

FIRST FINANCIAL BANKSHARES INC  
Form 10-Q  
August 02, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2011

Commission file number 0-7674

**FIRST FINANCIAL BANKSHARES, INC.**

(Exact name of registrant as specified in its charter)

Texas  
(State or other jurisdiction of

75-0944023  
(I.R.S. Employer

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incorporation or organization) Identification No.)  
**400 Pine Street, Abilene, Texas** **79601**  
(Address of principal executive offices) (Zip Code)  
**(325) 627-7155**  
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at August 2, 2011
Common Stock, \$0.01 par value per share	31,451,411

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**PART I**

**FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

The consolidated balance sheets of First Financial Bankshares, Inc. (the Company ) at June 30, 2011 and 2010 and December 31, 2010, the consolidated statements of earnings and comprehensive earnings for the three and six months ended June 30, 2011 and 2010, and changes in shareholders' equity and cash flows for the six months ended June 30, 2011 and 2010, follow on pages 4 through 8.

**Table of Contents****FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share amounts)

<b>ASSETS</b>	June 30, 2011 (Unaudited)	2010	December 31, 2010
CASH AND DUE FROM BANKS	\$ 106,500	\$ 100,460	\$ 124,177
FEDERAL FUNDS SOLD	3,195	225	
INTEREST-BEARING DEPOSITS IN BANKS	193,088	139,521	243,776
Total cash and cash equivalents	302,783	240,206	367,953
SECURITIES HELD-TO-MATURITY (fair value of \$6,756, \$11,403 and \$9,240 at June 30, 2011 and 2010 and December 31, 2010, respectively)	6,663	11,107	9,064
SECURITIES AVAILABLE-FOR-SALE, at fair value	1,639,992	1,402,448	1,537,178
<b>LOANS</b>			
Held for investment	1,715,159	1,513,671	1,677,187
Less - allowance for loan losses	(33,406)	(28,954)	(31,106)
Net loans held for investment	1,681,753	1,484,717	1,646,081
Held for sale	4,256	6,001	13,159
Net loans	1,686,009	1,490,718	1,659,240
BANK PREMISES AND EQUIPMENT, net	72,550	66,888	70,162
INTANGIBLE ASSETS	72,307	62,840	72,524
OTHER ASSETS	60,711	61,388	60,246
Total assets	\$ 3,841,015	\$ 3,335,595	\$ 3,776,367
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>			
NONINTEREST-BEARING DEPOSITS	\$ 989,271	\$ 782,166	\$ 959,473
INTEREST-BEARING DEPOSITS	2,130,170	1,924,062	2,153,828
Total deposits	3,119,441	2,706,228	3,113,301
DIVIDENDS PAYABLE	7,548	7,088	7,120
SHORT-TERM BORROWINGS	192,364	159,480	178,356
OTHER LIABILITIES	43,957	31,801	35,902
Total liabilities	3,363,310	2,904,597	3,334,679
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>SHAREHOLDERS EQUITY</b>			
Common stock - \$0.01 par value, authorized 40,000,000 shares; 31,451,300, 20,848,421, and 20,942,141 shares issued at June 30, 2011 and 2010 and December 31, 2010, respectively	314	208	209
Capital surplus	275,670	270,087	274,629

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Retained earnings	164,417	128,863	146,397
Treasury stock (shares at cost: 251,516, 164,965, and 166,329 at June 30, 2011 and 2010 and December 31, 2010, respectively)	(4,394)	(4,038)	(4,207)
Deferred compensation	4,394	4,038	4,207
Accumulated other comprehensive earnings	37,304	31,840	20,453
<b>Total shareholders' equity</b>	<b>477,705</b>	<b>430,998</b>	<b>441,688</b>
Total liabilities and shareholders' equity	\$ 3,841,015	\$ 3,335,595	\$ 3,776,367

See notes to consolidated financial statements.

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**FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EARNINGS - (UNAUDITED)**

(Dollars in thousands, except per share amounts)

	Three Months Ended June 30, 2011	2010	Six Months Ended June 30, 2011	2010
<b>INTEREST INCOME:</b>				
Interest and fees on loans	\$ 24,633	\$ 22,792	\$ 48,920	\$ 45,165
Interest on investment securities:				
Taxable	9,831	9,237	19,423	18,203
Exempt from federal income tax	5,459	4,676	10,940	9,310
Interest on federal funds sold and interest-bearing deposits in banks	318	349	685	721
<b>Total interest income</b>	<b>40,241</b>	<b>37,054</b>	<b>79,968</b>	<b>73,399</b>
<b>INTEREST EXPENSE:</b>				
Interest on deposits	2,014	3,463	4,364	6,998
Other	51	133	102	297
<b>Total interest expense</b>	<b>2,065</b>	<b>3,596</b>	<b>4,466</b>	<b>7,295</b>
<b>Net interest income</b>	<b>38,176</b>	<b>33,458</b>	<b>75,502</b>	<b>66,104</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>1,924</b>	<b>2,973</b>	<b>4,051</b>	<b>4,983</b>
<b>Net interest income after provision for loan losses</b>	<b>36,252</b>	<b>30,485</b>	<b>71,451</b>	<b>61,121</b>
<b>NONINTEREST INCOME:</b>				
Trust fees	3,211	2,672	6,254	5,198
Service charges on deposit accounts	4,520	5,293	8,894	10,152
ATM and credit card fees	3,415	2,830	6,491	5,341
Real estate mortgage operations	941	857	1,874	1,417
Net gain on available-for-sale securities	42	72	261	72
Net gain (loss) on sale of foreclosed assets	(1,111)	59	(1,174)	70
Other	876	787	2,136	1,430
<b>Total noninterest income</b>	<b>11,894</b>	<b>12,570</b>	<b>24,736</b>	<b>23,680</b>
<b>NONINTEREST EXPENSE:</b>				
Salaries and employee benefits	14,008	12,841	28,243	25,498
Net occupancy expense	1,685	1,561	3,332	3,139
Equipment expense	1,951	1,853	3,822	3,690
Printing, stationery and supplies	489	428	916	857
FDIC insurance premiums	597	990	1,568	1,978
Correspondent bank service charges	208	181	408	372
ATM, interchange and credit card expenses	1,183	866	2,330	1,751
Professional and service fees	834			