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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005

Commission File Number 000-51297

**FIRST METROPLEX CAPITAL, INC.**

(Exact name of registrant as specified in its charter)

**Texas**

(State or other jurisdiction of  
incorporation or organization)

**71-0919962**

(I.R.S. Employer  
Identification No.)

16000 Dallas Parkway, Suite 125, Dallas, Texas 75248

(Address of principal executive offices)

(972) 720- 9000

(Issuer's telephone number, including area code)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding of the issuer's Common Stock as of November 14, 2005, was 1,680,150 shares.

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**FIRST METROPLEX CAPITAL, INC.**

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**PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****FIRST METROPLEX CAPITAL, INC.  
CONSOLIDATED BALANCE SHEETS**

	SEPTEMBER 30, 2005	DECEMBER 31, 2004
	<u>(Unaudited)</u>	
<b>ASSETS</b>		
Cash and due from banks	\$ 1,997,000	\$ 843,000
Federal funds sold	<u>10,415,000</u>	<u>11,565,000</u>
Total cash and cash equivalents	12,412,000	12,408,000
Investments restricted	420,000	420,000
Loans, less allowance for credit losses of \$356,000 and \$100,000	24,102,000	6,559,000
Bank premises and equipment, net	1,125,000	1,181,000
Other assets	<u>28,000</u>	<u>115,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 38,087,000</u></u>	<u><u>\$ 20,683,000</u></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES</b>		
Demand deposits		
Noninterest bearing	\$ 4,284,000	1,739,000
Interest bearing	13,674,000	2,754,000
Time deposits \$100,000 and over	4,043,000	1,200,000
Other time deposits	<u>2,849,000</u>	<u>526,000</u>
Total deposits	24,850,000	6,219,000
Other liabilities	<u>61,000</u>	<u>9,000</u>
Total liabilities	24,911,000	6,228,000
<b>SHAREHOLDERS' EQUITY</b>		
Common stock, \$0.01 par value		
10,000,000 shares authorized		
1,680,150 and 1,680,000 shares issued and outstanding at September 30, 2005 and December 31, 2004, respectively	17,000	17,000
Additional paid-in capital	16,382,000	16,380,000
Retained deficit	<u>(3,223,000)</u>	<u>(1,942,000)</u>
Total shareholders' equity	<u>13,176,000</u>	<u>14,455,000</u>

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY

\$ 38,087,000 \$ 20,683,000

The Notes to Financial Statements are an integral part of these statements.

**FIRST METROPLEX CAPITAL, INC.**  
**STATEMENT OF OPERATIONS**  
**(Unaudited)**

	3 MONTHS ENDED SEPTEMBER 30, 2005	3 MONTHS ENDED SEPTEMBER 30, 2004	9 MONTHS ENDED SEPTEMBER 30, 2005	9 MONTHS ENDED SEPTEMBER 30, 2004
<b>INTEREST INCOME</b>				
Interest and fees on loans	\$ 411,000		\$ 867,000	\$ —
Investment securities				
Restricted investments	6,000		19,000	—
Federal funds sold	89,000		216,000	—
Total interest income	506,000		1,102,000	—
<b>INTEREST EXPENSE</b>				
Deposits	120,000		210,000	—
Interest income, net	386,000		892,000	—
<b>PROVISION FOR CREDIT LOSSES</b>				
Interest income after provision for credit losses	280,000		636,000	—
<b>OTHER INCOME</b>				
Service fees	9,000		19,000	—
	9,000		19,000	—
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	325,000		1,027,000	—
Occupancy expense	127,000		347,000	—
Professional fees	46,000		135,000	—
Other operating expenses	145,000		427,000	—
	643,000		1,936,000	—
Loss from operations	(354,000)		(1,281,000)	—
Preopening costs	—	(344,000)	—	(1,028,000)
<b>NET LOSS</b>	<b>(354,000)</b>		<b>(1,281,000)</b>	<b>(1,028,000)</b>
Net loss per weighted average share	\$ (0.21)			
Weighted average shares outstanding	1,680,000		1,680,000	

The Notes to Financial Statements are an integral part of these statements.

**FIRST METROPLEX CAPITAL, INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**NINE MONTHS ENDED SEPTEMBER 30, 2005**  
**(Unaudited)**

	Common Stock	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Income	Total
BALANCE, December 31, 2004	\$ 17,000	\$ 16,380,000	\$ (1,942,000)	—	\$ 14,455,000
Exercise of Warrants	—	2,000			2,000
Comprehensive income					
Net loss - YTD			(1,281,000)		
Total comprehensive loss					(1,281,000)
BALANCE, September 30, 2005	\$ 17,000	\$ 16,382,000	\$ (3,223,000)		13,176,000

The Notes to Financial Statements are an integral part of these statements.

**FIRST METROPLEX CAPITAL, INC.**  
**STATEMENT OF CASH FLOWS**  
(Unaudited)

	NINE MONTHS ENDED SEPTEMBER 30, 2005	NINE MONTHS ENDED SEPTEMBER 30, 2004
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (1,281,000)	\$ (1,028,000)
Adjustments to reconcile net loss to net cash used in operating activities		
Provision for credit losses	256,000	—
Depreciation expense	146,000	13,000
Changes in operating assets and liabilities:		
Other assets	87,000	(11,000)
Other liabilities	52,000	(12,000)
Net cash used in operating activities	(740,000)	(1,038,000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net change in loans	(17,799,000)	—
Purchases of bank premises and equipment	(90,000)	(849,000)
Net cash used in investing activities	(17,889,000)	(849,000)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from organizers	—	1,544,000
Cash received upon exercise of warrants	2,000	—
Net change in demand deposits	13,223,000	—
Net change in time deposits	5,408,000	—
Net cash provided by financing activities	18,633,000	1,544,000
Net change in cash and cash equivalents	4,000	(343,000)
<b>CASH AND CASH EQUIVALENTS,</b> beginning of period	<u>12,408,000</u>	<u>343,000</u>
<b>CASH AND CASH EQUIVALENTS,</b> end of period	<u>\$ 12,412,000</u>	<u>\$ 168,000</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 210,000</u>	<u>\$ —</u>
Income taxes paid	<u>\$ —</u>	<u>\$ —</u>

The Notes to Financial Statements are an integral part of these statements.



**FIRST METROPLEX CAPITAL, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Nature of Operations**

First Metroplex Capital, Inc. (the "Company") was incorporated on December 23, 2002 for the purpose of holding the common stock of T Bank (the "Bank"). For the period from December 23, 2002 (date of inception) to November 2, 2004, the Company was in a development stage engaging in the preparation of applications for regulatory approvals, raising capital, financial planning, systems development, acquisition of equipment and facilities and recruiting activities. On October 29, 2004 the Company completed an offering of 1,680,000 shares of its common stock at a price of \$10 per share. The gross proceeds from the offering totaled \$16,800,000.

The Bank began operations on November 2, 2004. The Bank provides a full range of banking services to individuals and corporate customers with two banking facilities serving North Dallas, Addison, Plano, Frisco and the neighboring Texas communities. The Bank is subject to competition from other local, regional, and national financial institutions and is also subject to the regulations of certain federal agencies.

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. All significant intercompany transactions have been eliminated in consolidation.

In the opinion of management, all adjustments consist only of normal recurring adjustments, necessary to present fairly the assets, liabilities, and equity of the Company and the operations and changes in shareholders equity for the three and nine months ended September 30, 2005 have been included.

**Cash Equivalents and Statement of Cash Flows**

Cash due from banks, cash on hand, federal funds sold and all other highly liquid investments purchased with an original maturity of three months or less are considered to be cash and cash equivalents. Generally, federal funds are purchased and sold in one day. From time to time, deposits with correspondent banks will exceed amounts insured by the FDIC. Management does not anticipate any losses and evaluates the correspondent banks' financial status on a regular basis. Advances from organizers of \$2,605,000 were converted to common stock upon closing of the stock offering in October 2004.

**Loans**

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at the principal amount outstanding, net of unearned interest, deferred loan fees and the allowance for credit losses. Interest earned, both fixed and variable rates, is credited to operations based on the principal balances outstanding. Unearned interest and deferred loan fees are capitalized and recognized as income over the terms of the loan using the effective interest method.

The Bank grants commercial, real estate and consumer loans to customers. Although the Bank anticipates having a diversified loan portfolio, a substantial portion of its debtors' ability to honor their loan contracts is dependent upon the local economy. The Bank's loan policy for requiring collateral is based upon a number of factors including amount and purpose of loan, length of term, past credit history, financial strength and liquidity of the borrower.

Loan origination and commitment fees, as well as certain direct loan origination and commitment costs, are deferred and amortized as a yield adjustment over the lives of the related loans using the interest method.

Impaired loans are accounted for at the net present value of expected future cash flows, discounted at the loan's effective interest rate, the observable market price of the loan or at the fair value of the collateral if the loan is collateral dependent.

### **Allowance for Credit Losses**

The allowance for credit losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Until management has adequate historical data upon which to base the estimate of the allowance for credit losses, a balance of approximately one and one half percent of the outstanding principal is used unless additional information regarding the ability of the borrower to repay the loan, current economic conditions or other pertinent factors indicate a different allowance is needed. Credits deemed uncollectible are charged to the allowance. Provisions for credit losses and recoveries on loans previously charged off are added to the allowance. Because of uncertainties associated with regional economic conditions, collateral values, and future cash flows on impaired loans, it is reasonably possible that management's estimate of credit losses inherent in the loan portfolio and the related allowance may change materially in the near term.

Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions and collection efforts, that the borrower's financial condition is such that collection of interest is doubtful. When accrual of interest is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due.

### **Investment Securities**

The Bank has investments in stock of the Federal Reserve System which is required for participation in the services offered. These investments are classified as restricted and are recorded at cost.

### **Leasehold improvements, Furniture and Equipment**

Leasehold improvements, furniture and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight-line method at rates based on the estimated useful lives of the related assets. Useful lives for equipment is normally between 3 and 10 years. Leasehold improvements are depreciated over the lease term or estimated life, whichever is shorter. Repair and maintenance costs are expensed as incurred.

### **Income Taxes**

Deferred taxes are recognized for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Stock Based Compensation**

The Company applies the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations, in accounting for its stock-based compensation plans. Under Opinion 25, compensation cost is measured as the excess, if any, of the market price of the Company's stock at the date of the grant above the amount an employee must pay to acquire the stock. No compensation expense is recognized when the exercise price is equal to the market value of the stock on the day of grant. The Financial Accounting Standards Board ("FASB") published SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123) on January 1, 1996 which encourages, but does not require, companies to recognize compensation expense for grants of stock, stock options and other equity instruments to employees based on fair value accounting rules. Companies that do not adopt the fair value rules will continue to apply the existing rules, but are required to disclose pro forma net income or loss under the new method.

There were no common stock equivalents issued during the nine months ended September 30, 2005 and all previously issued warrants were fully vested at December 31, 2004.

### Earnings Per Share

Earnings per share (EPS) are computed in accordance with SFAS No. 128, which requires dual presentation of basic and diluted EPS for entities with complex capital structures. Basic EPS is based on net income divided by the weighted-average number of shares outstanding during the period. Diluted EPS includes the dilutive effect of potential common stock using the treasury stock method only if the effect on EPS is dilutive.

Earnings per common share are computed by dividing net income by the weighted-average number of shares outstanding for the year. The weighted-average number of common shares outstanding for basic and diluted earnings per share computations was 1,680,000 for the nine months ended September 30, 2005.

The Company reported net losses for the nine months ended September 30, 2005 and 2004. Accordingly, the dilutive effect of stock options and warrants is not considered in the net loss per share calculations for this period as the impact would have been anti-dilutive.

### Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income.

### New Accounting Pronouncements

FASB Statement 123R - On December 16, 2004, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 123 (revised 2004), Share-Based Payments which is a revision of FASB No. 123, Accounting for Stock-Based Compensation. Statement 123 (R) supersedes APB opinion No. 25, Accounting for Stock Issued to Employees, and amends FASB Statement No. 95, Statement of Cash Flows. Generally, the approach in Statement 123 (R) is similar to the approach described in Statement 123. However, Statement 123 (R) requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. Pro forma disclosure will no longer be an alternative. The provisions of this statement become effective for our first interim period of 2006. Management has not yet determined the impact that this statement will have on our consolidated financial statements.

### NOTE 2. LOANS

The components of loans at September 30, 2005 are summarized as follows:

Commercial	\$ 9,676,000
Consumer installment	752,000
Real estate	14,030,000
	<u>24,458,000</u>
Less allowance for loan losses	356,000
	<u><u>\$ 24,102,000</u></u>

The change in the allowance for credit losses for 2005 is as follows:

Balance at beginning of year	\$ 100,000
Provision charged to operations	256,000
Loans charged off	—
Recoveries of loans previously charged off	—
Balance at September 30, 2005	<u>\$ 356,000</u>

The components of loans at December 31, 2004 are summarized as follows:

Commercial	\$ 3,415,000
Consumer installment	176,000
Real estate	<u>3,068,000</u>
	6,659,000
Less allowance for loan losses	<u>100,000</u>
	<u>\$ 6,559,000</u>

At September 30, 2005, there were no loans which were contractually delinquent over ninety days that were continuing to accrue interest. In addition, there were no loans considered impaired, which should have been recognized in conformity with SFAS No. 114 and SFAS No. 118. No interest income on impaired loans was recognized for cash payments during the period ended September 30, 2005.

### NOTE 3. SECURITIES

At September 30, 2005 and December 31, 2004 securities consisted of the following:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Estimated Fair Value
Federal Reserve Bank Stock	<u>\$ 420,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 420,000</u>

### NOTE 4. RELATED PARTIES

Certain Directors and Officers of the Bank have depository accounts with the Bank. None of those deposit accounts have terms more favorable than those available to any other depositor.

**NOTE 5. BANK PREMISES AND EQUIPMENT**

The original cost and related accumulated depreciation at September 30, 2005 and December 31, 2004 were as follows:

	September 30, 2005	December 31, 2004
Leasehold improvements	\$ 505,000	\$ 504,000
Furniture and equipment	787,000	698,000
	1,292,000	1,202,000
Less accumulated depreciation	167,000	21,000
	<u>\$ 1,125,000</u>	<u>\$ 1,181,000</u>

**NOTE 6. DEPOSITS**

Deposits at September 30, 2005 are summarized as follows:

	Amount	Percent
Noninterest bearing demand	\$ 4,284,000	17%
Interest bearing demand (NOW)	764,000	3%
Money market accounts	12,910,000	52%
Savings accounts	248,000	1%
Certificates of deposit, less than \$100,000	2,601,000	10%
Certificates of deposit, \$100,000 or greater	4,043,000	17%
	<u>\$ 24,850,000</u>	<u>100%</u>

Deposits at December 31, 2004 are summarized as follows:

Noninterest bearing demand	\$ 1,739,000	28%
Interest bearing demand (NOW)	758,000	12%
Money market accounts	1,996,000	32%
Savings accounts	242,000	4%
Certificates of deposit, less than \$100,000	284,000	5%
Certificates of deposit, \$100,000 or greater	1,200,000	19%
	<u>\$ 6,219,000</u>	<u>100%</u>

At September 30, 2005, the scheduled maturities of certificates of deposit were as follows:

2005	\$ 806,000
2006	3,472,000
2007	694,000
2008	50,000
2009	0
2010	<u>1,622,000</u>
Total	<u>\$6,644,000</u>

#### **NOTE 7. INCOME TAXES**

Management has provided a 100% valuation allowance for its net deferred tax asset due to uncertainty of realization during the carry forward period.

As of December 31, 2004, the Company had net tax operating loss carry forwards of approximately \$191,000 that will ultimately expire in 2024 if not used.

#### **NOTE 8. STOCK OPTIONS**

The Company's shareholders have approved a stock incentive plan designed to provide it with the flexibility to grant incentive stock options and non-qualified stock options to its executive and other officers. The purpose of the plan is to provide increased incentive for key employees to render services and to exert maximum effort for the success of the Company. The plan has a term of 10 years. The plan is administered by the Board of Directors who have reserved 260,000 shares for issuance. There are contractual obligations outstanding at September 30, 2005 and December 31, 2004 to issue options to purchase 150,000 shares.

#### **NOTE 9. STOCK WARRANTS**

The Company has two stock warrant plans at September 30, 2005 and December 31, 2004.

Initial shareholders in the Company received warrants to purchase one share of common stock for every five shares of common stock purchases in the offering. A total of 336,000 warrants were issued. These warrants are exercisable at a price of \$12.50 per share at any time until November 2, 2007. During the three months ended September 30, 2005, a total of 150 warrants were exercised.

The Company's organizers advanced funds for organizational and other preopening expenses. As consideration for the advances the organizers received warrants to purchase one share of common stock for every \$20 advanced up to a limit of \$100,000. A total of 96,750 warrants were issued. These warrants are exercisable at a price of \$10.00 per share at any time until November 2, 2014.

There were no additional warrants issued during the nine months ended September 30, 2005.

#### **NOTE 10. ADVANCES FROM ORGANIZERS**

The Company's organizers advanced funds for organizational and other preopening expenses. The advances were non interest bearing and had no stated maturity. The Company repaid the advances by issuing shares of common stock at \$10 per share.

**NOTE 11. COMMITMENTS AND CONTINGENCIES**

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. These instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the accompanying balance sheets. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and standby letters of credit is represented by the contractual amount of those instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments. At September 30, 2005, the Company had commitments to extend credit of approximately \$7,340,000 and no standby letters of credit. At December 31, 2004, the Company had commitments to extend credit of approximately \$2,124,000 and no standby letters of credit.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

**Employment Agreements**

The Company and the Bank have entered into employment agreements with the three officers of the Bank. The agreements are for an initial three-year term and are automatically renewable for an additional three years unless either party elects not to renew.

The agreements provide for compensation and benefits including the issuance of options to acquire up to 140,000 shares of the Company's common stock at \$10 per share, exercisable within ten years from the date of grant. At September 30, 2005, these options had not been issued.

The agreements further provide for termination payments in the event of a change in control, as defined in the employment agreements.

**NOTE 12. REGULATORY MATTERS**

The Company is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulations to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined), and of Tier I capital (as defined) to average assets (as defined). Management believes, as of September 30, 2005 and December 31, 2004, that the Bank meets all capital adequacy requirements to which it is subject.

As of September 30, 2005 and December 31, 2004, the most recent notification from the Bank's regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the institution's category.

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(000's)		(000's)		(000's)	
<b>As of September 30, 2005</b>						
Total Capital (to Risk Weighted Assets)	\$ 12,838	46.8%	2,193	≥8.00%	\$ 2,742	≥10.00%
Tier I Capital (to Risk Weighted Assets)	12,495	45.5%	1,096	≥4.00%	1,645	≥6.00%
Tier I Capital (to Average Assets)	12,495	36.6%	1,365	≥4.00%	1,706	≥5.00%

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(000's)		(000's)		(000's)	
<b>As of December 21, 2004</b>						
Total Capital (to Risk Weighted Assets)	\$ 14,555	147.98%	\$ 787	≥8.00%	\$ 984	≥10.00%
Tier I Capital (to Risk Weighted Assets)	14,455	146.96%	393	≥4.00%	590	≥6.00%
Tier I Capital (to Average Assets)	14,455	82.94%	669	≥4.00%	836	≥5.00%

### NOTE 13. PREOPENING EXPENSES

As explained in Note 1, the Bank was in a development stage from December 23, 2002 to November 1, 2004 and incurred certain preopening costs. The preopening costs consisted of the following:

	Three Months Ended September 30, 2004	Nine Months Ended September 30, 2004
Regulatory fees	\$ 0	\$ 0
Professional fees	25,000	319,000
Consulting fees	26,000	409,000
Preoffering consulting fees	0	0
Preopening operation expenses	293,000	300,000
	<u>\$ 344,000</u>	<u>\$ 1,028,000</u>

**NOTE 14. PARENT COMPANY CONDENSED FINANCIAL STATEMENTS**

FIRST METROPLEX CAPITAL, INC.  
CONDENSED BALANCE SHEET  
JUNE 30, 2005

ASSETS	
Cash and due from banks	\$ 696,000
Fixed assets	12,000
Investment in subsidiary	12,468,000
<b>Total Assets</b>	<b>\$ 13,176,000</b>
<hr/>	
LIABILITIES AND CAPITAL	
Capital	13,176,000
<b>Total Liabilities and Capital</b>	<b>13,176,000</b>

FIRST METROPLEX CAPITAL, INC.  
CONDENSED INCOME STATEMENT  
FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2005

	Three Months	Nine Months
Equity in loss from Bank	\$ (334,000)	\$ (1,158,000)
Noninterest expense:		
Professional and administrative expenses	20,000	123,000
<b>Total</b>	<b>20,000</b>	<b>123,000</b>
<b>Net Loss</b>	<b>\$ (354,000)</b>	<b>\$ (1,281,000)</b>

FIRST METROPLEX CAPITAL, INC.  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2005

Cash Flows from Operating Activities:	
Net Loss	(1,281,000)
Adjustments to reconcile net loss	
To net cash provided by operating activities	
Equity in loss of Bank	1,158,000
Changes in operating assets and liabilities:	
Other assets	721,000
<hr/>	
Net cash provided by operating activities	598,000
Cash Flows from Investing Activities	
Net cash provided by investing activities	—
<hr/>	
Cash Flows from Financing Activities	
Cash received upon exercise of warrants	2,000
<hr/>	
Net cash provided from financing activities	2,000
<hr/>	
Net change in cash and cash equivalents	600,000
Cash and cash equivalents, beginning of year	96,000
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Cash and cash equivalents, end of period	\$ 696,000
<hr/>	
Supplemental Disclosure of Cash Flow Information	
Interest paid	\$ —
Income tax paid	\$ —

FIRST METROPLEX CAPITAL, INC.  
CONDENSED BALANCE SHEET  
DECEMBER 31, 2004

ASSETS	
Cash and due from banks	\$ 96,000
Bank premises and equipment, net	457,000
Accounts receivable	276,000
Other assets	13,626,000
<hr/>	
Total Assets	\$ 14,445,000
<hr/>	
LIABILITIES AND CAPITAL	
Capital	14,455,000
<hr/>	
Total Liabilities and Capital	\$ 14,455,000
<hr/>	



FIRST METROPLEX CAPITAL, INC.  
CONDENSED INCOME STATEMENT  
FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2004

	Three Months	Nine Months
Noninterest expense:		
Preopening expenses	\$ 344,000	\$ 1,028,000
Total	344,000	1,028,000
Net Loss	\$ (344,000)	\$ (1,028,000)

FIRST METROPLEX CAPITAL, INC.  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2004

Cash Flows from Operating Activities:		
Net Loss		\$ (1,028,000)
Adjustments to reconcile net loss		
To net cash provided by operating activities		
Depreciation expense		13,000
Changes in operating assets and liabilities:		
Other assets		(11,000)
Other liabilities		(12,000)
Net cash used in operating expenses		(1,038,000)
Cash Flows from Investing Activities		
Purchases of bank premises and equipment		(849,000)
Net cash used in investing activities		(849,000)
Cash Flows from Financing Activities:		
Advance from organizers		1,544,000
Net cash provided from financing activities		1,544,000
Net decrease in cash and cash equivalents		(343,000)
Cash and cash equivalents, beginning of period		343,000
Cash and cash equivalents, end of period		\$ 0
Supplemental Disclosure of Cash Flow Information		—
Income tax paid		—

## ITEM 2. Management's Discussion and Analysis or Plan of Operation

The following discussion and analysis presents our consolidated financial condition for the three months and nine months ended September 30, 2005, and our consolidated results of operations as of December 31, 2004 and September 30, 2004. The discussion should be read in conjunction with our financial statements and the notes related thereto which appear elsewhere in this Quarterly Report on Form 10-QSB.

Statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, including our expectations, intentions, beliefs, or strategies regarding the future. Any statements in this document about expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as "may," "should," "could," "predict," "potential," "believe," "will likely result," "expect," "anticipate," "seek," "estimate," "intend," "plan," "projection," "would" and "outlook," and similar expressions. Accordingly, these statements involve estimates, assumptions and uncertainties, which could cause actual results to differ materially from those expressed in them. Any forward-looking statements are qualified in their entirety by reference to the factors discussed throughout this document. All forward-looking statements concerning economic conditions, rates of growth, rates of income or values as may be included in this document are based on information available to us on the dates noted, and we assume no obligation to update any such forward-looking statements. It is important to note that our actual results may differ materially from those in such forward-looking statements due to fluctuations in interest rates, inflation, government regulations, economic conditions, customer disintermediation and competitive product and pricing pressures in the geographic and business areas in which we conduct operations, including our plans, objectives, expectations and intentions and other factors discussed under the section entitled "Risk Factors," in our Annual Report on Form 10-KSB for the year ended December 31, 2004, including the following:

- we have limited operating history upon which to base an estimate of our future financial performance;
- we have incurred substantial start-up expenses associated with our organization and our recent public offering and expect to sustain losses or achieve minimal profitability during our initial years of operations;
- if we are unable to implement our business plan and strategies, we will be hampered in our ability to develop business and serve our customers, which, in turn, could have an adverse effect on our financial performance;
- if we fail to retain our key employees, growth and profitability could be adversely affected;
- we face substantial competition in our primary market area;
- the Bank's current legally mandated lending limits are lower than those of our competitors, which may impair our ability to attract borrowers;
- an economic downturn, especially one affecting our primary service area, may have an adverse effect on our financial performance;
- changes in governmental economic and monetary policies, the Internal Revenue Code and banking and credit regulations, as well as other factors, will affect the demand for loans and the ability of the Bank to attract deposits;
- changes in the general level of interest rates and other economic factors can affect the Bank's interest income by affecting the spread between interest-earning assets and interest-bearing liabilities;
- we have no current intentions of paying cash dividends;

- we are subject to significant government regulation and legislation that increases the cost of doing business and inhibits our ability to compete;
- we may not be able to raise additional capital on terms favorable to us; and
- our directors and executive officers beneficially own a significant portion of our outstanding common stock.

These factors and the risk factors referred to in our Annual Report on Form 10-KSB for the year ended December 31, 2004 could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us, and you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made and we do not undertake any obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which will arise. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

## **Executive Overview**

### ***Introduction***

We are a bank holding company headquartered in Dallas, Texas, offering a broad array of banking services through our wholly owned banking subsidiary, T Bank. Our principal markets include North Dallas, Addison, Plano, Frisco and the neighboring Texas communities. As of September 30, 2005, we had, on a consolidated basis, total assets of \$38.1 million, net loans of \$24.1 million, total deposits of \$24.9 million, and shareholders' equity of \$13.2 million. We currently operate through a main office located at 16000 Dallas Parkway, Dallas, Texas, and a branch office at 8100 North Dallas Parkway, Plano, Texas.

We were incorporated under the laws of the State of Texas on December 23, 2002 to organize and serve as the holding company for the Bank. In 2004, we completed an initial public offering of our common stock, issuing 1,680,000 shares at a price of \$10.00 per share. The net proceeds that we received from the offering, after deducting offering expenses, were approximately \$16.4 million. The Bank opened for business on November 2, 2004.

The following discussion focuses on our financial condition for the three months and nine months ended September 30, 2005 and our results of operations as of December 31, 2005 and September 30, 2005. Since the Bank did not open until November 2, 2004, comparison to the same periods in 2004 would not be meaningful. While comparisons are provided to the fiscal year ended December 31, 2004, those comparisons are affected significantly by the fact that the Bank did not begin operations until November 2004. There can be no assurance that the growth experienced by the Bank in its initial stage of development will be maintained.

### ***Key Performance Indicators at September 30, 2005***

We believe the following were key indicators of our performance and results of operations through the first three quarters of 2005:

- our total assets grew to \$38.1 million at the end of the third quarter of 2005, representing an increase of 84%, from \$20.7 million at the end of 2004 and an increase of 28% from \$29.7 million at the end of the second quarter of 2005;
- our total loans grew to \$24.1 million at the end of the third quarter of 2005, representing an increase of 265%, from \$6.6 million at the end of 2004 and an increase of 46% from \$16.4 million at the end of the second quarter of 2005;

- our total deposits grew to \$24.9 million at the end of the third quarter of 2005, representing an increase of 301%, from \$6.2 million at the end of 2004 and an increase of 54% from \$16.1 million at the end of the second quarter of 2005;
- our total revenue grew to \$515,000 in the third second quarter of 2005 compared to \$378,000 in the second quarter of 2005, representing an increase of 36%; and
- our net loss was \$354,000 in the third quarter of 2005, representing a decrease of 22%, from \$455,000 in the second quarter of 2005.

These items, as well as other factors, are discussed in further detail throughout this “Management’s Discussion and Analysis or Plan of Operation” section of this Quarterly Report on Form 10-QSB.

## **Results of Operations**

### ***Net Interest Income and Net Interest Margin***

Net interest income is the difference between interest income, principally from loan, lease and investment securities portfolios, and interest expense, principally on customer deposits and borrowings. Net interest income is our principal source of earnings. Changes in net interest income result from changes in volume, spread and margin. Volume refers to the average dollar level of interest-earning assets and interest-bearing liabilities. Spread refers to the difference between the average yield on interest-earning assets and the average cost of interest-bearing liabilities. Margin refers to net interest income divided by average interest-earning assets, and is influenced by the level and relative mix of interest-earning assets and interest-bearing liabilities.

Net interest income increased by 24%, or \$76,000, to \$386,000 in the third quarter of 2005 from \$310,000 for the second quarter of 2005. Our net interest margin increased from 4.8% to 4.9% for the same periods. These increases primarily resulted from higher loan volumes and interest bearing deposit volumes.

Total interest income increased by 36% to \$506,000 for the third quarter of 2005, as compared to \$371,000 for the second quarter of 2005. This increase is attributable primarily to increased loan volumes. We attribute this growth to our ongoing marketing efforts.

Total interest expense increased by 96% to \$120,000 in the third quarter of 2005, compared to \$61,000 in the second quarter of 2005. These increases resulted primarily from our ongoing marketing efforts to attract new deposits. The average interest rate we paid for interest-bearing deposits for the third quarter of 2005 was 2.8%, compared to 2.4% for the second quarter of 2005.

The following table sets forth our average balances of assets, liabilities and shareholders' equity, in addition to the major components of net interest income and our net interest margin for the three months and nine months ended September 30, 2005 and the three months ended December 31, 2004.

#### QUARTERLY FINANCIAL SUMMARY - UNAUDITED

Consolidated Daily Average Balances, Average Yields and Rates

(Dollars in thousands except per share data)

	For the three months ended September 30, 2005			For the nine months ended September 30, 2005			For the three months ended December 31, 2004		
	Average Balance	Revenue Expense	Yield Rate	Average Balance	Revenue Expense	Yield Rate	Average Balance	Revenue Expense	Yield Rate
<b>Assets</b>									
Interest-earning assets:									
Loans	\$21,018	\$411	7.8%	\$14,985	\$868	7.7%	\$4,903	\$56	6.9%
Less reserve for loan loss	293			209			39		
Loans net of reserve	20,725			14,776			4,864		
Federal funds sold	10,400	89	3.4%	10,023	216	2.9%	9,074	31	2.0%
Securities	420	6	5.7%	420	19	6.0%	577	5	5.2%
Total earning assets	31,545	506	6.4%	25,219	1,103	5.8%	14,515	92	3.8%
Cash and other assets	2,626			2,213			1,405		
Total assets	\$34,171			\$27,432			\$15,920		
<b>Liabilities and Shareholders' Equity</b>									
NOW accounts	\$786	\$1	0.5%	\$822	\$3	0.5%	\$441	\$0	0.5%
Money market accounts	10,286	68	2.6%	6,641	121	2.4%	701	2	1.7%
Savings accounts	232	1	1.7%	230	2	1.2%	131	0	1.8%
Certificates of deposit	2,116	19	3.6%	1,131	29	3.4%	165	1	2.9%
Certificates of deposit \$100,000 or more	3,261	29	3.6%	2,238	55	3.3%	405	2	2.5%
Total interest bearing deposits	16,681	118	2.8%	11,062	210	2.5%	1,843	5	1.7%
Noninterest bearing deposits	4,774			3,308			644		
Other liabilities	64			40			—		
Shareholders' equity	12,652			13,022			13,433		
Total liabilities and shareholders' equity	\$34,171			\$27,432			\$15,920		
Net interest Income		388			893			87	
Net interest spread			3.6%			3.3%			2.1%
Net interest margin			4.9%			4.7%			3.6%
Provision for loan loss		106			256			100	
Non-interest income		8			19			1	
Non-interest expense		623			1,814			363	
Income (loss) before Income taxes		(333)			(1,158)			(375)	
Income taxes expense (benefit)		—			—			—	
Net income		-\$333			-\$1,158			-\$375	

Earnings (Loss) per share	(0.20)	(0.69)	(0.22)
Return on average equity	-10.5%	-11.9%	-16.8%

Changes in volume and changes in interest rates affect our interest income and interest expense. The effect of these changes is typically displayed in a volume, mix and rate analysis table which compares the changes in income and expense over periods. Since the Company has a limited operating history, data to analyze these changes is not currently available.

### *Provision for Loan Losses*

We determine a provision for loan losses that we consider sufficient to maintain an allowance to absorb probable losses inherent in our portfolio as of the balance sheet date. For additional information concerning this determination, see the section of this discussion and analysis captioned "Allowance for Loan Losses."

In the third quarter of 2005, our provision for loan and lease losses was \$106,000 compared to \$74,000 for the first quarter of 2005 and \$76,000 for the second quarter of 2005. The provision amounts are directly related to loan volumes. We did not have any charge-offs or non-performing loans during the third quarter of 2005.

### *Noninterest Income*

As with the second quarter of 2005, our noninterest income for the quarter ended September 30, 2005 was attributable solely to service charges on depository accounts. Services charges for the third quarter of 2005 totaled \$9,000, compared to \$7,000 for the second quarter of 2005. The increase in income from service charges is attributable to the increase in our number of transactional and savings accounts.

### *Noninterest Expense*

The following tables set forth a summary of noninterest expenses for the Bank for the periods indicated:

	Three months ended September 30, 2005	Nine months ended September 30, 2005	Three months ended December 31, 2004
Salaries and employee benefits	\$ 325,000	\$ 1,027,000	\$ 239,000
Net occupancy expense	127,000	347,000	60,000
Office expenses	36,000	83,000	13,000
Data processing	45,000	118,000	23,000
Professional fees	28,000	65,000	8,000
Advertising and promotional	19,000	53,000	4,000
Other expenses	43,000	119,000	16,000
Total noninterest expenses	<u>\$ 623,000</u>	<u>\$ 1,814,000</u>	<u>\$ 363,000</u>

Our total noninterest expense decreased to \$623,000 in the third quarter of 2005, as compared to \$696,000 for the second quarter of 2005, representing a decrease of 10%. Expenses were lower due to fewer employees.

Salaries and employee benefits totaled \$325,000 for the third quarter of 2005. We had 12 full-time equivalent employees as of September 30, 2005.

Occupancy and equipment expenses totaled \$128,000 for the third quarter of 2005, attributable primarily to lease expense and depreciation and amortization of leasehold improvements and furniture, fixtures and equipment.

Professional fees and other expenses were \$28,000 for the third quarter of 2005, attributable primarily to professional fees and expenses associated with loan compliance, audit expenses, public reporting and other expenses generally associated with publicly-traded companies.

### *Income Taxes*

No federal tax expense has been recorded for the quarter ended September 30, 2005, based upon net operating losses. Based upon the Company's limited operating history, the federal tax benefit of these losses has been fully reserved.



## Financial Condition

Our total assets as of September 30, 2005 were \$38.1 million, compared to \$29.7 million as of June 30, 2005 and \$20.7 million as of December 31, 2004. The increase in our total assets during the first three quarters of 2005 were primarily the result of increases in deposits.

Our total deposits increased to \$24.9 million as of September 30, 2005, compared to \$16.1 million as of June 30, 2005 and \$6.2 million as of December 31, 2004. Our asset growth during the first three quarters of 2005 was primarily the result of our continued marketing efforts to attract new clients.

As of September 30, 2005, our shareholders' equity was \$13.2 million, compared to \$13.5 million as of June 30, 2005 and \$14.5 million as of December 31, 2004. These decreases were the result of operating losses in the first three quarters of 2005.

### *Short-Term Investments and Interest-bearing Deposits in Other Financial Institutions*

At September 30, 2005, the Bank had \$10.4 million in federal funds sold. At December 31, 2004 the Bank had \$11.6 million federal funds sold. Federal funds sold allow the Bank to meet liquidity requirements and provide temporary holdings until the funds can be otherwise deployed or invested.

### *Investment Securities*

Our investment portfolio will primarily serve as a source of interest income and, secondarily, as a source of liquidity and a management tool for our interest rate sensitivity. We manage our investment portfolio according to a written investment policy established by our Board of Directors and implemented by our Investment/Asset-liability Committee.

At September 30, 2005 and December 31, 2004, the Bank's securities consisted solely of Federal Reserve Bank Stock, having an amortized cost of \$420,000, an estimate fair value of \$420,000, and a weighted average yield of 5.7%.

### *Loan Portfolio*

Our primary source of income is interest on loans. The following table presents the composition of our loan portfolio by category as of the dates indicated:

	<b>As of September 30, 2005</b>	<b>As of December 31, 2004</b>
Real estate - mortgage	\$ 10,834,000	\$ 1,732,000
Commercial and industrial	9,676,000	3,415,000
Consumer	752,000	176,000
Real estate - construction	3,196,000	1,336,000
Other loans	0	0
Gross loans and leases	<u>\$ 24,458,000</u>	<u>\$ 6,659,000</u>
Less: Allowance for loan and lease losses	356,000	100,000
Loans, net	<u>\$ 24,102,000</u>	<u>\$ 6,559,000</u>

As of September 30, 2005 and December 31, 2004, our total loans were \$24.1 million and \$6.7 million, respectively. The increase in our loan volume during the third quarter of 2005 resulted from the continued growth of our operations. Our total loans as a percentage of total assets increased to 64% as of September 30, 2005, compared to 56% as of June 30, 2005 and 32% as of December 31, 2004.

Our commercial loan portfolio is comprised of lines of credit for working capital and term loans to finance equipment and other business assets. Our lines of credit typically are limited to a percentage of the value of the assets securing the line. Lines of credit and term loans typically are reviewed annually and are supported by accounts receivable, inventory, equipment and other assets of our client's businesses. At September 30, 2005 and December 31, 2004, funded loans totaled \$9.7 million and \$3.4 million, approximately 40% and 51% of our total funded loans, respectively.

Our consumer loan portfolio consists of personal lines of credit and loans to acquire personal assets such as automobiles and boats. Our lines of credit generally have terms of one year and our term loans generally have terms of three to five years. Our lines of credit typically have floating rates. At September 30, 2005 and December 31, 2004, funded consumer loans totaled \$752,000 and \$176,000, approximately 3% and 2.6% of our total funded loans, respectively.

Our real estate loan portfolio is comprised of construction loans and short term mortgage loans. Construction loans consist primarily of single-family residential properties, have a term of less than one year and have floating rates and commitment fees. We typically make construction loans to builders that have an established record of successful project completion and loan repayment. Short term mortgage loans typically are secured by commercial properties occupied by the borrower, have terms of three to ten years with both fixed and floating rates. At September 30, 2005 and December 31, 2004, funded real estate loans totaled \$14.0 million and \$3.1 million, approximately 57% and 46% of our total funded loans, respectively.

Loan concentrations are considered to exist when there are amounts loaned to multiple borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. At September 30, 2005, our commercial loan portfolio included \$6.4 million of loans, approximately 25% of our total funded loans, to fund the purchase of dental practices. We believe that these loans are well secured to credit worthy borrowers and are diversified geographically. As new loans are generated and the Bank continues to grow, the percentage of the total loan portfolio consisting of the foregoing concentration may remain constant thereby continuing the risk associated with industry concentration.

Management may renew loans at maturity when requested by a customer whose financial strength appears to support such a renewal or when such a renewal appears to be in the best interest of the Bank. The Bank requires payment of accrued interest in such instances and may adjust the rate of interest, require a principal reduction, or modify other terms of the loan at the time of renewal.

Our loan terms vary according to loan type. The following table shows the maturity distribution of our loans and leases as of September 30, 2005:

	As of September 30, 2005					Total
	Over 1 Year through 5 Years			Over 5 Years		
	One Year or Less	Fixed Rate	Floating or Adjustable Rate	Fixed Rate	Floating or Adjustable Rate	
Real estate — construction	\$ 2,986,000	\$ 210,000	\$ 0	\$ 0	\$ 0	\$ 3,196,000
Real estate — secured	3,624,000	5,210,000	2,000,000	0	0	10,834,000
Commercial and industrial	5,229,000	2,939,000	137,000	1,371,000	0	9,676,000
Consumer	161,000	401,000	0	190,000	0	752,000
Leases	0	0	0	0	0	0
Other loans	0	0	0	0	0	0
<b>Total</b>	<b>\$ 12,000,000</b>	<b>\$ 8,760,000</b>	<b>\$ 2,137,000</b>	<b>\$ 1,561,000</b>	<b>\$ 0</b>	<b>\$ 24,458,000</b>

### *Nonperforming Loans, Leases and Assets*

Nonperforming assets consist of loans and leases on nonaccrual status, loans 90 days or more past due and still accruing interest, loans that have been restructured resulting in a reduction or deferral of interest or principal, OREO, and other repossessed assets. As of September 30, 2005, we had no nonperforming assets.

A potential problem loan is defined as a loan where information about possible credit problems of the borrower is known, causing management to have serious doubts as to the ability of the borrower to comply with the present loan payment terms and which may result in the inclusion of such loan in one of the nonperforming asset categories. We maintain an internally classified loan list that helps management assess the overall quality of the loan portfolio and the adequacy of the allowance for loan losses. Loans classified as "special mention" are those that contain a weakness that, if left unattended, could develop into a problem affecting the ultimate collectibility of the loan. Loans classified as "substandard" are those loans with clear and defined weaknesses such as highly leveraged positions, unfavorable financial ratios, uncertain repayment resources or poor financial condition, which may jeopardize recoverability of the loan. Loans classified as "doubtful" are those loans that have characteristics similar to substandard loans, but also have an increased risk that loss may occur or at least a portion of the loan may require a charge-off if liquidated at present. Although loans classified as substandard do not duplicate loans classified as doubtful, both substandard and doubtful loans may include some loans that are past due at least 90 days, are on nonaccrual status or have been restructured. Loans classified as "loss" are those loans that are in the process of being charged-off. The Bank had no loans classified in these categories at September 30, 2005.

### *Allowance for Loan Losses*

Implicit in our lending activities is the fact that loan losses will be experienced and that the risk of loss will vary with the type of loan being made and the creditworthiness of the borrower over the term of the loan. To reflect the currently perceived risk of loss associated with our loan portfolio, additions are made to our allowance for loan losses in the form of direct charges against income and our allowance is available to absorb possible loan losses. The factors that influence the amount include, among others, the remaining collateral and/or financial condition of the borrowers, historical loan loss, changes in the size and composition of the loan portfolio, and general economic conditions.

The amount of the allowance equals the cumulative total of the provisions made from time to time, reduced by loan charge-offs and increased by recoveries of loans previously charged-off. Until management has adequate historical data upon which to base the estimate of the allowance for loan losses, a balance of approximately 1.5% of the outstanding principal will be used unless additional information regarding the ability of the borrower to repay the loan, current economic conditions or other pertinent factors indicate a different allowance is needed. Thus, our allowance was \$356,000 and \$100,000 as of September 30, 2005 and December 31, 2004, respectively.

Credit and loan decisions are made by management and the Board of Directors in conformity with loan policies established by the Board. The Bank's practice is to charge-off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, the loan's classification as a loss by regulatory examiners, or other reasons. During the year ended December 31, 2004 and the first three quarters of 2005, we did not incur any charge-offs.

The following table sets forth the specific allocation of the allowance for the periods indicated and the percentage of allocated possible loan losses in each category to total gross loans. An allocation for a loan classification is only for internal analysis of the adequacy of the allowance and is not an indication of expected or anticipated losses:

	As of September 30, 2005		As of December 31, 2004	
	Amt.	Loan Category to Gross Loans	Amt.	Loan Category to Gross Loans
<b>Allocated:</b>				
Real estate — construction	\$ 48,000	13%	\$ 20,000	20%
Real estate — secured	162,000	46	26,000	26
Commercial and industrial	135,000	38	51,000	51
Consumers	11,000	3	3,000	3
Leases	0		0	
Other loans	0		0	
<b>Total allowance for loan and lease losses</b>	<b>\$ 356,000</b>	<b>100%</b>	<b>\$ 100,000</b>	<b>100%</b>

### *Nonearning Assets*

Premises, leasehold improvements and equipment, net of accumulated depreciation and amortization, totaled \$1.1 million at September 30, 2005 and \$1.2 million at December 31, 2004. We have no definitive agreements regarding acquisition or disposition of owned or leased facilities and, for the near-term future, we do not expect significant changes in our total occupancy expense.

### *Deposits*

Deposits are our primary source of funds. The following table sets forth, for the periods indicated, the distribution of our average deposit account balances and average cost of funds on each category of deposits:

	Three Months Ended September 30			Nine Months Ended September 30,			Year Ended December 31,		
	2005			2004			2004		
	Average Balance	Percent of Deposits	Average Rate	Average Balance	Percent of Deposit	Average Rate	Average Balance	Percent of Deposit	Average Rate
Noninterest-bearing demand deposits	\$ 4,774,000	22%	0.0%	\$ 3,308,000	23%	0.0%	\$ 644,000	26%	0.0%
Money market deposits	10,286,000	48%	2.6%	6,641,000	45%	2.4%	701,000	28%	1.7%
NOW deposits	786,000	4%	0.5%	822,000	6%	0.5%	441,000	18%	0.5%
Savings deposits	232,000	1%	1.7%	230,000	2%	1.2%	131,000	5%	1.3%
Time certificates of deposits in denominations of \$100,000 or more	3,261,000	15%	3.6%	2,238,000	16%				

**RULE 13a-14(a) CERTIFICATION**  
**FIRST METROPLEX CAPITAL, INC.**  
a Texas corporation

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Patrick G. Adams, Chief Executive Officer of First Metroplex Capital, Inc., a Texas corporation, do hereby certify that:

- (1) I have reviewed this Quarterly Report on Form 10-QSB of First Metroplex Capital, Inc. for the quarter ended September 30, 2005;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [Reserved];
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the periods covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2005

By: /s/ Patrick G. Adams

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Patrick G. Adams  
Chief Executive Officer

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**RULE 13a-14(a) CERTIFICATION**  
FIRST METROPLEX CAPITAL, INC.  
a Texas corporation

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Sue Higgs, Chief Financial Officer of First Metroplex Capital, Inc., a Texas corporation, do hereby certify that:

- (1) I have reviewed this Quarterly Report on Form 10-QSB of First Metroplex Capital, Inc. for the quarter ended September 30, 2005;
- (2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the periods covered by this report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- (4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) [Reserved];
  - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the periods covered by this report based on such evaluation; and
  - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 14, 2005

By: /s/ Sue Higgs

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Sue Higgs  
Chief Financial Officer

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**SECTION 906 CERTIFICATION**

In connection with the Quarterly Report on Form 10-QSB of First Metroplex Capital, Inc. (the "Company") for the quarterly period ended September 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

FIRST METROPLEX CAPITAL, INC.

Dated: November 14, 2005

By: /s/ Patrick G. Adams

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Patrick G. Adams  
Chief Executive Officer

Dated: November 14, 2005

By: /s/ Sue Higgs

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Sue Higgs  
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 ("Section 906"), or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to First Metroplex Capital, Inc. and will be retained by First Metroplex Capital, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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