



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

**July 14, 2008**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First Financial Bank, National Association  
Charter Number 13107

403 North Main  
Cleburne, TX 76031-0000

Office of the Comptroller of the Currency

FORT WORTH  
9003 Airport Freeway Suite 275  
North Richland Hills, TX 75201-3342

**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 performance of First Financial Bank, Cleburne, Texas, (FFB) reflects satisfactory responsiveness to its community's credit needs. This assessment is based on the following conclusions:

- The bank's average loan-to-deposit ratio of 55.9% since the previous CRA examination meets the standards for satisfactory performance given the bank's size, financial condition, local competition, and assessment area credit needs.
- A significant majority of the bank's lending activities is within the assessment area. Based on the loans reviewed in our samples, 87.5% of the number and 82.7% of the dollar amount were originated within the assessment area.
- The distribution of loans among individuals of different income levels and businesses of different sizes meets the standards. A reasonable portion of our 1-4 family and consumer auto samples was to low and moderate income families and households. Also, the bank meets the small dollar credit needs through primarily unsecured products. A large portion of the commercial loans was to small businesses.
- The geographic distribution of loans demonstrates reasonable penetration in the moderate income census tracts (there were no low income census tracts in the assessment area).

## **SCOPE OF EXAMINATION**

The evaluation period for our assessment of FFB's CRA efforts, was January 1, 2008 to July 11, 2008. Loan products evaluated include 1-4 family home improvement loans, consumer auto loans and general commercial loans. Our samples include all 1-4 family home improvement loans made January, 1 2004, 20 consumer auto loans and 20 general commercial loans. We performed a full-scope review of FFB's assessment area – Johnson and Ellis Counties, Texas, which was the basis of our overall rating of FFB's CRA efforts.

## DESCRIPTION OF INSTITUTION

FFB is an intrastate bank that was chartered in 1927 as First National Bank in Cleburne and was acquired by First Financial Bankshares, Inc. in 1990. In September 1993, the bank purchased the Bank One branch on the west side of Cleburne. In February 1997, FFB opened a loan production office in Burleson and later converted it to a full-service branch. In March 1999, the bank merged with Cleburne State Bank but retained the FFB charter. The resulting bank operates two locations in Cleburne, one location in Alvarado and one location in Burleson, all with drive-up facilities and automated teller machines (ATMs). The bank changed its name to First Financial Bank, National Association in 2001.

FFB offers a wide variety of products and services, including home purchase and refinance loans, home improvement loans, commercial real estate and construction loans, large and small business loans, small farm loans, and consumer loans. As of March 31, 2008, FFB had total assets of \$242 million, total loans of \$136 million, and total deposits of \$218 million. The loan portfolio is diversified as follows:

<b>Loan Category</b>	<b>\$ (000)</b>	<b>%</b>
Commercial Real Estate Loans	84,270	62%
Commercial Loans	31,622	23%
Consumer Loans	16,525	12%
Other	2,363	2%
Agricultural Loans	935	1%
<b>Total</b>	135,715	100%
Percentage of Loans to Total Assets	56%	

FFB is a wholly owned subsidiary of First Financial Bankshares, Inc. (FFBI), a multi-bank holding company headquartered in Abilene, Texas. The parent company owns nine other banks operating in Central, West, and North Texas. A full range of credit products, depository accounts, trust services and retail non-deposit investment services are offered throughout the company. FFB has no operating subsidiaries and has had no merger or acquisition activity during the evaluation period.

FFB received an overall rating of “Satisfactory” during the previous CRA examination conducted in February 2003. Our review of the Office of the Comptroller of the Currency (OCC) records and the bank's CRA Public File did not reveal any complaints relating to the bank's CRA performance since the last CRA examination. There are no legal or financial impediments to the bank's ability to meet the credit needs of its assessment area.

## DESCRIPTION OF ASSESSMENT AREA(S)

FFB has defined its assessment area as Johnson and Ellis Counties. Cleburne lies within Johnson County, which is the county seat. These counties are contiguous and are considered to be one assessment area. The assessment area is legal and meets the requirements of the regulation. Johnson County is not part of any Metropolitan Statistical Area (MSA) while Ellis County is part of the Dallas-Plano-Irving MSA. Below is a description of the assessment area, which includes information on demographics, housing, and family data.

<b>Assessment Area</b>	
<i>Population</i>	
Number of Families	64,504
Number of Households	80,682
<i>Geographies</i>	
Number of Census Tracts	45
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	24.44%
% Middle-Income Census Tracts	66.67%
% Upper-Income Census Tracts	8.89%
<i>Median Family Income (MFI)</i>	
2000 MFI for AA	\$54,757
2008 HUD-Adjusted MFI	\$64,744
<i>Economic Indicators</i>	
Unemployment Rate	2.43%
2008 Median Housing Value	\$80,866
% of Households Below Poverty Level	8.82%

Data Source: 2000 Census with selected updates through 2008

The primary credit needs of the Johnson and Ellis Counties continue to be centered on residential and small business. There is a shortage of upper income housing, which is a result of the builder's perspective of the housing market in Cleburne.

The major employer in Cleburne is Cleburne ISD. Other big employers include: Wal-mart, Johnson County, Johns-Manville Corporation, and Walls Regional Hospital. The Cleburne area does not serve as a bedroom community to surrounding areas but instead draws on the surrounding area for its work force.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA**

Our conclusions in this section are based on the lending activity from the last CRA examination dated February 3, 2003. We used loan, borrower income, and assessment area data provided by the bank and tested it for accuracy. We selected samples from the home improvement, commercial and consumer auto portfolios in order to evaluate the bank's lending performance within the assessment area (refer to **SCOPE OF THE EXAMINATION** for details). For the **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes, and Geographic Distribution of Loans**, we replaced loans originated outside of the assessment area with loans originated inside of the assessment area.

### **Loan-to-Deposit Ratio**

FFB's loan-to-deposit (LTD) ratio meets the standards for satisfactory performance.

The LTD ratio measures the extent to which the subject bank has returned the deposits it has received to the community in the form of loans. The average of such ratios for each quarter-end since the last CRA examination is used to determine performance in this area. The average LTD ratio for FFB since the last CRA examination is 55.9%. The assessment area has a number of banks (7) to compare FFB with, and this does not include branches of financial institutions chartered outside the assessment area, credit unions, co-ops, etc. The range of average LTD ratios for these banks was 55.5% to 91%. Based on this information, FFB's LTD ratio is reasonable and meets the credit needs of the communities served.

### **Lending in Assessment Area**

FFB's lending within the assessment areas exceeds the standards for satisfactory performance.

This section quantifies what proportion of the bank's lending activity is within its assessment area. An institution that exhausts its resources lending in other areas, to the exclusion and detriment of its own assessment area, would be considered less than satisfactory. However, FFB's lending efforts are significantly concentrated within the assessment area.

To assess the bank's performance in this area we used the samples noted above. Based on our sample results, a significant majority of loans are within the bank's assessment area. The following tables reflect the results of our assessment of the bank's efforts to lend in its assessment area.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Home Improvement Loans	187	86.6%	\$3,562	85.1%	29	13.4%	\$622	14.9%
Consumer Auto Loans	20	100.0%	\$284	100.0%	0	0.0%	\$0	0.0%
Commercial Loans	17	85.0%	\$2,255	77.5%	3	15.0%	\$654	22.5%
<b>Total Reviewed</b>	<b>224</b>	<b>87.5%</b>	<b>\$6,101</b>	<b>82.7%</b>	<b>32</b>	<b>12.5%</b>	<b>\$1,276</b>	<b>17.3%</b>

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

FFB's loan distribution, to the different family and household income levels as well as businesses of different sizes, meets the standards for satisfactory performance.

The bank obtains and analyzes applicant income information during the loan decision process. However, this information is not monitored or used to assess the efforts to meet the standards for CRA purposes. To assess FFB's efforts, we used the samples noted above. Our analysis, detailed in the tables below, indicates that the bank is reasonably lending to borrowers of all income levels and businesses of different sizes. Additionally, the bank has a minimum loan amount in policy for consumer loans. However, the bank also offers alternative products such as overdraft protection (OD). Of the loans currently on the books, 19% of the number was for \$1 thousand or less (primarily OD protection accounts). This indicates the bank is meeting the smaller credit needs of the community. Overall, we concluded that the bank's performance is generally proportionate to the income levels of families and households within the assessment area, and the credit needs of low- and moderate-income individuals are being met. Also, the bank meets the needs of the small businesses.

#### *Home Improvement Loans -*

Borrower Distribution of Home Improvement Loans								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
<b>Home Improvement Loans</b>	<b>19.2%</b>	<b>22.5%</b>	<b>20.4%</b>	<b>26.2%</b>	<b>25.5%</b>	<b>23.5%</b>	<b>34.9%</b>	<b>21.4%</b>

Note: 6.4% of the number and 9.9% of the dollar amount of loans sampled did not have income information.

*Consumer Auto Loans -*

<b>Borrower Distribution of Consumer Auto Loans</b>								
<b>Borrower Income Level</b>	<b>Low</b>		<b>Moderate</b>		<b>Middle</b>		<b>Upper</b>	
	<b>% of AA Households</b>	<b>% of Number of Loans</b>	<b>% of AA Households</b>	<b>% of Number of Loans</b>	<b>% of AA Households</b>	<b>% of Number of Loans</b>	<b>% of AA Households</b>	<b>% of Number of Loans</b>
<b>Consumer Auto Loans</b>	<b>21.3%</b>	<b>15.0%</b>	<b>17.1%</b>	<b>25.0%</b>	<b>21.8%</b>	<b>30.0%</b>	<b>39.7%</b>	<b>20.0%</b>

Note: 10% of the number and 6.6% of the dollar amount of loans sampled did not have income information.

*Commercial Loans -*

<b>Borrower Distribution of Loans to Businesses</b>				
<b>Business Revenues (or Sales)</b>	<b>≤\$1,000,000</b>	<b>&gt;\$1,000,000</b>	<b>Unavailable/Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	<b>65.1%</b>	<b>3.5%</b>	<b>31.4%</b>	<b>100%</b>
<b>% of Bank Loans in AA by #</b>	<b>70.0%</b>	<b>20.0%</b>	<b>10.0%</b>	<b>100%</b>
<b>% of Bank Loans in AA by \$</b>	<b>41.5%</b>	<b>57.5%</b>	<b>1.0%</b>	<b>100%</b>

**Geographic Distribution of Loans**

FFB's loan distribution, to the different geography income levels, meets the standards for satisfactory performance. The distribution of loans originated follows a pattern indicative of an institution seeking to serve the credit needs of the assessment area.

As noted before, the bank obtains specific borrower information, including addresses but does not track loans by location for CRA purposes. Therefore, the samples noted earlier were used to assess the bank's effort in this section. Based on our analysis, FFBs lending efforts reasonably penetrate into the geographies of the different income levels. The results of our analysis are illustrated in the following table.

<b>GEOGRAPHIC DISTRIBUTION OF LOANS</b>						
<b>Geographic Breakdown *</b>	<b>Moderate Income</b>		<b>Middle Income</b>		<b>Upper Income</b>	
<b>% of Geographies</b>	<b>24.4%</b>		<b>66.7%</b>		<b>8.9%</b>	
	<b>% of Number</b>	<b>% of Amount</b>	<b>% of Number</b>	<b>% of Amount</b>	<b>% of Number</b>	<b>% of Amount</b>
<b>Home Improvement</b>	<b>25.7%</b>	<b>23.8%</b>	<b>72.7%</b>	<b>75.1%</b>	<b>1.6%</b>	<b>1.1%</b>
<b>Consumer Auto</b>	<b>30.0%</b>	<b>22.1%</b>	<b>70.0%</b>	<b>77.9%</b>	<b>0%</b>	<b>0%</b>
<b>Commercial</b>	<b>30.0%</b>	<b>27.7%</b>	<b>70.0%</b>	<b>72.3%</b>	<b>0%</b>	<b>0%</b>

\* There are no Low Income geographies in the assessment area



## **Responses to Complaints**

FFB has not received any complaints pertaining to its CRA performance during this evaluation period.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.