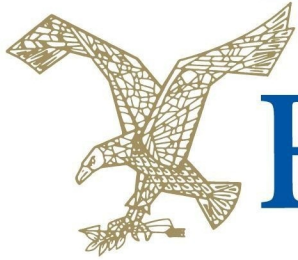


FIRSTBANCSHARES
OF TEXAS, INC.

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FIRSTBANCSHARES
OF TEXAS, INC.

Fourth Quarter 2011 Shareholders' Report

FIRSTBANCSHARES
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Dear Shareholders

2011 turned out to be a great year for the Bank and the Company. We had a record year for earnings and continued the strong growth pattern that we have had for the past 5 years. Earnings in 2011 ended the year at \$5.0 million as compared to \$3.2 million in 2010. This was an increase of 55.6% over 2010. Better yet, our Return on Assets averaged 1.10% for the fourth quarter of the year as compared to .92% for the full year. This means that we enter 2012 with a strong earnings rate and have the opportunity for a very good 2012.

We began a stock offering on January 3rd which will run until April 2nd of this year. Due to our strong growth over the past two years, the Board felt the need to raise additional capital. The new capital will allow us to continue our growth and will also assure that the Bank and the Company is ready for new capital guidelines which are currently being discussed in Washington. We have always made sure that we maintained a strong capital base to allow for growth and to stay well above the expectations of our regulators. I am happy to say that as of the time of this writing, we have in the Bank about \$4.5 million out of the \$15 million that we expect to raise.

We are conducting stock offering informational meetings in all of our markets, plus a meeting in the Abilene market and the Dallas market due to the number of shareholders that we have in these two outside markets. If you are not able to attend one of these meetings, I would be pleased to visit with you regarding any questions you may have.

Over the last few years, the Board of Directors has been discussing their desire to have a succession plan in place for our management team. As a result, the following changes were made at year end to allow some of our management team members to take on new responsibilities and assure continuity of management.

Mike Canon	Relinquished his role as Chairman of the Bank and remains Chairman of First Bancshares of Texas
Ken Burgess, Jr.	Moved from Chief Executive Officer & President of the Bank to Chairman and remains President of First Bancshares of Texas
Brad Burgess	Moved from President of the Lubbock market to Chief Executive Officer of the Bank and remains Vice President of First Bancshares of Texas
Jay Isaacs	Moved from President of the Midland market to President of the Bank
Brad Bullock	Moved from Executive Vice President in charge of Compliance to President of the Midland market

David Quintanilla Moved from Executive Vice President & Senior Lending Officer to
President of the Lubbock market

These promotions will allow each of these people to gain new experience and
strengthen our already strong management team.

Our annual shareholders meeting will be held on Tuesday, April 24th at the Midland
Petroleum Club. I hope each of you will be able to attend. I look forward to seeing you
there.

Sincerely,

A handwritten signature in black ink that reads "Ken L. Burgess, Jr." with a stylized flourish at the end.

Ken L. Burgess, Jr.
CEO & President
First Bancshares of Texas, Inc.

FIRSTCAPITAL BANK OF TEXAS, N.A.

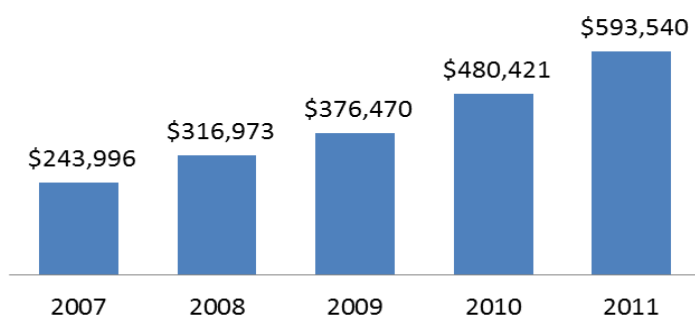
FOURTH QUARTER 2011 DETAILED FINANCIALS

We ended the year with record net earnings of \$1.608 million for the fourth quarter 2011, compared with \$1.020 million for the fourth quarter 2010 and \$1.359 million for the third quarter 2011. Our full year 2011 net earnings were \$5.001 million, up 55.6% from 2010 net earnings.

Growth

Total Assets

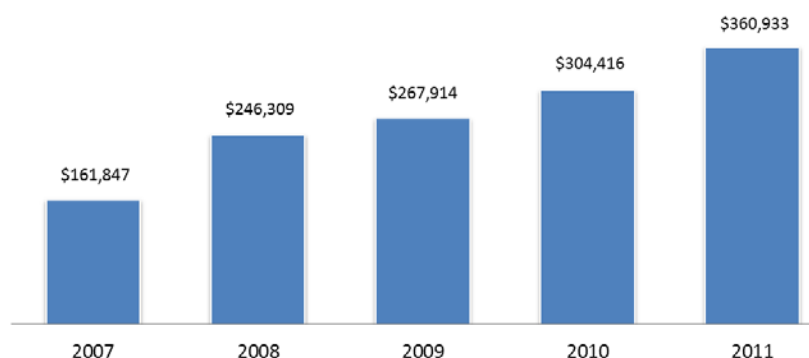
\$ in thousands



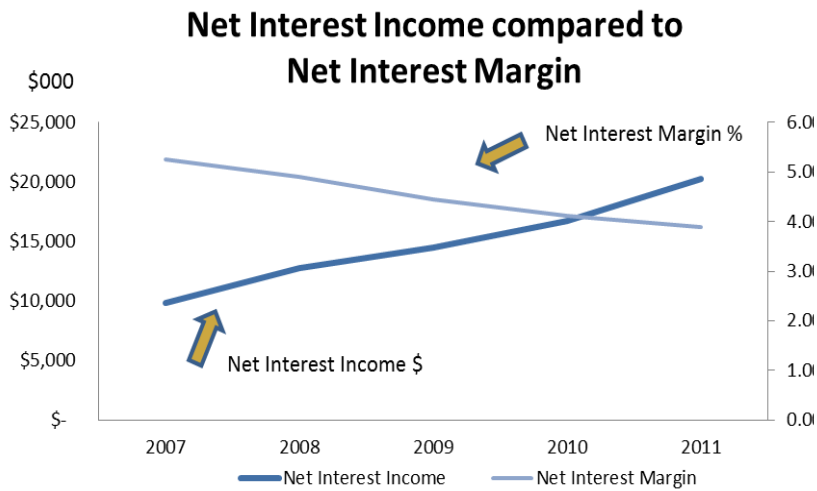
- Total Assets ended the year at \$593 million, up \$113 million from year-end 2010 or 23 percent. We have been growing our assets 20-25 percent each year over the last 5 years, so 2011 was in line with our 5 year pattern. We anticipate we will see a similar growth rate for 2012, as we have budgeted year-end 2012 assets to be about \$700 million.

Total Loans

\$ in thousands

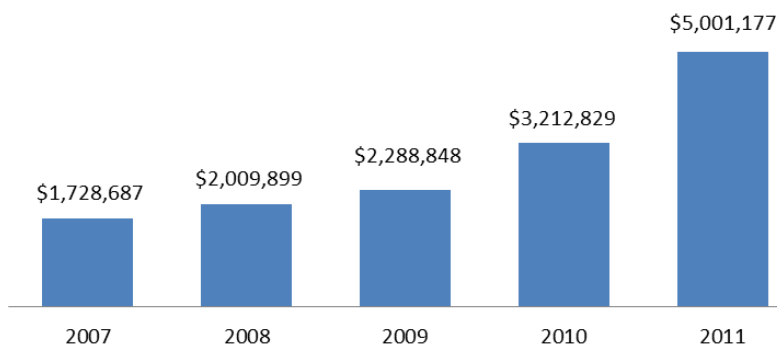


- Our loan growth for 2011 was a key component in our earnings growth for the year. We grew loans \$56 million in 2011, which is an 18 percent increase over 2010.
- Steady growth in quality loans will be a key component to achieving our earnings for 2012 as well.
- While many banks in the West Texas region and especially around the country have slowed lending or have actually seen a reduction in outstanding loans, we have been fortunate to find good lending opportunities during the last 2 years.



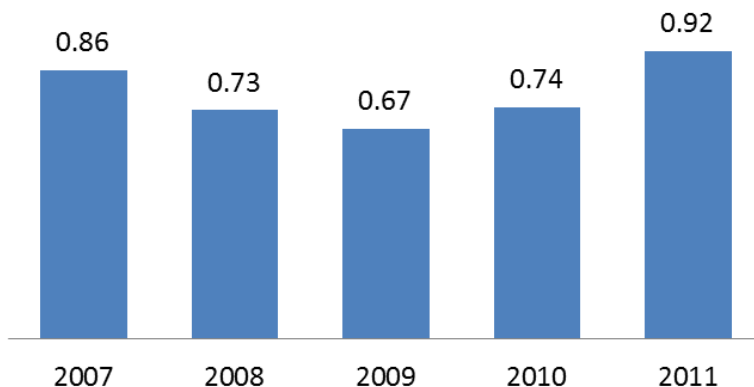
- Net Interest Margin has been decreasing over the past 5 years, but Net Interest Income has been increasing over the same time period. Our Net Interest Margin has been negatively impacted by the deposit growth we have experienced, as we have not been able to deploy these funds into loans as fast as the deposits have grown. At the same time, resulting growth in earning assets has had a positive effect on our Net Interest Income, more than doubling over the last 5 years.

Net Earnings



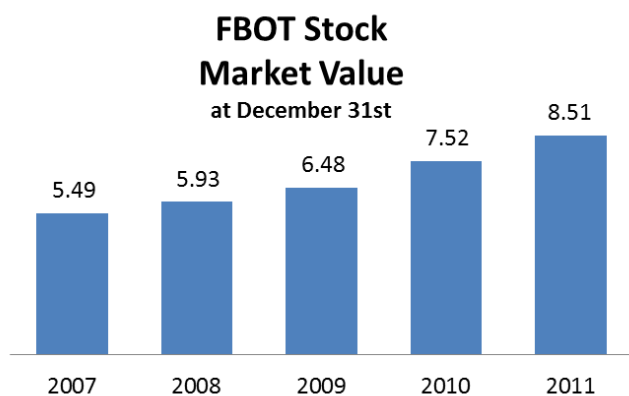
- Our record earnings of \$5.001 million for 2011 was driven primarily by asset growth and resulting improvement in efficiency. The fourth quarter was especially strong, with a quarter-to-date Return on Assets of 1.10 percent.
- Our annualized Return on Assets for 2011 was .92 percent compared to .74 percent in 2010. This represents a 24 percent improvement.

Return on Assets



- Over the last 5 years, the Bank has experienced a compound annual growth rate in earnings of over 28 percent.
- Our annual earnings goal for 2011 was \$4.32 million and we exceeded that goal by \$679 thousand, or 16 percent. We have budgeted net earnings of \$6.5 million for 2012.

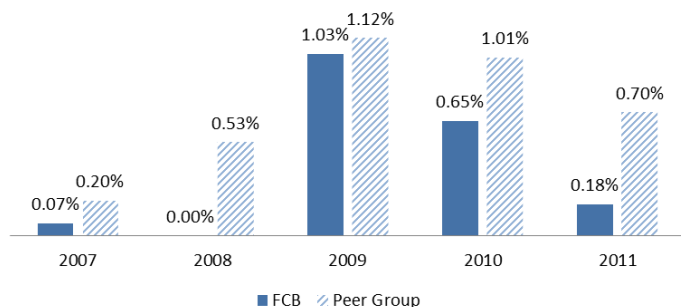
Increase in Shareholder Value



- Our stock has generally traded at 1.5 times book value. Based on those trades, the market value of our stock at the end of 2011 was \$8.51.
- The Internal Rate of Return for the last 5 years has been approximately 14.5 percent using market value as a benchmark.

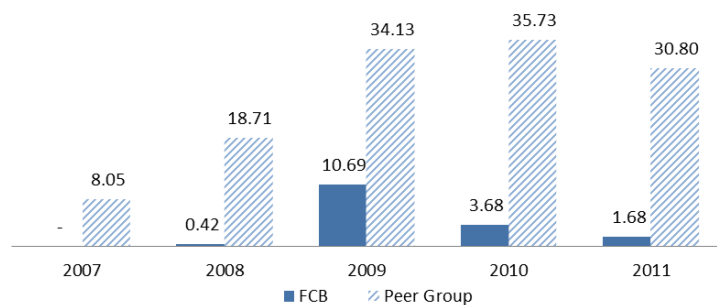
Asset Quality

Net Losses to Average Loans



- Our asset quality remained strong throughout 2011, with net losses to average loans of .18 percent. In looking at the trend over the last 5 years, we experienced some losses in 2009 & 2010, but have remained below our peer group throughout the 5 year period.

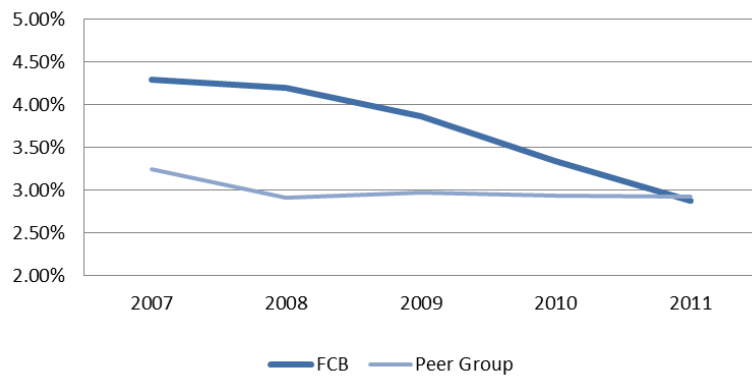
Texas Ratio



- The Texas Ratio, which is a measure of non-performing assets, has remained low for our bank over the last 5 years, even through the 2009-2010 time period when our nation was experiencing an economic crisis and the banking industry as a whole went through some tough times. We have measured favorably against our peer group through this same time period.

Operating Efficiency

Non-Interest Expense as a % of Average Assets



- As our bank has grown, we have seen our operating efficiency improve. Our non-interest expense as a percent of average assets over the past 5 years has steadily declined and we fell below our peer group for the first time in 2011. This is an area we continue to focus on as we grow and strive to gain additional efficiencies in areas that we can.

We are pleased with our financial performance in 2011 and anticipate continued growth in earnings, efficiencies and shareholder value for 2012.

Sincerely,

Tracy Bacon
Chief Financial Officer

FIRSTCAPITAL BANK OF TEXAS, N.A.

FOURTH QUARTER 2011 FINANCIAL HIGHLIGHTS

(Unaudited)

(Dollar amounts in thousands)

Earnings Summary

For the Twelve Months Ended December 31	<u>2011</u>	<u>2010</u>
Interest Income	\$ 22,649	\$ 19,342
Interest Expense	2,726	3,070
Provision for loan losses	1,700	2,200
Net Income	5,001	3,213

Performance Ratios (annualized)

For the Twelve Months Ended December 31	<u>2011</u>	<u>2010</u>
Return on Average Assets	0.92%	0.74%
Return on Shareholders' Equity	11.00%	8.86%
Net Interest Margin	3.78%	4.06%

Period-End Data

As of December 31	<u>2011</u>	<u>2010</u>
Total Assets	\$ 593,540	\$ 480,421
Average Assets	585,689	476,228
Investments*	203,445	159,231
Loans, net	356,321	300,934
Deposits	538,811	434,725
Shareholders' Equity	50,316	40,273

Per Share Data**

As of and For the Twelve Months Ended December 31	<u>2011</u>	<u>2010</u>
Net Income	\$ 0.58	\$ 0.38
Book Value	\$ 5.68	\$ 5.01
Number of Shareholders	400	392

*Includes investment securities, due from bank money market and CD's, and federal funds sold

**Data shown at holding company level

FIRSTCAPITAL BANK OF TEXAS, N.A.

BALANCE SHEET

(Unaudited)

(Dollar amounts in thousands)

	As of December 31	
	<u>2011</u>	<u>2010</u>
ASSETS		
CASH AND DUE FROM BANKS	\$ 12,345	\$ 5,362
INVESTMENTS:		
Municipal securities	19,490	14,490
U.S. gov't agencies	2,053	-
Mortgage backed securities	42,533	37,730
Due from bank CD's and MMA's	122,984	88,019
Federal Reserve Bank stock	964	769
Federal Home Loan Bank stock	446	229
Independent Bank Capital Fund	85	73
Texas Independent Bankers Bank Stock	200	200
Valesco Capital Fund	59	-
Total Investments	188,814	141,510
FEDERAL FUNDS SOLD	14,631	17,721
LOANS:		
Real estate	239,160	186,422
Secondary mortgage	14,349	10,123
Commercial and industrial	91,646	91,615
Agricultural	108	438
Government entities	1,715	2,408
Consumer	11,049	12,100
Other	2,906	1,310
Total Loans	360,933	304,416
Less - Allowance for possible loan losses	(4,612)	(3,482)
Loans, net	356,321	300,934
BANK PREMISES AND EQUIPMENT, NET	9,318	9,790
OTHER ASSETS	12,111	5,104
TOTAL ASSETS	\$ 593,540	\$ 480,421
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS:		
Demand	\$ 165,203	\$ 125,658
NOW Accounts	47,442	40,025
Savings	15,256	10,963
Money Market	107,522	104,806
Certificates of Deposit	111,000	106,198
CDARS	92,388	47,075
Total Deposits	538,811	434,725
SHORT-TERM BORROWINGS		
Federal funds purchased	-	-
Securities sold under agreement to repurchase	2,684	4,228
Federal Home Loan Bank borrowings	-	-
Total Short-term borrowings	2,684	4,228
ACCRUED EXPENSES AND OTHER LIABILITIES	1,729	1,195
Total Liabilities	543,224	440,148
SHAREHOLDERS' EQUITY		
Common Stock	3,096	3,096
Surplus	29,046	24,546
Retained earnings	18,174	12,631
Total shareholders' equity	50,316	40,273
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 593,540	\$ 480,421

FIRSTCAPITAL BANK OF TEXAS, N.A.

STATEMENT OF INCOME

For the Twelve Months Ended December

(Unaudited)

(Dollar amounts in thousands)

	<u>2011</u>	<u>2010</u>
Interest Income:		
Interest and fees on loans	\$ 20,145	\$ 17,185
Interest on investment securities	1,916	1,601
Interest on federal funds sold	30	49
Interest on due from bank CD's and MMA's	558	507
TOTAL INTEREST INCOME	<u>22,649</u>	<u>19,342</u>
Interest Expense:		
Deposits	2,726	3,070
Short-term borrowings	-	-
TOTAL INTEREST EXPENSE	<u>2,726</u>	<u>3,070</u>
Net Interest Income	19,923	16,272
Provision for possible loan losses	<u>1,700</u>	<u>2,200</u>
Net Interest Income After Provision	<u>18,223</u>	<u>14,072</u>
Other Income:		
Mortgage	3,325	3,809
Trust	408	381
Other income	1,524	977
TOTAL OTHER INCOME	<u>5,257</u>	<u>5,167</u>
Other Expenses:		
Salary and employee benefits	9,053	8,066
Building occupancy expense	2,271	2,245
Marketing expense	489	354
Data processing expense	359	332
Other employee expense	574	355
Regulatory expense	590	736
Other expenses	2,983	2,617
TOTAL OTHER EXPENSES	<u>16,319</u>	<u>14,705</u>
Income Before Income Taxes	7,161	4,534
Income tax expense	<u>2,160</u>	<u>1,321</u>
NET INCOME	<u>\$ 5,001</u>	<u>\$ 3,213</u>

OFFICERS

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[BRAD D. BURGESS](#)

Chief Executive Officer

[JAY W. ISAACS](#)

President

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President, Midland Market

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Executive Vice President & Chief Financial Officer

[MARK ODLE](#)

Executive Vice President & Chief Credit Officer

[TRACY A. TIMLIN](#)

Executive Vice President & Mortgage Division Manager

[TOM BECKHAM](#)

Senior Vice President, Midland Market Lending Manager
& Senior Relationship Manager

[JANENE D. BINNION, PHR](#)

Senior Vice President & Team Resources Manager

[BILL J. HILL](#)

Senior Vice President & Senior Trust Officer

[CHRIS L. MCGINNIS](#)

Senior Vice President & IT Manager

[TOBY D. PAYNE](#)

Senior Vice President & Senior Relationship Manager

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Senior Vice President & Trust Administration Officer

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Senior Vice President & Compliance Specialist

[SHANNON L. SMITH](#)

Senior Vice President & Senior Relationship Manager

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Vice President & Relationship Manager

[JON D. BLACK](#)

Vice President & Odessa Mortgage Manager

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Vice President, Training & Marketing Manager

[DEBBIE GLENNAN](#)

Vice President & Personal Banker

[MELANIE J. HORTON](#)

Vice President & Controller

[MARTIN F. RUEHL](#)

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Assistant Vice President & Compliance Specialist

[GRISELDA J. BUJANDA](#)

Assistant Vice President & Loan Operations Manager

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Assistant Vice President & IT Specialist

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Assistant Vice President, Branch Manager & Relationship Manager

[CHRIS A. WHITNEY](#)

Assistant Vice President, Branch Manager & Personal Banker

[SHEA FERLAND](#)

Banking Officer & Team Resources Representative

[EVAN HUNT](#)

Banking Officer & Credit Administration Manager

[LISA INGRAM](#)

Banking Officer & BSA Officer

[EDGAR PAZ](#)

Banking Officer & Loan Review Coordinator

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Vice President & Assistant Operations Manager

[LANDON M. GANN](#)

Vice President & Relationship Manager

[KENNETH L. BURGESS, III](#)

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[DORA M. EVANS](#)

Assistant Vice President & Credit Administration Manager

[BRAD STUTEVILLE](#)

Banking Officer & Senior Credit Analyst

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[DARRELL HILL](#)

Senior Vice President & Senior Relationship Manager

[TONY PENA](#)

Senior Vice President & Senior Relationship Manager

[RAINA KENEDA](#)

Vice President, Personal Banking & Loan Services Manager

[LISHA F. KING](#)

Vice President & Operations Manager

[CINDI LEA](#)

Vice President & Lubbock Mortgage Manager

[JULIE BELLAR](#)

Banking Officer & Documentation Preparation Department Manager

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President - Amarillo Market

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Owner, B.C. Supply

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Vice President & Chief Financial Officer
Discovery Operating, Inc.

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Investments
