

FIRST FINANCIAL BANKSHARES INC
Form PRE 14A
February 16, 2012

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

First Financial Bankshares, Inc.

(Name of Registrant As Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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1) Amount Previously Paid: \$

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

FIRST FINANCIAL BANKSHARES, INC.

400 Pine Street

Abilene, Texas 79601

325.627.7155

NOTICE OF THE 2012 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 24, 2012

To our shareholders:

We cordially invite you to attend the annual meeting of our shareholders, which will be held in the Abilene Civic Center, 1100 North 6th Street, Abilene, Texas, at 10:30 a.m., Central time, on Tuesday, April 24, 2012, for the following purposes:

- (1) To elect nine directors;
 - (2) To ratify the appointment by our audit committee of Ernst & Young LLP as our independent auditors for the year ending December 31, 2012;
 - (3) To conduct an advisory vote on the compensation of named executive officers;
 - (4) To approve an incentive stock option plan for our key employees;
 - (5) To approve an amendment to the amended and restated certificate of formation to increase the number of common shares authorized; and
 - (6) To act on such other business as may properly come before the annual meeting or any adjournment thereof.
- Only shareholders of record at the close of business on March 1, 2012, are entitled to notice of and to vote at the annual meeting (or any adjournment or postponement thereof).

Important Notice Regarding the Availability of Proxy Materials for the 2012 Annual Meeting of Shareholders to be Held on April 24, 2012. The proxy statement and other information for security holders are available free of charge at <http://www.ffin.com/sec>.

We have included, along with this notice and proxy statement, (1) our 2011 annual report, which describes our activities during 2011, (2) our Form 10-K for the year ended December 31, 2011 and (3) an invitation to attend the annual meeting luncheon. These additional materials do not form any part of the material for solicitation of proxies.

We hope that you will be present at the annual meeting and the luncheon to be held immediately afterward. We respectfully urge you, whether or not you plan to attend the annual meeting, to sign, date and mail the enclosed proxy card in the envelope provided in order to eliminate any question of your vote being counted. You can revoke your proxy in writing at any time before the annual meeting, so long as your written request is received by our corporate secretary before the call to order of the annual meeting. We can accommodate everyone at the annual meeting; however, there is limited seating for the luncheon so we request that you confirm your attendance by completing the enclosed reply card and returning it to us by April 15, 2012.

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By order of the Board of Directors,

F. SCOTT DUESER, Chairman

March 1, 2012

FIRST FINANCIAL BANKSHARES, INC.

400 Pine Street

Abilene, Texas 79601

325.627.7155

PROXY STATEMENT

2012 ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 24, 2012

INTRODUCTION

The Board of Directors of First Financial Bankshares, Inc. (sometimes referred to as the Company) hereby solicits your proxy for use at the 2012 annual meeting of our shareholders and any continuation of the meeting if it is adjourned. The annual meeting will be held in the Abilene Civic Center, 1100 North 6th Street, Abilene, Texas, at 10:30 a.m., Central time, on Tuesday, April 24, 2012.

Our principal executive office is located at 400 Pine Street, Abilene, Texas 79601. Our telephone number is 325.627.7155.

We released for mailing this proxy statement and the accompanying proxy card on March 5, 2012. The date of this proxy statement is March 1, 2012.

VOTING OF SECURITIES

Important Voting Information

You may only vote if you hold shares directly in your own name.

If your shares are held in the name of a bank, broker or other holder of record, you should have received these proxy materials in paper form including a voting instruction card so you can instruct the holder of record how to vote your shares. Pursuant to new rules adopted by the New York Stock Exchange over the past few years, you must instruct your broker how you wish your shares to be voted on all non-routine matters. Prior to those amendments, your broker could vote on your behalf on the election of directors and other matters considered to be routine.

Voting Rule. Your broker is not permitted to vote on your behalf on the election of directors, the advisory vote on compensation paid to our named executive officers, the approval of the incentive stock option plan or the amendment to our amended and restated certificate of formation to increase the number of common shares authorized unless you provide specific instructions by following the instructions from your broker about voting your shares by telephone or Internet or completing and returning the voting instruction card. For your vote to be counted, you will need to communicate your voting decisions to your bank, broker or other holder of record before the date of the annual meeting in accordance with the instructions you receive from them.

Your Participation in Voting the Shares You Own is Important. Voting your shares is important to ensure that you have a say in the governance of First Financial Bankshares, Inc. Please review the proxy materials and follow the relevant instructions to vote your shares. We hope you will exercise your rights and fully participate as a shareholder.

More Information is Available. If you have any questions about the proxy voting process in general, please contact the bank, broker or other holder of record through which you hold your shares. The SEC also has a website (www.investor.gov) with more information about your rights as a shareholder.

Record Date

Our Board of Directors has established the close of business on March 1, 2012, as the record date for determining the shareholders entitled to notice of, and to vote at, the annual meeting. On the record date, we had 31,465,473 common shares outstanding. Each of our shareholders is entitled to one vote for each common share held as of the record date.

Quorum

In order for any business to be conducted at the annual meeting, a quorum consisting of shareholders having voting rights with respect to a majority of our outstanding common shares on the record date must be present in person or by proxy. For purposes of determining the presence or absence of a quorum, we intend to count as present shares present in person but not voting and shares for which we have received proxies but for which holders thereof have abstained. Furthermore, shares represented by proxies returned by a broker holding the shares in nominee or street name will be counted as present for purposes of determining whether a quorum is present, even if the shares are not entitled to be voted on matters where discretionary voting by the broker is not allowed (broker non-votes).

If a quorum is not present at the annual meeting, we will adjourn the meeting, and the Board of Directors will continue to solicit proxies.

Required Vote

As discussed in more detail under Proposal 1 Election of Directors, each director is required to be elected by a majority of the shares cast at the annual meeting. Withheld votes have the effect of voting against the director nominee. Shares not represented at the annual meeting will have no effect on the election of directors. Brokers are not entitled to vote on director elections and thus broker non-votes are not treated as votes cast and will have no effect on the election of directors.

The matter described in Proposal 2 Ratification of Appointment of Independent Auditors is required to be approved by the affirmative vote of the majority of shares present in person or represented by proxy at the annual meeting and entitled to vote on the matter. Abstentions will have no effect as a vote against this proposal, whereas shares not represented at the meeting will not be counted for purposes of determining whether such matter has been approved. Brokers may vote in their discretion on this proposal on behalf of clients who have not furnished voting instructions. As a result, broker non-votes will not arise in connection with, and thus will have no effect on, this proposal.

With respect to Proposal 3 Advisory Vote on Executive Compensation, the affirmative vote of a majority of shares present in person or represented by proxy at the annual meeting and entitled to vote on this matter is required for approval of the compensation of our named executive officers. Voting for Proposal 3 is being conducted on an advisory basis and, therefore, the voting results will not be binding on the Company, the Board or the compensation committee. Abstentions, broker non-votes and shares not otherwise represented at the meeting will have no effect on the outcome of such matter.

With respect to Proposal 4 Approval of Incentive Stock Option Plan, the affirmative vote of a majority of shares present in person or represented by proxy at the annual meeting and entitled to vote on this matter is required for the approval of an incentive stock option plan for key employees. Broker non-votes, abstentions and shares not otherwise represented at the meeting will have no effect on the outcome of this proposal.

With respect to Proposal 5 Amendment to Amended and Restated Certificate of Formation to Increase the Number of Common Shares Authorized, the affirmative vote of two-thirds of the shares outstanding and entitled to vote on this matter is required for the approval of the amendment to our certificate of formation to increase in the number of common shares authorized. Broker non-votes, abstentions and shares not otherwise represented at the meeting will have no effect on the outcome of this proposal.

The Board unanimously recommends that you vote FOR the election all nine directors nominated and recommended by the Board, FOR the ratification of the appointment of our independent auditors, FOR the resolution approving the compensation of our named executive officers, FOR the approval of the Incentive Stock Option Plan and FOR the amendment to our amended and restated certificate of formation to increase the number of common shares authorized.

Failure to Provide Specific Voting Instructions

If you are a shareholder of record and you properly sign, date and return a proxy card, but do not indicate how you wish to vote with respect to a particular nominee or proposal, then your shares will be voted FOR the election of all nine directors nominated and recommended by the Board of Directors, FOR the ratification of the appointment of our independent auditors, FOR the resolution approving the compensation of our named executive officers, FOR the approval of an incentive stock option plan and FOR the amendment to our amended and restated certificate of formation to increase the number of authorized common shares.

Shareholder List

A list of shareholders entitled to vote at the annual meeting, which will show each shareholder's address and the number of shares registered in his, her or its name, will be open to any shareholder to examine for any purpose related to the annual meeting. Any shareholder may examine this list during ordinary business hours commencing March 2, 2012, and continuing through the date of the annual meeting at our principal office, 400 Pine Street, Abilene, Texas 79601.

Stock Split

On April 26, 2011, the Company's Board of Directors declared a three-for-two stock split in the form of a 50% stock dividend effective for shareholders of record on May 16, 2011 that was distributed on June 1, 2011. All share amounts in this proxy statement have been restated to reflect this stock split.

SOLICITATION AND REVOCABILITY OF PROXIES

Solicitation

We will bear the expense to solicit proxies, which will include reimbursement of expenses incurred by brokerage firms and other custodians, nominees and fiduciaries to forward solicitation materials regarding the annual meeting to beneficial owners. Our officers and directors may further solicit proxies from shareholders and other persons by telephone, electronic communication or other means. We will not pay these officers and directors any extra compensation for participating in this solicitation. We may engage Georgeson, Inc. to assist us with the solicitation of proxies and, if so, would expect to pay that firm approximately \$20,000 for their services, plus out-of-pocket expenses.

Proxies and Revocation

Each executed and returned proxy card will be voted according to the directions indicated on that proxy card. If no direction is indicated, the proxy will be voted according to the Board of Directors' recommendations, which are contained in this proxy statement. The Board of Directors does not intend to present, and has no information that others will present, any business at the annual meeting that requires a vote on any other matter. If any other matter requiring a vote properly comes before the annual meeting, the proxies will be voted in the discretion of the proxyholders named on the proxy.

Each shareholder giving a proxy has the power to revoke it at any time before the annual meeting is called to order. This revocation is effective upon receipt, at any time before the annual meeting is called to order, by our corporate secretary of either (1) an instrument revoking the proxy or (2) a duly executed proxy bearing a later date than the preceding proxy.

PROPOSAL 1

ELECTION OF DIRECTORS

General

While our amended and restated bylaws fix the number of directors at a number not less than seven nor more than 15, the Board of Directors has fixed the number of directors at nine for 2012. Although we do not contemplate that any of the nominees will be unable to serve, if such a situation arises before the annual meeting, the proxies will be voted to elect any substitute nominee or nominees designated by the Board of Directors. At the annual meeting, nine directors are to be elected, each for a term of one year and until their respective successors have been duly elected and qualified.

Identifying and Evaluating Nominees for Director

The Board, acting through the Nominating/Corporate Governance Committee and pursuant to the Board's Nominating/Corporate Governance Committee Charter, is responsible for identifying and evaluating candidates for Board membership. The Nominating/Corporate Governance Committee is responsible for recommending nominees who have the experience, qualifications, attributes and skills appropriate to function collaboratively and effectively as the Board for the Company. The Board and the Nominating/Corporate Governance Committee believe that the Board as a whole and its members individually should possess a combination of skills, professional experience, and diversity of backgrounds and view points necessary to oversee our Company's current and future needs. The attributes that the Board and every director should possess are in the director nomination criteria set forth in our corporate governance guidelines. These criteria include:

at least a majority of the Board must be composed of independent directors;

candidates should be capable of working in a collegial manner with persons of diverse educational, business and cultural backgrounds and should possess skills and expertise that complement the attributes of the existing directors;

candidates should represent a diversity of viewpoints, backgrounds, experiences and other demographics;

candidates should demonstrate notable or significant achievement and possess senior-level business, management or regulatory experience that would benefit our Company;

candidates should have familiarity with and experience in the commercial banking industry;

candidates shall be individuals of the highest character and integrity;

candidates shall be free of conflicts of interest that would interfere with their ability to discharge their duties or that would violate any applicable laws or regulations;

candidates shall be capable of devoting the necessary time to discharge their duties, taking into account memberships on other boards and other responsibilities; and

candidates shall have a desire to represent the interests of all shareholders.

The Nominating/Corporate Governance Committee and the Board may, from time to time, establish and consider other specific skills and experiences that they believe our Company should seek in order to constitute a diverse, balanced, collaborative and effective Board. For an

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incumbent director, the Nominating/Corporate Governance Committee and the Board also consider past performance of such director on our Board. See The Nominees on page 5 for the qualifications of each nominee for election at the annual meeting.

The Nominating/Corporate Governance Committee regularly reviews Board composition in light of our Company's business and structure; the changing needs of our Company as a result of the business environment; our operations, financial conditions and complexity; its assessment of the Board's performance; and input from shareholders and other key constituencies. As part of this review, the Nominating/Corporate Governance Committee evaluates the effectiveness of the Board's director nomination standards.

The Nominating/Corporate Governance Committee will, in consultation with the Chairman of the Board and in accordance with its charter, consider candidates proposed or suggested by Board members, management, third party search firms retained by the Nominating/Corporate Governance Committee and shareholders. The Nominating/Corporate Governance Committee follows the same process and uses the same criteria for evaluating candidates whether they are proposed by Board members, management, third party search firms or shareholders. Any shareholder wishing to recommend a candidate to be considered by the Nominating/Corporate Governance Committee for nomination at an annual meeting of shareholders should review the procedure outlined under Committees of the Board - Nominating/Corporate Governance Committee on page 28 of this proxy statement.

Changes in Composition of the Board of Directors

As required by our amended and restated bylaws, Ms. Dian Stai will retire from the Board, effective April 24, 2012, and not stand for reelection. Under our bylaws, an individual may not stand for election or reelection as a director upon attaining 72 years of age, unless that director owns at least one percent (1%) of the outstanding shares of our common stock and is less than 75 years of age.

Nominees

Based upon recommendations of the Nominating/Corporate Governance Committee, the Board has nominated the individuals below, except Ms. Stai, for election to the Board of Directors at the annual meeting to serve a one-year term and until their respective successors have duly elected and qualified.

In light of our Company's business and structure, the business environment and the Company's long-term strategy, the Board, upon recommendation of the Nominating/Corporate Governance Committee, selected a slate of nominees whose experience, qualification, attributes and skills in leadership; commercial and investment banking and financial advisor services; finance and accounting, risk management; operations management; strategic planning; business development; regulatory and government affairs; corporate governance and public policy, led the Board to conclude that these persons should serve as our directors at this time.

Under Nasdaq rules, a majority of the Board of Directors must be comprised of independent directors. The Board has determined that each director nominated, except Mr. Dueser, is independent under applicable Nasdaq rules.

The names and principal occupations of our current directors and nominees, together with the length of service as a director and the number of our common shares beneficially owned by each of them on February 1, 2012, are set forth in the following tables. Except as otherwise indicated, the named beneficial owner has sole voting and investment power with respect to shares held by him or her. The address for each individual is 400 Pine Street, Abilene, Texas 79601.

Name	Age	Years as Director	Principal Occupation During Last Five Years	Shares Beneficially Owned	Percent of Shares Outstanding(1)
Steven L. Beal	53	2	Director and Former President and Chief Operating Officer of Concho Resources Inc.	7,250	0.02%
Tucker S. Bridwell	60	5	President, Mansefeldt Investment Corporation	128,060(2)	0.41%
Joseph E. Canon	69	16	Executive Director, Dodge Jones Foundation, a private charitable foundation	114,552(3)	0.36%
David Copeland	56	14	President, SIPCO and Shelton Family Foundation, a private charitable foundation	241,825(4)	0.77%
F. Scott Dueser	58	21	See Executive Officers on page 5	315,729(5)(6)	1.00%
Murray Edwards	60	6	Principal, The Edwards Group	68,347(7)	0.22%
Ron Giddiens	64	3	Investments/Business Consulting; Former bank president	5,985	0.02%
Kade L. Matthews	53	14	Ranching and Investments	389,224(8)	1.24%
Dian Graves Stai	71	19	Chair, Dian Graves Owen Foundation, a private charitable foundation	183,066(9)	0.58%
Johnny E. Trotter	60	9	President & CEO, Livestock Investors, Ltd.	175,921	0.56%
Shares beneficially owned by all executive officers and directors*				1,589,034(5)(6)	5.05%

* See Executive Officers on page 15

(1) Based on 31,453,792 common shares outstanding as of February 1, 2012.

(2) Includes 104,117 shares that are owned by a private foundation for which Mr. Bridwell serves as president to which he disclaims beneficial ownership.

(3) Includes 105,000 shares that are owned by a private foundation for which Mr. Canon serves as executive director to which he disclaims beneficial ownership.

(4) Includes 225,823 shares that are owned by trusts for which Mr. Copeland serves as trustee or co-trustee to which he disclaims beneficial ownership.

(5) Includes shares indirectly owned as of February 1, 2012 through the employee stock ownership plan portion of the profit sharing plan which each participant has sole voting powers, as follows: Mr. Dueser 42,753 and all executive officers as a group 11,120.

(6) Includes shares of our common stock issuable upon exercise of options presently exercisable or exercisable with 60 days of February 1, 2012, as follows: Mr. Dueser 2,700 and all executive officers as a group 23,548.

(7) Includes 2,175 shares of our common stock owned by Mr. Edwards spouse.

(8) Includes 168,537 shares that are owned by a private foundation for which Mr. Matthews serves as president and director to which he disclaims beneficial ownership.

(9) Includes 104,117 shares that are owned by a private foundation for which Ms. Stai serves as chair of the Board of Directors to which she disclaims beneficial ownership. Ms. Stai is retiring from our Board as of the annual meeting.

Each nominee's biography and the specific experiences, qualifications, attributes and skills of each nominee are described below.

Steven L. Beal, Brownwood, Texas, has served as a director of the Company since 2010. He serves on the compensation and audit committees. He is designated as a financial expert for our Audit Committee. He is a director and was president and chief operating officer of Concho Resources Inc., a publicly traded oil and gas company, since its formation in February 2006. He retired as an officer of Concho Resources, Inc. effective July 1, 2009. From 1998 to 2006, he served as director, executive vice president, and chief financial officer capacities for various predecessor companies to Concho Resources Inc. From 1988 until 1997, Mr. Beal was employed by Parker & Parsley Petroleum Company (now Pioneer Natural Resources Company) in a variety of capacities, including serving as its senior vice president and chief financial officer. From 1981 until 1988, Mr. Beal was employed by the accounting firm of Price Waterhouse. He is a graduate of the University of Texas and is a certified public accountant. As a former chief financial officer and chief operating officer of a publicly-held oil and natural gas company engaged in the acquisition, development, exploitation and exploration of oil and natural gas properties, Mr. Beal provides the Board with operations, mergers and acquisitions, risk management, strategic planning and corporate governance expertise that is important to our Company. In addition, as a former chief financial officer and certified public accountant, Mr. Beal brings strong accounting and financial skills important to the oversight of our financial reporting, enterprise and operational risk management.

Tucker S. Bridwell, Abilene, Texas, has served as a director of the Company since 2007. He serves as lead director and on the Audit, Executive and Nominating/Corporate Governance Committees. He is designated as a financial expert for our audit committee. He is also a director of First Financial Bank, N.A., Abilene, a wholly owned subsidiary of the Company. He has been president of Mansefeldt Investment Corporation, a privately owned investment company, and the Dian Graves Owen Foundation, a private charitable foundation, since September 1997 and manages investments for both entities. Mr. Bridwell is also a director of Concho Resources Inc. serving as lead director and on its audit and nominating/corporate governance (chairman) committees and is a director of Halcon Resources (effective February 2012) serving on its compensation and reserve committees. Mr. Bridwell was a director of Petrohawk Energy Corporation from its inception in 2004 until December 2010. He was selected as Abilene's Outstanding Citizen of the Year in 2010. He is a graduate of Southern Methodist University and is a certified public accountant. Mr. Bridwell's service as a director to public companies adds administration and operational management experience as well as corporate governance expertise to the Board. His experience and qualifications provide sound leadership to the Board. In addition, as a certified public accountant, Mr. Bridwell brings strong accounting and financial skills important to the oversight of our financial reporting, enterprise and operational risk management.

Joseph E. Canon, Abilene, Texas, has served as a director of the Company since 1996. He serves on the Compensation Committee. He also is a director of First Financial Bank, N.A., Abilene and First Financial Trust & Asset Management Company, N.A., both wholly owned subsidiaries of the Company. Since 1982, he has served as executive director of the Dodge Jones Foundation, a private charitable foundation located in Abilene and as a director and officer in affiliated enterprises. Mr. Canon is a director of Main Street Capital Corp., a publicly traded company serving on the audit, compensation and nominating and corporate governance (chairman) committees. From 1970 to 1982, he was an administrator and executive of several trust departments. In 1998, he was selected as Abilene's Outstanding Citizen of the Year. He is a graduate of Texas Tech University and The University of Texas School of Law. As one of our longest serving independent outside directors, Mr. Canon brings historical, long-term perspective and leadership to the Board. Mr. Canon's experience as a director to public companies and as a foundation and private company executive adds trust, investment, oil and gas and operational management experiences as well as corporate governance expertise to the Board.

David Copeland, Abilene, Texas, has served as director of the Company since 1998. He serves as chairman of the Audit Committee and also is a member of the Executive, Nominating/Corporate Governance and Asset Liability Management Committees. He is designated as a financial expert for our Audit Committee. He also is a director of the First Financial Bank, N.A., Abilene and First Financial Trust & Asset Management Company, N.A., both wholly owned subsidiaries of the Company. He is president of the Shelton Family Foundation, a private charitable foundation, and SIPCO, Inc., the management and investment company for the Andrew B. Shelton family. He also serves as a director and audit committee chairman of Harte-Hanks, Inc., a publicly traded targeted marketing company. He is a graduate of Abilene Christian University and is a certified public accountant and chartered financial analyst. Mr. Copeland's service as a director to public companies adds administration and operational management experiences as well as corporate governance expertise to the Board. His experience and

qualifications provide sound leadership to the Board. In addition, as a certified public accountant and chartered financial analyst, Mr. Copeland brings strong investment, accounting and financial skills important to the oversight of our financial reporting, enterprise and operational risk management.

F. Scott Dueser, Abilene, Texas, has served as a director of the Company since 1991. He serves as chairman of the Executive Committee. He also is a director of First Financial Bank, N.A., Abilene, First Financial Bank, N.A., Cleburne, First Financial Bank, Hereford, First Financial Bank, N.A., Mineral Wells, First Financial Bank, N.A., San Angelo, First Financial Bank, N.A., Southlake, First Financial Bank, N.A., Stephenville, First Financial Bank, N.A., Weatherford, First Financial Trust & Asset Management Company, N.A. and First Technology Services, Inc., all wholly owned subsidiaries of the Company. He is Chairman, Chief Executive Officer and President of the Company. He became Chairman in 2008 and became CEO/President in 2001. Prior to his role at the Company, he was CEO/President of First Financial Bank, N.A., Abilene from 1991 to 2001. He is a graduate of Texas Tech University and recently served on the board of Trustees of Texas Tech University from 2005 to 2009, the last two years as Chairman. He currently serves on the boards of Breck Operating, Inc., Brazos LLP and States Royalty LLP which are privately held oil and gas companies. He was selected as Abilene's Outstanding Citizen of the Year in 2009. Mr. Dueser adds financial services experience, especially lending and asset liability management to the Board as well as a deep understanding of the Company's business and operations. Mr. Dueser also brings risk and operations management and strategic planning expertise to the Board, skills that are important as we continue to implement our business strategy and acquire and integrate growth opportunities.

Murray Edwards, Clyde, Texas, has served as director of the Company since 2006. He serves on the Audit, Executive and Nominating/Corporate Governance Committees. He also is a director of First Financial Bank, N.A., Abilene, and First Technology Services, Inc., both wholly owned subsidiaries of the Company. He is principal of The Edwards Group, a privately owned investment company, and has an undergraduate degree from Texas A&M University and a masters of business administration from Harvard Business School. He has successfully owned and managed a number of businesses including Automated Farm Systems, Alderman-Cave Feeds, Abilene Cattle Feeders, Cape & Son, Bluebonnet Feeds and Innovation Event Management. He was the largest shareholder and a director of Peoples State Bank, Clyde, Texas, prior to being acquired by the Company. Mr. Edwards has significant risk management, merger and acquisitions and strategic planning skills. In addition, he brings strong agriculture, accounting, and financial skills important to the oversight of our financial reporting, enterprise and operational risk management.

Ron Giddiens, San Angelo, Texas, has served as a director of the Company since 2009. He serves on the Audit Committee. He also is on the board of First Financial Bank, N.A., San Angelo, and First Technology Services, Inc., both wholly owned subsidiaries of the Company. He is a former president of West Side National Bank in San Angelo prior to its sale to Boatmans Bank and Bank of America. He currently provides business, acquisition and valuations consulting through his company, D & G Consulting. He is a graduate of Baylor University and the Southwestern Graduate School of Banking at Southern Methodist University. Mr. Giddiens adds significant financial services industry expertise relevant to our community banking, wealth management, and commercial lending businesses. His leadership experience with a large financial services company is important to the oversight of our multi-bank subsidiary business model.

Kade L. Matthews, Amarillo, Texas, has served as a director of the Company since 1998. He serves on the Compensation Committee. He also is on the board of First Financial Bank, Hereford, a wholly owned subsidiary of the Company. He is President of the Legett Foundation, a private charitable foundation in Texas, as well as an emeritus trustee of Texas Christian University, where he is a graduate. He also is on the board of visitors of the MD Anderson Cancer Center in Houston, president of the Dodge Jones Foundation, a private charitable foundation in Abilene, board of directors of Kickapoo Springs Foundation, a private charitable foundation in Abilene, and a former member of the Amarillo Area Foundation. Mr. Matthews is also a former regent of Clarendon College and former president of the Clarendon College Foundation. He is a rancher and manages investments. Mr. Matthews provides excellent agriculture and wealth management experience, local knowledge of economic trends in the communities that we serve as well as compensation and benefits experience and corporate governance experience garnered through his leadership position and board service with other entities.

Johnny E. Trotter, Hereford, Texas, has served as a director of the Company since 2003. He serves on the Executive, Compensation and Nominating/Corporate Governance Committees. He also is on the board of First Financial Bank, Hereford, a wholly owned subsidiary of the Company. He is President of Livestock Investors, Ltd., one of the largest cattle feeders in the United States as well as an officer in Panhandle Express Transportation LLC, a privately owned feed transportation company, and Deaf Smith Enterprises LLC, a privately owned real estate company. He also is President of the Ford dealership in Hereford, Texas, and owns and manages ranches/farms in Texas, New Mexico, Oklahoma and Mississippi. He also is a director of First United Bank, Dimmitt, Texas, an unaffiliated bank. He is also a director and executive committee member of the American Quarter Horse Association and is active in numerous other cattle/horse associations and philanthropic/community involvement. He was named 2004 Citizen of the Year in Hereford/Deaf County, Texas. Mr. Trotter brings key leadership, risk management, operations, strategic planning and auto industry/agricultural expertise that assist the Board in overseeing the Company's operations in a challenging economy.

THE BOARD OF DIRECTORS RECOMMENDS YOU

VOTE FOR THE ELECTION OF EACH OF THESE NOMINEES.

PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Audit Committee of your Board of Directors has selected Ernst & Young LLP to serve as our independent auditors for the year ending December 31, 2012 and to serve until the next annual meeting in April 2013. Ernst & Young LLP has served as the Company's independent auditors since 2002. We have been advised by Ernst & Young LLP that neither its firm nor any of its members has any financial interest, direct or indirect, in us, nor has had any connection with us or any of our subsidiaries in any capacity other than independent auditors. The Board of Directors recommends that you vote for the ratification of the selection of Ernst & Young LLP. Shareholder ratification of the selection of Ernst & Young LLP as our independent auditors is not required by our certificate of formation, bylaws or otherwise. Nevertheless, your Board of Directors is submitting this matter to the shareholders in conformance with the practices of good corporate governance. If the shareholders do not ratify the appointment of Ernst & Young LLP, then the appointment of independent auditors will be reconsidered by our Audit Committee. Even if the appointment is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent audit firm at any time during the year if it is determined that such a change would be in the best interests of the Company and its shareholders. Representatives of Ernst & Young LLP are expected to be present at the annual shareholders meeting, and they may have the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions.

**THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE
RATIFICATION OF THE APPOINTMENT OF ERNST & YOUNG LLP AS THE COMPANY'S
INDEPENDENT AUDITORS FOR THE YEAR 2012**

PROPOSAL 3

ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

Pursuant to the Securities and Exchange Commission rules adopted under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act), we are conducting a shareholder advisory vote on the compensation paid to our named executive officers. Although the vote is advisory and is not binding on the Board, the Company or the Compensation Committee, the Board's Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.

This proposal, commonly referred to as a "say-on-pay" proposal, gives shareholders the opportunity to express their views on the compensation of our named executive officers and the executive compensation philosophy, policies and programs described in this proxy statement. We ask that you support the compensation of our named executive officers as disclosed under the heading "Executive Compensation", including The Compensation Discussion and Analysis section and the accompanying compensation tables and related narrative disclosure.

As described in the Compensation Discussion and Analysis section, we seek to provide a compensation package that attracts and retains executive talent, provides rewards for superior performance and produces consequences for underperformance. We believe that our compensation program strikes the appropriate balance between utilizing responsible, measured pay practices and effectively incentivizing our named executive officers to dedicate themselves fully to value creation for our shareholders.

You are encouraged to read the detailed information under "Executive Compensation" beginning on page 15 of this proxy statement for additional details about our executive compensation programs. Shareholder advisory votes on executive compensation will currently take place on an annual basis. Accordingly, our next shareholder advisory vote on executive compensation is expected to occur at the 2013 annual meeting of shareholders.

The Board strongly endorses the Company's executive compensation program and recommends that shareholders vote in favor of the following resolution:

RESOLVED, that the shareholders of First Financial Bankshares, Inc. hereby approve on an advisory basis, the compensation paid to the Company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders, including the Compensation Discussion and Analysis compensation tables and narrative discussion.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE

RESOLUTION RELATED TO COMPENSATION OF NAMED EXECUTIVE OFFICERS

PROPOSAL 4

APPROVAL OF INCENTIVE STOCK OPTION PLAN

The Board of Directors at a meeting held on January 24, 2012, adopted, subject to shareholder approval, the First Financial Bankshares, Inc. 2012 Incentive Stock Option Plan (the Plan). The complete text of the Plan is set forth in Appendix A. Our employees and the employees of our subsidiaries are eligible to participate in the Plan. The Plan provides for the granting of incentive stock options which are intended to qualify for special tax treatment under the Federal Internal Revenue Code of 1986, as amended (the Code).

Each of our executive officers and subsidiary officers (approximately 200) are eligible to participate in the Plan and therefore may benefit from approval of the Plan. The options price for each stock option shall not be less than 100% of the fair market value per share of the common stock on the date of grant. The Compensation Committee determines the fair market value of the common stock on the date of grant and sets forth the determination in its minutes. The Plan will terminate on January 24, 2022 but the stock options granted before that date will continue to be effective in accordance with their terms and conditions. Stock options become exercisable generally over a five year vesting period, 20% per year, beginning at the end of two years. Common shares totaling 1,500,000 shares have been reserved for issuance under the Plan. The option period that a stock option may be exercised is generally ten years from the date of grant. Future awards to be received by an individual or group under the Plan are not determinable at this time and will depend on individual and corporate performance and other determinations to be made by the Compensation Committee.

The purposes of the Plan are to attract and retain key officers and to encourage performance by providing a proprietary interest in our Company through the granting of stock options. We believe that stock options are the appropriate long term incentive to link executives' performance with stock price appreciation and franchise value. We continue to review this program with each grant to ensure that equity compensation will drive our executives toward successful long-term business results.

Only incentive stock options (as defined in the Code) may be granted under the Plan. Incentive stock options granted under the Plan may be exercised solely by the grantee, or in the case of the grantee's death or incapacity, by the grantee's executors, administrators, guardians or other legal representatives and are not assignable or transferable by a grantee. We generally expect the grantee not to dispose of the shares obtained through exercise of the options but rather to keep and build an equity interest in the Company. Incentive stock options further encourage our officers to exercise their options and hold the resulting shares by giving them the opportunity for favorable tax treatment for the exercise gain if certain holding requirements are met (see below).

Generally, the Compensation Committee grants options every two years, subject to the Board's approval. Allocation of options is based on competitive market considerations, past and expected performance of the executive, fairness, affordability and retention considerations. Grantees are required to sign confidentiality, non-solicitation and non-competition agreements in connection with receipt of the option grants to preclude actions detrimental to us. Administration of the Plan is delegated to an executive officer of the Company.

All awards made under the Plan are discretionary. The benefits and amounts that will be received by or allocated to any person under the Plan are not determinable at this time. Information regarding equity awards granted to our named executive officers during 2011 is provided in the Grants of Plan-Based Awards table on page 23. No equity-based awards were granted to our directors during 2011. During 2011, we granted 154,100 options that totaled \$4.8 million (based on grant day fair value of \$31.45) in the aggregate to the employees of the Company and each of our subsidiaries under our current incentive stock option plan that expired in January 2012.

The Board may alter, amend, revise, suspend or discontinue the Plan without obtaining approval of the Company's shareholders, provided such action shall not (i) increase the benefits accruing to participants under the Plan, (ii) increase the number of securities which may be issued under the Plan, (iii) modify the requirements as to eligibility for participation in the Plan, (iv) affect outstanding stock options or any unexercised rights thereunder, (v) extend the term of the Plan, or (vi) extend the period in which an option is exercisable beyond ten (10) years. Subject to the foregoing limitations, the Board may amend the Plan or modify the agreements evidencing same in order to comply with any exemption from the operation of Section 16(b) of the Securities Exchange Act of 1934.

For Federal income tax purposes the grant of an incentive stock option will generally not result in taxable income to the participant. The excess of the fair market value of the shares at the time of the exercise of an incentive stock option over the exercise price is an adjustment that is included in the calculation of the participant's alternative minimum taxable income for the tax year in which the incentive stock option is exercised. For purposes of determining the participant's alternative minimum tax liability for the year of disposition of the shares acquired pursuant to the incentive stock option exercise, the participant will have a basis in those shares equal to the fair market value of the shares at the time of exercise. If the participant does not sell or otherwise dispose of the shares within two years from the date of the grant of the incentive stock option or within one year after the exercise of such stock option, then, upon disposition of such shares, any amount realized in excess of the exercise price will be taxed as a capital gain. A capital loss will be recognized to the extent that the amount realized is less than the exercise price. If the foregoing holding period requirements are not met, the participant will generally realize ordinary income at the time of the disposition of the shares, in an amount equal to the lesser of (i) the excess of the fair market value of the shares on the date of exercise over the exercise price or (ii) the excess, if any, of the amount realized upon disposition of the shares over the exercise price, and the Company will be entitled to a corresponding deduction. If the amount realized exceeds the value of the shares on the date of exercise, any additional amount will be a capital gain. If the amount realized is less than the exercise price, the participant will recognize no income, and a capital loss will be recognized equal to the excess of the exercise price over the amount realized upon the disposition of the shares.

The following chart gives aggregate information under our equity compensation plans as of December 31, 2011.

	Number of Securities To be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Far Left Column)
Equity compensation plans approved by security holders	481,024	\$ 29.11	605,905
Equity compensation plans not approved by security holders			
Total	481,024	\$ 29.11	605,905

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF

ADOPTION OF THE 2012 INCENTIVE STOCK OPTION PLAN

PROPOSAL 5

AMENDMENT TO AMENDED AND RESTATED CERTIFICATE OF FORMATION

TO INCREASE THE NUMBER OF AUTHORIZED COMMON SHARES

Our amended and restated certificate of formation currently authorizes 40,000,000 common shares, par value \$0.01 per share, which we refer to as our common stock. Because approximately 31,465,473 common shares are currently issued and outstanding and 481,024 shares are reserved for issuance upon exercise of our outstanding stock options, we have 8,053,503 common shares available for future issuances. Accordingly, we believe it is necessary to increase our total number of authorized common shares to 80,000,000 so that we have the flexibility in the future to issue more common shares, whether as a stock dividend, as consideration for an acquisition, in accordance with our stock option plans, to raise additional capital or otherwise. Although the proposed increase in our authorized common shares could be construed as having anti-takeover effects, neither our Board of Directors nor our management views this proposal in that perspective, and we are not aware of any takeover bid at this time. Our Board of Directors has approved this amendment, but your approval is also required under Texas law to amend our amended and restated certificate of formation. Should the amendment not be approved, the Company would be limited in regards to future stock dividends, acquisitions using our common shares as consideration or incentivizing our employees through equity compensation plans.

The effect of the proposed amendment is to authorize an additional 40,000,000 common shares, par value \$0.01 per share. The future issuance of any newly authorized common shares, if any, would be authorized by resolution of the Board of Directors without further approval of the shareholders. Shareholders will have no preemptive rights to subscribe for additional common shares. The additional common shares to be authorized would be identical to our currently outstanding common shares, including being subject to the same conditions and having the same voting and other rights. Approval of this proposed amendment and any subsequent issuance of additional common shares would not affect your current rights as a shareholder, except for effects of a potential increase in the number of common shares outstanding, such as dilution of the earnings per share, book value per share and the voting power of current holders of common shares. Therefore, we are asking you to vote on the following resolution:

RESOLVED, that the Amended and Restated Certificate of Formation of First Financial Bankshares, Inc. (the Company) be amended to increase the total number of authorized common shares so that the Company is authorized to issue 80,000,000 common shares, to be effected by amending Article Four of the Company's Amended and Restated Certificate of Formation to read in its entirety as follows:

The aggregate number of common shares which the corporation shall have authority to issue is 80,000,000 of the par value of \$0.01 each.

**THE BOARD OF DIRECTORS RECOMMENDS YOU VOTE FOR THE AMENDMENT AND
INCREASE IN THE NUMBER OF COMMON SHARES AUTHORIZED**

Executive Officers

Set forth in the following table are our executive officers, and our common shares beneficially owned by each of them as of February 1, 2012. Except as otherwise indicated, the named executive officer has sole voting and investment power with respect to the shares he holds. The address for each individual is 400 Pine Street, Abilene, Texas 79601.

Name	Age	Office	Years Served in Such Office	Principal Occupation During Past 5 Years	Shares Beneficially Owned	Percent of Shares Outstanding(1)
F. Scott Dueser	58	Chairman of the Board, President and Chief Executive Officer	11	Chairman, President and Chief Executive Officer of First Financial Bankshares, Inc.; Chairman, First Financial Bank, N.A., Abilene*	315,729(2)(3)	