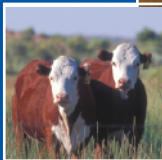


 First Bancshares of Texas, Inc.

Statement of Condition

Third Quarter Ended September 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

CFO, BJB Services, Inc.

John D. Bergman

Oil & Gas Independent

Cary Billingsley

Independent Petroleum Engineer

Stephen N. Castle

Oil & Gas Independent

Dr. David Daniel

Retired

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 Nine Months Ended September 30

	<u>2008</u>	<u>2007</u>	<u>Change</u>
	(In Thousands)		
Total Assets	\$ 301,060	\$224,216	34.27%
Average Assets	265,465	192,065	38.22%
Investments*	52,223	64,204	(18.66)%
Loans, net	225,706	143,867	56.89%
Deposits	270,909	197,971	36.84%
Shareholders' Equity	23,526	21,275	10.58%
Interest Income	11,918	9,600	24.15%
Interest Expense	2,940	2,759	6.56%
Net Income	\$ 1,621	\$ 1,212	33.75%
Per Share Data:			
Net Income**	\$ 0.23	\$ 0.19	
Book Value**	\$ 3.89	\$ 3.58	
Ratios:			
Return on Average Assets	0.81%	0.85%	
Return on Shareholders' Equity	9.50%	8.86%	
Net Interest Margin (tax equivalent basis)	4.88%	5.20%	
Number of Shareholders (of record)**	251	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)

	September 30,		December 31,
	2008	2007	2007
		(In Thousands)	
Assets			
CASH AND DUE FROM BANKS	\$ 10,214	\$ 6,761	\$ 9,905
INVESTMENTS:			
Municipal securities	8,692	9,053	9,040
U.S. gov't agencies	12,057	22,885	21,402
Mortgage backed securities	19,307	21,233	20,518
Due from bank certificates of deposit	—	—	—
Due from bank money market accounts	4,007	5,011	4,015
Federal Reserve Bank stock	514	514	514
Federal Home Loan Bank stock	371	358	363
Texas Independent Bankers Bank stock	200	—	200
Total Investments	45,148	59,054	56,052
FEDERAL FUNDS SOLD	7,075	5,150	6,925
LOANS:			
Real estate	116,993	61,056	71,277
Secondary mortgage	4,592	3,707	4,511
Commercial, industrial, and agricultural	93,228	74,145	79,237
Government entities	3,179	302	543
Consumer	10,311	6,423	6,250
Other	163	33	29
Total Loans	228,466	145,666	161,847
Less - Allowance for possible loan losses	(2,760)	(1,798)	(1,974)
Loans, net	225,706	143,868	159,873
BANK PREMISES AND EQUIPMENT, NET	10,548	7,152	7,853
OTHER ASSETS	2,369	2,231	2,307
TOTAL ASSETS	\$ 301,060	\$ 224,216	\$ 242,915
Liabilities & Shareholders' Equity			
DEPOSITS:			
Demand	\$ 85,801	\$ 64,383	\$ 72,433
NOW Accounts	23,494	18,540	20,744
Savings	4,921	4,149	4,117
Time	156,693	110,899	119,039
Total Deposits	270,909	197,971	216,333
SHORT-TERM BORROWINGS:			
Federal funds purchased	—	—	—
Securities sold under agreement to repurchase	5,685	4,084	3,859
Federal Home Loan Bank borrowings	—	—	—
Total short-term borrowings	5,685	4,084	3,859
ACCRUED EXPENSES AND OTHER LIABILITIES	940	886	876
Total Liabilities	277,534	202,941	221,068
SHAREHOLDERS' EQUITY:			
Common Stock	3,096	3,096	3,096
Surplus	14,046	14,046	14,046
Retained earnings	6,384	4,133	4,705
Total shareholders' equity	23,526	21,275	21,847
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 301,060	\$ 224,216	\$ 242,915

Statement of Income

For the Nine Months Ended September 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	\$ 10,302	\$ 7,637
Interest on investment securities	1,484	1,859
Interest on Federal funds sold	86	93
Other interest income	46	11
TOTAL INTEREST INCOME	<u>11,918</u>	<u>9,600</u>
Interest Expense:		
Deposits	2,839	2,522
Short-term borrowings	101	237
TOTAL INTEREST EXPENSE	<u>2,940</u>	<u>2,759</u>
Net Interest Income	8,978	6,841
Provision for possible loan losses	790	645
Net Interest Income After Provision For Possible Loan Losses	8,188	6,196
Other Income:		
Mortgage	1,913	1,192
Trust, net	157	126
Other income	693	534
TOTAL OTHER INCOME	<u>2,763</u>	<u>1,852</u>
Other Expenses:		
Salary and employee benefits	5,092	3,662
Building occupancy expense	1,365	960
Marketing expense	245	198
Data processing expense	207	173
Other employee expense	214	185
Other operating expense	1,451	928
Other expenses	48	198
TOTAL OTHER EXPENSES	<u>8,622</u>	<u>6,304</u>
Income Before Income Taxes	2,329	1,744
Provision for income taxes	708	532
NET INCOME	<u>\$ 1,621</u>	<u>\$ 1,212</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

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 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



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OF MIDLAND**

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North A Street Branch

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Tel. 432.686.0044

West Wadley Branch

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Midland, Texas 79707
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