

 First Bancshares of Texas, Inc.

Statement of Condition

Third Quarter Ended September 30, 2007



Bank Directors

Michael J. Canon

Chairman of the Board

Kenneth L. Burgess, Jr.

Chief Executive Officer & President

Stephens T. Harper

Vice Chairman of the Board

Jay W. Isaacs

President - Midland Market & Sr. Trust Officer

J. Greg Burgess

President - Amarillo Market &

Chief Lending Officer

Brad D. Burgess

President - Lubbock Market & Sr. Relationship

Manager

George H. Reeves

Executive Vice President &

Chief Operations Officer

David R. Quintanilla

Executive Vice President &

Sr. Relationship Manager

Brian J. Lucas

Executive Vice President &

Sr. Relationship Manager

John D. Bergman

Oil & Gas Independent

Cary Billingsley

Independent Petroleum Engineer

Stephen N. Castle

Oil & Gas Independent

Dr. David Daniel

President, Midland College

A. Scott Dufford

Oil & Gas Independent

Rick F. Dykes

Real Estate & Investments

H. Tevis Herd

Attorney at Law

Robert C. Leibrock

Oil & Gas Independent

Subodh I. Patel

Hospitality Industry

James W. Ramsey

Petroleum Engineer

C. Todd Sparks

Vice President & CFO, Discovery Operating, Inc.

Dr. James B. Welsh

Physician

Terry D. Wilkinson

Investments

First Bancshares of Texas, Inc., headquartered in Midland, is the parent company for the First National Bank of Midland, which was chartered in November of 1998. First National Bank of Midland presently serves three markets in Texas. These markets are Midland, Lubbock (operating under the name of First Texas Bank of Lubbock), and Amarillo (operating under the name of First Bank of Texas).

The Permian Basin, High Plains and Panhandle regions of Texas are rich in natural resources, agricultural products and livestock. The markets we serve are home to industry, regional medical centers, universities, retail trade and one of the leading petroleum producing centers in the world. Our banking centers provide complete banking services to businesses, oil and gas producers, real estate developers and consumers, including Trust services, mortgage origination and more.

First Bancshares was originally formed with the vision of providing banking services in a highly interactive manner with our customers. We strive to know each and every one of our customers by name and to provide a high quality experience for our customers each and every time we are allowed to provide them service. This is the foundation for our slogan, "Banking the Old Fashioned Way".



Financial Highlights

At and For the Nine Months Ended September 30

	<u>2007</u>	<u>2006</u>	<u>Change</u>
	(In Thousands)		
Total Assets	\$ 224,216	\$159,678	40.42%
Average Assets	192,065	153,619	25.03%
Investments*	64,204	66,893	(4.02)%
Loans, net	143,867	78,803	82.57%
Deposits	197,971	143,990	37.49%
Shareholders' Equity	21,275	12,009	77.16%
Interest Income	9,600	6,757	42.07%
Interest Expense	2,759	1,527	80.68%
Net Income	\$ 1,212	\$ 989	22.55%
Per Share Data:			
Net Income**	\$ 0.19	\$ 0.23	
Book Value**	\$ 3.58	\$ 2.77	
Ratios:			
Return on Average Assets	0.85%	0.87%	
Return on Shareholders' Equity	8.86%	12.07%	
Net Interest Margin (tax equivalent basis)	5.20%	5.06%	
Number of Shareholders (of record)**	246	174	

*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.

Balance Sheet

First National Bank of Midland

(Unaudited Bank Subsidiary Only)

	September 30,		December 31,
	2007	2006	2006
	(In Thousands)		
Assets			
CASH AND DUE FROM BANKS	\$ 6,761	\$ 7,019	\$ 7,344
INVESTMENTS:			
Municipal securities	9,053	9,111	9,097
U.S. gov't agencies	22,885	26,701	26,879
Mortgage backed securities	21,233	23,977	24,893
Due from bank certificates of deposit	—	1,000	—
Due from bank money market accounts	5,011	—	—
Federal reserve bank stock	514	274	289
Federal home loan bank stock	358	—	—
Total Investments	59,054	61,063	61,158
FEDERAL FUNDS SOLD	5,150	5,830	3,975
LOANS:			
Real estate	61,056	31,001	34,910
Secondary mortgage	3,707	3,751	2,642
Commercial, industrial, and agricultural	74,145	42,012	45,220
Government entities	302	—	—
Consumer	6,423	3,184	3,033
Other	32	34	44
Total Loans	145,665	79,982	85,849
Less - Allowance for possible loan losses	(1,798)	(1,179)	(1,241)
Loans, net	143,867	78,803	84,608
BANK PREMISES AND EQUIPMENT, NET	7,152	5,159	5,152
OTHER ASSETS	2,232	1,804	1,876
TOTAL ASSETS	\$ 224,216	\$ 159,678	\$ 164,113
Liabilities & Shareholders' Equity			
DEPOSITS:			
Demand	\$ 64,384	\$ 55,000	\$ 61,180
NOW Accounts	18,540	18,403	17,843
Savings	4,149	2,073	3,027
Time	110,898	68,514	64,866
Total Deposits	197,971	143,990	146,916
SHORT-TERM BORROWINGS			
Federal funds purchased	—	—	—
Securities sold under agreement to repurchase	4,084	3,258	4,064
Federal Home Loan Bank borrowings	—	—	—
Total short-term borrowings	4,084	3,258	4,064
ACCRUED EXPENSES AND OTHER LIABILITIES	886	421	623
Total Liabilities	202,941	147,669	151,603
SHAREHOLDERS' EQUITY			
Common Stock	3,096	3,096	3,096
Surplus	14,046	6,546	6,546
Retained earnings	4,133	2,367	2,868
Total shareholders' equity	21,275	12,009	12,510
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 224,216	\$ 159,678	\$ 164,113

Statement of Income

At and For the Nine Months Ended September 30

First National Bank of Midland

(Unaudited Bank Subsidiary Only)

	<u>2007</u>	<u>2006</u>
	(In Thousands)	
Interest Income:		
Interest and fees on loans	\$ 7,637	\$ 4,577
Interest on investment securities	1,859	1,728
Interest on Federal funds sold	93	372
Other interest income	11	79
TOTAL INTEREST INCOME	<u>9,600</u>	<u>6,756</u>
Interest Expense:		
Deposits	2,522	1,431
Short-term borrowings	237	95
TOTAL INTEREST EXPENSE	<u>2,759</u>	<u>1,526</u>
Net Interest Income	6,841	5,230
Provision for possible loan losses	645	295
Net Interest Income After Provision For Possible Loan Losses	6,196	4,935
Other Income:		
Mortgage	1,192	872
Trust, net	126	81
Other income	534	378
TOTAL OTHER INCOME	<u>1,852</u>	<u>1,331</u>
Other Expenses:		
Salary and employee benefits	3,662	2,722
Building occupancy expense	960	877
Marketing expense	198	129
Data processing expense	173	152
Other employee expense	185	139
Other operating expense	928	698
Other expenses	198	142
TOTAL OTHER EXPENSES	<u>6,304</u>	<u>4,859</u>
Income Before Income Taxes	1,744	1,407
Provision for income taxes	532	418
NET INCOME	<u>\$ 1,212</u>	<u>\$ 989</u>

Bank Officers

Michael J. Canon

Chairman of the Board

Kenneth L. Burgess, Jr.

Chief Executive Officer & President

Stephens T. Harper

Vice Chairman of the Board

Midland Market –

(First National Bank of Midland)

Jay W. Isaacs

President – Midland Market &

Sr. Trust Officer

Brian J. Lucas

Executive Vice President &

Sr. Relationship Manager

Brad D. Bullock

Executive Vice President & Compliance

Tracy A. Timlin

Sr. Vice President & Mortgage Division Manager

Janene D. Binnion

Vice President & Human Resources

Department Manager

R. Kyle Clifton

Vice President, Cashier & Controller

Debbie K. Glennan

Vice President & Branch Operations Manager

Toby D. Payne

Vice President & Relationship Manager

Robin R. Richey

Vice President, Secretary to the Board & Trust

Administration Officer

Lynne M. Sawyer

Vice President & Credit Administration

Department Manager

Veronica S. Pyle

Banking Officer & Personal Banker

Martin F. Ruehl

Banking Officer & Relationship Manager

Griselda Bujanda

Banking Officer & Credit Operations Manager

Amarillo Market –

(First Bank of Texas)

J. Greg Burgess

President – Amarillo Market &

Chief Lending Officer

George H. Reeves

Executive Vice President &

Chief Operations Officer

Anita K. Fink

Assistant Vice President &

Assistant Operations Manager

Stacy M. Worthen

Banking Officer & Branch Manager

Dora M. Evans

Banking Officer & Executive Assistant

Lubbock Market –

(First Texas Bank of Lubbock)

Brad D. Burgess

President – Lubbock Market &

Sr. Relationship Manager

David R. Quintanilla

Executive Vice President & Sr. Relationship

Manager

Patrick M. Irish

Vice President & Relationship Manager

Beverly R. Holland

Assistant Vice President & Executive Assistant

Raina Keneda

Assistant Vice President & Executive Assistant

Lisha F. King

Assistant Vice President &

Branch Operations Manager



**FIRST
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OF MIDLAND

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www.fnbmidland.com

Tel. 432.686.0044

Big Spring Branch

3708 N. Big Spring
Midland, Texas 79705
Tel. 432.682.1188

**North A Street
Branch**

300 North A Street
Midland, Texas 79701

West Wadley Branch

5606 West Wadley,



First Bank of Texas

Downtown

620 S. Taylor, Suite 101
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Tel. 806.374.1000
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Hillside

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Amarillo, TX 79109
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**First Texas
BANK**

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