

**A note from our CEO, Paul M. Freeman
October 2008**

The recent and continued turmoil in the financial markets and news is very complex and unsettling for all of us. I feel that it is appropriate to address the anxiety that the financial turbulence has caused. A tremendous amount of the financial difficulties encountered in the markets today are having dramatic effects across the United States. Fortunately, much of this stress is being felt in other areas of the U.S. and our area is somewhat insulated from those negative effects.

In particular, housing and the value of housing is a considerable problem for areas that have experienced dramatic increases in the values of homes and the cost of mortgages associated with the pricing of homes. Our local housing market has seen escalating values, but this area has not experienced the dramatic increases in prices of other areas. While the immediate area may be affected and price level declines may take place in our housing market, I believe that any adjustment will be minor compared to other parts of the U.S. that are receiving so much publicity. To date, prices have stayed stable and there continues to be demand for housing in our area.

The stock market most certainly is having an effect on many of our retirement plans. Historically the stock market has rallied given time. The more pertinent question is when and do each of us have time to recover from the current levels that have devalued our retirement savings. No one can answer this question. We only have a historical perspective to view and would encourage you to analyze your individual position in depth and depend on your financial contacts that you trust to help you through these difficult decisions. Depend on your financial team that you have worked with in the past and trust. If you do not have a financial team, it is a great time to develop those relationships. Different perspectives give us all a better understanding and comfort of our financial decisions.

It has been over 20 years since a significant number of banks have failed. Lack of capital and earnings to cover immediate losses or the lack of liquidity are the primary reasons for bank failures. It has always been a priority of FNB Texhoma to maintain excess capital to reserve for difficult times. Liquidity is also measured, monitored, and tested consistently. I encourage you to ask questions and to assess the viability of this bank as to our ability to furnish service and continued quality products during good or turbulent economic times.

It is my goal, and that of the Board of Directors and employees to be a resource and a comfort to you at all times. You have entrusted us with your funds and relationship. We appreciate the opportunity and take our obligation to you very seriously.

Sincerely,

