurchase agreements were secured by certain of the Bank's available-for-sale securities, with fair values of approximately $3,862,000

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 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 2007 presentation.

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements

In April 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments – an Amendment of FASB Statements No. 133 and 140*. This statement resolves issues addressed in Statement No. 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. 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 Company's 2007 fiscal year.

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 was adopted as of the beginning of the Company's 2007 fiscal year.

In September 2006, the FASB issued SFAS No. 157 — *Fair Value Measurement* which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements, the FASB having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, SFAS No. 157 does not require any new fair value measurements. However, for some entities, the application of SFAS No. 157 will change current practice. The definition of fair value focuses on the price that would be received to sell the asset or paid to transfer the liability (an exit price), not the price that would be paid to acquire the asset or received to assume the liability (an entry price). SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement.

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

The provisions of this Statement will be effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years. The Company is continuing to assess the impact, if any, of SFAS No. 157.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115* which permits an entity to choose to measure many financial instruments and certain other items at fair value. Most of the provisions in SFAS No. 159 are elective; however, the amendment to SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, applies to all entities with available-for-sale and trading securities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact, if any, this adoption will have on its financial statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combination* which establishes principles and requirements for how the business acquirer:

- Recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree;
- Recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and,
- Determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. An entity may not apply it before that date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51* which establishes accounting and reporting standards that require:

- The ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity.
- The amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income.

1. Summary of Significant Accounting Policies (Continued)

Recent Accounting Pronouncements (Continued)

- Changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently. A parent's ownership interest in a subsidiary changes if the parent purchases additional ownership interests in its subsidiary or if the parent sells some of its ownership interests in its subsidiary. It also changes if the subsidiary reacquires some of its ownership interests or the subsidiary issues additional ownership interests. All of those transactions are economically similar, and SFAS No. 160 requires that they be accounted for similarly, as equity transactions.
- When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value. The gain or loss on the deconsolidation of the subsidiary is measured using the fair value of any noncontrolling equity investment rather than the carrying amount of that retained investment.
- Entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners.

SFAS No. 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 (that is, January 1, 2009, for entities with calendar year-ends). Earlier adoption is prohibited. SFAS No. 160 shall be applied prospectively as of the beginning of the fiscal year in which SFAS No. 160 is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented.

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 $3,986,000 and $5,676,000 at December 31, 2007 and 2006, 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 $338,000 on hand or on deposit with the Federal Reserve Bank to meet regulatory reserve and clearing requirements at December 31, 2007.

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 at December 31 were as follows:

		2007	
		Amortized Cost	Fair Value
HELD-TO-MATURITY:			
Mortgage backed	$	18,193,256	18,083,965
Municipal bonds		9,039,841	9,036,318
U.S. Agency		13,355,682	13,396,979
	$	40,588,779	40,517,262

		Gross Unrealized Gains	Gross Unrealized Losses
HELD-TO-MATURITY:			
Mortgage backed	$	28,985	(138,276)
Municipal bonds		52,432	(55,955)
U.S. Agency		52,618	(11,321)
	$	134,035	(205,552)

		Amortized Cost	Fair Value
AVAILABLE-FOR-SALE:			
Mortgage backed	$	2,345,365	2,325,137
U.S. Agency		8,076,649	8,046,250
	$	10,422,014	10,371,387

		Gross Unrealized Gains	Gross Unrealized Losses
AVAILABLE-FOR-SALE:			
Mortgage backed	$	5,824	(26,052)
U.S. Agency		3,201	(33,600)
	$	9,025	(59,652)

3. Investment Securities (Continued)

		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)

Investment securities also include restricted securities with a cost of $1,076,900 and $289,300 at December 31, 2007 and 2006, respectively. 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:

		2007	2006
Gross realized gains:			
AVAILABLE-FOR-SALE			
U.S. Agency	$	**763**	-
Gross unrealized losses:			
AVAILABLE-FOR-SALE			
Corporate	$	**2,267**	-
U.S. Agency		**6,814**	-
Mortgage backed		**-**	1,867
	$	**9,081**	1,867
Gross realized losses:			
HELD-TO-MATURITY			
Mortgage backed	$	**-**	1,461

The scheduled maturities of securities held-to-maturity and securities available-for-sale at December 31, 2007 were as follows:

		Held-to-Maturity	
		Carrying Value	Fair Value
Due in one year or less	$	**6,147,667**	**6,160,022**
Due in one to five years		**14,156,735**	**14,161,087**
Due in five to ten years		**10,440,307**	**10,400,700**
Due after ten years		**9,844,070**	**9,795,453**
	$	**40,588,779**	**40,517,262**

		Available-for-Sale	
		Amortized Cost	Fair Value
Due in one year or less	$	**5,026,421**	**5,016,490**
Due in one to five years		**3,050,228**	**3,029,760**
Due in five to ten years		**-**	**-**
Due after ten years		**2,345,365**	**2,325,137**
	$	**10,422,014**	**10,371,387**

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 $7,139,000 and $7,850,000 at December 31, 2007 and 2006, 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:

		2007	2006
Commercial	$	**79,045,557**	43,887,809
Real estate		**71,190,948**	34,859,966
Consumer		**8,108,365**	3,126,329
Agricultural		**1,238,501**	1,653,299
		159,583,371	83,527,403
Less – allowance for possible loan losses		**(1,973,994)**	(1,241,103)
Loans, net	$	**157,609,377**	82,286,300

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

		2007	2006
Balance, beginning of year	$	**1,241,103**	972,328
Provision charged to earnings		**820,000**	355,000
Recoveries		**4,276**	28,466
Loans charged off		**(91,385)**	(114,691)
Balance, end of year	$	**1,973,994**	1,241,103

Overdrawn demand deposits reclassified as loan balances totaled $33,927 and $46,509 at December 31, 2007 and 2006, respectively.

Loans considered to be impaired have carrying values of approximately $-0- and $75,000 at December 31, 2007 and 2006, respectively. The total allowance for credit losses related to these loans was approximately $-0- and $9,700 at December 31, 2007 and 2006, 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, 2007, 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:

		2007	2006
Land and improvements	$	**908,507**	898,157
Building and improvements		**2,604,447**	3,725,795
Furniture and equipment		**3,102,114**	2,519,611
Construction in progress		**3,341,957**	52,718
		9,957,025	7,196,281
Less – accumulated depreciation		**(2,091,010)**	(2,031,243)
Total	$	**7,866,015**	5,165,038

Depreciation expense was $559,018 and $516,846 in 2007 and 2006, respectively.

6. Accrued Interest Receivable and Other Assets

Accrued interest receivable and other assets are summarized as follows at December 31:

		2007	2006
Accrued interest receivable:			
Loans	$	**455,991**	505,227
Investment securities		**1,085,990**	762,598
		1,541,981	1,267,825
Other assets		**256,115**	266,434
	$	**1,798,096**	1,534,259

7. Certificates of Deposit

The aggregate amount of certificates of deposit (CDs) issued in amounts of $100,000 or more, was approximately $36,679,000 and $15,537,000 at December 31, 2007 and 2006, respectively.

At December 31, 2007, the scheduled maturities of CDs are as follows:

2008	$	57,269,629
2009		969,841
2010		293,326
2011		284,123
	$	58,816,919

8. Accrued Interest Payable and Other Liabilities

Accrued interest payable and other liabilities are summarized as follows at December 31:

		2007	2006
Accrued interest payable	$	**495,201**	191,476
Other liabilities		**302,917**	417,302
	$	**798,118**	608,778

9. 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.

The following reconciliation summarizes those differences:

		2007	2006
Tax expense at statutory federal rate on income before taxes	$	**806,459**	637,417
Permanent differences and other nontaxable interest income		**(80,831)**	(97,529)
Other, net		**(15,689)**	43,350
	$	**709,939**	583,238

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

		2007	2006
Current provision	$	**971,302**	721,701
Deferred		**(261,363)**	(138,463)
	$	**709,939**	583,238

9. Income Taxes (Continued)

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

		2007	2006
Deferred tax assets (liabilities):			
Allowance for possible loan losses	$	**671,158**	421,975
Depreciation on premises and equipment		**23,602**	11,422
Net unrealized appreciation (depreciation) on available-for-sale securities		**25,281**	81,492
Net deferred tax asset	$	**720,041**	514,889

10. 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. These related parties had aggregate loan balances of approximately $6,377,000 and $9,076,000, and deposit balances of approximately $14,592,000 and $13,523,000 at December 31, 2007 and 2006, respectively.

11. 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 $161,672 and $123,027 for the years ended December 31, 2007 and 2006, respectively.

Stock Option Plan

Under the Company's 2002 stock option plan, the Company had granted options for 279,000 shares of its $1 par common stock to several key employees, officers and directors. As of December 31, 2005, options covering all 279,000 shares were fully vested and options for 229,000 shares had been exercised at an option rate of $2.00 to 2.10 per share. During 2007, the remaining 50,000 shares were exercised.

In 2007, the Company issued a new stock option plan which became effective January 31, 2007. Under the Plan, the Company granted options to fourteen Directors/key officers for an aggregate total of 109,500 shares of stock.

11. Employee Benefits (Continued)

Stock Option Plan (Continued)

The options are subject to a five year vesting period (the options begin vesting in 2008) and an option term of ten years. The exercise price of each option is $4.25 per share (which equals the market price of the Company's stock on the grant date) with the value of each option on the grant date being $1.75.

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 statements. As a result of the 2007 Plan and the adoption of SFAS No. 123 (revised), the Company will recognize $191,625 of compensation expense between 2008 and 2012.

The following is the Company's stock option activity and per share option prices for the years ended December 31, 2007 and 2006:

Options Activity		2007	2006
Beginning balance		**50,000**	50,000
Options granted		**109,500**	-
Options exercised		**(50,000)**	-
Options forfeited		**-**	-
Ending Balance		**109,500**	50,000
Vested Options		**-**	50,000
Option Prices			
Beginning balance	**$**	**2.10**	2.10
Options granted		**4.25**	-
Options exercised		**(2.10)**	-
Ending option prices		**4.25**	2.10

12. 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 7.844%). 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.

12. Floating Rate Junior Subordinated Deferrable Interest Debentures (Continued)

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, 2007 and 2006, interest expense on the subordinated debentures was $259,521 and $248,861. Deferred debt financing costs of $60,691 are included in other assets at December 31, 2007 and 2006. These costs are being amortized to the first call date of the debentures. Amortization of deferred debt financing costs for 2007 and 2006 was $12,138.

13. 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, 2007 and 2006, unused commitments under standby letters of credit totaled approximately $2,662,000 and $4,270,000, respectively, and commitments to fund loans totaled approximately $50,381,000 and $37,511,000, 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.

13. Financial Instruments (Continued)

Fair Value of Financial Instruments

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

		2007	
		Carrying Amount	Fair Value
Financial assets (liabilities):			
Cash and short-term investments	$	**21,375,443**	**21,375,443**
Securities available for sale		**10,371,387**	**10,371,387**
Securities held to maturity		**40,588,779**	**40,517,262**
Restricted securities		**1,076,900**	**1,076,900**
Loans held for sale		**2,758,816**	**2,758,816**
Loans receivable		**157,609,377**	**158,110,898**
Accrued interest receivable		**1,541,981**	**1,541,981**
Deposits		**(212,217,612)**	**(210,540,620)**
Securities sold under agreement to repurchase		**(3,858,570)**	**(3,858,000)**
Subordinated debentures		**(3,093,000)**	**(3,093,000)**

		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		(146,486,348)	(146,424,000)
Securities sold under agreement to repurchase		(4,064,420)	(4,064,420)
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.

14. Commitments

Pursuant to terms of operating lease agreements, the Company leases three of its branch facilities and office equipment. Lease terms range from one to ten years. Future minimum lease payments are as follows:

2008	$	438,679
2009		432,679
2010		432,679
2011		431,213
2012 and thereafter		1,808,856
	$	3,544,106

At December 31, 2007 and 2006, lease expense approximated $196,000 and $183,000, respectively.

15. 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, 2007, that the Company meets all capital adequacy requirements to which it is subject.

As of May 31, 2007, 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.

15. Regulatory Matters (Continued)

		Actual	
		Amount 000s	Ratio
As of December 31, 2007:			
Total Capital (to Risk-Weighted Assets)	**$**	**29,338**	**14.93%**
Tier 1 Capital (to Risk-Weighted Assets)		**27,364**	**13.92%**
Tier 1 Capital (to Average-Assets)		**27,364**	**11.96%**

		For Capital Adequacy Purposes	
		Amount 000s	Ratio
As of December 31, 2007:			
Total Capital (to Risk-Weighted Assets)	**$**	**15,722**	**8.00%**
Tier 1 Capital (to Risk-Weighted Assets)		**7,861**	**4.00%**
Tier 1 Capital (to Average-Assets)		**9,150**	**4.00%**

		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%

15. Regulatory Matters (Continued)

	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%

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, 2007 and 2006, 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, 2007, and the consolidating statement of income information for the year ended December 31, 2007, 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 18, 2008

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First Bancshares of Texas, Inc. and Subsidiaries

Consolidating Statement of Financial Condition Information

December 31, 2007

ASSETS

	First Bancshares of Texas, Inc.	First Midland Nevada Corp.	FNB Midland		Eliminations Debit	Eliminations Credit	Consolidated
CASH EQUIVALENTS							
Cash and due from banks	$ 4,114,202	1,178	13,919,364	1	-	4,115,380	13,919,364
Interest bearing deposits	531,079	-	-		-	-	531,079
Federal funds sold	-	-	6,925,000		-	-	6,925,000
SECURITIES							
Held to maturity	-	-	40,588,779		-	-	40,588,779
Available for sale	-	-	10,371,387		-	-	10,371,387
Restricted	-	-	1,076,900		-	-	1,076,900
LOANS HELD FOR SALE	-	-	2,758,816		-	-	2,758,816
LOANS, net	494,714	-	157,114,663		-	-	157,609,377
BANK PREMISES and equipment, net	-	-	7,866,015		-	-	7,866,015
INVESTMENT IN SUBSIDIARIES	21,966,074	21,847,390	-	3	-	3,456,928	-
	-	-	-	4	-	40,337,177	-
	-	-	-	5	98,146	-	-
	-	-	-		-	-	117,505
DEFERRED INCOME TAXES	-	-	720,041		-	-	720,041
INTEREST RECEIVABLE and other assets	312,095	-	1,835,025	2	-	349,024	1,798,096
Total assets	$ 27,418,164	21,848,568	243,175,990		98,146	48,258,509	244,282,359

First Bancshares of Texas, Inc. and Subsidiaries

Consolidating Statement of Financial Condition Information (Continued)

December 31, 2007

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	$	-	-	72,432,831	1	4,115,380	-	68,317,451
Demand deposits		-	-	80,966,711		-	-	80,966,711
Savings accounts		-	-	4,116,531		-	-	4,116,531
Time certificates of deposit		-	-	58,816,919		-	-	58,816,919
Securities sold under agreements to repurchase		-	-	3,858,570		-	-	3,858,570
Interest payable and other liabilities		10,105	-	1,137,037	2	349,024	-	798,118
Subordinated debentures		3,093,000	-	-		-	-	3,093,000
Total liabilities		3,103,105	-	210,328,599		4,464,404	-	219,967,300
STOCKHOLDERS' EQUITY								
Common stock		6,672,614	1,000	3,096,250	4	3,097,250	-	6,672,614
Capital surplus		13,210,249	17,147,000	14,046,250	4	31,193,250	-	13,210,249
Accumulated surplus		4,481,269	4,749,641	4,753,964	4	6,046,677	-	4,481,269
					3	3,456,928		
Accumulated other comprehensive (loss) income		(49,073)	(49,073)	(49,073)	5	-	98,146	(49,073)
Total stockholders' equity		24,315,059	21,848,568	21,847,391		43,794,105	98,146	24,315,059
Total liabilities and stockholders' equity	$	27,418,164	21,848,568	243,175,990		48,258,509	98,146	244,282,359

First Bancshares of Texas, Inc. and Subsidiaries

Consolidating Statement of Income Information

Year Ended December 31, 2007

	First Bancshares of Texas, Inc.	First Midland Nevada Corp.	FNB Midland		Eliminations Debit	Eliminations Credit	Consolidated
Interest income:							
Loans	$ 140,635	-	11,051,478		-	-	11,192,113
Securities	-	-	2,392,010		-	-	2,392,010
Federal funds sold	-	-	166,520		-	-	166,520
Deposits with banks	-	-	36,761		-	-	36,761
	140,635	-	13,646,769		-	-	13,787,404
Interest expense:							
Deposit accounts and repurchase agreements	-	-	3,950,502		-	-	3,950,502
Subordinated debentures	259,521	-	-		-	-	259,521
Net interest income (loss)	(118,886)	-	9,696,267		-	-	9,577,381
Provision for loan losses	-	-	820,000		-	-	820,000
Net interest income (loss) after provision for loan losses	(118,886)	-	8,876,267		-	-	8,757,381
Noninterest income:							
Real estate mortgage loan fees	-	-	1,320,212		-	-	1,320,212
Other service charges and fees	12,808	-	794,443		-	-	807,251
Income from fiduciary activities	-	-	295,682		-	-	295,682
Net loss on sale or call of securities	-	-	39,186		-	-	39,186
Equity in income of unconsolidated subsidiary	1,736,045	1,728,686	-	3	3,456,928	-	7,803
	1,748,853	1,728,686	2,449,523		3,456,928	-	2,470,134

First Bancshares of Texas, Inc. and Subsidiaries

Consolidating Statement of Income Information (Continued)

Year Ended December 31, 2007

	First Bancshares of Texas, Inc.	First Midland Nevada Corp.	FNB Midland	Eliminations Debit	Eliminations Credit	Consolidated
Noninterest expense:						
Salaries and employee benefits	$ -	-	4,996,038	-	-	4,996,038
Occupancy and equipment expense	-	-	1,306,808	-	-	1,306,808
Data processing	-	-	386,934	-	-	386,934
Advertisement and promotion	-	-	329,991	-	-	329,991
Professional services	700	445	307,251	-	-	308,396
Directors fees and other expense	-	-	147,296	-	-	147,296
Telephone	-	-	146,092	-	-	146,092
Supplies	-	-	126,363	-	-	126,363
Postage and freight	-	-	112,592	-	-	112,592
Regulatory fees	-	-	68,770	-	-	68,770
Other expense	21,931	-	904,365	-	-	926,296
	22,631	445	8,832,500	-	-	8,855,576
Income before taxes	1,607,336	1,728,241	2,493,290	3,456,928	-	2,371,939
Income tax benefit (expense)	54,664	-	(764,603)	-	-	(709,939)
NET INCOME	$ 1,662,000	1,728,241	1,728,687	3,456,928	-	1,662,000

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