



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

August 17, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Financial Bank, National Association
Charter Number 8731

3205 East Highway 114
Southlake, TX 76092-0000

Office of the Comptroller of the Currency

Fort Worth Field Office
9003 Airport Freeway Suite 275
North Richland Hills, Texas 76180-9127

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The lending performance of First Financial Bank, N.A., Southlake, Texas (FFB) reflects satisfactory responsiveness to its community credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 63.10% since the previous CRA examination meets the standards for satisfactory performance given the bank's size, financial condition, local competition, and assessment area (AA) credit needs.
- A majority of the bank's lending activities is within the AA. Based on the loans reviewed in our samples, 71.59% of the number and 60.21% of the dollar amount were originated within the AA.
- The distribution of loans among individuals of different income levels and businesses of different sizes meets the standards. A reasonable percentage of residential mortgage loans and consumer loans are to low- and moderate-income families and households. A substantial portion of commercial loans were made to small businesses.
- The geographic distribution of loans demonstrates reasonable penetration in the moderate income census tracts (CTs). There are no low-income census tracts in the AA.

SCOPE OF EXAMINATION

The Lending Test was used, which evaluates FFB's record of helping to meet the credit needs of its AA through its lending activities. The evaluation under the Lending Test covers loans originated between January 1, 2006 and August 17, 2009. Performance under the Lending Test was assessed based on a review of all HMDA reportable residential mortgage loans originated during the evaluation period, as well as a sample of 20 commercial loans (including commercial real estate and commercial and industrial loans) and 20 consumer loans. We performed a full scope review of FFB's primary AA, which is within the Fort Worth – Arlington MSA (as described below), and was the basis of our overall rating.

DESCRIPTION OF INSTITUTION

FFB is a community bank headquartered in Southlake, Texas, approximately 17 miles northeast of Fort Worth, Texas. FFB is a full-service bank offering traditional products and services. In addition to its main office at 3205 East Hwy 114, in Southlake, FFB operates five branches. The full-service branches are located in the communities of Keller, Trophy Club, Bridgeport, Boyd and Decatur. FFB provides motor banks and ATMs at each location. FFB's main office and the Boyd branch are located in middle-income CTs. The Bridgeport and Decatur branches are located in moderate-income CTs and the Keller and Trophy Club branches are in upper-income tracts. There are no legal, financial or other factors impeding the bank's ability to help meet the credit and community development needs in its Assessment Areas (AAs).

FFB is a wholly-owned subsidiary of First Financial Bankshares, Inc. (FFIN), a multi-bank holding company headquartered in Abilene, Texas. FFIN owns nine other banks operating in Central, West, and North Texas. Consolidated holding company assets totaled \$3.08 billion as of June 30, 2009.

FFB is a commercial bank that was originally chartered as Texas National Bank (TNB) in Southlake in 1985. TNB was purchased by FFIN in November 1997 and its name was changed to FFB – Southlake. In 2005 FFIN purchased the First National Bank of Bridgeport, Texas (FNB) and merged FNB into FFB. The merger was effective December 5, 2005, with FFB retaining charter #8731, previously held by FNB. Prior to the merger, each bank operated two branches: the Keller and Trophy Club branches for FFB; and, the Boyd and Decatur branches for FNB.

FFB reported total assets of \$272 million and total deposits of \$218 million as of June 30, 2009. Total loans of \$158 million represented 58% of total assets. The following chart details the composition of FFB's loan portfolio, as of June 30, 2009.

Loan Portfolio Composition as of June 30, 2009		
Loan Category	\$(000)	%
Commercial Real Estate	62,214	39.47
Commercial & Industrial	29,860	18.95
Residential Real Estate	44,790	28.41
Consumer & Other	14,401	9.14
Farm & Agricultural Real Estate	6,347	4.03
Total	\$157,612	100.00

Source: June 30, 2009 Report of Condition

FFB received an overall rating of "Satisfactory" during its previous CRA examination dated January 28, 2005, using Large Bank CRA Procedures. The previous CRA examination for FNB used Small Bank CRA Procedures, resulted in an overall rating of "Satisfactory", and was dated February 23, 2004.

Banking competition is aggressive in Tarrant and Wise Counties and includes affiliates of large national banking companies, large regional financial institutions, and numerous small community banks. Community contacts conducted in connection with several recent CRA examinations disclosed no significant gaps in local financial institutions meeting the credit needs of the AA.

DESCRIPTION OF ASSESSMENT AREA(S)

FFB has delineated two Assessment Areas (AAs). One AA includes a portion of the Fort Worth–Arlington Metropolitan Statistical Area (MSA) and the other AA includes a portion of the Dallas-Plano-Irving MSA. The delineated AA in the Fort Worth-Arlington MSA consists of seventeen CTs in northern Tarrant County and all eleven CTs in Wise County. The second AA located in the Dallas-Plano-Irving MSA consists of two CTs in southern Denton County.

Five of FFB’s offices are located in the Fort Worth – Arlington MSA and generate a substantial majority of the bank’s deposit and lending operations. Therefore, this AA that is included within the Fort Worth-Arlington MSA will be evaluated in this analysis. This AA consists of twenty-eight CTs: zero low-income, two moderate-income, ten middle-income, and sixteen upper-income CTs. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude low- or moderate-income geographies. Specific demographic and economic data for this area are listed below.

Demographic and Economic Characteristics of Assessment Area	
Population	
Total Population	157,493
Number of Families	44,066
Number of Households	57,708
Geographies	
Number of Census Tracts	28
% Low-Income Census Tracts	0.0%
% Moderate-Income Census Tracts	7.14%
% Middle-Income Census Tracts	35.71%
% Upper-Income Census Tracts	57.14%
Median Family Income (MFI)	
2000 MFI for AA	\$85,535
2005 HUD-Adjusted MFI	\$64,500
Economic Indicators	
Unemployment Rate	1.43%
2000 Median Housing Value	\$158,187
% Households Below Poverty Level	5.21%

Source: 2000 Census data and HUD updated income data.

Based on 2000 U. S. Census data, the AA area has a total population of 157,493. There are 57,708 housing units in the AA, of which 76% are owner-occupied, 19% are renter-occupied and 6% are vacant. Approximately 11% of the families in the AA are considered low-income. Moderate-income families approximate 12% of the population, and middle- and upper-income families comprise 16% and 61% of the population, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FFB's primary business lines are commercial real estate lending, commercial and industrial lending, and residential real estate lending. Our analysis included all HMDA reportable residential real estate loans for the evaluation period, as well as a sample of commercial loans (including commercial real estate loans) and consumer loans. Equal weight was given to each type of lending when evaluating lending performance based on the criteria tested below.

Loan-to-Deposit Ratio

FFB's net loan-to-deposit (LTD) ratio is reasonable and meets the standards for satisfactory performance given the bank's size, financial performance, and the AA's credit needs. The net LTD ratio measures the extent to which the bank has returned the deposits it has acquired to the community in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine performance in this area. The average LTD ratio for FFB was determined using the last 22 quarters and is 63.10%. This ratio ranged from a quarterly low of 49.08% as of June, 2004 to a quarterly high of 74.02% as of March, 2009. The average LTD ratio of similarly situated banks within the AA during the evaluation period was 67.54%. During this same 22 quarter period, ratios for similarly situated banks ranged from 49.64% to 85.43%.

This analysis utilized the LTD averages for the former FNB of Bridgeport, Texas (Charter #8731) back to the last CRA examination dated February 23, 2004. This was prior to the merger with FFB, N.A. Southlake into this charter number, which occurred in December 2005. FFB Southlake had a higher LTD than did the FNB of Bridgeport. Therefore, the quarterly LTD averages for the years 2004 and 2005 in our analysis were lower prior to the merger, and have subsequently increased.

Lending in Assessment Area

FFB's lending within the AA meets the standards for satisfactory performance.

This section quantifies what proportion of the bank's lending activity is within its AA. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own AA, would be considered less than satisfactory. However, FFB's lending efforts are concentrated within the AA.

To assess the bank's performance in this area we used the samples described above. Based on our sample results, a majority of loans are within the bank's AA. The following table reflects the results of our assessment of the bank's efforts to lend in its AA.

Lending in AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	55	64.71	30	35.29	85	6,284	60.49	4,105	39.51	10,389
Refinance	6	54.55	5	45.45	11	679	61.50	425	38.50	1,104
Home Improvement	33	82.50	7	17.50	40	845	49.76	853	40.24	1,698
Commercial	17	85.00	3	15.00	20	1,674	58.20	1,203	41.80	2,877
Consumer	15	75.00	5	25.00	20	520	95.70	23	4.30	543
Totals	126	71.59	50	28.41	176	10,002	60.21	6,609	39.79	16,611

Source: Loan sample and data reported under HMDA

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes and meets the standard for satisfactory performance. To perform our analysis we reviewed all HMDA-reported residential real estate loans and sampled 20 commercial loans and 20 consumer loans made during the evaluation period. Each product type was weighted equally in this evaluation. More detail on lending performance of each of the products is discussed below.

Residential Real Estate Lending

FFB's overall distribution of residential real estate loan products is satisfactory, particularly when considering that low-income families have a difficult time qualifying for conventional home mortgage products. Five percent of the population in the bank's AA lives below the poverty level.

FFB's distribution of residential real estate loan products to low-income families reflects reasonable penetration. Performance in this area meets the standards.

The bank's distribution of residential real estate loan products to moderate-income families also reflects reasonable penetration. Performance in this area meets the standards.

Borrower Distribution of Residential Real Estate Loans in Fort Worth MSA AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	11.23	7.55	11.77	30.19	16.31	28.30	60.68	28.30
Home Improvement	11.23	6.45	11.77	19.35	16.31	22.58	60.68	51.61
Refinance	11.23	0.00	11.77	16.67	16.31	33.33	60.68	33.33
Total	11.23	6.67	11.77	25.56	16.31	26.67	60.68	36.67

Source: Data reported under HMDA; U.S. Census data.

Commercial Lending

The distribution of commercial loans reflects reasonable penetration among businesses of different sizes and meets the standards for satisfactory performance. During the evaluation period, eighty percent of the number of loans were made to businesses with revenues of less than \$1 million, but only forty five percent of the dollar amount of the loans were made to businesses with less than \$1 million in revenues.

Borrower Distribution of Loans to Businesses in Fort Worth MSA AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	63.51	3.35	33.14	100%
% of Bank Loans in AA by #	80.00	20.00	0	100%
% of Bank Loans in AA by \$	45.20	54.80	0	100%

Source: Loan sample and data collected by the bank; Dunn and Bradstreet data.

Borrower Distribution of Loans to Businesses by Loan Size in Fort Worth MSA AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	15	75.00	318	16.70
\$100,001 - \$250,000	4	20.00	768	40.34
\$250,001 - \$500,000	0	0.00	0	0.00
\$500,001 - \$1,000,000	1	5.00	818	42.96
Over \$1,000,000	0	0.00	0	0.00

Source: Loan sample.

Consumer Lending

Our analysis, detailed in the following table, indicates that the bank is reasonably lending to borrowers of all income levels, and exceeds the standards. Further, the bank has no minimum loan amount in policy, and currently has 796 loans on the books that originated at \$3 thousand or less. The average original loan amount for these loans is \$1,550. This also indicates the bank’s willingness in meeting the smaller credit needs of the community.

Borrower Distribution of Consumer Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	9.76	30.00	9.76	20.00	12.72	20.00	67.76	30.00

Source: Loan sample and data collected by bank; U.S. Census data.

Geographic Distribution of Loans

FFB’s loan distribution to geographies of different income levels exceeds the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the AA.

FFB’s lending efforts reasonably penetrate the geographies of different income levels. The results of our analysis are illustrated in the following table.

The geographical distribution of residential real estate loans in the AA shows reasonable penetration and exceeds the standards for satisfactory performance.

Geographic Distribution of Residential Real Estate Loans in Fort Worth MSA AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0.00	0.00	5.37	47.17	28.44	39.62	66.19	13.21
Home Improvement	0.00	0.00	5.37	32.26	28.44	38.71	66.19	29.03
Refinance	0.00	0.00	5.37	50.00	28.44	0.00	66.19	50.00
Total	0.00	0.00	5.37	42.22	28.44	36.67	66.19	21.11

Source: Data reported under HMDA; U.S. Census data.

The geographic distribution of commercial and consumer loans represents a reasonable penetration and exceeds the standards for satisfactory performance. The results of our analysis are illustrated in the following tables.

Geographic Distribution of Loans to Businesses/Farms in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses/ Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans	% of AA Businesses /Farms	% of Number of Loans
Commercial	0.00	0.00	8.17	15.00	27.26	80.00	64.57	5.00

Source: Loan sample; D & B data..

Table 3B - Geographic Distribution of Consumer Loans in AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans	% of AA Households	% of Number of Loans
Consumer Loans	0.00	0.00	6.53	25.00	29.09	55.00	64.38	20.00

Source: Loan sample; U.S. Census data.

Responses to Complaints

There have been no consumer complaints relating to FFB’s CRA performance during the evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.