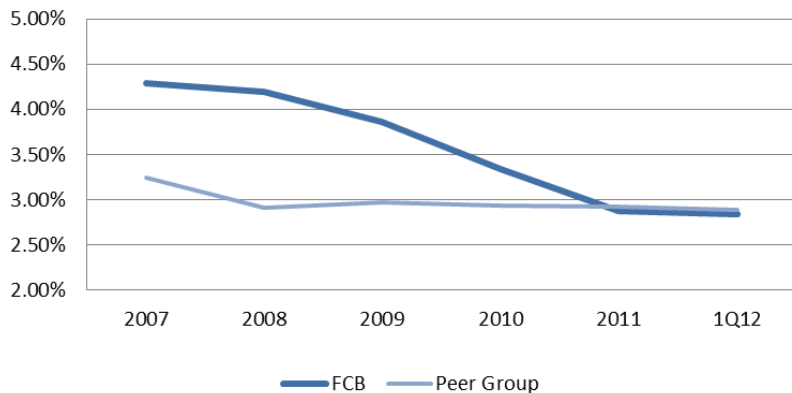


Operating Efficiency

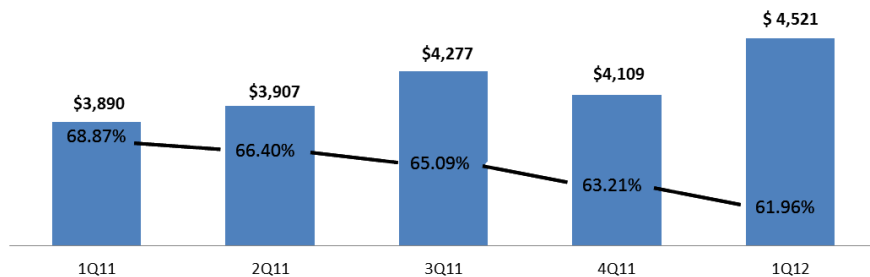
Non-Interest Expense as a % of Average Assets



- Although our non-interest expense has grown as our company has grown, our non-interest expense as a percent of average assets has steadily declined because we are operating more efficiently.
- This is further evidenced by the decline in our efficiency ratio, which is a measure of how much it costs in operating expense to generate \$1 in revenue. Our efficiency ratio declined from 68.87 percent in the first quarter of 2011 to 61.96 percent in the first quarter of 2012. That is a 10 percent improvement.

Non-Interest Expense and Efficiency Ratio

\$ in thousands



With the close of the private placement offering on April 2nd, we are pleased with our equity position. We moved \$7 million from the holding company to the bank in early April and our regulatory capital to asset ratio now stands at 9.45 percent as of the middle of May. We are poised for the growth we anticipate this year, and we continue to focus on new ways generate revenue and gain efficiencies. We are here to answer any questions that you may have regarding our financials. Please don't hesitate to call if we may be of service.

Sincerely,

Tracy Bacon
Chief Financial Officer

FIRSTCAPITAL BANK OF TEXAS, N.A.

FIRST QUARTER 2012 FINANCIAL HIGHLIGHTS

(Unaudited)

(Dollar amounts in thousands)

Earnings Summary

For the Three Months Ended March 31	<u>2012</u>		<u>2011</u>
Interest Income	\$ 6,238	\$	5,144
Interest Expense	587		674
Provision for loan losses	450		450
Net Income	1,464		848

Performance Ratios (annualized)

For the Three Months Ended March 31	<u>2012</u>		<u>2011</u>
Return on Average Assets	0.96%		0.69%
Return on Shareholders' Equity	11.47%		8.23%
Net Interest Margin	3.93%		3.87%

Period-End Data

As of March 31	<u>2012</u>		<u>2011</u>
Total Assets	\$ 643,168	\$	524,074
Average Assets	621,173		514,565
Investments*	238,505		189,036
Loans, net	371,441		305,518
Deposits	587,960		478,587
Shareholders' Equity	51,761		42,200

Per Share Data**

As of and For the Three Months Ended March 31	<u>2012</u>		<u>2011</u>
Net Income	\$ 0.17	\$	0.09
Book Value	\$ 5.85	\$	5.12
Number of Shareholders	406		396

*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		
	March 31		December 31
	<u>2012</u>	<u>2011</u>	<u>2011</u>
ASSETS			
CASH AND DUE FROM BANKS	\$ 10,739	\$ 8,308	\$ 12,810
INVESTMENTS:			
Municipal securities	18,874	15,049	19,490
U.S. gov't agencies	2,045	-	2,053
Mortgage backed securities	39,873	39,248	42,533
Due from bank CD's and MMA's	165,594	124,428	122,984
Federal Reserve Bank stock	964	829	964
Federal Home Loan Bank stock	447	229	446
Independent Bank Capital Fund	109	73	85
Texas Independent Bankers Bank Stock	200	200	200
Valesco Capital Fund	62	-	59
Total Investments	<u>228,168</u>	<u>180,056</u>	<u>188,814</u>
FEDERAL FUNDS SOLD	10,337	8,980	14,631
LOANS:			
Real estate	245,041	193,439	239,158
Secondary mortgage	14,848	8,106	14,349
Commercial and industrial	97,430	91,620	91,646
Agricultural	165	161	108
Government entities	1,515	2,361	1,715
Consumer	10,302	11,839	11,050
Other	7,099	1,857	2,907
Total Loans	<u>376,400</u>	<u>309,383</u>	<u>360,933</u>
Less - Allowance for possible loan losses	<u>(4,959)</u>	<u>(3,865)</u>	<u>(4,612)</u>
Loans, net	<u>371,441</u>	<u>305,518</u>	<u>356,321</u>
BANK PREMISES AND EQUIPMENT, NET	10,710	9,618	9,317
OTHER ASSETS	11,773	11,594	11,644
TOTAL ASSETS	<u>\$ 643,168</u>	<u>\$ 524,074</u>	<u>\$ 593,537</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
DEPOSITS:			
Demand	\$ 211,420	\$ 127,948	\$ 165,736
NOW Accounts	45,700	37,034	47,442
Savings	18,587	10,957	15,257
Money Market	111,994	111,244	107,522
Certificates of Deposit	108,180	109,384	111,000
CDARS	92,078	82,020	92,388
Total Deposits	<u>587,959</u>	<u>478,587</u>	<u>539,345</u>
SHORT-TERM BORROWINGS			
Federal funds purchased	-	-	-
Securities sold under agreement to repurchase	2,525	2,396	2,684
Federal Home Loan Bank borrowings	-	-	-
Total Short-term borrowings	<u>2,525</u>	<u>2,396</u>	<u>2,684</u>
ACCRUED EXPENSES AND OTHER LIABILITIES	923	891	1,192
Total Liabilities	<u>591,407</u>	<u>481,874</u>	<u>543,221</u>
SHAREHOLDERS' EQUITY			
Common Stock	3,096	3,096	3,096
Surplus	29,046	25,546	29,046
Retained earnings	19,619	13,558	18,174
Total shareholders' equity	<u>51,761</u>	<u>42,200</u>	<u>50,316</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 643,168</u>	<u>\$ 524,074</u>	<u>\$ 593,537</u>

FIRSTCAPITAL BANK OF TEXAS, N.A.

STATEMENT OF INCOME

For the Three Months Ended March

(Unaudited)

(Dollar amounts in thousands)

	<u>2012</u>	<u>2011</u>
Interest Income:		
Interest and fees on loans	\$ 5,575	\$ 4,510
Interest on investment securities	476	444
Interest on federal funds sold	8	10
Interest on due from bank CD's and MMA's	179	180
TOTAL INTEREST INCOME	<u>6,238</u>	<u>5,144</u>
Interest Expense:		
Deposits	587	674
Short-term borrowings	-	-
TOTAL INTEREST EXPENSE	<u>587</u>	<u>674</u>
Net Interest Income	5,651	4,470
Provision for possible loan losses	<u>450</u>	<u>450</u>
Net Interest Income After Provision	<u>5,201</u>	<u>4,020</u>
Other Income:		
Mortgage	974	667
Trust	109	112
Other income	327	260
TOTAL OTHER INCOME	<u>1,409</u>	<u>1,039</u>
Other Expenses:		
Salary and employee benefits	2,663	2,155
Building occupancy expense	593	554
Marketing expense	53	75
Data processing expense	92	88
Other employee expense	154	116
Regulatory expense	102	206
Other expenses	836	686
TOTAL OTHER EXPENSES	<u>4,493</u>	<u>3,880</u>
Income Before Income Taxes	2,117	1,179
Income tax expense	<u>653</u>	<u>331</u>
NET INCOME	<u>\$ 1,464</u>	<u>\$ 848</u>

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[LISA INGRAM](#)

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[EDGAR PAZ](#)

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