



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

September 10, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First Financial Bank, National Association
Charter Number 4166**

**400 Pine Street
Abilene, TX 79604**

**Comptroller of the Currency
Fort Worth
9003 Airport Freeway Suite 275
North Richland Hills, TX 75201**

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 Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

First Financial Bank, National Association (FFB) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- The bank's loan-to-deposit ratio is reasonable and averaged 50 percent during the evaluation period.
- A substantial majority of FFB's loans were originated within the bank's assessment area (AA).
- FFB's distribution of loans to businesses with gross revenues of less than \$1 million is reasonable. The bank's overall distribution of home mortgage products to low- and moderate-income families is reasonable.
- The bank's geographic distribution of business loans is reasonable. The bank's distribution of home mortgage loans to low- and moderate-income geographies is reasonable when considering performance context issues.
- FFB's community development performance demonstrates adequate responsiveness to the community development needs of its AA.

SCOPE OF EXAMINATION

FFB qualifies as an Intermediate Small Bank under the CRA regulation and is thus, subject to a Lending Test and Community Development (CD) Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area (AA) through its lending activities. The community development test evaluates a bank's CD lending, qualified investments, and CD services.

The evaluation under the Lending Test covers loans originated over a three year period between January 1, 2004 and December 31, 2006. Performance under the lending test was assessed based on a review of FFB's residential real estate, commercial, and commercial real estate loans. CD activities were evaluated over the period August 17, 2004 through September 10, 2007.

DESCRIPTION OF INSTITUTION

First Financial Bank of Abilene, N.A. (FFB) is an intrastate commercial bank that was chartered in Abilene, Texas in 1889. FFB is a full service bank offering traditional products and services. In addition to its main office at 400 Pine Street in Abilene, FFB operates seven full service branches, two supermarket branches, and two Wal-Mart branches throughout Callahan, Shackelford, and Taylor counties. FFB operates 19 ATM's; four of which are located in moderate-income geographies. Three new locations have opened since the last CRA examination: Wesley Court, the Wal-Mart North, and the Albany branches. The Wesley Court branch is located inside a retirement center. The branch is also available to the public. In addition to the branch openings, FFB acquired two locations through a bank purchase: the Clyde and Moran branches. The main office at 400 Pine Street is located in a moderate-income census tract. All other bank locations are in middle or upper census tracts. The two branches in Shackelford County are located in a distressed/underserved census tract. 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 area.

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 \$2.9 billion as of June 30, 2007.

FFB reported total assets of \$916 million and total liabilities of \$848 million as of June 30, 2007. Total loans of \$378 million represent 41% of total assets. The following chart details the composition of FFB's loan portfolio, as of June 30, 2007.

Loan Portfolio Composition as of June 30, 2007		
Loan Category	\$(000)	%
Commercial & Commercial Real Estate	86,210	22.78
Commercial & Industrial	125,626	33.20
Consumer & Other	90,705	23.97
Farm & Agricultural Real Estate	29,579	7.82
Residential Real Estate	46,268	12.23
Total	\$378,388	100.00

Source: June 30, 2007 Report of Condition

FFB received an overall rating of "Satisfactory" during the previous CRA examination conducted in August 2004. Our review of the Office of the Comptroller of the Currency (OCC) records and the bank's CRA Public File did not reveal any complaints relating to the bank's CRA performance since the last performance evaluation.

DESCRIPTION OF ASSESSMENT AREAS

FFB has designated two separate AAs, the Abilene MSA and Shackelford County. Our review will focus on the Abilene MSA. The AA is comprised of 44 census tracts: zero low income, eleven moderate income, twenty-two middle, eight upper, and three not-applicable census tracts.

These N/A geographies include areas of the Dyess Air Force Base, a state prison, and other ineligible income-evaluation areas. 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 Abilene MSA Assessment Area	
Population	
Total Population	160,245
Number of Families	41,048
Number of Households	58,477
Geographies	
Number of Census Tracts	44
% Low-Income Census Tracts	0.0%
% Moderate-Income Census Tracts	25.0%
% Middle-Income Census Tracts	50.0%
% Upper-Income Census Tracts	18.18%
% Not Applicable Census Tracts	6.82%
Median Family Income (MFI)	
2000 MFI for AA	\$39,988
2005 HUD-Adjusted MFI	\$47,500
Economic Indicators	
Unemployment Rate	3.56%
2000 Median Housing Value	\$55,664
% Households Below Poverty Level	14.40%

Source: 2000 Census data and HUD updated income data.

Based on 2000 U. S. Census data, the AA area has a total population of 160,245. There are 65,217 housing units in the AA, of which 58% are owner-occupied, 31% are renter-occupied and 10% are vacant. Approximately 19% of the families in the AA are considered low-income. Moderate-income families approximate 18% of the population, and middle- and upper-income families comprise 24% and 39% of the population, respectively.

Based on 2006 business demographic data, there are 11,307 businesses in the AA. Of these businesses, 63.82% reported gross annual revenue less than or equal to \$1 million and 4.77% reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 31% or 3,552 businesses did not report revenues. Approximately 64% of businesses have less than ten employees. Twenty-two businesses did not report employee size. The largest employee in Abilene is Dyess Air Force Base. Other large employers include the Abilene Independent School District, the City of Abilene, Blue Cross Blue Shield, and Hendrick Medical Center.

Recent community contacts revealed that the local financial institutions are meeting the credit needs of the AA. General banking credit needs were identified as the lack of bank branches and/or ATMs in the northern sector of the city. Also, there is a need for quality affordable housing and associated credit programs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the Lending Test is rated "**Satisfactory**".

Small business lending is the bank's primary business line, therefore, more weight was given to small business lending than home mortgage lending when evaluating lending performance under the performance criteria detailed below.

Loan-to-Deposit Ratio

FFB's loan-to-deposit ratio is reasonable and meets the standard for satisfactory performance. The bank's loan-to-deposit ratio averaged 50 percent over the 13 quarters since the last CRA examination in August 2004. During the evaluation period, the loan-to-deposit ratio ranged from a low of 46 percent as of March 31, 2006 to high of 53 percent as of September 30, 2004. The bank's loan-to-deposit ratio at June 30, 2007 was 50 percent. FFB identified several similarly situated competitors. The quarterly average loan-to-deposit ratio for the comparable banks, over the same time period, is detailed below.

Loan-To-Deposit Ratios		
Institution	Total Assets \$000's (As of 6/30/07)	Average Loan – to-Deposit Ratio
American State Bank, Lubbock, Texas	\$2,061,914	44.84%
First Financial Bank, N.A., Abilene, Texas	\$915,628	50.02%
State National Bank, Fort Worth, Texas	\$1,914,177	81.48%
The First National Bank of Baird, Baird, Texas	\$180,373	90.89%

Source: Institution Reports of Condition from September 2004 to June 2007

While FFB's loan-to-deposit ratio is only average when compared to local competitors, FFB's willingness to provide credit is evidenced, in part, by their small business lending. FFB is ranked number one for small business lending in the Abilene MSA with 23 percent of the market share, with an average loan size of \$80 thousand. From 2004 through 2006, the bank originated over 1,500 small business loans totaling \$32 million. Also, FFB sells a significant portion of its home mortgage and student loan originations to secondary market investors. For the years 2004 through 2006, the bank originated 1,209 home mortgage loans totaling over \$143 million, which were sold to secondary market investors. Student loans originated in 2004 through 2006 sold to the secondary market totaled over \$131 million. These loans, if retained, would contribute to a higher loan-to-deposit ratio.

Lending in Assessment Area

FFB's lending in its AAs reflects outstanding performance. A substantial majority of the number and dollar amount of the home mortgage and small business loans were originated inside the bank's AAs. As depicted in the table below, 96 percent of the number and 93 percent of the dollar amount of loans were originated in FFB's AAs.

Table 1 - Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential RE	1,177	92.3%	98	7.7%	1,275	\$88,589	91.3%	\$8,437	8.7%	\$97,026
Commercial & Commercial RE	1,754	98.9%	20	1.1%	1,774	\$146,248	94.2%	\$9,010	5.8%	\$155,258
Totals	2,931	96.1%	118	3.9%	3,049	\$234,837	93.1%	\$17,447	6.9%	\$252,284

Source: Data reported under HMDA; Data collected by bank.

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

The distribution of loans made to borrowers of different income levels and business of different sizes reflects reasonable penetration and meets the standard for satisfactory performance. To perform our analysis we reviewed residential mortgage loan data reported in accordance with the Home Mortgage Disclosure Act (HMDA) and commercial and commercial real estate loan data collected by the bank. Each product type was weighted equally in this evaluation. More detail on lending performance of each of the products is discussed below.

Table 2 - Borrower Distribution of Residential Real Estate Loans in Abilene MSA								
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	19.2%	5.4%	18.2%	14.2%	23.8%	25.1%	38.8%	53.1%
Home Improvement	19.2%	7.4%	18.2%	17.1%	23.8%	22.6%	38.8%	52.1%
Refinance	19.2%	4.0%	18.2%	6.5%	23.8%	20.5%	38.8%	65.5%
Totals	19.2%	5.8%	18.2%	13.8%	23.8%	23.5%	38.8%	54.9%

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

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

FFB’s distribution of home mortgage loan products to low-income families reflects poor penetration, as the percentage of the number and amount of bank loans made to low-income families is significantly less than the percentage of low-income families in the AA. Performance in this area needs to improve.

The bank’s distribution of home mortgage products to moderate-income families is satisfactory as the percentage of the number of the bank’s home mortgage products originated reasonably penetrates the percentage of moderate-income families in the AA.

FFB currently offers two in-house affordable residential mortgage lending programs. These programs target applicants who make less than 80 percent of the median income for the Abilene MSA. The programs have flexible down payment and closing costs. Since the prior CRA examination, the bank has originated 55 loans under these programs totaling \$1.625 million.

Table 2A - Borrower Distribution of Loans to Businesses in Abilene MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	62.7%	4.5%	32.8%	100%
% of Bank Loans in AA by #	56.1%	22.3%	21.5%	100%
% of Bank Loans in AA by \$	46.8%	37.2%	16.0%	100%

Source: Data collected by bank; Dunn and Bradstreet data.

Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in Abilene MSA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	1,508	86.0%	\$32,090,502	21.9%
\$100,001 - \$250,000	134	7.6%	\$22,277,613	15.2%
\$250,001 - \$500,000	61	3.8%	\$23,600,692	16.1%
\$500,001 - \$1,000,000	36	2.1%	\$26,741,811	18.3%
Over \$1,000,000	15	0.9%	\$41,537,509	28.4%

Source: Data collected by bank.

FFB's borrower distribution of small business loans is satisfactory. Loans to businesses with revenues of \$1 million or less represented 56 percent of business loans, slightly below the 63 percent of area businesses that reported revenues of less than \$1 million.

Geographic Distribution of Loans

FFB's geographic distribution of loans reflects reasonable dispersion and meets the standard for satisfactory performance. The AA does not include any low-income census tracts. FFB's performance was assessed solely on its lending performance to moderate-income geographies under this performance criterion.

Table 3 - Geographic Distribution of Residential Real Estate Loans in Abilene MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans						
Home Purchase	0.0%	0.0%	17.5%	8.6%	54.6%	41.7%	27.8%	49.7%
Home Improvement	0.0%	0.0%	17.5%	10.5%	54.6%	47.1%	27.8%	42.4%
Refinance	0.0%	0.0%	17.5%	7.5%	54.6%	36.5%	27.8%	56.0%
Totals	0.0%	0.0%	17.5%	9.0%	54.6%	42.5%	27.8%	48.5%

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

The geographic distribution of home mortgage loan products reflect poor dispersion in light of performance context issues, as the percentage of the number of bank loans made in moderate-income tracts is significantly less than the percentage of owner occupied housing in moderate-income tracts in the AA. Performance in this area needs to improve.

Table 3A - Geographic Distribution of Loans to Businesses in Abilene MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Commercial & Commercial RE	0.0%	0.0%	24.5%	21.9%	52.5%	47.9%	22.4%	30.2%

Source: Data collected by bank; U.S. Census data.

The geographic distribution of small business loans is satisfactory, and reflects reasonable dispersion. The bank’s distribution of small business loans by number to moderate-income tracts reasonably approximates the percentage of small businesses located in those tracts.

Responses to Complaints

There have been no consumer complaints relating to the bank’s Community Reinvestment Act performance during the evaluation period.

Community Development Test

Community Development Loans

FFB did not originate any community development loans.

Qualified Investments

Qualifying investments include investments, deposits, membership shares, or grants that have as their primary purpose CD. CD investment activity is adequate. During the evaluation period, FFB made qualified investments totaling \$1.3 million. FFB's most significant qualified investment was a \$1.0 million investment in a CRA qualified investment fund. The fund, similar to a mutual fund, invests solely in community development securities and allows investors (banks or other financial institutions) to earmark their investment in CRA-qualifying projects within the bank's AA. FFB's investment in the fund is directed to loan pools comprised of mortgage loans made to low- and moderate-income borrowers in Texas and a broader geographic area, and revenue bonds that will provide financial support for ongoing unemployment benefits, including the various programs of the Texas Workforce Commission, and a medical facility that serves as the hub for healthcare services in the AA. Additionally, FFB made 19 donations or grants totaling \$275 thousand to various charitable organizations. These organizations provide services targeted to the low- and moderate-income population.

Community Development Services

The level of CD services provided is satisfactory. FFB is active in the community and provides services that benefit low- and moderate-income individuals and families.

The bank's AA does not contain any low-income census tracts but does include eleven moderate-income census tracts. Management is able to reasonably ensure that its banking services, including low-cost checking accounts, are available to low- and moderate-income individuals with one branch and four automated teller machines located in moderate-income census tracts. Business hours and services are convenient and are accessible to all segments of the AA

Furthermore, the bank's staff has been active during the evaluation period hosting and participating in financial service seminars in the community and volunteer activities within the community. In advisory capacities, FFB officers and employees also serve various community development organizations that benefit LMI individuals and families.

FFB partnered with Financial Resources for Economic Empowerment (F.R.E.E.) to provide tax preparation for low to moderate income individuals in Taylor County. The bank trained employees to prepare tax returns for qualifying individuals. FFB offers Individual Development Accounts (IDA) targeted to LMI individuals. These savings accounts allow qualified individuals to save for home ownership, startup costs for a business, or college education. For every \$1 the individual contributes, they receive a \$4 match up to \$5 thousand. Through the IDA program, bank employees have taught Money Smart and home ownership classes.

Many of the bank's products are not targeted to low- and moderate-income individuals but FFB does offer an affordable home purchase program. During the evaluation period, FFB originated 55 loans totaling \$1.6 million through the Affordable Home Mortgage Loan and Community 100 loan programs. The community contact interviewed during this examination cited affordable housing as a critical need in the AA.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of illegal discrimination or other illegal credit practices.