



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

May 10, 2010

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Financial Bank, National Association
Charter Number: 23445

301 West Beaugard Street
San Angelo, TX 76903-6326

Office of the Comptroller of the Currency

FORT WORTH Field Office
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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, San Angelo, Texas (FFB) has a satisfactory record of meeting community credit needs. This conclusion is based on the following:

- The bank's loan-to-deposit (LTD) ratio is reasonable and averaged 48 percent during the evaluation period.
- A 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 excellent. The bank's overall distribution of home mortgage products to low- and moderate-income (LMI) families is satisfactory.
- The bank's geographic distribution of business loans is satisfactory. The bank's distribution of home mortgage loans to LMI geographies is reasonable when considering performance context issues.
- FFB's community development (CD) performance demonstrates satisfactory responsiveness to the CD needs of its AA. The bank continues to make a commitment to affordable housing, which is a critical need in the 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 Community Development Test are based on community development activities from February 5, 2007 through May 10, 2010.

Description of Institution

FFB is an intrastate commercial bank that is located in San Angelo, Texas. San Angelo is located in Tom Green County, which is in the San Angelo Metropolitan Statistical Area (MSA). In addition to its main office at 301 W. Beauregard and branch location at 3471 Knickerbocker, FFB operates a motor bank facility at 222 Koenigheim. There are also two full service automated teller machines (ATMs) located at the motor bank facility and the branch, and 23 cash only ATMs located throughout the assessment area (AA).

As of March 31, 2010, FFB's total assets were \$353 million. FFB is a subsidiary of First Financial Bankshares, Inc. (FFBI), a multi-bank holding company headquartered in Abilene, Texas. Consolidated holding company assets total \$3.4 billion as of March 31, 2010. FFBI owns ten banks with 51 full-service locations in the north, central, west and High Plains regions of Texas. A full range of credit products, depository accounts, trust services and retail non-deposit investment services are offered throughout the company.

FFB reported total assets of \$353 million and total liabilities of \$305 million as of March 31, 2010. Total loans of \$135 million represent 38 percent of total assets. The following chart details the composition of FFB's loan portfolio as of March 31, 2010.

Loan Portfolio Composition as of March 31, 2010		
Loan Category	\$(000)	%
Commercial Real Estate	\$42,220	30.47%
Commercial & Industrial	\$34,550	25.54%
Residential Real Estate	\$25,479	18.84%
Consumer & Other	\$16,002	11.83%
Farm & Agricultural Real Estate	\$18,002	13.32%
Total	\$135,273	100.00%

Source: March 31, 2010 Report of Condition

Description of Assessment Area

Demographic and Economic Characteristics of Assessment Area	
Population	
Total Population	104,010
Number of Families	27,073
Number of Households	39,531
Geographies	
Number of Census Tracts	23
% Low-Income Census Tracts	4.35%
% Moderate-Income Census Tracts	17.39%
% Middle-Income Census Tracts	56.52%
% Upper-Income Census Tracts	21.74%
Median Family Income (MFI)	
2000 MFI for AA	\$39,508
2009 HUD-Adjusted MFI	\$52,400
Economic Indicators	
Unemployment Rate	3.49%
2000 Median Housing Value	\$64,697
% Households Below Poverty Level	14.91%

Source: 2000 Census data and HUD updated income data.

The above table provides basic demographic information based on the income level of census tracts and families within the AA.

FFB's AA consists of the 23 census tracts comprising Tom Green County, which is part of the San Angelo MSA. The AA is consistent with CRA regulatory requirements and does not arbitrarily exclude low- and moderate-income census tracts. The AA includes census tracts in which the bank has its branches and where a substantial portion of the bank's loans have been originated. FFB operates two full service branches, one motor bank, two full service ATMs (located at the motor bank and Knickerbocker branch location), and 23 limited transaction ATMs (cash dispersion only). The bank's presence in moderate-income geographies is good. One full service ATM is located at the motor bank location, in a moderate-income census tract. Eight other limited transaction ATMs are located in moderate-income tracts. One limited transaction ATM is located in the lower-income census tract. The bank's main office location, and the Knickerbocker branch include full service ATMs, and 10 limited transaction ATMs are located in middle-income tracts. Four limited transaction ATMs are located in upper-income census tracts.

According to the 2000 census, the total population of the AA was 104,010. Most of the AA population is concentrated in the City of San Angelo. The population is distributed 1.52 percent, 18.06 percent, 52.65 percent, and 27.77 percent in low, moderate, middle, and upper-income tracts, respectively. The LMI tracts are concentrated in the central portion of San Angelo, with two tracts extending east and south. Upper-income census tracts are concentrated in the western and southern areas of San Angelo.

Of the 27,073 AA families, 19.43 percent, 18.37 percent, 22.83 percent, and 39.37 percent report earning low, moderate, middle, and upper-incomes, respectively. Approximately 15 percent of the population lives below the poverty level. A low-income family in San Angelo has an income of less than \$26,200. Based on estimates by the Department of Housing and Urban Development, the adjusted median family income figure of \$52,400 was used to determine the borrower's income levels for the AA in 2009.

Local banking competition is aggressive and includes affiliates of large national banking companies, numerous community banks, credit unions, and non-bank financial service providers. FFB has the second largest deposit market share in the AA at 16 percent.

The economic conditions and outlook in San Angelo are stable, as health, education and government services continue to dominate the area, as well as the positive trend of the wind energy, boosting employment and income growth. As of May 10, 2010, unemployment was 6.6 percent, lower than the Texas state (8.2 percent) and United States averages (10.2 percent). The education and health service sectors account for the majority of the employers in the AA. The leading employers include Goodfellow Air Force Base, Shannon Health System, San Angelo ISD, and Angelo State University.

Community contacts and interviews with bank management indicate that there are several opportunities to participate in community service activities, but that opportunities are very limited for community development lending and investments. Management is always seeking out affordable housing construction projects, but state that small bank competitors; Crockett National Bank and Texas State Bank, have been very aggressive in taking over few development/construction lending in recent projects. The bank continues to be very active in the community, particularly in areas that promote affordable housing and small business lending.

Conclusions with Respect to Performance Tests

LENDING TEST

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

Loan-to-Deposit Ratio

The bank's average LTD ratio of 48 percent is reasonable and meets the standard for satisfactory performance. During the evaluation period, the LTD ratio ranged from a low of 43 percent as of March 31, 2009 to high of 52 percent as of September 31, 2008. Although it is low in comparison to other similarly situated financial institutions, it indicates a willingness to provide credit. FFB sells a significant portion of its home mortgage and student loan originations to secondary market investors. For the years 2007 through 2009, the bank sold \$88 million in home mortgage loans and \$33 million in student loans. These loans, if retained, would contribute to a higher LTD ratio.

Lending in Assessment Area

FFB's lending in its AA meets the standard for satisfactory performance. A majority of the number and dollar amount of the home mortgage and small business loans were originated within the bank's AA. As depicted in the table below, 72 percent of the number and 63 percent of the dollar amount of loans were originated in FFB's AA.

Lending in Tom Green County AA										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	335	68.37	155	31.63	490	41,276	63.37	23,859	36.63	65,135
Home Improvement	115	94.26	7	5.74	122	3,349	94.47	196	5.53	3,545
Refinance	138	68.32	64	31.68	202	20,871	61.52	13,056	38.48	33,927
Commercial	16	80.00	4	20.00	20	765	30.40	1,753	69.60	2,518
Totals	604	72.42	230	27.58	834	66,261	63.03	38,864	36.97	105,125

Source: Data reported under HMDA, and 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 and meets the standard for satisfactory performance.

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. Fifteen 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 Tom Green 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	19.43	9.85	18.37	15.52	22.83	24.78	39.38	49.25
Home Improvement	19.43	15.65	18.37	18.26	22.83	16.52	39.38	48.70
Refinance	19.43	2.90	18.37	8.70	22.83	22.46	39.38	64.49

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

FFB currently offers an in-house affordable residential mortgage lending program. This program targets applicants who make less than 80 percent of the median income for the San Angelo MSA. Since the prior CRA examination, the bank has originated 11 loans under this program totaling \$437 thousand. In addition, the bank has partnered with Galilee Community Development Corporation and the City of San Angelo Development Corporation to further assist low- to moderate-income families with home ownership. Galilee, in conjunction with the City of San Angelo, has chosen FFB to handle their clients’ Individual Development Accounts. As a result, FFB has funded three mortgage loans for Galilee’s clients under FFB’s in-house program.

Commercial Lending

The distribution of commercial loans reflects reasonable penetration among businesses of different sizes and meets the standards for satisfactory performance. Loans to businesses with revenues of \$1 million or less represented 85 percent of sampled business loans, which exceeds the 74 percent of area businesses that reported revenues of less than \$1 million.

Borrower Distribution of Loans to Businesses in Tom Green County AA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	73.87%	3.62%	22.51%	100%
% of Bank Loans in AA by #	85%	15%	0%	100%
% of Bank Loans in AA by \$	73.9%	26.1%	0%	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

FFB’s geographic distribution of loans is satisfactory and meets the standard for satisfactory performance.

The geographical distribution of residential real estate loans in the AA shows reasonable penetration and meets the standards for satisfactory performance. The bank’s AA has only one low-income census tract, which is just north of downtown San Angelo. This tract is primarily light industrial with some low- to moderate-income housing. Owner occupied housing in this tract is less than 1 percent and 45 percent of the households in this tract live below the poverty level. The weighted average of median household income of the tract is only \$18 thousand. These performance context issues make opportunities to extend home mortgage loans to this low-income tract very limited.

Geographic Distribution of Residential Real Estate Loans in Tom Green 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	0.95	0.00	16.19	7.46	53.10	46.57	29.77	45.97
Home Improvement	0.95	1.74	16.19	19.13	53.10	44.35	29.77	34.78
Refinance	0.95	0.72	16.19	6.52	53.10	40.58	29.77	52.17

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

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

Geographic Distribution of Loans to Businesses in Tom Green County 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	1.84	0.00	14.97	25.00	53.73	40.00	29.46	35.00

Source: Loan sample; Dunn and Bradstreet 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 bank’s performance under the CD Test is rated “**Satisfactory**”.

Opportunities for qualified CD loans and investments are very limited in the bank’s AA.

The bank is very 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 significant commitment to affordable housing through the financing of affordable multi-family housing, as well as donations and involvement with non-profit organizations that facilitate affordable housing. Affordable housing has been identified as a critical need in the bank’s AA, as well as small business lending.

Number and Amount of Community Development Loans

The bank has made a satisfactory level of CD loans during the evaluation period given the limited opportunities in the AA.

Qualifying CD loans are those that meet the definition of CD, as defined in the CRA regulation.

The bank granted four loans totaling \$1.994 million to purchase or refinance LMI apartment complexes in the AA. One of the apartment complexes is located in a moderate-income census tract. The number of units in the apartment complexes range

from 80 to 156 and average rents range from \$400 to \$665 (all bills paid) per month. The county's weighted average monthly gross rent is \$462 per month.

In addition, the bank has made twenty-two small business loans totaling \$3.2 million that promote small business and job creation in the San Angelo Enterprise Zone.

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 equity investment totaling \$410 thousand 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 has made over 50 qualified donations totaling \$157 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**
Donations to the United Way go to all of their area organizations in the Concho Valley. Approximately 80 percent of the total donations go to support low- and moderate-income individuals and families.
- **Habitat for Humanity**
The organization's objective is to eliminate poverty housing and homelessness. Habitat builds and rehabilitates houses through volunteer labor and donations of money and materials with the help of the homeowner. This allows low-income families to own their own home.
- **Downtown San Angelo, Inc.**
The organization provides an economic program designed to improve the quality of life by revitalizing the quality of downtown San Angelo.
- **Meals for the Elderly**
The non-profit organization provides meals to homebound elderly of San Angelo, while ensuring their individual well-being through personal contact. These individuals live primarily in low- to moderate-income areas.

- **West Texas Rehab Center**
This private, non-profit organization offers a variety of free rehabilitative services for children and adults. A large portion of their patients are from low-income families and receive services they might not be able to afford otherwise.

- **YMCA**
The bank is a participant in the YMCA’s “Friend of Youth” Campaign. Donations go to tuition for children whose families can’t afford to pay.

Extent to Which the Bank Provides Community Development Services

FFB’s CD services reflect excellent responsiveness to the needs and opportunities in the AA. Bank personnel are very 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, as detailed in the following table.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts in AA		Full-Service Offices		Automated Teller Machines*	
	#	%	#	%	#	%
Low	1	4.35%	0	0.00%	1	3.85%
Moderate	4	17.39%	0	0.00%	9	34.62%
Middle	13	56.52%	2	100.00%	12	46.15%
Upper	5	21.74%	0	0.00%	24	15.38%
NA						
Total	23	100.00%	2	100.00%	**26	100.00%

**23 ATMs are non-deposit taking; **Includes 2 ATMs contiguous to banking locations.*

Banking hours provide adequate accessibility throughout the AA. The main office and branch maintain business hours on Monday through Thursday from 9:00 a.m. until 5:00 p.m. with extended lobby hours until 5:30 p.m. on Friday. Further, the branch has lobby hours from 9:00 a.m. until 12:00 p.m. on Saturday. The main motor bank facility and the drive-up lanes at the branch also have Saturday hours from 8:00 a.m. until 12:00 p.m.

An adequate range of deposit and loan products and business services are available at the main office and the branch. 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. FFB is very active in their

community providing an excellent level of community development services. 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.