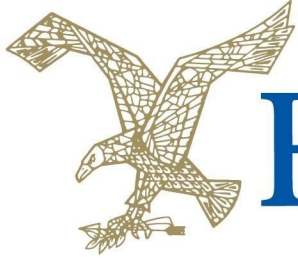


FIRSTBANCSHARES
OF TEXAS, INC.

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OF TEXAS, INC.



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OF TEXAS, INC.

Third Quarter 2011 Shareholders' Report

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Dear Shareholders

As I began thinking about what to discuss in this quarter's shareholder's report, I could not help but think about how fortunate we are to live and work in West Texas. Our economy felt some pain at the beginning of the worldwide financial crisis, but West Texans quickly climbed back out from the fear and the challenges and started making things happen again. We are now enjoying very healthy economic conditions in our area of the world and we have arguably one of the strongest economic climates in the United States.

I have had the opportunity for the last six years to serve on a Board of the American Bankers Association. When I attend these meetings, I visit with bankers from all over our country. With the exception of bankers from Texas and Oklahoma, almost all of the stories I hear are very bleak. Many of these banks are now starting to see some improvement, but they are still performing at historically weak levels. I always come back from these meetings feeling thankful that I live in West Texas.

In our organization, we are fortunate to have a number of our management team members who worked their way through the financial crisis in Texas during the 80's and early 90's. We all learned a number of lessons during that time and these lessons have benefitted our organization as we have grown and moved through some turbulent times. We are also fortunate to have an outstanding and caring Team who work every day to take care of our customers and make our bank a place that our customers enjoy doing business with. We have an outstanding Board of Directors who commit significant amounts of time, energy and financial resources to make sure the organization is successful and we have a great group of shareholders who have supported this organization for almost 13 years now.

With Thanksgiving quickly approaching, I thought it was more appropriate to dwell on the things we should be thankful for rather than dwelling just on the financial performance. However, as you will see in Tracy's attached analysis, the numbers look good and are improving every day.

I hope everyone has a very meaningful and happy Thanksgiving season.

Sincerely,



Ken L. Burgess, Jr.
CEO & President

FIRSTCAPITAL BANK OF TEXAS, N.A.

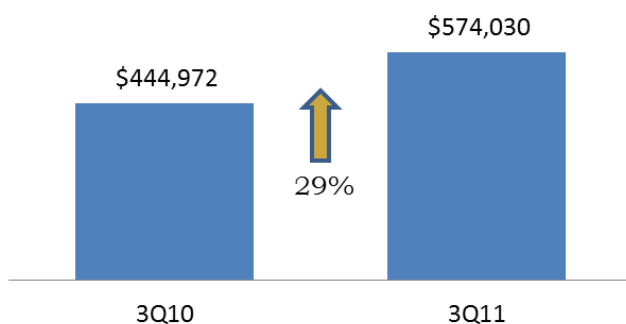
THIRD QUARTER 2011 DETAILED FINANCIALS

The third quarter of 2011 was a strong quarter with improvement in our mortgage origination fee income and our net interest margin. At September 30, 2011, net earnings stood at \$3.39 million as compared to \$2.19 million for the same nine month period in 2010.

Growth

Average Assets

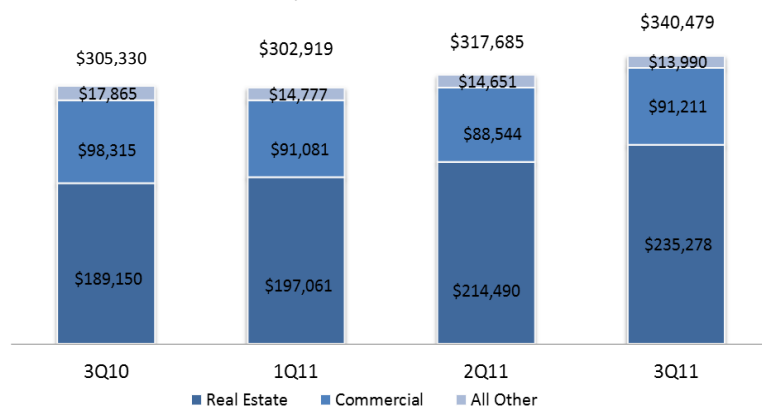
\$ in thousands



- Total Assets ended the quarter at \$574 million, up \$129 million from September 30, 2010.
- Historically, our assets increase 6 -7% from the third quarter to year end, so we anticipate ending the year in the \$600 million range based on prior years' experience.

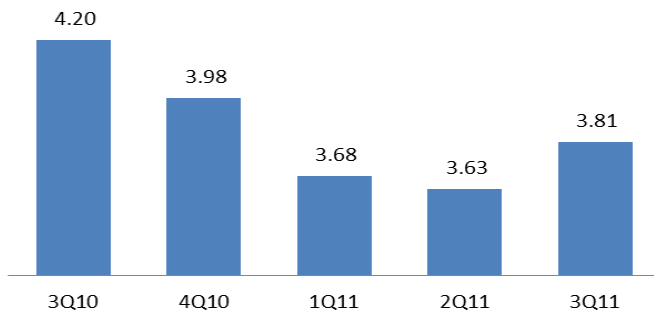
Average Loans

\$ in thousands



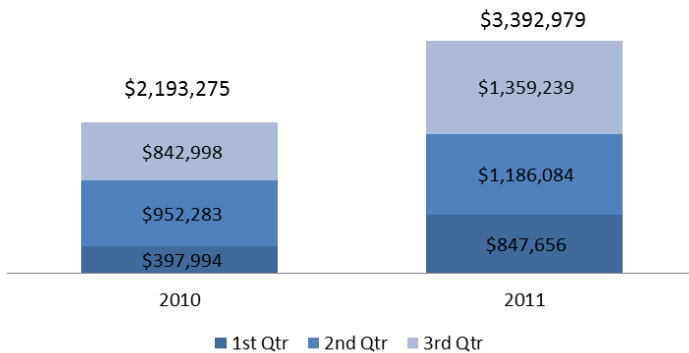
- The third quarter showed steady growth in loans, up \$22.8 million from the second quarter and \$35 million from September 30, 2010. This growth has had a positive impact on our net interest margin as we moved low-yielding assets into higher-yielding assets.
- Our focus continues to be on making quality loans to people we know and our pipeline remains strong through the end of the year.

Net Interest Margin



- We are starting to see a recovery in our net interest margin as we move low-yielding assets into loans. We have also seen some improvement in the yield we are earning on our short-term assets. This is the first quarter where we have seen loan growth exceed deposit growth.

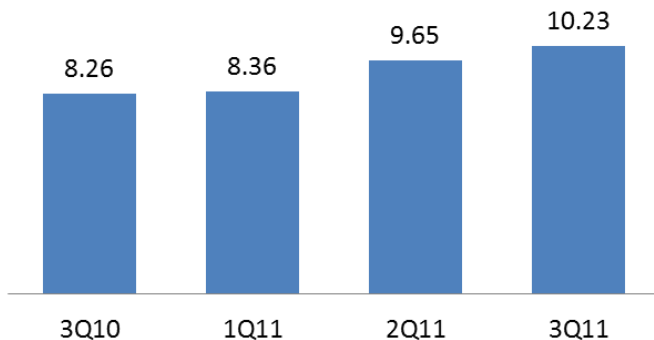
Net Earnings



- Earnings for the third quarter of 2011 were the highest in the company's history at \$1.36 million. The bank's Return on Assets was .94% for the quarter, moving closer to our goal of 1.00%. In comparing third quarter 2011 to third quarter 2010, the increase in earnings is significant at 61%.
- Our annual earnings goal for 2011 is \$4.32 million and we anticipate exceeding that goal.

Increase in Shareholder Value

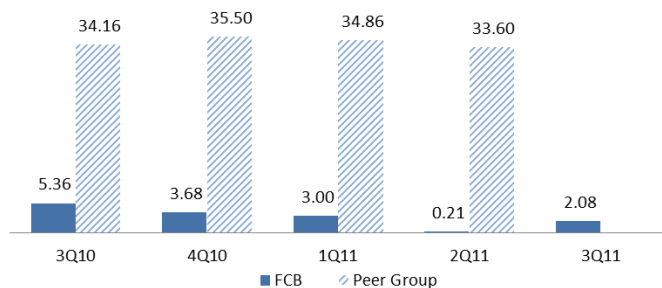
Return on Shareholders' Equity



- Return on Shareholders' Equity for the first 9 months of the year was 10.23% as compared to 8.26% for the first nine months of 2010, a 24% increase year over year.

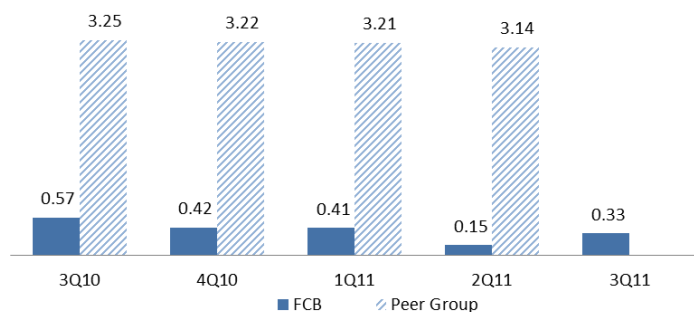
Asset Quality

Texas Ratio



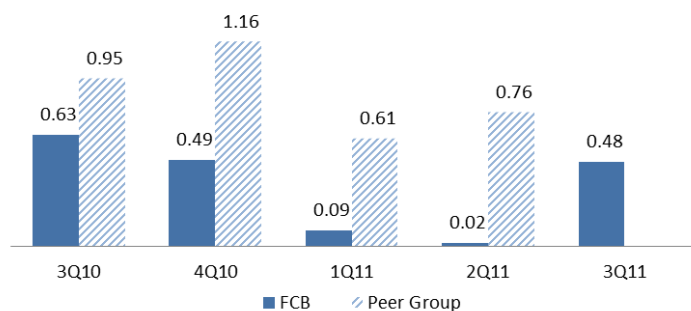
- The Texas Ratio, which is defined as non-performing assets as a percent of capital plus the allowance for loan losses increased to 2.08% in the third quarter from .21% in the second quarter due to a slight increase in non-accruing loans. Even though our Texas Ratio increased slightly, it is still very low in comparison to our state peer group.

Non-Performing Loans/Loans



- We have been fortunate in Texas and especially in the markets we serve, that our economy has been stable throughout the economic crisis that has gripped our nation over the last few years. Midland's unemployment rate dipped below 5% in August to 4.80%, which is one of the lowest unemployment rates in the nation. Lubbock and Amarillo reported unemployment rates of 6.60% and 5.90% respectively, both well below the national unemployment rate of 9.10%. We have a workforce that is generating revenue in our economies and we are not seeing the non-performing loan issues that other areas of the nation are dealing with.

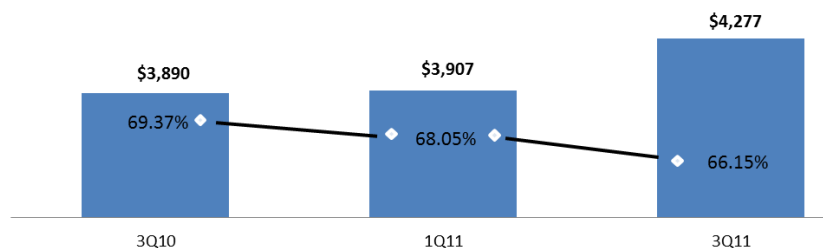
Net Charge-Offs/Avg. Loans



Operating Efficiency

Non-Interest Expense and Efficiency Ratio

\$ in thousands



- Although our Non-Interest Expense has increased with our \$129 million in asset growth since September 2010, we are operating more efficiently as evidenced by our decreasing Efficiency Ratio. The Efficiency Ratio measures how much it costs in overhead to generate \$1 of revenue, so a decrease in the Efficiency Ratio means an increase in operating efficiency.

Our mortgage company had their best quarter of the year in the third quarter and our loan volume continues to grow at a steady pace. This has proven to be a profitable year for our company and is attributable to the hard work of our team members and the continued loyalty of our customers, directors and shareholders, for which we are all grateful.

Sincerely,

Tracy Bacon
Chief Financial Officer

FIRSTCAPITAL BANK OF TEXAS, N.A.

THIRD QUARTER 2011 FINANCIAL HIGHLIGHTS

(Unaudited)

(Dollar amounts in thousands)

Earnings Summary

| For the Nine Months Ended September 30 | <u>2011</u> | <u>2010</u> |
|----------------------------------------|-------------|-------------|
| Interest Income | \$ 16,128 | \$ 14,163 |
| Interest Expense | 2,092 | 2,354 |
| Provision for loan losses | 1,250 | 1,750 |
| Net Income | 3,393 | 2,193 |

Performance Ratios (annualized)

| For the Nine Months Ended September 30 | <u>2011</u> | <u>2010</u> |
|----------------------------------------|-------------|-------------|
| Return on Average Assets | 0.84% | 0.70% |
| Return on Shareholders' Equity | 10.23% | 8.26% |
| Net Interest Margin | 3.74% | 4.08% |

Period-End Data

| As of September 30 | <u>2011</u> | <u>2010</u> |
|----------------------|-------------|-------------|
| Total Assets | \$ 570,865 | \$ 451,012 |
| Average Assets | 574,030 | 412,365 |
| Investments* | 193,952 | 119,632 |
| Loans, net | 346,000 | 308,366 |
| Deposits | 517,898 | 408,762 |
| Shareholders' Equity | 48,814 | 37,205 |

Per Share Data**

| As of and For the Nine Months Ended September 30 | <u>2011</u> | <u>2010</u> |
|--------------------------------------------------|-------------|-------------|
| Net Income | \$ 0.39 | \$ 0.25 |
| Book Value | \$ 5.51 | \$ 4.89 |
| Number of Shareholders | 401 | 383 |

*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 | | |
|-----------------------------------------------|-----------------------------|-------------------|----------------------------|
| | September 30 <u>2011</u> | 2010 | December 31 <u>2010</u> |
| ASSETS | | | |
| CASH AND DUE FROM BANKS | \$ 10,056 | \$ 8,254 | \$ 5,362 |
| INVESTMENTS: | | | |
| Municipal securities | 19,264 | 14,689 | 14,490 |
| U.S. gov't agencies | 2,060 | - | - |
| Mortgage backed securities | 35,947 | 37,085 | 37,730 |
| Due from bank CD's and MMA's | 128,002 | 57,114 | 88,019 |
| Federal Reserve Bank stock | 919 | 769 | 769 |
| Federal Home Loan Bank stock | 446 | 229 | 229 |
| Independent Bank Capital Fund | 85 | 73 | 73 |
| Texas Independent Bankers Bank Stock | 200 | 200 | 200 |
| Total Investments | <u>186,923</u> | 110,159 | 141,510 |
| FEDERAL FUNDS SOLD | 7,029 | 9,473 | 17,721 |
| LOANS: | | | |
| Real estate | 227,329 | 177,690 | 181,682 |
| Secondary mortgage | 11,775 | 14,453 | 10,123 |
| Commercial, industrial, and agricultural | 97,433 | 101,912 | 98,062 |
| Government entities | 1,922 | 4,914 | 2,408 |
| Consumer | 11,749 | 12,684 | 12,109 |
| Other | 32 | 122 | 33 |
| Total Loans | <u>350,240</u> | 311,773 | 304,417 |
| Less - Allowance for possible loan losses | <u>(4,240)</u> | <u>(3,407)</u> | <u>(3,482)</u> |
| Loans, net | <u>346,000</u> | 308,366 | 300,935 |
| BANK PREMISES AND EQUIPMENT, NET | 9,433 | 9,796 | 9,790 |
| BANK OWNED LIFE INSURANCE (BOLI) | 7,156 | - | - |
| OTHER ASSETS | 4,268 | 4,964 | 5,103 |
| TOTAL ASSETS | <u>\$ 570,865</u> | <u>\$ 451,012</u> | <u>\$ 480,421</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| DEPOSITS: | | | |
| Demand | \$ 137,052 | \$ 104,146 | \$ 125,659 |
| NOW Accounts | 43,317 | 31,090 | 40,025 |
| Savings | 13,108 | 9,490 | 10,963 |
| Money Market | 118,141 | 95,213 | 104,806 |
| Certificates of Deposit | 112,854 | 105,790 | 106,197 |
| CDARS | 93,426 | 63,033 | 47,075 |
| Total Deposits | <u>517,898</u> | 408,762 | 434,725 |
| SHORT-TERM BORROWINGS | | | |
| Federal funds purchased | - | - | - |
| Securities sold under agreement to repurchase | 2,154 | 3,657 | 4,228 |
| Federal Home Loan Bank borrowings | - | - | - |
| Total Short-term borrowings | <u>2,154</u> | 3,657 | 4,228 |
| ACCRUED EXPENSES AND OTHER LIABILITIES | 1,999 | 1,388 | 1,195 |
| Total Liabilities | <u>522,051</u> | 413,807 | 440,148 |
| SHAREHOLDERS' EQUITY | | | |
| Common Stock | 3,096 | 3,096 | 3,096 |
| Surplus | 29,046 | 22,546 | 24,546 |
| Retained earnings | 16,672 | 11,563 | 12,631 |
| Total shareholders' equity | <u>48,814</u> | 37,205 | 40,273 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 570,865</u> | <u>\$ 451,012</u> | <u>\$ 480,421</u> |

FIRSTCAPITAL BANK OF TEXAS, N.A.

STATEMENT OF INCOME

For the Nine Months Ended September

(Unaudited)

(Dollar amounts in thousands)

| | <u>2011</u> | <u>2010</u> |
|--------------------------------------------|-----------------|-----------------|
| Interest Income: | | |
| Interest and fees on loans | \$ 14,251 | \$ 12,648 |
| Interest on investment securities | 1,459 | 1,261 |
| Interest on federal funds sold | 393 | 222 |
| Interest on due from bank CD's and MMA's | 25 | 32 |
| TOTAL INTEREST INCOME | <u>16,128</u> | <u>14,163</u> |
| Interest Expense: | | |
| Deposits | 2,092 | 2,354 |
| Short-term borrowings | - | - |
| TOTAL INTEREST EXPENSE | <u>2,092</u> | <u>2,354</u> |
| Net Interest Income | 14,036 | 11,808 |
| Provision for possible loan losses | <u>1,250</u> | <u>1,750</u> |
| Net Interest Income After Provision | <u>12,786</u> | <u>10,058</u> |
| Other Income: | | |
| Mortgage | 2,370 | 2,793 |
| Trust | 318 | 288 |
| Other income | 1,563 | 865 |
| TOTAL OTHER INCOME | <u>4,251</u> | <u>3,946</u> |
| Other Expenses: | | |
| Salary and employee benefits | 6,716 | 5,969 |
| Building occupancy expense | 1,702 | 1,596 |
| Marketing expense | 317 | 257 |
| Data processing expense | 271 | 252 |
| Other employee expense | 407 | 274 |
| Regulatory expense | 591 | 531 |
| Other expenses | 2,205 | 2,016 |
| TOTAL OTHER EXPENSES | <u>12,209</u> | <u>10,895</u> |
| Income Before Income Taxes | 4,828 | 3,109 |
| Income tax expense | <u>1,435</u> | <u>916</u> |
| NET INCOME | <u>\$ 3,393</u> | <u>\$ 2,193</u> |

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BRAD D. BULLOCK, CRCM

Executive Vice President & Senior Compliance Officer

TRACY BACON

Senior Vice President, Chief Financial Officer & Controller

TOM BECKHAM

Senior Vice President & Senior Relationship Manager

JANENE D. BINNION, PHR

Senior Vice President & Team Resources Manager

BILL J. HILL

Senior Vice President & Trust Administration Officer

CHRIS L. MCGINNIS

Senior Vice President & IT Manager

TOBY D. PAYNE

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

ROBIN RICHEY

Senior Vice President & Trust Administration Officer

LYNNE M. SAWYER

Senior Vice President & Compliance Specialist

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Senior Vice President & Senior Relationship Manager

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Senior Vice President & Mortgage Division Manager

JEREMY M. BISHOP

Vice President & Relationship Manager

JON D. BLACK

Vice President & Odessa Mortgage Manager

DEBBIE GLENNAN

Vice President, Teller Training

MARTIN F. RUEHL

Vice President, Midland Retail Manager & Relationship Manager

KATIE J. BOYD

Assistant Vice President, Training & Product
Implementation Officer

GRISELDA J. BUJANDA

Assistant Vice President & Loan Operations Manager

MICHAEL J. CANON, JR.

Assistant Vice President & IT Specialist

MELANIE J. HORTON

Assistant Vice President & Assistant Controller

SHEA EDWARDS

Banking Officer & Team Resources Representative

RODGER L. HORTON

Banking Officer, Branch Manager & Relationship Manager

EDGAR PAZ

Banking Officer & Loan Review Coordinator

GINA SIMMONS

Banking Officer & Compliance Specialist

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GEORGE H. REEVES

Executive Vice President & Chief Operations Officer

ANITA K. FINK

Vice President, Operations

LANDON M. GANN

Vice President & Relationship Manager

DORA M. EVANS

Assistant Vice President & Credit Administration Manager

KENNETH L. BURGESS, III

Banking Officer, Senior Credit Analyst & Relationship Manager

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Banking Officer & Senior Credit Analyst

STACYE M. WORTHEN

Banking Officer & Branch Manager

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Executive Vice President & Senior Relationship Manager

[TONY PENA](#)

Senior Vice President & Senior Relationship Manager

[LISHA F. KING](#)

Vice President & Operations Manager

[CINDI LEA](#)

Vice President & Lubbock Mortgage Manager

[BEVERLY R. HOLLAND](#)

Assistant Vice President & Relationship Services Manager

[RAINA KENEDA](#)

Assistant Vice President & Credit Administration Manager

[JULIE BELLAR](#)

Banking Officer & Documentation Preparation Department Manager

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President - Lubbock Market
Senior Relationship Manager

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Chief Operations Officer

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Investments
