

 First Bancshares of Texas, Inc.

Statement of Condition

Second Quarter Ended June 30, 2008



Bank Directors

Michael J. Canon

Chairman of the Board

Kenneth L. Burgess, Jr.

Chief Executive Officer & President

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

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 Six Months Ended June 30

	<u>2008</u>	<u>2007</u>	<u>Change</u>
	(In Thousands)		
Total Assets	\$ 278,168	\$206,882	34.46%
Average Assets	253,936	180,316	40.83%
Investments*	48,309	58,810	(17.86)%
Loans, net	206,324	132,598	55.60%
Deposits	250,386	175,950	42.31%
Shareholders' Equity	22,915	20,712	10.64%
Interest Income	7,719	5,901	30.81%
Interest Expense	1,964	1,619	21.31%
Net Income	\$ 1,044	\$ 731	42.82%
Per Share Data:			
Net Income**	\$ 0.15	\$ 0.13	
Book Value**	\$ 3.81	\$ 3.52	
Ratios:			
Return on Average Assets	0.82%	0.83%	
Return on Shareholders' Equity	9.32%	8.71%	
Net Interest Margin (tax equivalent basis)	4.92%	5.24%	
Number of Shareholders (of record)**	250	246	

*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)

	June 30,		December 31,
	<u>2008</u>	<u>2007</u>	<u>2007</u>
Assets		(In Thousands)	
CASH AND DUE FROM BANKS	\$ 11,537	\$ 6,494	\$ 9,905
INVESTMENTS:			
Municipal securities	8,889	9,068	9,040
U.S. gov't agencies	14,560	22,821	21,402
Mortgage backed securities	19,025	21,990	20,518
Due from bank certificates of deposit	—	—	—
Due from bank money market accounts	2	317	4,015
Federal reserve bank stock	514	514	514
Federal home loan bank stock	369	—	363
TIB stock	200	—	200
Total Investments	<u>43,559</u>	<u>54,710</u>	<u>56,052</u>
FEDERAL FUNDS SOLD	4,750	4,100	6,925
LOANS:			
Real estate	85,695	48,704	71,277
Secondary mortgage	8,703	6,900	4,511
Commercial, industrial, and agricultural	103,279	73,395	79,237
Government entities	1,869	295	543
Consumer	9,199	4,826	6,250
Other	43	35	29
Total Loans	<u>208,788</u>	<u>134,155</u>	<u>161,847</u>
Less - Allowance for possible loan losses	(2,464)	(1,557)	(1,974)
Loans, net	<u>206,324</u>	<u>132,598</u>	<u>159,873</u>
BANK PREMISES AND EQUIPMENT, NET	9,793	6,809	7,853
OTHER ASSETS	2,205	2,171	2,307
TOTAL ASSETS	<u>\$ 278,168</u>	<u>\$ 206,882</u>	<u>\$ 242,915</u>
Liabilities & Shareholders' Equity			
DEPOSITS:			
Demand	\$ 79,281	\$ 64,797	\$ 72,433
NOW Accounts	19,675	18,808	20,744
Savings	5,219	2,485	4,117
Time	146,211	89,860	119,039
Total Deposits	<u>250,386</u>	<u>175,950</u>	<u>216,333</u>
SHORT-TERM BORROWINGS:			
Federal funds purchased	—	—	—
Securities sold under agreement to repurchase	4,175	4,534	3,859
Federal Home Loan Bank borrowings	—	5,000	—
Total short-term borrowings	<u>4,175</u>	<u>9,534</u>	<u>3,859</u>
ACCRUED EXPENSES AND OTHER LIABILITIES	692	686	876
Total Liabilities	<u>255,253</u>	<u>186,170</u>	<u>221,068</u>
SHAREHOLDERS' EQUITY:			
Common Stock	3,096	3,096	3,096
Surplus	14,046	14,046	14,046
Retained earnings	5,773	3,570	4,705
Total shareholders' equity	<u>22,915</u>	<u>20,712</u>	<u>21,847</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 278,168</u>	<u>\$ 206,882</u>	<u>\$ 242,915</u>

Statement of Income

For the Six Months Ended June 30

First National Bank of Midland

(Unaudited Bank Subsidiary Only)

	<u>2008</u>	<u>2007</u>
	(In Thousands)	
Interest Income:		
Interest and fees on loans	\$ 6,622	\$ 4,565
Interest on investment securities	1,020	1,280
Interest on Federal funds sold	56	56
Other interest income	<u>21</u>	<u>—</u>
TOTAL INTEREST INCOME	<u>7,719</u>	<u>5,901</u>
Interest Expense:		
Deposits	1,896	1,458
Short-term borrowings	<u>68</u>	<u>161</u>
TOTAL INTEREST EXPENSE	<u>1,964</u>	<u>1,619</u>
Net Interest Income	5,755	4,282
Provision for possible loan losses	<u>490</u>	<u>345</u>
Net Interest Income After Provision For Possible Loan Losses	5,265	3,937
Other Income:		
Mortgage	1,163	687
Trust, net	98	77
Other income	<u>498</u>	<u>360</u>
TOTAL OTHER INCOME	<u>1,759</u>	<u>1,124</u>
Other Expenses:		
Salary and employee benefits	3,294	2,319
Building occupancy expense	858	623
Marketing expense	154	130
Data processing expense	137	112
Other employee expense	136	113
Other operating expense	915	670
Other expenses	<u>31</u>	<u>45</u>
TOTAL OTHER EXPENSES	<u>5,525</u>	<u>4,012</u>
Income Before Income Taxes	1,499	1,049
Provision for income taxes	<u>455</u>	<u>318</u>
NET INCOME	<u>\$ 1,044</u>	<u>\$ 731</u>

Bank Officers

Michael J. Canon

Chairman of the Board

Kenneth L. Burgess, Jr.

Chief Executive Officer & President

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

Toby D. Payne

Sr. Vice President & Relationship Manager

Bill J. Hill

Sr. Vice President & Trust Administration Officer

Shannon L. Smith

Sr. Vice President & Sr. Relationship Manager

Janene D. Binnion

Vice President & Team Resources
Department Manager

R. Kyle Clifton

Vice President, Cashier & Controller

Debbie K. Glennan

Vice President & Branch Operations Manager

Robin R. Richey

Vice President, Secretary to the Board & Trust
Administration Officer

Lynne M. Sawyer

Vice President & Credit Administration
Department Manager

Jon D. Black

Vice President, Odessa Mortgage

Martin F. Ruehl

Assistant Vice President, Branch Manager &
Relationship Manager

Veronica S. Pyle

Banking Officer & Personal Banker

Chris A. Whitney

Banking Officer, Branch Manager
& Personal Banker

Griselda J. Bujanda

Banking Officer & Loan Operations Manager

Melanie J. Horton

Banking Officer & Assistant Controller

Jeremy M. Bishop

Banking Officer & Relationship Manager

Katie J. Boyd

Banking Officer, Branch Manager &
Relationship Manager

Judy D. Bueno

Banking Officer & Compliance Specialist

Chris L. McGinnis

Banking Officer & IT Manager

Michael J. Canon, Jr.

Banking Officer & IT Support

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

Stacye M. Worthen

Banking Officer & Branch Manager

Dora M. Evans

Banking Officer & Executive Assistant

Landon M. Gann

Banking Officer & Relationship Manager

Matt T. Stampfli

Banking Officer & Relationship Manager

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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West Wadley Branch

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