



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

February 13, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Financial Bank, National Association
Charter Number: 18280

101 North Main Street
Weatherford, TX 76086-0000

Office of the Comptroller of the Currency

Fort Worth Field Office
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 Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

First Financial Bank, National Association, Weatherford ("FFBW") has a satisfactory record of meeting community credit needs. The conclusion is based on the following factors:

- FFBW's loan-to-deposit ratio is reasonable and averaged 48% during the evaluation period.
- A substantial majority of loans were originated within the assessment area ("AA").
- FFBW'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 ("LMI") families is reasonable when considering performance context issues.
- FFBW's geographic distribution of business mortgage loans is reasonable. The bank's distribution of home mortgage loans to moderate-income geographies is reasonable when considering performance context issues.
- FFBW's community development performance demonstrates adequate responsiveness to the community development needs of the bank's AA.

Scope of Examination

FFBW qualifies as an Intermediate Small Bank (“ISB”) under the CRA regulation and is therefore 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 AA through its lending activities. The CD 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, 2009 and February 13, 2012. Performance under the Lending Test was assessed based on a review of FFBW’s residential real estate and commercial real estate loans. CD activities were evaluated over the same period of time.

Description of Institution

FFBW is a wholly-owned subsidiary of First Financial Bankshares, Inc. (“FFB”), a multi-bank holding company headquartered in Abilene, Texas. As of December 31, 2011, total assets for FFB were \$4.1 billion. FFB owns a total of 11 separately chartered, affiliate banks, all of which operate in Texas.

FFBW is an intrastate community bank. The main office is located 101 North Main Street, in Weatherford, Texas, and there are five full-service branches in Parker County, Texas. On February 4, 2010, FFBW opened an additional branch located at 550 Bailey Avenue, Suite 300, Fort Worth, Texas. As of the date of this CRA examination, the Fort Worth branch reflected minimal deposit activity with no loan origination. In January 2012, FFBW hired a loan officer for the Fort Worth Branch to initiate a lending function. The business strategy for the Fort Worth branch is to expand FFBW’s lending into Tarrant County, Texas.

FFBW received a “Satisfactory” rating for the previous CRA public evaluation dated February 23, 2009. There are no financial or legal obstacles affecting FFBW’s ability to meet community credit needs. Competition consists of various locally-owned community banks and branches of larger community, regional, and multi-national banks that operate in its AA.

FFBW is a full-service institution providing various loan and deposit products. As of December 31, 2011, FFBW reported total assets of \$403,252 million, total loans of \$151,212 million, and total deposits of \$342,739 million. Loans represent 37.74 percent of assets and 45.27 percent of deposits.

The table below details FFBW’s mix of loan products as of December 31, 2011. Commercial real estate and residential real estate loans were selected for review, based on the dollar amount of loans outstanding.

Loan Category	\$(000)	%
Commercial	85,299	56.41
Residential	38,650	25.56
Agricultural	16,785	11.10
Consumer	8,937	5.91
Other	1,542	1.02
Total	\$151,212	100.00

Data Source: December 31, 2011 UBPR

Description of Assessment Area

FFBW historically designated its AA as Parker County only, but expanded its AA to include six additional census tracts in Tarrant County as a result of the new branch that opened in Fort Worth. Parker County and the portion of Tarrant County designated as part of the AA is part of the Fort Worth - Arlington, Texas Metropolitan Statistical Area. The AA is comprised of 19 census tracts (13 in Parker County and 6 in Tarrant County) that include: zero low-income, four moderate-income, thirteen middle-income, and two upper-income census tracts. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude LMI geographies. Specific demographic and economic data for this area are listed in table two:

Population	
Total Population	142,852
Number of Families	36,713
Number of Households	50,362
Geographies	
Number of Census Tracts	19
% Low-Income Census Tracts	0.0%
% Moderate-Income Census Tracts	21.05%
% Middle-Income Census Tracts	68.42%
% Upper-Income Census Tracts	10.53%
Median Family Income (MFI)	
2011 MFI for AA	\$59,772
2011 HUD-Adjusted MFI	\$68,200
Economic Indicators	
Unemployment Rate	2.82%
% Households Below Poverty Level	9.92%

Data Source: U.S Census data

The city of Weatherford occupies 26 square miles and is located approximately 30 miles west of Fort Worth, Texas. It is known as the “Cutting Horse Capital of the World” and the “Peach Capital of Texas”. Weatherford’s population and economy continue to enjoy positive trends. Many residents commute to the Dallas-Fort Worth area to take advantage of the labor market of a major metropolitan area while still residing in a rural community. Major employers in Parker County include: Weatherford Independent

School District, Campbell Health System, Weatherford College, Wal-Mart Super Center, and Jamak Fabrication, Inc.

Based on 2011 demographic data, the AA area has a total population of 142,852. There are 44,482 housing units in the AA, of which 65.53 percent are owner-occupied, 22.91 percent are renter-occupied, and 8.57 percent are vacant. Approximately 20 percent of families in the AA are considered low-income. Moderate-income families approximate 21 percent of the population, middle-income families total 24 percent, and upper-income families comprise 35 percent of the population.

Based on 2011 demographic data, there are 18,742 businesses in the AA. Of these businesses, 72 percent reported gross annual revenues of less than \$1 million and 2 percent reported gross annual revenue equal to or greater than \$1 million. Because reporting is voluntary, 26 percent of the businesses did not report revenues. Approximately 71.65 percent of the businesses have less than 10 employees and 24 percent did not report the number of employees.

In order to gather current information on the nature of the community and potential lending opportunities in the AA, we contacted one of the community leaders. He stated that retail lending is the fastest growing market in Parker County. The fastest growing demographic group in Parker County is middle-income families. Some of Parker County's current challenges are a lack of new affordable housing and a lack of resources to assist potential business owners with qualifying for small business loans.

Conclusions with Respect to Performance Tests

LENDING TEST

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

Residential real estate lending and commercial real estate lending are the bank's primary business lines. Equal weight was given to each type of lending when evaluating lending performance based on the criteria tested below.

Loan-to-Deposit Ratio

FFBW's loan-to-deposit ("LTD") ratio is reasonable and meets the standards for satisfactory performance given the bank's size, performance context, and the AA's credit needs. The LTD ratio measures the extent to which the bank has returned the deposits it has acquired to their community in the form of loans. The average of this ratio for each quarter-end since the previous CRA examination is used to determine the performance in this area. The average LTD ratio for FFBW is 48.37 percent over the last 11 quarters; ranging from a quarterly low of 43.01 percent as of March 31, 2011 to a quarterly high of 52.53 percent as of June 30, 2009.

The average LTD of similarly situated banks in the AA during the evaluation period is 71.43 percent. Although FFBW's LTD ratio is significantly lower than these comparable banks, FFBW reflects a willingness to provide credit in light of mitigating factors. The reason for the apparent discrepancy is because FFBW sells a significant portion of its real estate mortgage loan portfolio to secondary market investors. Between 2009 and 2011, FFBW sold \$37.9 million in mortgage loans. These loans, if retained, would have contributed to a much higher and more comparable LTD ratio. Also, during the same time period, FFBW made 505 small consumer loans with original balances between \$1,000 and \$2,000, totaling \$138 thousand.

Lending in Assessment Area

FFBW's lending in its AA reflects satisfactory performance. A substantial majority of the number and dollar amount of the residential real estate and commercial real estate mortgage loans were originated inside the bank's AA. As depicted in the table below, 76 percent of the number and 77 percent of the dollar amount of loans were originated in FFBW's AA.

Table 3 - Lending in First Financial AA										
Loan Type	Number of Loans					Dollars of Loans (in 000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	95	61.29	60	38.71	155	15,934	61.20	10,104	38.80	26,038
Home Imp	127	90.71	13	9.29	140	3,368	91.32	320	8.68	3,688
Refinance	59	63.44	34	36.56	93	10,554	57.28	7,870	42.72	18,424
Commercial RE	18	90.00	2	10.00	20	5,748	97.26	162	2.74	5,910
Totals	299	76.36	109	23.64	408	35,604	76.77	18,456	23.24	54,060

Source: Data reported under HMDA; Sample of CRE loans

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

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

Residential Real Estate Lending

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

FFBW's distribution of residential real estate 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. FFBW's previous CRA examination yielded the same conclusion. Due to the poor penetration of loans to low-income families, we reviewed a sample of HMDA denials. The sample included all denials in 2011. We reviewed the reasons for denial and concluded that reasons were valid and did not indicate irregular or discriminatory lending practices. Credit underwriting standards were reviewed for reasonableness and are satisfactory.

FFBW's distribution of residential real estate loans to moderate-income families reflects satisfactory penetration, as the percentage of the number of the bank's residential real estate loan products originated reasonably penetrates the percentage of moderate-income families in the AA.

FFBW offers an in-house, affordable residential mortgage lending program. This program targets applicants that make less than 80 percent of the median income for the AA. The program has flexible down-payment and closing cost requirements. Since the prior CRA examination, the bank has experienced little activity in the program with management citing the lack of supply of affordable housing in the area. Additionally, the home values in Weatherford have significantly increased over the last ten years as it is becoming a suburban option to urban living. These higher values tend to make it more difficult for LMI individuals to afford home purchase.

In 2009, a Multiple Listing Service search disclosed only 9 residential homes listed in the area for sale at less than \$75 thousand; there are now 43 available. While the supply of homes has increased, they are extremely dilapidated, needing a significant amount of work to make them livable. The reason for the increase in available homes for sale is due to the reduction of available employment at the Barnett Shale. Prior to the previous CRA examination, many people moved to the Weatherford area for employment related to the Barnett Shale gas drilling activity. These employees rented homes in Weatherford. The employment opportunities have since ceased and shifted to Louisiana. The owners of these Weatherford homes attempted to rent the properties but demand was weak; the owners have since put them up for sale. All of these issues make apartment rental a more attainable and attractive option than home purchase.

FFBW's willingness to provide credit to its AA is also evidenced, in part, by the number of small consumer loans originated during the evaluation period. Management reports that there is no minimum loan amount in the loan policy. For the years 2009, 2010, and 2011 the bank extended 505 small consumer loans with original balances between \$1,000 and \$2,000, totaling \$138 thousand.

Table 4 – Borrower Distribution of Residential Real Estate Loans in Parker County 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	20.37	3.16	20.56	9.47	23.75	20.00	35.31	60.00
Home Improvement	20.37	7.09	20.56	15.75	23.75	23.62	35.31	53.54
Refinance	20.37	3.39	20.56	16.95	23.75	20.34	35.31	57.63
Average	20.37	4.44%	20.56	14.06%	23.75	21.32%	35.31	57.06%

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

Commercial Real Estate Lending

The distribution of commercial real estate mortgage loans reflects reasonable penetration among businesses of different sizes and exceeds the standards for satisfactory performance. During the evaluation period, ninety percent of the number of loans were made to businesses with revenues of less than \$1 million, and 84 percent of the dollar amounts of the loans were made to businesses with less than \$1 million in revenues.

Table 5 - Borrower Distribution of Loans to Businesses in AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	71.82%	1.94%	26.21%	100%
% of Bank Loans in AA by #	85.00%	5.00%	10.00%	100%
% of Bank Loans in AA by \$	76.70%	3.10%	20.20%	100%

Source: CRE loan sample; 2011 Business Geo-demographic Data

Geographic Distribution of Loans

FFBW’s geographic distribution of residential real estate loans to different income tracts is reasonable and meets 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. The results of our analysis are illustrated in the table below:

Table 6 - Geographic Distribution of Residential Real Estate Loans in Parker County 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	12.06	9.47	69.69	65.26	18.25	25.26
Home Improvement	0.00	0.00	12.06	7.09	69.69	66.14	18.25	26.77
Refinance	0.00	0.00	12.06	10.17	69.69	64.41	18.25	25.42
Average	0.00	0.00	12.06	8.91	69.69	65.27	18.25	25.82

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

The geographical distribution of commercial real estate loans to different income tracts is reasonable and meets 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. The results of our analysis are illustrated in the table below:

Table 7 - Geographic Distribution of Loans to Businesses 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 RE Loans	0.00%	0.00%	11.78%	10%	66.82%	35%	21.40%	55%

Source: CRE loan sample; 2011 Business Geo-demographic Data

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

The evaluation period for considering CD activities was from March, 2009 through February, 2012. FFBW's community development performance is adequate, based on FFBW's size, financial condition and opportunities within its AA. CD loans, qualified investments and CD services are all evaluated together to gauge an ISB's responsiveness to CD needs and opportunities in its AA.

Community Development Loans

FFBW did not originate any CD loans during the evaluation period.

Qualified Investments

FFBW has adequate responsiveness to the community's development needs through the use of qualifying investments. Qualifying investments include investments, deposits, membership shares, or grants that have, as their primary purpose, the development of the community. During the evaluation period, FFBW invested \$349 thousand in qualified investments. The last CRA Performance Evaluation performed in 2009 indicated a total of \$354 thousand in qualified investments.

Bank management invested in a CRA Qualified Investment Fund. The fund invests in affordable housing for LMI families throughout the United States. The total investment in the fund is \$349 thousand, or 1% of capital, of which \$234 thousand was extended as residential real estate loans to two LMI families in the FFBW's AA.

Community Development Services / Responsiveness to Community Development Needs

The level of CD services provided reflects adequate responsiveness. FFBW offers services that benefit LMI individuals and families.

FFBW has an affordable home purchase program. The program targets LMI populations. To qualify for the program, the borrower must have income level below the three-year average median household income for the AA. Under the program, the bank will finance 100 percent of the loan, but the borrower must pay normal closing costs. No loans were made using this program 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.