



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 4, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Financial Bank, National Association
Charter Number: 4166

400 Pine Street
Abilene, TX 79604

Office of the Comptroller of the Currency

Fort Worth Field Office
9003 Airport Freeway, Suite 275
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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:

- FFB's loan-to-deposit (LTD) ratio is reasonable and averaged 51 percent during the evaluation period.
- A substantial majority of FFB's loans were originated within the Assessment Area (AA).
- FFB's distribution of loans to businesses with gross revenues of less than \$1 million is reasonable. FFB's overall distribution of home mortgage products to low- and moderate-income (LMI) families is reasonable.
- FFB's geographic distribution of business loans is reasonable. FFB's distribution of home mortgage loans to LMI geographies is reasonable when considering performance context issues.
- FFB's community development (CD) performance demonstrates adequate responsiveness to the CD needs of its AA.

Scope of Examination

This Performance Evaluation is based on 2000 U.S. Census demographic information. Conclusions regarding the Lending Test are based on the origination of home mortgage products and small business loans from January 1, 2007 through December 31, 2009. Conclusions regarding the CD Test are based on CD activities from September 10, 2007 through October 4, 2010.

Description of Institution

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 eight full service branches, one retirement center branch, two supermarket branches, and two Wal-Mart branches throughout Callahan, Shackelford, and Taylor counties. The most recent branch addition is the Odessa, Texas branch which opened in March 2010. FFB operates 19 ATM's; four of which are located in moderate-income geographies. The main office at 400 Pine Street is located in a moderate-income census tract. All other bank locations are in middle- or upper-income census tracts. The two branches in Shackelford County are located in an underserved census tract. There are no legal, financial or other

factors impeding the bank's ability to help meet the credit and CD needs in its AA. The bank's competition primarily comes from three banks (one state- and two nationally-chartered institutions).

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 \$3.28 billion as of December 31, 2009. In addition to the commercial banks, FFIN owns First Financial Trust and Asset Management Company with \$1.66 billion in trust assets.

FFB reported total assets of \$1.14 billion and \$109 million in equity as of June 30, 2010. Total loans of \$417 million represent 37% of total assets. The following chart details the composition of FFB's loan portfolio, as of June 30, 2010.

Loan Portfolio Composition as of June 30, 2010		
Loan Category	\$(000)	%
Commercial & Commercial Real Estate	88,472	21.22%
Commercial & Industrial	120,029	28.79%
Consumer & Other	115,809	27.78%
Farm & Agricultural Real Estate	27,054	6.49%
Residential Real Estate	65,524	15.72%
Total	\$416,888	100.00%

Source: June 30, 2010 Report of Condition

FFB received an overall rating of "Satisfactory" during the previous CRA examination conducted in September 2007. Our review of the Office of the Comptroller of the Currency (OCC) records and the bank's CRA Public File did not disclose any complaints relating to the bank's CRA performance since the last performance evaluation.

Description of Assessment Areas

FFB has designated three separate AAs, the Abilene MSA (AMSA), Shackelford County, and Odessa MSA. Our full scope review will focus on the Abilene MSA, as the other AAs' lending and deposit activities do not represent a material portion of FFB's operations at this time. The AMSA 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 AAs meet the requirements of the CRA regulation and do not arbitrarily exclude LMI geographies and do not reflect illegal discrimination. Specific demographic and economic data for the AMSA 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
2009 HUD-Adjusted MFI	\$50,500
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 AMSA has a total population of 160,245. There are 65,217 housing units of which 58% are owner-occupied, 31% are renter-occupied and 10% are vacant. Approximately 19% of the families in the AMSA 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 2010 business demographic data, there are 11,746 non-farm businesses in the AMSA. Of these businesses, 75% reported gross annual revenue less than or equal to \$1 million and 4% reported gross annual revenue greater than \$1 million. Because reporting is voluntary, 21% businesses did not report revenues. The largest employer in Abilene is Dyess Air Force Base. Other large employers include the Abilene Independent School District, the City of Abilene, Blue Cross Blue Shield, Hendrick Medical Center, and the Texas Department of Criminal Justice.

As reported by the Abilene Industrial Foundation for 2010, there are 48,524 employed workers in the city of Abilene. Government workers account for 15.53% of the worker population with an additional 12.90% being non-profit workers.

Recent community contacts disclosed that the local financial institutions are meeting the credit needs of the AMSA. In addition, it is indicated that the local economy is stable; however, there is concern for the future as long as the national economy continues to suffer. Ongoing support for charitable organizations is needed to meet their mission of helping local LMI families. Banking needs are said to be met.

Conclusions with Respect to Performance Tests

LENDING TEST

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

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

Loan-to-Deposit Ratio

FFB's LTD ratio is reasonable and meets the standard for satisfactory performance. The bank's quarterly average LTD ratio is 50.82 percent for the 12 quarters since the last CRA examination in September 2007. During the evaluation period, the LTD ratio ranged from a low of 45.03 percent as of June 30, 2010 to the high of 56.3 percent as of September 2007.

The bank's LTD ratio is well within the range of similarly-situated institutions. The average LTD ratio for similarly-situated institutions during the period was 66.85 percent, and ranged from a low of 36.94 percent to a high of 91.51 percent.

FFB sells a significant portion of its home mortgage and student loan originations to secondary market investors. During the assessment period, the bank originated \$122.52 million in home mortgage loans, which it sold to secondary market investors. These loans, if retained, would contribute to a higher LTD ratio.

Lending in Assessment Area

FFB's lending in its AA reflects excellent performance. A substantial majority of the number and dollar amount of the home mortgage and small business loans were originated inside the bank's AA. As depicted in the table below, 90.57 percent of the number and 85.77 percent of the dollar amount of loans were originated in FFB's AA.

Table 1 - Lending in AA										
Loan Type	Number of Loans					Dollars of Loans \$(000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	837	90.29	90	9.71	927	\$96,459	86.61	\$14,918	13.39	\$111,377
Home Improvement	320	94.40	19	5.60	339	\$8,768	88.75	\$1,111	11.25	\$9,879
Refinance	179	84.43	33	15.57	212	\$28,929	81.55	\$6,545	18.45	\$35,474
Commercial & Commercial RE	57	95.00	3	5.00	60	\$4,126	91.91	\$363	8.09	\$4,489
Totals	1,393	90.57	145	9.43	1,538	\$138,282	85.77	\$22,937	14.23	\$161,219

Source: Data reported under HMDA; Loan sample.

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 and commercial 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	19.15	2.31	18.23	14.20	23.78	23.91	38.84	55.58
Home Improvement	19.15	6.04	18.23	16.78	23.78	19.80	38.84	55.03
Refinance	19.15	2.29	18.23	8.57	23.78	9.14	38.84	69.71

Source: Loan sample; 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 AA lives below the poverty level.

FFB's distribution of home mortgage loan products to low-income families reflects poor penetration; 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 improvement.

FFB's distribution of home mortgage products to moderate-income families is satisfactory; 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 products designed to 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 last CRA examination, the bank has seen very limited activity in these products.

FFB's willingness to provide credit to its AA is evidenced, in part, by its willingness to originate small consumer loans. Management reports that there is no minimum loan amount in the loan policy. For the years 2007, 2008, and 2009, the bank made 24 loans with originating balances of \$1,000 or less; the smallest was \$271.55.

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	75.12%	3.70%	21.17%	100%
% of Bank Loans in AA by #	56.7%	20%	23.3%	100%
% of Bank Loans in AA by \$	61.7%	29.9%	8.4%	100%

Source: Loan sample; Dunn and Bradstreet data.

FFB's borrower distribution of small business loans is satisfactory. Loans to businesses with revenues of \$1 million or less represented 56.7 percent of business loans. This is lower than the 75.12 percent of area businesses that reported revenues of less than \$1 million. However, 23.3% of the business loans were extended to businesses with unavailable/unknown revenue information; these are primarily such small loans the bank does not require annual revenue information and the businesses likely do not report revenue information.

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	
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	17.54	6.92	54.63	39.81	27.83	53.28
Home Improvement	0.00	0.00	17.54	6.38	54.63	48.32	27.83	45.30
Refinance	0.00	0.00	17.54	4.00	54.63	30.29	27.83	65.71

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	0.00%	0%	22.43%	16.7	51.52%	46.7	25.47%	36.7

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

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

The bank is active in the community they serve. This is evidenced by their leadership roles on various civic and non-profit organizations that provide services to low- and moderate-income individuals and families. Additionally, the bank has made a commitment to affordable housing through the financing of affordable mortgages, as well as donations and involvement with non-profit organizations that facilitate affordable housing.

Number and Amount of Community Development Loans

The bank did not originate any CD loans during the evaluation period. However, the bank originated five small business loans totaling \$1.3 million that promote small business and job creation within the AA.

Number and Amount of Qualified Investments

The bank has a satisfactory level of qualifying CD investments.

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose community development, as defined in the CRA regulation.

The bank made an investment totaling \$1.2 million in the CRA Qualified Fund. The CRA Qualified Fund invested these funds into securities that are backed by home mortgage loans originated to LMI families.

During the evaluation period, the bank made 19 qualified donations totaling \$465 thousand in its AA. Investments support community services that target low- and moderate-income individuals and families and economic and small business development.

Specific examples of the bank's more significant contributions to qualifying CD organizations are described below.

- **United Way of Abilene**
Donations to the United Way go to all of their area organizations in the area. Approximately 86 percent of the total donations go to support low- and moderate-income individuals and families.
- **Alliance for Women and Children**
The organization offers support to low-income women and children through affordable child-care, cancer screenings, and education on financial and professional issues.
- **Ben Richey Boys Ranch**
The organization provides LMI boys, ages 6-14, with a safe and clean home. Through the guidance of house parents, the boys develop confidence and learn responsibility in order to become productive members of society.
- **Day Nursery of Abilene**
The organization provides affordable childcare, and services include Child Care Services, a state-subsidized childcare program. Approximately 69 percent of the children cared for are LMI.

Extent to Which the Bank Provides Community Development Services

FFB's CD services reflect adequate responsiveness to the needs and opportunities in the AA. Bank personnel are active in leadership positions of organizations that provide community services to LMI families and provide technical expertise and financial assistance to these organizations. Service delivery systems are accessible to geographies and individuals of different income levels in the AA. Business hours and services are convenient and are accessible to all segments of the AA. Branch and ATM delivery systems are reasonably dispersed throughout the AA.

An adequate range of deposit and loan products and business services are available at the main office and branches. Products and services are responsive to banking needs within the AA and do not vary in a way that inconveniences any portion of the AA, or any group of individuals, particularly LMI individuals. The bank offers two affordable home mortgage programs for qualified individuals.

FFB is very active in their community providing a satisfactory level of community development services. FFB has partnered with Financial Resources for Economic Empowerment (F.R.E.E.) to provide tax preparation for LMI individuals in Taylor County. In addition, 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 \$1 thousand. Furthermore, bank officers serve in leadership positions of organizations that provide community services to LMI families and provide technical and financial assistance to these organizations.

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.