



FIRST BANCSHARES

OF TEXAS, INC.

Dear Shareholders,

September 28, 2018

I hope everyone is getting ready for some cooler weather as we head into fall. Great to have football back again.

I will be writing you again in about a month with the results of our 2018 third quarter, which is shaping up to be a good one as we close in on these last few days.

You may have seen media reports in the last month regarding the bankruptcy of one of our longtime customers in Lubbock and the various related, ensuing lawsuits. We are in a business that occasionally gives rise to lawsuits, but most do not garner this much attention. For that reason, I felt I should give you an update on this situation, given the fact that FirstCapital Bank (Bank) is involved in two of the resulting lawsuits.

Simply stated, as a result of the financial condition of a group of related companies that are customers of our Bank, a lawsuit was filed on July 31, 2018 by Ford Motor Credit Company against those companies and their individual owners. On the next day, August 1, 2018, six of those companies filed for Chapter 11 Bankruptcy protection. Immediately following these filings, our Bank took internal steps to protect our Bank, our customers and our shareholders from what we had determined was a possible check-kiting scheme that had apparently been orchestrated by someone internally associated with those companies. Despite our efforts, various banks, including ours, sustained losses in this process. So far, two of the harmed banks have sued our Bank, as well as Brad Burgess and me. Our Bank's position is that none of the claims made by those two banks against the three of us are supported by any of the applicable laws that govern banks in situations such as this.

The law allows a party to state an initial claim in a court of law based on mere allegations. The allegations made by the other banks will not stand up to scrutiny in court. Unfortunately, the media's 24 hour news cycle does not lend itself to a fair airing of the facts and the law surrounding these circumstances. We are confident that when the facts and the law are considered in court we will be successful.

In response to the first case that was filed, our Bank recently filed a Motion to Dismiss this case. In the Motion to Dismiss, our attorneys stressed to the Court that our Bank appropriately followed all the laws that apply to the circumstances in question. We anticipate similarly seeking an early resolution of the second case.

I want to assure you that neither the Bank, Brad, nor I took any actions outside of the law in the efforts that were taken to protect the Bank. Every action that was taken by our Bank was consistent with sound banking practices and was done with the best interest of our Bank and its shareholders, in mind.

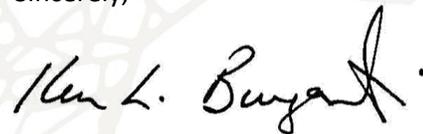
For any of you who still may have a concern, the Bank remains a well-capitalized institution within the federal guidelines with over \$114 million in total capital. There is no outcome in this matter that would

place the Bank in financial jeopardy or that would cause the Bank to be under-capitalized. In addition to the Bank's strong capital position, we maintain insurance policies that provide additional protection. The Bank anticipates record after-tax profits in 2018, which will provide additional capital resources.

As I have heard many times throughout my career, banking is about managing risk. Banks will always have litigation risks. We do our best to set policies and procedures that minimize the risk. However, anyone can file a lawsuit at any time and for any reason. Thankfully, those claims must be substantiated and supported by law. In this instance, we trust that the legal system and the courts will agree with us that we followed all applicable laws, rules and regulations, entirely and correctly, and that both of these lawsuits are baseless and without merit.

We will periodically update the Shareholders on the development of this matter. In the meantime, if you have any questions, please feel free to call Katie Boyd, our Chief Marketing Officer. Katie will be happy to answer your questions, or if she is unable to do so, she will put you in touch with the appropriate person to address your questions or concerns.

Sincerely,

A handwritten signature in black ink that reads "Ken L. Burgess, Jr." with a period at the end. The signature is written in a cursive style.

Kenneth L. Burgess, Jr.
CEO of First Bancshares of Texas, Inc.
Chairman of FirstCapital Bank of Texas

