

Profitable growth despite unrest in the financial markets

Dear Fellow Shareholders:

Since I last wrote to you in June, the financial markets have continued to weaken and many large banks have reported seriously depressed financial soundness. Despite these conditions, I want you to know that BT Holdings and BankTexas are safe, strong, and growing profitably.

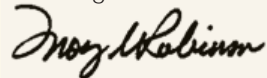
I am proud to report excellent performance at BankTexas in the third quarter of 2008:

- The total assets of BankTexas are now \$208.0 million, up 31% since this quarter last year. Deposits have grown 20% to \$158.5 million, evidence of our stable funding base. And net income before taxes is up 25%.
- Our loan portfolio is performing well as a result of our stringent lending guidelines. And for the first time in our history, the portfolio has passed \$100.0 million in assets.
- In July, D Magazine ranked BankTexas "five stars" in terms of financial soundness.

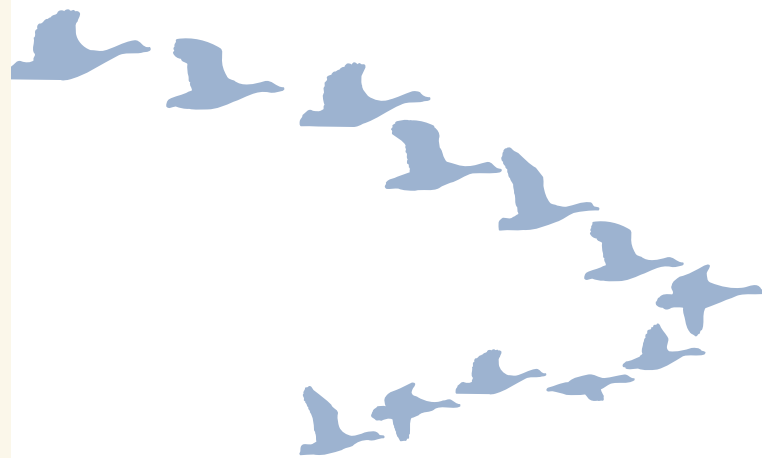
As our nation moves forward, BankTexas will continue to operate as it has since the 1890s – as a community bank committed to providing our customers and communities with the financial resources they need.

Along with your Board of Directors, I am confident that this strategy will continue to generate growth for BankTexas – and in turn, value for you.

Best Regards,



Troy M. Robinson
President & CEO



quarterly shareholder update

BT Holdings, Inc. • Third Quarter 2008


ABOUT BT HOLDINGS & BANKTEXAS

BT Holdings, Inc. is the parent company of BankTexas, an East Texas community bank with assets of \$208 million and local roots that date back to the 1890s. BT Holdings and BankTexas focus on steady asset and earnings growth reinforced by quality customer service, conservative lending principles, and community support.

www.btholdings.org • www.banktexas.org
903-763-2264

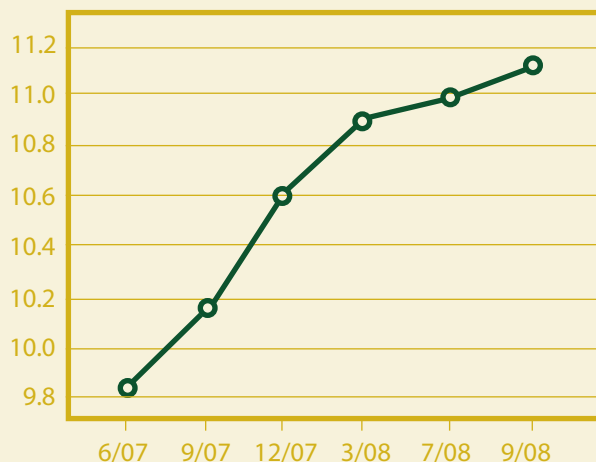
BT Holdings

BankTexas

Member FDIC  Equal Housing Lender



Book Value Per Share BT HOLDINGS, INC.



Third-Quarter Financial Highlights BANKTEXAS, N.A.

	2008	2007
Assets	\$207,986	\$159,133
Loans	103,866	80,917
Investment Securities	74,894	58,866
Deposits	158,477	132,100
Shareholder Equity	17,414	14,927
Net Income Before Tax	1,569	1,251

(Dollars in thousands)

What's New?

KILGORE BANK STORE OPENS WITH EXCITING NEW FEATURES

Our Kilgore bank store opened this month, featuring superior convenience and technology – as well as continuing the excellent customer service for which BankTexas is known.

Here are four of the most exciting features of our Kilgore bank store:



BANK AT YOUR GAS PUMP



LOAN DECISIONS MADE EFFICIENTLY AND LOCALLY



CONVENIENT HOURS, MONDAY-SATURDAY



FRESH COFFEE ALL DAY

BANKTEXAS LAUNCHES ONLINE FDIC FACT CENTER TO EDUCATE CUSTOMERS

For information about FDIC insurance coverage, be one of thousands to visit our fact center at www.banktexas.org/fdic

BT Holdings, Inc.

PARENT-ONLY FINANCIAL STATEMENT

September 30, 2008 (Unaudited)

ASSETS

Cash	\$29,563
Investment in Subsidiary	17,420,534
Goodwill	13,863,415
Other assets	309,750
Total Assets	\$31,623,261

LIABILITIES & EQUITY

Current Liabilities	\$51,883
Debentures Payable	217,000
Trust Preferred Security	7,000,000
Total Liabilities	7,268,883
Capital Stock	2,191,672
Paid-in-Capital	20,705,094
Net Income	968,975
Unrealized Gain on Securities	488,637
Total Equity	24,354,378
Total Liabilities & Equity	\$31,623,261

INCOME STATEMENT (Year-to-Date)

September 30, 2008

Dividend Income	\$391,948
Interest Income	11,334
Undistributed Income	867,102
Total Income	1,270,384
Income Tax Expense (Benefit)	(108,764)
Interest Expense	375,548
Operating Expense	34,625
Total Expense	301,409
Net Ordinary Income	\$968,975
Earnings Per Share	44.21¢