



First Bancshares of Texas, Inc.

Second Quarter 2006 Newsletter

2nd Quarter Financial Summary

The Bank continued to show an increase in profitability in the 2nd quarter of this year. At June 30, 2006, after tax net income stood at \$578 thousand dollars as compared to \$396 thousand for the same six month period in 2005. Earnings for the 2nd quarter were \$313 thousand as compared to \$265 thousand for the first three months of the year. The improvement stems from improvement in the bank's net interest margin and income from residential home loans sold into the secondary market. Our net interest margin increased to 5.01% from 4.40% the prior year. The residential home markets in Midland and Amarillo are very strong at the present time and the Bank is benefiting from strong volume.

Return on shareholder's equity for the first 6 months of the year was 10.77% as compared to 8.51% for the first six months of 2005. Earnings per share for the first 6 months of 2006 were \$.14 as compared to \$.10 for the first half of 2005.

Total assets ended the quarter at \$160.6 million, up from \$135.9 million as of June 30, 2005 and \$157.4 million as of March 31, 2006. Much of our asset growth historically occurs in the last half of each year. We expect continued strong growth for the remainder of 2006.

Loan growth has not been as strong. Due to the strength of the Midland and Amarillo economies, we have seen significant pay downs in our loan portfolio due to the strong cash flow of our borrowers. Loans ended the quarter at \$73.9 million as compared to \$70.7 million at June 30, 2005 and \$72.2 million at March 31, 2006. Within the last two months, we have seen increased loan demand and we hope to be able to increase our portfolio significantly throughout the remainder of 2006.

We have positioned the Bank for growth through the building of infrastructure over the last several years. That infrastructure placement has proven effective and as we grow, our operating efficiencies will continue to improve resulting in increased earnings. We have opened a new downtown location this year in Midland and a southwest side location in Amarillo. Both of these locations are doing well and should make the Bank stronger in each market.

As always, we appreciate what you do for us as customers and as shareholders. If we can be of help, please give us a call.

FINANCIAL HIGHLIGHTS

At and For the Six Months ended June 30, 2006

	2006	2005	Change
	(In Thousands)		
Total Assets	\$ 160,666	\$ 135,926	\$24,740
Average Assets.	150,686	129,405	21,281
Investments*	72,596	57,516	15,080
Loans, net	73,913	70,733	3,180
Deposits	144,694	122,781	21,913
Shareholders' Equity	11,032	9,540	1,492
Interest Income	4,327	3,145	1,182
Interest Expense	956	620	336
Net Income	578	396	182
Per Share Data			
Net Income**	\$0.14	\$0.10	\$0.04
Book Value**	\$2.68	\$2.41	\$0.27
Ratios:			
Return on Average Assets	.77%	.61%	.16%
Return on Shareholders' Equity	10.77%	8.51%	2.26%
Net Interest Margin (tax equivalent basis)	5.01%	4.40%	.61%
Number of Shareholders (of record)**	176	176	0

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

** Data as of 6/30/2006 at the Bank holding company level. All other data shown is at Bank level.

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

For the quarters ended June 30, 2006 and June 30, 2005

(Unaudited)

Balance Sheet (in thousands)	6/30/2006	6/30/2005
Assets		
Cash and Due from banks	\$ 8,507	\$ 4,392
Investments	56,471	48,781
Federal Funds Sold	16,125	10,735
Loans	73,913	70,733
Less: allowance for loan losses	(1,120)	(1,091)
Net Loans	72,793	69,642
Fixed Assets	5,236	3,118
Other Assets	1,534	1,258
Total Assets	\$ 160,666	\$ 135,926
Liabilities and Capital		
Non interest bearing Deposits	\$ 61,367	\$ 40,832
Interest bearing Accounts	83,327	81,949
Total Deposits	144,694	122,781
FFP & Repo Agreements	4,614	3,310
Other Liabilities	326	295
Total Liabilities	149,634	126,686
Capital	3,096	3,096
Certified Surplus	6,046	5,546
Unrealized G(L) securities AFS	(285)	(134)
Undivided Profits	2,175	1,032
Total Capital	11,032	9,540
Total Liabilities & Capital	\$ 160,666	\$ 135,926
Statement of Earnings (in thousands)		
Operating Income		
Interest and Fees on Loans	\$ 2,954	\$ 2,269
Interest and Dividends on Investments	1,373	876
Other Operating Income	783	502
Total Operating Income	5,110	3,647
Operating Expense		
Interest Expense	956	620
Salaries and Employee Benefits	1,789	1,104
Other Expense	1,546	1,369
Total Operating Expense	4,291	3,093
Earnings Before Inc Taxes & Extra	819	554
Applicable Income Taxes	241	158
Earnings Before Extraordinary Items	578	396
Extraordinary Items	0	0
Net Earnings	\$ 578	\$ 396