

To Our Shareholders and Customers

2006 turned out to be a very good year for the Company and the Bank. We increased earnings significantly and we began positioning the Company for more rapid growth in the near future. One of the most important aspects of growing an organization is making sure you have solid and well trained staff. Much of our focus in 2006 was on building and training a strong staff that can handle the growth plans we have in front of us.

Record Earnings

Earnings for 2006 were the highest in the company's history at \$1,428 thousand dollars as compared to \$960 thousand for 2005. More significantly, the Bank's return on assets for the year was .92% averaging 1.06% for the last six months of the year. Return on assets for the full year of 2005 was .71%. The improved earnings resulted from improvements in the Bank's net interest income and growth in assets.

Looking Ahead

As we move into 2007, we have a number of exciting developments taking place.

In February, we opened a loan production office in Lubbock and at the same time we filed an application with the Comptroller of the Currency to open a full service branch in that market. We decided to make this move due to our ability to attract two very strong business development lenders. Brad Burgess who has approximately 25 years and David Quintanilla with 16 years of experience in the Lubbock market joined the Bank on February 5th. In the first full month of service with the Bank, their performance has been outstanding. This addition now gives us a presence in all three of the major West Texas markets.

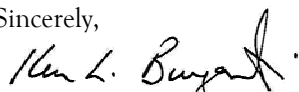
In Midland, we hired another strong business development lender by the name of Brian Lucas. Brian joined us from another Bank in Midland on March 1st. Brian has been in the Midland market for about 12 years and has a very strong track record. We expect Brian to help us significantly with our growth plans.

On August 1st of this year, the bank will move its main location to the corner of Big Spring and Wall Street into a building currently known as Century Plaza. This move will give us much needed expansion space and will significantly improve our presence in the community. The name of the building will become the First National Bank of Midland building. We will be occupying the basement, 1st, 2nd and 12th floors. We have sold our existing building and it will be demolished as part of the full block rehabilitation project which is taking place in downtown Midland.

As of this date, we are completing a stock offering in the amount of \$11,500,000. The offering has been fully subscribed and the proceeds from the offering will support the growth that we expect over the coming years. Total capitalization of the Company after closing of the offering will be approximately \$22.7 million.

We are very excited about the prospects for the Company and the Bank and we appreciate your support through your investment and your business.

Sincerely,



Ken L. Burgess, Jr.

CEO

FINANCIAL HIGHLIGHTS

At and For the Twelve Months ended December 31

| | 2006 | 2005 | % Change |
|--|----------------|------------|----------|
| | (In Thousands) | | |
| Total Assets | \$ 164,113 | \$ 151,062 | 8.64% |
| Average Assets | 155,544 | 135,391 | 14.86% |
| Investments* | 65,133 | 62,802 | 3.71% |
| Loans, net | 85,849 | 75,613 | 13.54% |
| Deposits | 146,916 | 136,398 | 7.71% |
| Shareholders' Equity | 12,510 | 10,539 | 18.70% |
| Interest Income | 9,316 | 7,056 | 32.03% |
| Interest Expense | 2,143 | 1,365 | 57.00% |
| Net Income | \$ 1,428 | \$ 960 | 48.75% |
| Per Share Data | | | |
| Net Income** | \$ 0.33 | \$ 0.21 | 57.14% |
| Book Value** | \$ 2.88 | \$ 2.54 | 13.39% |
| Ratios: | | | |
| Return on Average Assets | 0.92% | 0.71% | 29.58% |
| Return on Shareholders' Equity | 12.66% | 10.02% | 26.35% |
| Net Interest Margin (tax equivalent basis) | 5.10% | 4.54% | 12.34% |
| Number of Shareholder (of record) | 178 | 174 | 2.30% |

*Includes investment securities, interest bearing deposits and Federal Funds Sold

** Data at the Bank holding company level. All other data shown is at Bank level.

**FIRST NATIONAL BANK OF MIDLAND
STATEMENT OF CONDITION**

At and For the Twelve Months ended December 31, 2006

(Unaudited)

| Balance Sheet (in thousands) | 12/31/2006 | 12/31/2005 |
|---|-------------------|-------------------|
| Assets | | |
| Cash and Due from banks | \$ 7,344 | \$ 7,833 |
| Investments | 61,158 | 52,832 |
| Federal Funds Sold | 3,975 | 9,970 |
| Loans | 85,849 | 75,613 |
| Less: allowance for loan losses | (1,241) | (972) |
| Net Loans | 84,608 | 74,640 |
| Fixed Assets | 5,152 | 4,299 |
| Other Assets | 1,876 | 1,487 |
| Total Assets | \$ 164,113 | \$ 151,062 |
| Liabilities and Capital | | |
| Non interest bearing Deposits | \$ 61,180 | \$ 57,272 |
| Interest bearing Accounts | 85,736 | 79,127 |
| Total Deposits | 146,916 | 136,398 |
| FFP & Repo Agreements | 4,064 | 3,772 |
| Other Liabilities | 622 | 353 |
| Total Liabilities | 151,603 | 140,523 |
| Capital | 3,096 | 3,096 |
| Certified Surplus | 6,546 | 6,046 |
| Unrealized G(L) securities AFS | (158) | (200) |
| Undivided Profits | 3,025 | 1,597 |
| Total Capital | 12,510 | 10,539 |
| Total Liabilities & Capital | \$ 164,113 | \$ 151,062 |
| Statement of Earnings (in thousands) | | |
| Operating Income | | |
| Interest and Fees on Loans | \$ 6,370 | \$ 4,900 |
| Interest and Dividends on Investments | 2,946 | 2,156 |
| Other Operating Income | 1,666 | 1,059 |
| Total Operating Income | 10,982 | 8,115 |
| Operating Expense | | |
| Interest Expense | 2,143 | 1,365 |
| Salaries and Employee Benefits | 3,654 | 2,454 |
| Other Expense | 3,149 | 2,956 |
| Total Operating Expense | 8,946 | 6,775 |
| Earnings Before Inc Taxes & Extra | 2,036 | 1,341 |
| Applicable Income Taxes | 608 | 380 |
| Earnings Before Extraordinary Items | 1,428 | 960 |
| Extraordinary Items | 0 | 0 |
| Net Earnings | \$ 1,428 | \$ 960 |