FIRSTBANCSHARES
OF TEXAS, INC.

First Quarter 2017 Shareholders' Report

Dear Shareholders

It was good seeing many of you at our annual shareholders' meeting a couple of weeks ago. If you were there, you heard a good report on last year's performance. Since year end, we have seen renewed asset growth as the oil economy begins to show renewed signs of life. We remain cautious as some of our customers are still recovering from the most recent slowdown.

Since year end, Total Assets for the Company have grown by $73.2 million which equates to a 7.64% increase or 30.9% annualized. Total Assets at quarter end stood at $1.031 billion surpassing the $1 billion threshold for the first time. As I mentioned in the last quarterly report, we intend to move past the $1 billion threshold as quickly as possible due to increased regulatory costs that are imposed simply by passing this threshold. You will be seeing information in the next few months about a stock offering by the Company in the neighborhood of $30 million to support organic growth and possible acquisition opportunities. We are presently working on a branch acquisition in one of our markets.

Earnings in the first quarter were down slightly from first quarter 2016 due primarily to a decline in net interest income. Loan growth has been slow in the past year due to the weak economy in our Midland market and this has affected our ability to grow the loan portfolio. We have also seen runoff in our securities portfolio and with the continued low interest rate environment, we have not been able to effectively put this money back to work. We have a good loan pipeline now and we feel confident we can again begin to grow our investments in quality loans which will result in increased net interest income.

Our entry in the Texas Hill Country continues to go well. We have seen good growth and we are looking to expand in this area. This market provides diversification from the oil and gas economy, helping insulate the Company from the inevitable swings that come from the industry.

You will find a detailed report of operations of the Company for the first quarter of 2017 attached. Please give us a call if you have questions.

Sincerely,

Ken L. Burgess, Jr.
CEO & President

FIRST BANCSHARES OF TEXAS, INC.

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

(Dollar amounts in thousands)

	March 31, (Unaudited) 2017	March 31, (Unaudited) 2016	December 31, (Audited) 2016
ASSETS			
Cash and due from banks	**$ 14,860**	$ 18,110	$ 12,014
Federal funds sold	**10,739**	7,813	10,000
Cash and cash equivalents	**25,599**	25,923	22,014
Interest bearing deposits in banks	**136,900**	62,622	72,057
Securities available for sale, at fair value	**26,376**	23,797	21,658
Securities held to maturity	**113,255**	142,993	117,040
Investment in First Bancshares of Texas Statutory Trust I	**93**	93	93
Investment in FirstCapital GP, LLC	**803**	830	801
Investments in partnerships	**1,566**	1,486	1,628
Restricted investment held at cost	**2,197**	2,164	2,195
Loans held for sale	**2,065**	5,485	791
Loans and leases receivable, net of allowance for loan and lease losses	**683,844**	685,599	680,802
Accrued interest receivable	**2,881**	3,090	3,419
Premises and equipment	**21,405**	21,414	21,567
Deferred tax asset, net	**4,331**	3,386	4,307
Foreclosed assets	**-**	33	-
Cash surrender value of life insurance	**8,481**	8,230	8,419
Prepaid FDIC assessment	**-**	-	
Other assets	**1,228**	979	1,044
TOTAL ASSETS	**$ 1,031,024**	$ 988,124	$ 957,835
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest bearing deposits	**$ 284,854**	$ 223,291	$ 257,066
Interest bearing deposits	**613,186**	560,001	562,877
Total deposits	**898,040**	783,292	819,943
Accrued expenses and other liabilities	**4,078**	2,428	3,783
Securities sold under agreement to repurchase	**19,019**	100,409	26,348
Subordinated debentures	**3,093**	3,093	3,093
Other borrowed funds	**5,112**	4,749	5,125
Total liabilities	**929,342**	893,971	858,292
SHAREHOLDERS' EQUITY			
Common stock	**9,576**	9,505	9,530
Preferred stock	**883**	937	883
Treasury stock, at cost	**-**	-	
Surplus			
Common	**32,853**	32,308	32,593
Preferred	**7,909**	8,400	7,909
Capital Surplus	**40,762**	40,708	40,502
Retained earnings	**50,247**	42,443	48,368
Accumulated other comprehensive income - unrealized gain on available for sale securities, net of tax	**214**	560	260
Accumulated other comprehensive income - unrealized loss on securities transferred from available for sale to held to maturity, net of tax	**-**	-	-
Total shareholders' equity	**101,682**	94,153	99,543
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 1,031,024**	$ 988,124	$ 957,835

FIRST BANCSHARES OF TEXAS, INC.

CONSOLIDATED STATEMENT OF INCOME

For the Three Months Ended March 31

(Dollar amounts in thousands)

	(Unaudited) 2017	(Unaudited) 2016
Interest Income:		
Loans and leases, including fees	**$ 9,413**	$ 9,326
Debt Securities		
Taxable	**564**	717
Tax exempt	**311**	315
Federal funds sold	**18**	10
Deposits with banks	**301**	133
Other interest	**33**	242
TOTAL INTEREST INCOME	**10,640**	10,743
Interest Expense:		
Deposits	**866**	655
Other borrowed money	**22**	161
Subordinated debentures	**30**	27
TOTAL INTEREST EXPENSE	**918**	843
Net Interest Income (Loss)	**9,722**	9,900
Provision for loan and lease losses	**500**	700
Net Interest Income (Loss) After Provision	**9,222**	9,200
Non-Interest Income:		
Trust department income	**106**	86
Service charges on deposit accounts	**268**	220
Other service charges and fees	**227**	179
Net realized gain (loss) on sales of securities	**-**	-
Appreciation in cash surrender value of life insurance	**61**	61
Gain/Loss on sale of loans	**193**	291
Gain/Loss on sale of foreclosed assets	**5**	-
Gain/Loss on sale of fixed assets	**7**	-
TOTAL NON-INTEREST INCOME	**867**	837
Non-Interest Expenses:		
Salaries and employee benefits	**4,480**	4,092
Occupancy and equipment expense	**1,106**	1,039
Advertising	**150**	108
Community and philanthropic support	**93**	68
IT and data processing expense	**224**	220
Legal, professional, accounting, and exam fees	**262**	253
FDIC assessment	**138**	141
Reduction in value of foreclosed assets	**-**	-
Other expenses	**902**	892
TOTAL NON-INTEREST EXPENSES	**7,355**	6,813
Income Before Income Taxes	**2,734**	3,224
Income tax expense	**855**	1,016
NET INCOME	**$ 1,879**	$ 2,208

FIRST BANCSHARES OF TEXAS, INC.

FIRST QUARTER CONSOLIDATED FINANCIAL HIGHLIGHTS

(Dollar amounts in thousands)

Earnings Summary

For the Three Months Ended March 31	2017	2016
Interest Income	$ 10,640	$ 10,743
Interest Expense	918	843
Provision for loan losses	500	700
Net Income	1,879	2,208

Performance Ratios (annualized)

For the Three Months Ended March 31	2017	2016
Return on Average Assets	0.76%	0.90%
Return on Common Shareholders' Average Equity	8.26%	10.56%
Net Interest Margin	4.15%	4.29%

Period-End Data

As of March 31	2017	2016
Total Assets	$ 1,031,024	$ 988,124
Average Assets	1,003,701	982,026
Investments*	281,190	233,985
Loans, net	685,909	691,084
Deposits	898,040	783,292
Shareholders' Equity		
Common	90,750	84,816
Preferred	8,792	9,337

Per Share Data

For the Three Months Ended March 31	2017	2016
Net Income	$ 0.20	$ 0.23
Book Value	$ 9.70	$ 8.92
Number of Shareholders		
Common	508	498
Preferred	85	86

**Includes interest-bearing deposits in banks, securities, investments in subsidiaries, investments in partnerships, and restricted investments held at cost*

FIRST BANCSHARES OF TEXAS, INC.

CONSOLIDATED YIELD ANALYSIS

(Dollar amounts in thousands)

	March 31,					
	(Unaudited) 2017			(Unaudited) 2016		
	Avg. Balance	*Interest Inc./Exp.*	*Yield/Cost*	*Avg. Balance*	*Interest Inc./Exp.*	*Yield/Cost*
ASSETS						
Interest-bearing deposits	$ 116,576	$ 301	1.05%	$ 65,013	$ 133	0.82%
Federal funds sold and resell agreements	8,346	18	0.86%	7,335	10	0.56%
Securities:						
Taxable	97,084	564	2.32%	125,179	717	2.29%
Tax-exempt	44,301	311	2.81%	45,166	315	2.79%
Total securities	141,385	875	2.47%	170,345	1,032	2.42%
Restricted investments held at cost	3,785	33	3.53%	3,377	242	28.86%
Loans, net of unearned discount	696,037	9,413	5.48%	697,811	9,326	5.38%
Total earning assets and average rate earned	966,129	10,640	4.47%	943,881	10,743	4.58%
Cash and due from banks	10,260			9,702		
Investments in subsidiaries	895			938		
Premises and equipment, net	21,588			21,384		
Accrued interest receivable and other assets	4,829			6,121		
Total assets	**$ 1,003,701**			$ 982,026		
LIABILITIES						
Interest-bearing deposits:						
NOW & MMA	$ 229,476	$ 140	0.25%	$ 232,390	$ 113	0.20%
Savings	48,616	31	0.26%	44,637	29	0.26%
COD	326,266	668	0.83%	286,021	513	0.72%
Total interest-bearing deposits	604,358	839	0.56%	563,048	655	0.47%
Non-interest bearing demand deposits	263,297			231,163		
Total deposits	867,655	839		794,211	655	
Securities sold under agreement to repurchase	22,824	27	0.48%	86,563	152	0.71%
Other borrowed funds	4,619	22	1.94%	2,107	9	1.65%
Subordindated debentures	3,093	30	3.92%	3,093	27	3.49%
Total interest-bearing liabilities and average rate paid	634,894	918	0.59%	654,811	843	0.52%
Accrued expenses and other liabilities	4,388			2,603		
Total liabilities	902,579			888,577		
Shareholders' equity	101,122			93,449		
Total liabilities and shareholders' equity	**$ 1,003,701**			$ 982,026		
Net interest income		$ 9,722			$ 9,900	
Net interest spread			3.88%			4.06%
Net interest margin			4.15%			4.29%

For these computations:
(i) average balances are presented on a daily average basis,
(ii) information is shown on a tax-equivalent basis assuming a 34% tax rate,
(iii) average loans include loans on non-accrual status, and
(iv) average securities include unrealized gains and losses on securities available for sale, while yields are based on average amortized cost

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

As a bank financial holding company, we generate most of our revenue from interest on loans and investments, trust fees, fees from the sale of mortgage loans and service charges on our deposits. Our primary source of funding for our loans and investments are deposits held by our bank. Our largest expenses are interest on these deposits and salaries and related employee benefits. We usually measure our performance by calculating our return on average assets, return on average equity, our regulatory leverage and risk based capital ratios and our efficiency ratio, which is calculated by dividing non-interest expense by the sum of net interest income (on a tax equivalent basis) and non-interest income.

Critical Accounting Policies

We prepare consolidated financial statements based on the selection of certain accounting policies, generally accepted accounting principles and customary practices in the banking industry. These policies, in certain areas, require us to make significant estimates and assumptions.

We deem a policy critical if (1) the accounting estimate required us to make assumptions about matters that are highly uncertain at the time we make the accounting estimate; and (2) different estimates that reasonably could have been used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on the financial statements.

The following discussion addresses (1) our allowance for loan losses and its provision for loan losses and (2) our valuation of securities, which we deem to be our most critical accounting policies. We have other significant accounting policies and continue to evaluate the materiality of their impact on our consolidated financial statements, but we believe these other policies either do not generally require us to make estimates and judgments that are difficult or subjective, or it is less likely they would have a material impact on our reported results for a given period.

Allowance for Loan Losses:

The allowance for loan losses is established through a provision for loan losses charged to expense. Loans are charged against the allowance for loan losses when management believes the collectability of the principal is unlikely.

The allowance is an amount management believes is appropriate to absorb estimated inherent losses on existing loans that are deemed uncollectible based upon management's review and evaluation of the loan portfolio. The allowance for loan losses is comprised of three elements: (i) specific reserves determined in accordance with current authoritative accounting guidance based on probable losses on specific classified loans; (ii) general reserves determined in accordance with current authoritative accounting guidance that consider historical loss rates; and (iii) qualitative reserves determined in accordance with current authoritative accounting guidance based upon general economic conditions and other qualitative risk factors both internal and external to the Company.

The allowance for loan losses is increased by charges to income and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the appropriateness of the allowance is based on general economic conditions, the financial condition of borrowers, the value and liquidity of collateral, delinquency, prior loan loss experience, and the results of periodic reviews of the portfolio. For purposes of determining our general reserve, the loan portfolio, less cash secured loans, government guaranteed loans and classified loans, is multiplied by the Company's historical loss rate. The Company's methodology is constructed so that specific allocations are increased in accordance with deterioration in credit quality and a corresponding increase in risk of loss. In addition, the Company adjusts our allowance for qualitative factors such as current local economic conditions and trends, including unemployment, lending staff, policies and procedures, credit concentrations, trends and severity of problem loans and trends in volume and terms of loans. This additional allocation based on qualitative factors serves to compensate for additional areas of uncertainty inherent in our portfolio that are not reflected in our historic loss factors.

Although we believe we use the best information available to make loan loss allowance determinations, future adjustments could be necessary if circumstances or economic conditions differ substantially from the assumptions used in making our initial determinations. A downturn in the economy and employment could result in increased levels of non-performing assets and charge-offs, increased loan loss provisions and reductions in income. Additionally as an integral part of their examination process, bank regulatory agencies periodically review our allowance for loan losses. The bank regulatory agencies could require the recognition of additions to the loan loss allowance based on their judgment of information available to them at the time of their examination.

Accrual of interest is discontinued on a loan and payments applied to principal when management believes, after considering economic and business conditions and collection efforts, the borrower's financial condition is such that collection of interest is doubtful. Generally all loans past due greater than 90 days, based on contractual terms, are placed on non-accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured. Consumer loans are generally charged-off when a loan becomes past due 90 days. For other loans in the portfolio, facts and circumstances are evaluated in making charge-off decisions.

Loans are considered impaired when, based on current information and events, it is probable we will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. If a loan is impaired, a specific valuation allowance is allocated, if necessary. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged-off when deemed uncollectible.

The Company’s policy requires measurement of the allowance for an impaired collateral dependent loan based on the fair value of the collateral. Other loan impairments are measured based on the present value of expected future cash flows or the loan’s observable market price.

From time to time, the Company modifies its loan agreement with a borrower. A modified loan is considered a troubled debt restructuring when two conditions are met: (i) the borrower is experiencing financial difficulty and (ii) concessions are made by the Company that would not otherwise be considered for a borrower with similar credit risk characteristics. Modifications to loan terms may include a lower interest rate, a reduction of principal, or a longer term to maturity. Each of these loans is evaluated for impairment and a specific reserve is recorded based on probable losses, taking into consideration the related collateral and modified loan terms and cash flow. As of March 31, 2017 troubled debt restructurings totaled $12.8 million with $85 thousand of the total also being classified as non-accrual.

Valuation of Securities:

Management classifies debt and equity securities as held-to-maturity or available-for-sale, based on its intent. Debt securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income using the interest method. Securities not classified as held-to-maturity or trading are classified as available-for-sale and recorded at estimated fair value, with all unrealized gains and unrealized losses judged to be temporary, net of deferred income taxes, excluded from earnings and reported as a separate component of shareholders’ equity. Available- for-sale securities that have unrealized losses that are judged other than temporary are included in gain (loss) on sale of securities and a new cost basis is established.

Fair value of these securities is determined based on methodologies in accordance with current authoritative accounting guidance. Fair values are volatile and may be influenced by a number of factors, including market interest rates, prepayment speeds, discount rates and yield curves. Fair values for our investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on the quoted prices of similar instruments or an estimate of fair value by using a range of fair value estimates in the marketplace as a result of the illiquid market specific to the type of security.

When the fair value of a security is below its amortized cost, and depending on the length of time the condition exists and the extent the fair market value is below amortized cost, additional analysis is performed to determine whether an other-than-temporary impairment condition exists. Available-for-sale and held-to-maturity securities are analyzed quarterly for possible other-than-temporary impairment. The analysis considers (i) whether we have the intent to sell our securities before recovery or maturity, (ii) whether it is more likely than not that we will have to sell our securities before recovery or maturity, (iii) the length of time and extent to which the fair value has been less than costs, and (iv) the financial condition of the issuer. Often, the information available to conduct these assessments is limited and rapidly changing, making estimates of fair value subject to judgment.

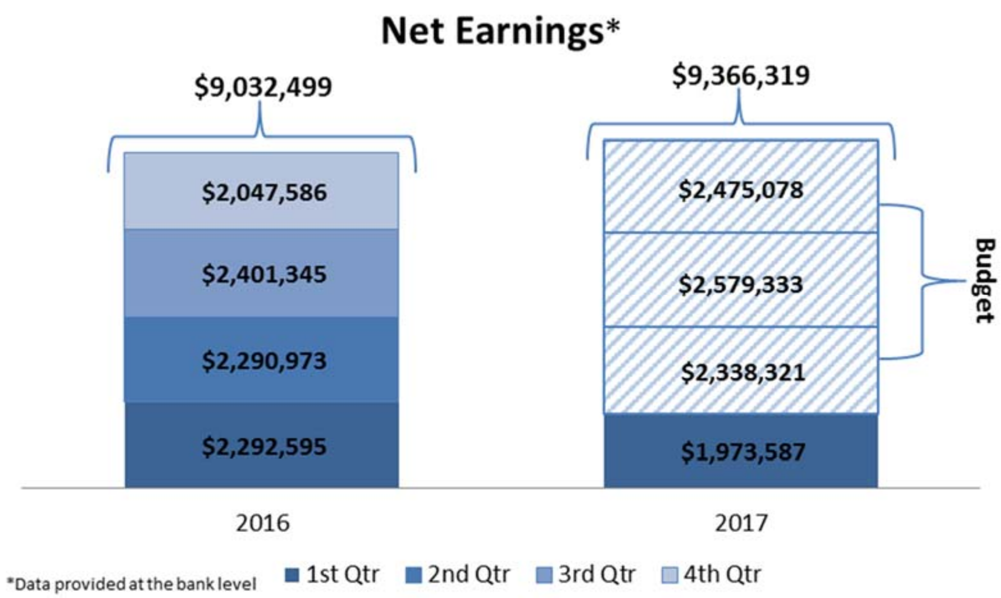
If actual information or conditions are different than estimated, the extent of the impairment of the security may be different than previously estimated, which could have a material effect on the Company's results of operations and financial condition.

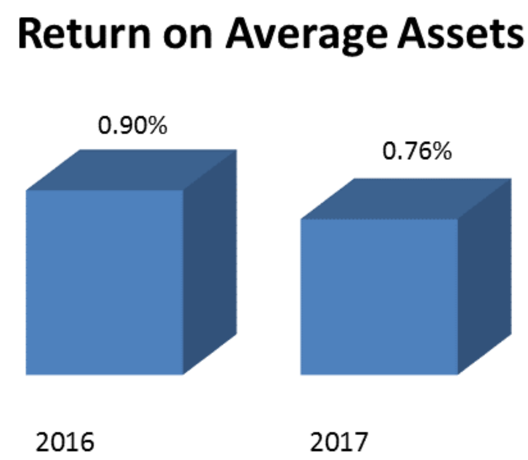
The Company utilizes independent third party pricing services to value its investment securities. The Company reviews the prices supplied by the independent pricing services as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with traditional pricing matrices. The Company's investment portfolio consists of traditional investments, substantially all in U. S. Treasury securities, obligations of U. S. government-sponsored enterprises and agencies, mortgage pass-through securities, and general obligation or revenue based municipal bonds. Pricing for such securities is relatively straightforward and generally not difficult to obtain.

Results of Operations

Performance Summary:

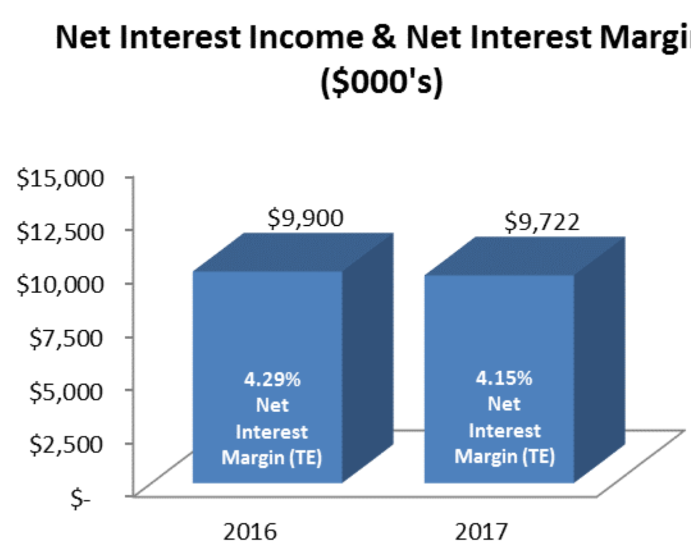
We ended the first quarter with net earnings at the consolidated level of $1.9 million, a decrease of approximately $300 thousand compared to same period in 2016. Net interest margin for the quarter ended March 31, 2016 included income of $209 thousand from SBIC investments. Income of this nature is sporadic and was not repeated in the first quarter of 2017. Return on average assets at the consolidated level as of March 31, 2017 and 2016 was .76% and .90%, respectively. The return on common shareholder's average equity for the same period was 8.26% and 10.56%. On a basic net earnings per share basis at the holding company level, net earnings were $0.20 as of March 31, 2017 compared to $0.23 for March 31, 2016.





Net Interest Income:

Net interest income is the difference between interest income on earning assets and interest expense on liabilities incurred to fund those assets. Our earning assets consist primarily of loans and investment securities. Our liabilities to fund those assets consist primarily of non-interest bearing and interest-bearing deposits. Net interest income was $9.7 million for the quarter ended March 31, 2017 compared to $9.9 million for the same period in 2016. Our year-to-date net interest margin at March 31, 2017 was 4.15%, which was lower compared to 4.29% for the same period in 2016. Net interest margin is calculated by dividing the Company's net interest income by average earning assets for the period.



Non-Interest Income:

Non-interest income for the quarter ended March 31, 2017 was $867 thousand, an increase of $29 thousand or 3.48% over the same period in 2016. The following schedule shows each of the major components of year-to-date non-interest income for the periods ended March 31, 2017 as compared to March 31, 2016.

Non-Interest Income	Year-to-Date March 31		Incr./ (Decr.)	% Change
	2017	2016		
Trust department income	$105,967	$85,633	$20,334	23.75 %
Service charges on deposit accounts	267,524	219,990	47,534	21.61 %
Other service charges and fees	227,252	179,656	47,596	26.49 %
Appreciation in cash surrender value of life insurance	61,505	60,728	777	1.28 %
Gain/(Loss) on sale of securities	-	-	-	0.00 %
Gain/(Loss) on sale of loans	192,892	291,132	(98,240)	(33.74)%
Gain/(Loss) on sale of other real estate	4,638	-	4,638	0.00 %
Gain/(Loss) on sale of other assets	6,500	-	6,500	0.00 %
Total Non-Interest Income	$866,278	$837,139	$29,139	3.48 %

Trust department income for the quarter ended March 31, 2017 was $106 thousand. This was an increase of $20 thousand from the same period in 2016. Assets managed by the Wealth Management and Trust Division totaled $52.7 million as of March 31, 2017.

Service charges on deposit accounts increased by $48 thousand or 21.61% period over period. A major contributor to this increase are service charges relating to commercial analysis. These charges increased by $39 thousand from March 31, 2016 to March 31, 2017.

Other service charges and fees increased by $48 thousand or 26.49%. These charges are mostly comprised of debit card interchange fees and fees collected from customers associated with the cost of doing business.

Mortgage fee income (net of related processing costs) decreased from $291 thousand to $193 thousand, a decrease of $98 thousand or 33.74% from March 31, 2016 compared to March 31, 2017. Our volume of mortgage loans sold to the secondary market has decreased in part due to a restructure of our mortgage division that began in 2015. The bank has added an office in Addison, TX that houses our new Director of Mortgage Operations and Mortgage Operations Manager.

During the first quarter of 2017, the bank recorded a $7 thousand gain on the sale of bank-owned automobile and a $5 thousand gain on the sale other real estate owned.

Non-Interest Expense:

Non-interest expense for the quarter ended March 31, 2017 was $7.4 million as compared to $6.8 million for the same period ended March 31, 2016. This represents an increase of $541 thousand or 7.95%.

Non-Interest Expense	Year-to-Date March 31		Incr./	%
	2017	2016	(Decr.)	Change
Salaries & employee benefits	4,479,617	4,091,781	$387,837	9.48 %
Occupancy & equipment expense	1,106,498	1,039,125	67,373	6.48 %
Advertising	149,574	107,867	41,707	38.67 %
Community and philanthropic support	93,246	67,989	25,257	37.15 %
IT & data processing	224,261	220,347	3,914	1.78 %
Legal, professional, accounting, and exam fees	261,776	253,549	8,228	3.25 %
FDIC assessments	138,000	141,000	(3,000)	(2.13)%
Other expense	901,628	891,460	10,168	1.14 %
Total Non-Interest Expense	$7,354,600	$6,813,118	$541,484	7.95 %

The largest category of expense for the Company is salaries and employee benefits. This component of non-interest expense increased by $388 thousand for the quarter ended March 31, 2017 as compared to March 31, 2016 and represented an increase of 9.48%. Of this increase, a rise in salaries of $213 thousand, a 6.77% increase, is the largest component representing both increased staff and annual salary increases. Other factors include an increase in medical cost of $64 thousand, a 19% increase period over period, and $49 thousand in recruiting fees incurred during the first quarter of 2017.

Occupancy and equipment expense increased $67 thousand or 6.48% period over period. This increase is attributable to the addition of our branch in Horseshoe Bay in the third quarter of 2016. We anticipate a continued increase in this category in 2017.

Advertising costs increased $42 thousand or 38.67% from March 31, 2016 compared to the same period ended March 31, 2017. This increase is attributable to expenses relating to digital media and new commercials for the bank.

Community and philanthropic related expenses increased $25 thousand or 37.15% year over year. We continue to focus on supporting the markets we serve through sponsorships and donations, which is the primary reason we have experienced increased expense in this category.

IT and data processing expenses increased $4 thousand period over period.

Legal, professional, accounting, and exam fees increased $8 thousand or 3.25% for the quarter ended March 31, 2017 compared to March 31, 2016. OCC assessment fees increased by $2 thousand period over period. The OCC assessments are based on the call report asset size as of December and June of each year. We anticipate an increase in this expense in 2017 due to our continued asset growth.

Audit expenses increased $31 thousand period over period. Legal fees decreased by $1 thousand period over period. Other consulting and professional fees decreased by $24 thousand period over period.

The Bank experienced a decrease in FDIC assessments, or deposit insurance costs. The cost for 2016 was $141 thousand and for the same time period in 2017 decreased to $138 thousand. This was a decrease of 2.13%. The FDIC assessment is based on the difference between average assets and average equity each calendar quarter-end period at the bank level.

All other expenses increased by $10 thousand or 1.14% period over period.

Balance Sheet Review

Our portfolio is comprised of loans made to businesses, professionals, and individuals located in the primary trade areas served by our bank. As of March 31, 2017, the Company had total net loans outstanding of $685.9 million as compared to $691.1 million for the same period in 2016, resulting in a decrease of $5.2 million or 0.75%.

Composition of Loans ($ in 000's)	March 31 2017	March 31 2016	Incr./ (Decr.)	% change
Real estate loans (held for investment)	$490,847,808	$473,871,769	$16,976,040	3.58 %
Real estate loans (held for sale)	2,064,814	5,484,564	(3,419,750)	(62.35)%
Loans to governmental entities	-	114,694	(114,694)	(100.00)%
Commercial & industrial loans	174,938,157	192,379,413	(17,441,257)	(9.07)%
Consumer loans	7,915,334	7,615,925	299,408	3.93 %
Other loans	22,747,264	21,998,754	748,510	3.40 %
Total Loans before loan loss reserve	$698,513,377	$701,465,119	($2,951,743)	(0.42)%
Less: Loan loss reserve	(12,604,618)	(10,381,348)	2,223,270	21.42 %
Total Loans	$685,908,759	$691,083,771	($5,175,013)	(0.75)%

Real estate loans represent loans primarily for new home construction, home ownership and investment, and commercial real estate. Real estate loans held for investment represent construction and development loans for both residential and commercial real estate projects. This category also includes longer-term loans for the purpose of financing residential and commercial real estate. Real estate loans held for investment increased from $473.9 million at March 31, 2016 to $490.8 million as of March 31, 2017, an increase of $17 million or 3.58%. Real estate loans held for sale decreased by $3.4 million from March 31, 2016 to March 31, 2017. Real estate loans held for sale represent loans originated for the purpose of purchasing or refinancing one-to-four family residential properties. These loans are originated by the bank with the intent to sell to secondary market investors. The loans are generally sold within 30 days after origination.

Loans to governmental entities decreased by $115 thousand period over period. As of March 31, 2017 the bank did not have any loans in this category. These loans generally produce tax free income much like a municipal bond.

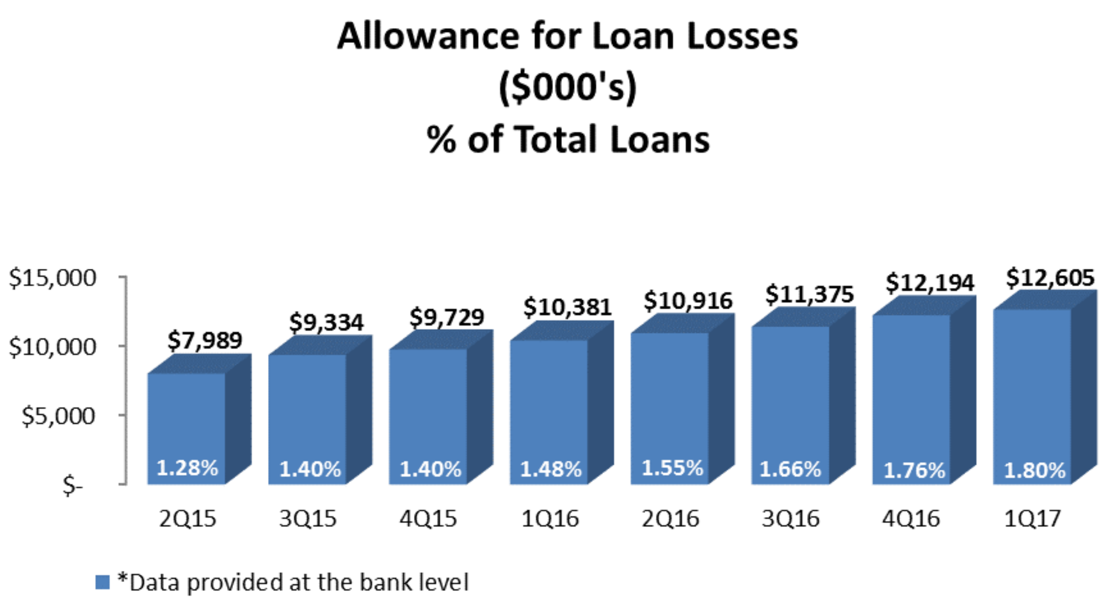
Commercial & industrial loans decreased from $192.4 million at March 31, 2016 to $174.9 million at March 31, 2017, a decrease of $17.4 million or 9.07%. Loans in this category include oil and gas production loans, loans to oil and gas service companies, and loans to manufacturing and wholesale supply companies and miscellaneous other commercial businesses.

Consumer loans increased by $299 thousand or 3.93% from March 31, 2016 to March 31, 2017. The Company is interested in making consumer loans of all types, but consumer lending is not its primary focus. The Company currently has consumer credit underwriting software and a seasoned consumer credit underwriting manager. Management anticipates that our consumer loan portfolio will increase over the next several years.

All other loans increased by $749 thousand from March 31, 2016 to March 31, 2017. Included in this category are loans to finance agriculture, loans to purchase securities, and loans to non-depository institutions.

Asset Quality:

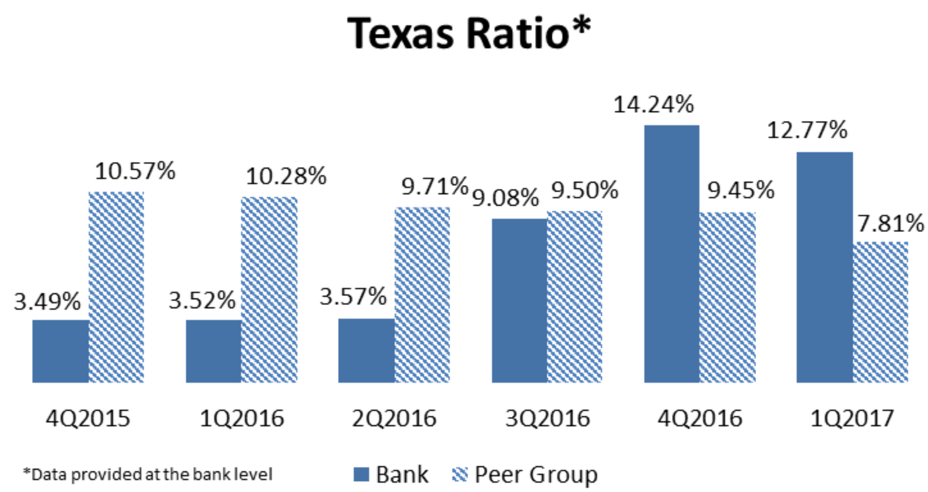
The allowance for loan losses is the amount we determine as of a specific date to be appropriate to absorb probable losses on existing loans in which full collectability is unlikely based on our review and evaluation of the loan portfolio. The provision for loan loss expense was $500 thousand for the quarter ended March 31, 2017 as compared to $700 thousand for same period in 2016. Beginning in the third quarter of 2015, management and the Board decided to increase our loan loss reserves to recognize the fact that we are operating in a higher risk environment due to lower oil prices. Our allowance for loan losses as a percentage of our total loan portfolio was 1.80% as of March 31, 2017, as compared to 1.48% as of March 31, 2016. As a percent of average loans, net loan charge-offs were 0.05% as of March 31, 2017 and 0.03% for the same period in 2016. Comparatively, the peer group averages for the same periods were 0.06% and 0.06% respectively.



As of March 31, 2017, past due loans over 90 days as a percentage of total loans were 0.29% compared to 0.10% for the same period in 2016.

Loans placed on non-accrual status as a percentage of total loans were 0.29% as of March 31, 2017 compared to 0.10% at March 31, 2016. Our peer group for the same time period was 0.65% and 0.80%, respectively.

Another common measure of asset quality is the Texas Ratio. The Texas Ratio is calculated as the sum of restructured loans plus non-accrual loans plus real estate acquired in foreclosure divided by the sum of equity capital plus the allowance for loan losses. As of March 31, 2017, the Bank's Texas Ratio was 12.77% as compared to the peer group of 7.81%. For the same period in 2016 the Company had a Texas Ratio of 3.52% as compared to its peer group of 9.71%. This increase is attributable to restructured loans increasing by approximately $9.8 million period over period.



Interest-Bearing Deposits in Banks:

The Company had interest-bearing deposits in banks of $137 million as of March 31, 2017, as compared to $62.6 million as of March 31, 2016. The average yield on these balances were 1.03% for the period in 2017 as compared to 0.83% for the same period in 2016. These balances were held with various regional banks located within the state of Texas. Management evaluates the financial strength of each bank it holds balances with on a quarterly basis to assure the safety of the investment in each bank.

Available-for-Sale and Held-to-Maturity Securities:

At March 31, 2017, available-for-sale securities had a fair value of $26.4 million and held-to-maturity securities had an amortized cost of $113.3 million. For the same period in 2016 these figures were $23.8 and $143 million, respectively. The decline in held-to-maturity securities is primarily attributable to several agencies in our portfolio maturing or being called.

As of March 31, 2017, the portion of the securities portfolio classified as available-for-sale had a market gain of approximately $324 thousand and the portion of the portfolio classified as held-to-maturity had an approximate market loss of $427 thousand. For the same period in 2016, these amounts were an $848 thousand gain and a $2 million gain, respectively. The decline in market value gains in both the available for sale and the held to maturity portfolios are the result of deflation of bond prices as market rates rise. The market experienced two 25 basis point rate increases between March 31, 2016 and March 31, 2017. The Company did not hold any securities as of March 31, 2017 or 2016 that would be classified as below investment grade or with any impairment. Our overall tax-equivalent yield to maturity on our portfolio at March 31, 2017 was 2.95%. The overall tax-equivalent yield to maturity on our portfolio for the same period in 2016 was 2.79%. All yields are computed on a tax-equivalent basis assuming a marginal tax rate of 34.00%. Yields on available-for-sale securities are based on amortized cost. Maturities of mortgage-backed securities are based on contractual maturities and could differ due to prepayments of underlying mortgages. Maturities of other securities are reported at the earlier of maturity date or call date.

Deposits:

Deposits represent our primary source of funding. Total deposits were $898 million as of March 31, 2017 compared to $783 million as of the same period in 2016.

Composition of Deposits ($ in 000's)	March 31 2017	March 31 2016	Incr./ (Decr.)	% change
Non-interest bearing demand	$284,854,439	$223,291,466	$61,562,973	27.57 %
Interest-bearing demand	66,570,055	61,854,319	4,715,736	7.62 %
Money market and savings	207,955,566	217,045,458	(9,089,892)	(4.19)%
Certificates of deposits ≥ $100,000	300,792,151	249,554,000	51,238,151	20.53 %
Certificates of deposits < $100,000	37,867,427	31,547,000	6,320,427	20.03 %
Total Deposits	$898,039,638	$783,292,243	$114,747,395	14.65 %

The average cost of interest-bearing deposits as of March 31, 2017 was 0.40% which compares to .34% for the same period in 2016. Our peer group's ratios for the same period end were .45% and .48%, respectively.

Capital Resources:

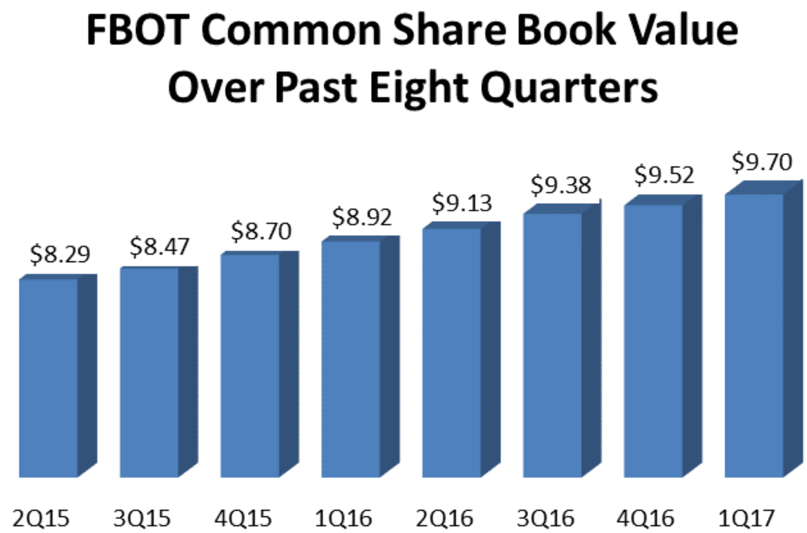
We evaluate capital resources by our ability to maintain adequate regulatory capital ratios to do business in the banking industry. Issues related to capital resources arise primarily when we are growing at an accelerated rate exceeding the rate of growth in our earnings or if we experience significant asset quality deterioration.

	Actual		Minimum Capital Required - Basel III Buffer Phase-In		Minimum Capital Required - Basel III Buffer Fully Phased-In (2019)		Required to be Considered Well Capitalized	
	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio	Capital Amount	Ratio
(000's)								
March 31, 2017								
Total Capital to Risk-Weighted Assets								
Consolidated	$ 114,256	14.650 %	$ 72,143	9.250 %	$ 81,892	10.500 %	$ 77,992	10.000 %
FirstCapital Bank of Texas, N.A.	112,550	14.448	72,056	9.250	81,794	10.500	77,899	10.000
Tier 1 Capital to Risk-Weighted Assets								
Consolidated	104,468	13.395	56,544	7.250	66,293	8.500	62,394	8.000
FirstCapital Bank of Texas, N.A.	102,774	13.193	56,476	7.250	66,214	8.500	62,319	8.000
Common Equity Tier 1								
Consolidated	92,676	11.883	44,845	5.750	54,594	7.000	50,695	6.500
FirstCapital Bank of Texas, N.A.	102,774	13.193	44,792	5.750	54,529	7.000	50,634	6.500
Leverage Ratio								
Consolidated	104,468	10.408	40,148	4.000	40,148	4.000	50,185	5.000
FirstCapital Bank of Texas, N.A.	102,774	10.254	40,090	4.000	40,090	4.000	50,112	5.000
March 31, 2016								
Total Capital to Risk-Weighted Assets								
Consolidated	106,331	13.664	67,117	8.625	81,707	10.500	77,816	10.000
FirstCapital Bank of Texas, N.A.	103,787	13.354	67,034	8.625	81,607	10.500	77,721	10.000
Tier 1 Capital to Risk-Weighted Assets								
Consolidated	96,593	12.413	51,553	6.625	66,144	8.500	62,253	8.000
FirstCapital Bank of Texas, N.A.	94,060	12.102	51,490	6.625	66,063	8.500	62,177	8.000
Common Equity Tier 1								
Consolidated	84,256	10.828	39,881	5.125	54,471	7.000	50,581	6.500
FirstCapital Bank of Texas, N.A.	94,060	12.102	39,832	5.125	54,405	7.000	50,519	6.500
Leverage Ratio								
Consolidated	96,593	9.836	39,281	4.000	39,281	4.000	49,101	5.000
FirstCapital Bank of Texas, N.A.	94,060	9.596	39,206	4.000	39,206	4.000	49,008	5.000

The Company and its bank subsidiary as of March 31, 2017, were "well capitalized" based on the ratios presented in the table above. Both the Company and its bank subsidiary are subject to regulatory capital requirements administered by the Federal Reserve and the Federal Deposit Insurance Corporation ("FDIC"). If we fail to meet the minimum capital requirements, regulatory agencies can initiate certain actions which could have a material effect on the financial statements. We believe by all measurements our capital ratios remain well above regulatory minimums.

Regulatory capital calculations set forth by the Federal Reserve allows the $3 million in trust preferred securities to be included in Tier 1 capital of First Bancshares of Texas, Inc. Also included in this figure is Non-Cumulative Perpetual Preferred Stock with a par value of $1.00 with 5,000,000 shares authorized, 882,544 Series 2009 shares issued and outstanding as of March 31, 2017. During the second quarter of 2016, the bank retired 54,500 shares of preferred stock.

The graph below illustrates at the holding company level, the increases in book value on common shares over an eight quarter period timeframe. Included on page 19 is a table of historical trades and valuations on our common stock.



Dividend Policy:

To pay dividends, we must maintain adequate capital above regulatory guidelines. In addition, if the applicable regulatory authority believes that a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), the authority may require, after notice and hearing, that such bank cease and desist from the unsafe practice. The Federal Reserve Board, the FDIC and the OCC have each indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice. The Federal Reserve Board, the OCC and the FDIC have issued policy statements that recommend that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

The Company has not paid dividends since its inception due to the need to maintain capital for growth purposes. We anticipate that we will continue to have strong growth and that we will not begin paying dividends in the immediate future. However, if growth slows, the Company could consider paying dividends at a later date.

CAPITALIZATION

The following table represents, on a consolidated basis, the capitalization of the Company as of March 31, 2017.

	At March 31, 2017
Long-Term Indebtedness:	
Junior subordinated debentures - trust preferred securities	$ 3,093,000
Total indebtedness	$ 3,093,000
Shareholders' Equity:	
Common stock, par value $1.00 per share, 15,000,000 shares authorized, 9,575,939 shares issued, 9,575,939 shares outstanding as of March 31, 2017	$ 9,575,939
Preferred stock, par value $1.00 per share, 5,000,000 shares authorized, 882,544 Series 2009 shares issued and outstanding as of March 31, 2017	882,544
Surplus	
Common	32,853,261
Preferred	7,909,479
Surplus	40,762,740
Treasury stock	-
Retained earnings	50,247,249
Accumulated other comprehensive income	214,030
Total shareholders' equity	$ 101,682,502
Capital Ratios (Consolidated):	
Tier 1 leverage ratio	10.41%
Common Equity Tier 1 capital ratio	11.88%
Tier 1 risk-based capital ratio	13.39%
Total risk-based capital ratio	14.65%

HISTORICAL TRADES AND VALUATIONS

There have been very few trades in our common stock. The following table presents the low and high per share prices, number of shares traded and the number of trades per quarter for trades in our common stock of which we are aware since January 1, 2009:

Quarter	Low	High	Number of Shares Traded	Number of Trades	Book Value as of Prior Quarter end	Multiple of Price to Book Value Low	Multiple of Price to Book Value High
1st Quarter 2009	$ 6.00	$ 6.00	43,133	9	3.95	1.52	1.52
2nd Quarter 2009	$ 6.00	$ 6.15	119,151	13	4.05	1.48	1.52
3rd Quarter 2009	$ 6.00	$ 6.15	45,850	9	4.12	1.46	1.49
4th Quarter 2009	$ 6.15	$ 6.35	43,337	9	4.24	1.45	1.50
1st Quarter 2010	$ -	$ -	0	0	4.32	0.00	0.00
2nd Quarter 2010	$ 6.35	$ 7.04	149,870	11	4.68	1.36	1.50
3rd Quarter 2010	$ 7.08	$ 7.25	160,570	21	4.79	1.48	1.51
4th Quarter 2010	$ 7.25	$ 7.34	77,000	9	4.89	1.48	1.50
1st Quarter 2011	$ 7.50	$ 7.50	22,500	7	5.01	1.50	1.50
2nd Quarter 2011	$ 6.35	$ 7.68	35,386	7	5.12	1.24	1.50
3rd Quarter 2011	$ 7.86	$ 8.16	70,306	15	5.30	1.48	1.54
4th Quarter 2011	$ 8.16	$ 8.43	140,730	31	5.51	1.48	1.53
1st Quarter 2012	$ 8.50	$ 8.51	16,194	9	5.68	1.50	1.50
2nd Quarter 2012	$ 8.50	$ 9.46	1,446,285	140	5.85	1.45	1.62
3rd Quarter 2012	$ 8.77	$ 9.62	40,160	22	6.41	1.37	1.50
4th Quarter 2012	$ 9.62	$ 9.91	21,751	7	6.61	1.46	1.50
1st Quarter 2013	$ 9.56	$ 10.06	35,334	4	6.71	1.42	1.50
2nd Quarter 2013	$ 9.25	$ 10.41	59,876	12	6.87	1.35	1.52
3rd Quarter 2013	$ 9.76	$ 10.55	58,932	10	6.93	1.41	1.52
4th Quarter 2013	$ 10.00	$ 10.82	135,149	11	7.10	1.41	1.52
1st Quarter 2014	$ 10.87	$ 11.01	89,103	5	7.24	1.50	1.52
2nd Quarter 2014	$ 11.03	$ 11.14	9,234	3	7.42	1.49	1.50
3rd Quarter 2014	$ 11.24	$ 11.54	30,632	8	7.58	1.48	1.52
4th Quarter 2014	$ 11.54	$ 11.81	79,783	8	7.75	1.49	1.52
1st Quarter 2015	$ 11.81	$ 12.10	51,216	8	7.95	1.49	1.52
2nd Quarter 2015	$ 12.31	$ 12.31	71,073	7	8.11	1.52	1.52
3rd Quarter 2015	$ 12.55	$ 12.59	94,568	13	8.29	1.51	1.52
4th Quarter 2015	$ 12.55	$ 12.93	67,134	17	8.47	1.48	1.53
1st Quarter 2016	$ 13.04	$ 13.18	37,432	9	8.70	1.50	1.51
2nd Quarter 2016	$ 13.50	$ 13.50	122,586	17	8.92	1.51	1.51
3rd Quarter 2016	$ 13.82	$ 13.82	43,449	7	9.13	1.51	1.51
4th Quarter 2016	$ 14.16	$ 14.16	31,080	8	9.38	1.51	1.51
1st Quarter 2017	$ 14.25	$ 14.35	68,190	14	9.52	1.50	1.51

The prices given are the result of limited trading and may not be representative of the actual value of our common stock. Trades between related parties are not included. As is evidenced in the table above, our stock has generally traded at a multiple of 1.5 times book value, as is reflected in the far right columns. We are not obligated to register our common stock or preferred stock with the SEC or, upon any registration, to create a market for our shares. Thus, a holder of our common stock may be unable to liquidate his investment and must be able to bear the economic risk of such investment indefinitely.

OFFICERS

OF FIRSTCAPITAL BANK OF TEXAS, N.A.

MICHAEL J. CANON
Chairman - First Bancshares of Texas, Inc.
& General Counsel

KENNETH L. BURGESS, JR.
Chairman - FirstCapital Bank of Texas, N.A.

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Chief Executive Officer

JAY W. ISAACS
President

TRACY BACON
Chief Operating Officer

PHYLLIS BECHNER
Chief Financial Officer

J. GREG BURGESS
Chief Credit Officer

GEORGE H. REEVES
Chief Deposit & Technology Officer

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SCOTT NELSON
Market President, Midland

KATIE J. BOYD
Executive Vice President, Marketing & Training Manager

KENNETH TOMLINSON
Executive Vice President, Midland Lending Manager
& Senior Relationship Manager

JEREMY M. BISHOP
Branch President

BETHANY ETHEREDGE
Branch President

SHEA FERLAND
Senior Vice President & Team Resources Manager

BILL J. HILL
Senior Vice President & Trust Officer

CHRIS L. McGINNIS
Senior Vice President & IT Manager

RICK MITCHELL
Senior Vice President & Senior Relationship Manager

ROBIN RICHEY
Senior Vice President & Trust Administration

BRADY ROSS
Senior Vice President & Senior Relationship Manager

GRISELDA J. BUJANDA
Vice President & Loan Operations Manager

BLAKE SCOTT
Vice President, Accounting Department Manager
& Assistant Controller

LISA SHANKS
Vice President & Fraud Officer

CRYSTAL STURM
Vice President, Data Analytics & Project Manager
& Assistant Controller

MICHAEL J. CANON, JR.
Assistant Vice President & IT Specialist

LIZETT LEYVA
Assistant Vice President & Credit Administration Manager

SHERYL RYAN
Assistant Vice President & Information Security Officer

MARTA HERNANDEZ
Banking Officer & Branch Manager

SARAH JAMES
Banking Officer & Customer Experience Officer

KAMI LITTLE
Banking Officer & BSA Officer

MARY LOGAN
Banking Officer & Branch Manager

LESLIE MARISCAL
Banking Officer & Training Specialist II

EDGAR PAZ
Banking Officer & Loan Servicing Asst. I

OFFICERS, CONT.

OF FIRSTCAPITAL BANK OF TEXAS, N.A.

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Market President, Amarillo

BRAD STUTEVILLE
Branch President

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Senior Vice President & Loan Review Manager

BOWDEN JONES, JR.
Senior Vice President & Retail Banking Manager

LACIE McDOWELL
Senior Vice President & Treasury Management

RICKY RODRIGUEZ
Senior Vice President & Operations Officer

DONALD TAYLOR
Senior Vice President & Senior Relationship Manager

MURIELLE BARNES
Vice President & Mortgage Underwriter

CHRISTY CAMPBELL
Vice President & Branch Manager

ANITA K. FINK
Vice President & Assistant Operations Manager

TANYA SLUDER
Vice President, Assistant Credit Officer & CRA Officer

CARMELLA SMITH
Vice President & Wire Transfer Manager

MEREDITH STOVER
Vice President & Relationship Manager

JESSICA AMBURN
Assistant Vice President & Relationship Manager

DUSTIN DODGIN
Assistant Vice President & Credit Analyst Manager

NICK PHELPS
Assistant Vice President & IT Applications Analyst

ABBY SNYDER
Assistant Vice President & Branch Manager

BONNIE ALTMAN
Banking Officer & Mortgage Loan Originator

DELYNDA SELGER
Banking Officer & Wire Transfer Supervisor

BRITTANY TRUSTY
Banking Officer & Loan Review Analyst II

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DARRELL HILL
Senior Vice President & Senior Relationship Manager

TRAVIS HILLMAN
Senior Vice President & Senior Relationship Manager

CATHY COPPLE
Vice President & Loan Documentation Preparation Manager

RYAN HUNTER
Vice President & Senior Relationship Manager

LISHA KING
Vice President & TellerConnect Manager

BARRETT POWER
Vice President & Branch Manager

YOLANDA BELGARA
Assistant Vice President & Consumer Credit Underwriter

BRADY GRAHAM
Banking Officer & Teller Supervisor

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SCOTT STREIT
Market President, Horseshoe Bay

CALIB WILLIAMS
Vice President & Systems Administration Officer

CODY PETTY
Assistant Vice President & Branch Manager

TAMI RANDOLPH
Banking Officer & Mortgage Loan Originator

ADDISON OFFICE

WILL WERU
Senior Vice President & Director of Mortgage Operations

KATIA JUAREZ
Vice President & Mortgage Operations Manager

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Discovery Operating, Inc.

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Physician

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Investments

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