



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 22, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Financial Bank, National Association
Charter Number 8731

151 West Southlake Boulevard
Southlake, TX 76092

Office of the Comptroller of the Currency

9003 Airport Freeway
Suite 275
North Richland Hills, TX 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 major factors that support this rating include:

- First Financial Bank's (FFB) distribution of loans represents a reasonable penetration among individuals of different income levels and businesses of different sizes.
- FFB's loan-to-deposit ratio is reasonable.
- A majority of FFB's primary loan products are within the bank's two assessment areas (AAs) described in the **SCOPE OF EXAMINATION** section below.
- Performance for small business, consumer and home loans reflects an excellent dispersion throughout FFB's AAs. There were no conspicuous lending gaps identified within FFB's AAs.

SCOPE OF EXAMINATION

This Performance Evaluation of FFB assesses the bank's record of meeting the credit needs of the communities in which it operates. We evaluated FFB under the Small Bank performance criteria. This evaluation covers the period from the date of the previous CRA Examination, August 17, 2009 through December 31, 2011. Conclusions are based on the lending performance of the bank's primary loan products. We evaluated small business and consumer lending from January 1, 2010 through December 31, 2011. Prior to conducting this evaluation, we tested the accuracy of the bank's Home Mortgage Disclosure Act (HMDA) data. We found the data to be substantially accurate and used all reported HMDA data for January 1, 2010 through December 31, 2011.

- Our analysis included a full-scope evaluation for portions of the Tarrant County and Wise County AA, which is in the Fort Worth–Arlington Metropolitan Statistical Area (MSA). Approximately 78 percent of the bank's loans and 79.8 percent of deposits are located within this AA. The Tarrant and Wise County AA contains six of the bank's seven offices, including the main office. We performed a limited-scope evaluation of the Denton County AA, which is in the Dallas-Plano-Irving MSA and has one branch location.
- We performed the analysis for the Lending Test using 2000 Census Data. We analyzed lending performance using a loan sample of 327 loans. The loan sample consisted of 206 HMDA reportable loans, 59 commercial loans and 62 consumer loans, all of which originated in 2010 and 2011.

DESCRIPTION OF INSTITUTION

FFB is an intrastate bank located in Southlake, Texas approximately 17 miles northeast of Fort Worth, Texas. FFB has seven offices and operates seven automated teller machines (ATMs) in two AAs. Six locations, including the main banking office, are in the Tarrant-Wise County AA. One office is in Trophy Club, which is situated in the Denton County AA. Both AAs consist of contiguous census tracts (CTs) and do not arbitrarily exclude any low- or moderate-income geographies.

FFB is a wholly-owned subsidiary of First Financial Bankshares, Inc. (FFIN), a multi-bank holding company headquartered in Abilene, Texas. FFIN owns ten other financial institutions operating in Central, West and North Texas. Consolidated holding company assets total \$4.1 billion as of December 31, 2011.

This Office assigned a “Satisfactory” rating under Small Bank criteria in the prior Public Evaluation dated August 17, 2009. Since that evaluation, FFB relocated their main location from 3205 East Hwy 114 in Southlake to 151 West Southlake Boulevard Southlake. A branch in Grapevine opened in 2012. The bank’s main office and Keller branch are located in upper-income CTs. The Boyd and Grapevine branches are in middle-income CTs and the Bridgeport and Decatur branches are located in moderate-income CTs.

As of September 30, 2012, FFB has total assets of \$333.2 million with net loans and leases comprising 73.70 percent of this total. The bank’s primary focus is commercial lending followed by residential lending. See the chart below for additional information on the composition of the bank’s loan portfolio as of September 30, 2012.

Loan Portfolio Composition as of September 30, 2012				
Loan Type	\$ (000)	%	# of Notes	%
Home Loans	75,888	35.24	573	19.60
Business Loans	102,087	47.41	844	28.80
Farm Loans	13,509	6.27	129	4.40
Consumer Loans	15,406	7.15	1,360	46.50
Other Loans	8,450	3.93	20	0.70
TOTAL	215,340	100.00	2,926	100.00

Source: September 30, 2012 Uniform Bank Performance Report and Loan Trial Balance

Management’s and the Board’s primary focus is to provide a strong, locally-owned, independent financial institution to serve customers in North Texas, while providing a return to shareholders. FFB provides a wide range of traditional deposit and loan products. Branches are accessible to individuals situated in the different areas of the communities they serve. Lobby and drive-up hours are set by location to meet customer needs. Customers may access their accounts through the bank’s website at www.firstfinbank.com or through a mobile banking application. Online or mobile services include account balance inquiries, funds transfer, and bill payment services.

The bank offers 24-hour telephone banking. Telephone services include account balance inquiries, loan payments and verification of direct deposits and ATM activity. The bank offers a debit card that provides customers with additional access to their accounts at point-of-sale or ATM locations.

FFB has no legal or financial circumstances that could impede the bank’s ability to help meet the credit needs in its AA. The bank is financially capable of meeting almost any request for credit, subject to certain legal restrictions applicable to all national banks.

DESCRIPTION OF ASSESSMENT AREAS

FFB has two AAs, one consisting of portions of Tarrant and Wise Counties and the other made up of portions of Denton County.

Tarrant-Wise Counties AA

The AA consists of the northern portion of Tarrant County and all of Wise County, Texas. The city of Southlake is located in the northeast portion of Tarrant County. The main bank and six branches are located in the AA.

The following table provides a description of the Tarrant-Wise Counties AA based on 2000 census data and Department of Housing and Urban Development information.

Demographic and Economic Characteristics of Tarrant-Wise Counties AA	
<i>Population</i>	
Number of Families	95,640
Number of Households	125,657
<i>Geographies</i>	
Number of Census Tracts	65
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	3.08%
% Middle-Income Census Tracts	43.08%
% Upper-Income Census Tracts	58.85%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$53,268
2010 HUD-Adjusted MFI	\$67,300
2011 HUD-Adjusted MFI	\$68,200
<i>Economic Indicators</i>	
Unemployment Rate	2.10%
2011 Median Housing Value	\$130,814
% of Households Below Poverty Level	4.49%

Source: 2000 Census data and HUD updated income data.

The AA consists of whole geographies and does not arbitrarily exclude low- and moderate-income geographies. According to the 2000 census, the AA includes 65 CTs with a total population of 347,676. The CTs consist of two moderate-, 28 middle-, and 35 upper-income. There are no low-income CTs in the AA. The 2000 Census data reflects that 4.49 percent of the households in the Tarrant-Wise Counties AA are below the poverty level.

According to 2000 Census data, there are 131,953 housing units in the AA, of which 69.7 percent are owner-occupied, 25.4 percent are renter-occupied, and 4.9 percent are vacant. Approximately 10.0 percent of families in the AA are considered low-income. Moderate-income families approximate 13.1 percent, while middle- and upper- income families comprise 20.2 and 56.7 percent, respectively. The median housing value is \$130,814 with the median age of housing stock at 27 years.

The city of Southlake is located in the northeast portion of Tarrant County. Tarrant County is an urban county located in the north central part of Texas. Fort Worth serves as the county seat to the county. Tarrant County is home to a diverse spectrum of businesses, including agriculture, aerospace companies and defense contractors. For Tarrant County, the largest employers are Fortune 500 companies. The overall economy for Wise County is largely based on agricultural-related businesses and oil and gas exploration and production.

Competition for financial services in the AA is very strong. The June 30, 2012 FDIC Deposit Market Share Report for Tarrant and Wise Counties shows \$28.5 billion in deposits divided among 67 financial institutions. The AA includes branches of multi-national banks, regional banks and community banks. Two nationwide financial institutions hold over 37.2 percent of total deposits in Tarrant and Wise Counties. FFB is ranked 16th in deposit market share with \$225 million in deposits and a 0.79 percent market share.

As part of this CRA examination, we made one community contact in the AA to help ascertain the credit needs of the AA. The community contact noted that there are several opportunities to participate in community service activities. Opportunities for participation by local financial institutions include lending for affordable housing and small businesses. The contact also indicated that local banks are responsive to meeting the credit needs of the community.

Denton County AA

The Denton County AA consists of 15 CTs situated in southern Denton County, which includes the city of Trophy Club. FFB has one full-service branch in Trophy Club. The following table provides a description of the Denton County AA based on census data and Department of Housing and Urban Development information.

Demographic and Economic Characteristics of Denton County AA	
<i>Population</i>	
Number of Families	42,035
Number of Households	55,524
<i>Geographies</i>	
Number of Census Tracts	15
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	0.00%
% Middle-Income Census Tracts	46.67%
% Upper-Income Census Tracts	53.33%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$56,313
2010 HUD-Adjusted MFI	\$68,900
2011 HUD-Adjusted MFI	\$69,600
<i>Economic Indicators</i>	
Unemployment Rate	3.44%
2011 Median Housing Value	\$141,747
% of Households Below Poverty Level	4.14%

Source: 2000 Census data and HUD updated income data.

The AA consists of whole geographies and does not arbitrarily exclude low- and moderate-income geographies. The AA is comprised of 15 CTs consisting of seven middle-income and eight upper-income CTs, with a total population of 154,503. The 2000 Census data reflects that 4.14 percent of the households in the AA are below the poverty level.

According to 2000 Census data, there are 58,674 housing units in the AA, of which 66.4 percent are owner-occupied, 28.0 percent are renter-occupied, and 5.6 percent are vacant. Approximately 9.4 percent of the families in the AA are considered low-income. Moderate-income families approximate 12.3 percent, while middle- and upper- income families comprise the remaining 78.4 percent. The median housing value is \$141,747 and the median age of housing stock is 22 years.

The city of Trophy Club is a bedroom community located in the Alliance Development Corridor. As such, approximately five percent of the tax base is from commercial entities. Major employers for residents in the area are Fortune 500 companies

Competition for financial services in the AA is very strong. The June 30, 2012 FDIC Deposit Market Share Report for Denton County shows \$7.0 billion in deposits divided among 39 financial institutions. The AA includes branches of multi-national banks, regional banks and community banks. Three nationwide financial institutions hold over 55.6 percent of total deposits in Denton County. FFB is ranked 18th in deposit market share, with \$225 million in deposits and a 0.81 percent market share.

We made one community contact for the limited-scope evaluation of the Denton County AA. The community contact indicated that the local economy is strong as a result of being located in the Alliance Development Corridor. The contact indicated that local banks provide needed credit, investment and financial services.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FFB's performance under the Lending Test is Satisfactory. The borrower distribution portion of the test received the majority of the weight. FFB has reasonable penetration among borrowers of different income levels and businesses of different sizes. FFB's geographical distribution of loans is excellent, but did not receive a lot of weight because the bank's AAs did not contain any low-income census tracts and not many moderate-income census tracts.

Loan-to-Deposit Ratio

FFB's loan-to-deposit ratio is reasonable, given the bank's size, financial condition and the credit needs of the AAs. This determination is based on the bank's quarterly average loan-to-deposit ratio from June 30, 2009 through June 30, 2012 of 69.3 percent. During the evaluation period, FFB's loan-to-deposit ratio ranged from a low of 64.6 percent to a high of 73.7 percent. The average loan-to-deposit ratio of similarly-situated banks within the AAs or in contiguous CTs for the same period was 77.6 percent.

The quarterly average loan-to-deposit ratio for each similarly-situated bank in the AAs, or in contiguous CTs is depicted below.

Loan-to-Deposit Ratios		
Institution	Total Assets \$ (000's) (As of 06/30/2012)	Average Loan-to-Deposit Ratio
First Financial Bank, NA	333,539	69.30%
Sovereign Bank	914,313	80.04%
Bank of The West	331,585	68.62%
Providence Bank of Texas, SSB	102,343	79.21%
Woodhaven National Bank	399,482	82.64%

Source: Institution Reports of Condition from June 2009 to June 2012

Lending in Assessment Area

A majority of FFB's primary loan products were made within the bank's assessment areas. In order to assess performance for this criterion, we reviewed 206 home mortgage loans, 59 commercial and 62 consumer loans originated between January 1, 2010 and December 31, 2011. Our analysis determined that 76.8 percent of the number of loans and 78.5 percent of the dollar amount of loans in the sample originated within the bank's AAs. The breakdown by loan category is depicted in the following table.

Lending in AAs										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Conventional	56	72.73	21	27.27	77	11,324	74.38	3,900	25.62	15,224
Home Improvement	61	68.54	28	31.46	89	2,587	53.65	2,235	46.35	4,822
Refinancing	34	85.00	6	15.00	40	9,086	81.07	2,122	18.93	11,208
Commercial	46	77.97	13	22.03	59	13,818	87.28	2,014	12.72	15,832
Consumer	54	87.10	8	12.90	62	1,055	92.66	84	7.34	1,139
Totals	251	76.76	76	23.24	327	37,870	78.53	10,355	21.47	48,225

Source: Loan Sample

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.

Tarrant-Wise Counties AA

To perform our analysis, we reviewed 120 home loans, 41 commercial loans and 42 consumer loans in the AA.

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. Approximately 65.9 percent of the bank's loans to businesses originated and purchased during the loan sampling period were made to small businesses. Small businesses are businesses with gross annual revenues of one million dollars or less. This performance is considered reasonable compared to demographic data that show that 66.6 percent of the area's businesses are considered small businesses.

The following table shows the distribution of commercial loans among businesses of different sizes in this AA.

Borrower Distribution of Loans to Businesses in Tarrant-Wise Counties AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.64%	1.62%	31.75%	100%
% of Bank Loans in AA by #	65.85%	34.15%	0.00%	100%
% of Bank Loans in AA by \$	74.11%	25.89%	0.00%	100%

Source: Loan sample; Dunn and Bradstreet data.

Home Loans

The distribution of home purchase and refinancing loans reflects poor penetration to low-income borrowers. The distribution of home improvement loans to low-income borrowers reflects excellent penetration to low-income families in the AA.

Approximately 9.98 percent of families in the AA are low-income. Based on the 2011 updated median family income of \$68,200, low-income families earn less than \$34,100. Based on 2000 census data, the median housing cost is \$130,814. It is often difficult for low- and moderate-income individuals to qualify for mortgage loans due to insufficient income levels and/or down payments. In addition, roughly 4.49 percent of families in the AA are below poverty level.

The performance of lending to moderate-income borrowers for home purchase loans reflects excellent penetration. The level of home improvement loans to moderate-income borrowers reflects reasonable penetration, while refinancing loans to moderate-income reflects poor penetration. The following table shows the distribution of home loan products among borrowers of different income levels.

Borrower Distribution of Residential Real Estate Loans in Tarrant-Wise Counties AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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	9.98	0.00	13.13	22.73	20.15	15.91	56.75	61.36
Home Improvement	9.98	15.22	13.13	13.04	20.15	13.04	56.75	58.70
Refinance	9.98	3.33	13.13	6.67	20.15	13.33	56.75	76.67

Source: HMDA data for 2010 & 2011 and HUD-updated 2000 U.S. Census data

Consumer Loans

The distribution of consumer loans reflects excellent penetration to low- and moderate-income borrowers. The percentage of households within the AA that are low-income is 10.29 percent. Our loan sample reflected that 21.43 percent of consumer loans were made to low-income individuals. The percentage of households within the AA that are moderate-income is 12.19 percent. Our loan sample reflected that 33.33 percent of consumer loans were made to moderate-income individuals. The following table reflects the distribution of consumer loans among individuals of different income categories.

Borrower Distribution of Consumer Loans in Tarrant and Wise Counties 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	10.29	21.43	12.19	33.33	16.90	4.76	60.62	40.48

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

Conclusion for Area Receiving Limited-Scope Review – Denton County AA

Based on limited-scope review, the bank’s lending performance for borrowers of different income levels and businesses of different sizes in the Denton County AA is not inconsistent with the bank’s overall performance. To perform our analysis, we reviewed 23 home loans, 20 commercial loans and 21 consumer loans in the AA. The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The distribution of home loans to borrowers reflects poor penetration among borrowers of different income levels. The distribution of consumer loans reflects excellent penetration to low- and moderate-income borrowers.

Geographic Distribution of Loans

Performance for small business, consumer, and residential lending reflects an excellent dispersion throughout the AA. There were no conspicuous lending gaps identified within FFB’s AAs.

Tarrant-Wise Counties AA

As noted in the performance context section of this Public Evaluation, there were no low-income CTs, and two moderate-income CTs in this AA.

Business Loans

The geographic distribution of small business loans in moderate-income CTs shows excellent dispersion. The percentage of businesses located in moderate-income CTs is 2.50 percent, and our loan sample reflected that 12.20 percent of small business loans were located in moderate-income CTs. The following table summarizes the distribution of small business loans by census tract income level.

Geographic Distribution of Loans to Businesses in Tarrant and Wise Counties AA								
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
Businesses	0.00	0.00	2.50	12.20	34.36	39.02	63.14	48.78

Source: Loan sample; Dunn and Bradstreet data.

Home Loans

The geographic distribution for home purchase and home improvement loans in moderate-income CTs exceeds the percentage of owner-occupied housing units and reflects excellent dispersion. The level of performance for refinancing loans is poor as no refinancing loans were made in the moderate-income census tracts. Following is a table that details the bank’s performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Geographic Distribution of Residential Real Estate Loans in Tarrant-Wise Counties 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	2.58	23.53	34.95	52.94	62.47	23.53
Home Improvement	0.00	0.00	2.58	17.02	34.95	29.79	62.47	53.19
Refinance	0.00	0.00	2.58	0.00	34.95	35.91	62.47	64.09

Source: HMDA data for 2010 & 2011 and HUD-updated U.S. Census data.

Consumer Loans

The geographic distribution for consumer loans in moderate-income CTs significantly exceeds the percentage of level of households and reflects excellent dispersion. The following table reflects the bank's performance as compared to the percentage of households in each census tract income level.

Geographic Distribution of Consumer Loans in Tarrant-Wise Counties 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	2.81	19.05	41.65	47.62	55.55	33.33

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

Conclusion for Area Receiving Limited-Scope Review – Denton County AA

The Denton County AA did not have any low- or moderate-income CTs. Therefore, we did not perform a geographic distribution analysis for this area.

Responses to Complaints

FFB has not received any CRA complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's (bank) or Federal savings association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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