

FIRST FINANCIAL BANKSHARES INC
Form 10-Q
July 27, 2012
Table of Contents

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, 2012

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
(Address of principal executive offices)

79601
(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 July 27, 2012
Common Stock, \$0.01 par value per share	31,482,177

Table of Contents

TABLE OF CONTENTS

Item	Page
<u>PART I</u>	
<u>FINANCIAL INFORMATION</u>	
1. <u>Financial Statements</u>	3
<u>Consolidated Balance Sheets Unaudited</u>	4
<u>Consolidated Statements of Earnings Unaudited</u>	5
<u>Consolidated Statements of Comprehensive Earnings Unaudited</u>	6
<u>Consolidated Statements of Changes in Shareholders' Equity Unaudited</u>	7
<u>Consolidated Statements of Cash Flows Unaudited</u>	8
<u>Notes to Consolidated Financial Statements Unaudited</u>	9
2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	28
3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	45
4. <u>Controls and Procedures</u>	45
<u>PART II</u>	
<u>OTHER INFORMATION</u>	
6. <u>Exhibits</u>	46
<u>Signatures</u>	48

Table of Contents

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

The consolidated balance sheets of First Financial Bankshares, Inc. (the Company) at June 30, 2012 and 2011 and December 31, 2011, the consolidated statements of earnings and comprehensive earnings for the three and six months ended June 30, 2012 and 2011, and changes in shareholders' equity and cash flows for the six months ended June 30, 2012 and 2011, 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)

	June 30, 2012 (Unaudited)	June 30, 2011	December 31, 2011
ASSETS			
CASH AND DUE FROM BANKS	\$ 122,534	\$ 106,500	\$ 146,239
FEDERAL FUNDS SOLD	10,100	3,195	
INTEREST-BEARING DEPOSITS IN BANKS	25,794	114,776	104,597
Total cash and cash equivalents	158,428	224,471	250,836
INTEREST-BEARING TIME DEPOSITS IN BANKS	74,594	78,312	61,175
SECURITIES AVAILABLE-FOR-SALE, at fair value	1,961,908	1,639,992	1,841,389
SECURITIES HELD-TO-MATURITY (fair value of \$1,485, \$6,756 and \$3,655 at June 30, 2012 and 2011 and December 31, 2011, respectively)	1,459	6,663	3,609
LOANS			
Held for investment	1,908,615	1,715,159	1,775,915
Less - allowance for loan losses	(34,747)	(33,406)	(34,315)
Net loans held for investment	1,873,868	1,681,753	1,741,600
Held for sale	9,677	4,256	10,629
Net loans	1,883,545	1,686,009	1,752,229
BANK PREMISES AND EQUIPMENT, net	80,404	72,550	76,483
INTANGIBLE ASSETS	72,040	72,307	72,122
OTHER ASSETS	59,426	60,711	62,688
Total assets	\$ 4,291,804	\$ 3,841,015	\$ 4,120,531
LIABILITIES AND SHAREHOLDERS' EQUITY			
NONINTEREST-BEARING DEPOSITS	\$ 1,156,238	\$ 989,271	\$ 1,101,576
INTEREST-BEARING DEPOSITS	2,235,942	2,130,170	2,233,222
Total deposits	3,392,180	3,119,441	3,334,798
DIVIDENDS PAYABLE	7,870	7,548	7,550
SHORT-TERM BORROWINGS	251,428	192,364	207,756
OTHER LIABILITIES	106,063	43,957	61,890
Total liabilities	3,757,541	3,363,310	3,611,994
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY			
	315	314	314

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Common stock - \$0.01 par value, authorized 80,000,000 shares; 31,481,747, 31,451,300, and 31,459,635 shares issued at June 30, 2012 and 2011 and December 31, 2011, respectively			
Capital surplus	276,801	275,670	276,127
Retained earnings	205,554	164,417	184,871
Treasury stock (shares at cost: 263,917, 251,516, and 258,235 at June 30, 2012 and 2011 and December 31, 2011, respectively)	(4,763)	(4,394)	(4,597)
Deferred compensation	4,763	4,394	4,597
Accumulated other comprehensive earnings	51,593	37,304	47,225
Total shareholders equity	534,263	477,705	508,537
Total liabilities and shareholders equity	\$ 4,291,804	\$ 3,841,015	\$ 4,120,531

See notes to consolidated financial statements.

Table of Contents

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

(Dollars in thousands, except per share amounts)

	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
INTEREST INCOME:				
Interest and fees on loans	\$ 25,014	\$ 24,633	\$ 49,654	\$ 48,920
Interest on investment securities:				
Taxable	8,214	9,831	17,018	19,423
Exempt from federal income tax	6,456	5,459	12,598	10,940
Interest on federal funds sold and interest-bearing deposits in banks	227	318	438	685
Total interest income	39,911	40,241	79,708	79,968
INTEREST EXPENSE:				
Interest on deposits	1,310	2,014	2,793	4,364
Other	45	51	102	102
Total interest expense	1,355	2,065	2,895	4,466
Net interest income	38,556	38,176	76,813	75,502
PROVISION FOR LOAN LOSSES	759	1,924	2,055	4,051
Net interest income after provision for loan losses	37,797	36,252	74,758	71,451
NONINTEREST INCOME:				
Trust fees	3,670	3,211	7,124	6,254
Service charges on deposit accounts	4,042	4,520	7,924	8,894
ATM, interchange and credit card fees	3,784	3,415	7,460	6,491
Real estate mortgage operations	1,218	941	2,268	1,874
Net gain on available-for-sale securities	382	42	728	261
Net gain (loss) on sale of foreclosed assets	(404)	(1,111)	(406)	(1,174)
Other	772	876	1,664	2,136
Total noninterest income	13,464	11,894	26,762	24,736
NONINTEREST EXPENSE:				
Salaries and employee benefits	14,189	14,008	28,418	28,243
Net occupancy expense	1,743	1,685	3,480	3,332
Equipment expense	2,144	1,951	4,252	3,822
FDIC insurance premiums	565	597	1,093	1,568
ATM, interchange and credit card expenses	1,450	1,183	2,699	2,330
Professional and service fees	689	834	1,426	1,834
Printing, stationery and supplies	511	489	1,015	916
Amortization of intangible assets	38	105	82	216
Other	5,416	5,036	10,748	9,787
Total noninterest expense	26,745	25,888	53,213	52,048

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EARNINGS BEFORE INCOME TAXES	24,516	22,258	48,307	44,139
INCOME TAX EXPENSE	6,165	5,738	12,200	11,324
NET EARNINGS	\$ 18,351	\$ 16,520	\$ 36,107	\$ 32,815
EARNINGS PER SHARE, BASIC	\$ 0.58	\$ 0.53	\$ 1.15	\$ 1.04
EARNINGS PER SHARE, ASSUMING DILUTION	\$ 0.58	\$ 0.52	\$ 1.15	\$ 1.04
DIVIDENDS PER SHARE	\$ 0.25	\$ 0.24	\$ 0.49	\$ 0.47

See notes to consolidated financial statements.

Table of Contents**FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS - (UNAUDITED)****(Dollars in thousands)**

	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
NET EARNINGS	\$ 18,351	\$ 16,520	\$ 36,107	\$ 32,815
OTHER ITEMS OF COMPREHENSIVE EARNINGS:				
Change in unrealized gain on investment securities available-for-sale, before income taxes	10,536	18,689	7,448	26,186
Reclassification adjustment for realized gains on investment securities included in net earnings, before income tax	(382)	(42)	(728)	(261)
Total other items of comprehensive earnings	10,154	18,647	6,720	25,925
Income tax expense related to other items of comprehensive earnings	(3,554)	(6,526)	(2,352)	(9,074)
COMPREHENSIVE EARNINGS	\$ 24,951	\$ 28,641	\$ 40,475	\$ 49,666

See notes to consolidated financial statements.

Table of Contents

FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

(Dollars in thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Treasury Stock Shares	Treasury Stock Amounts	Deferred Compensation	Accumulated Other Comprehensive Earnings	Total Shareholders Equity
Balances at December 31, 2010	20,942,141	\$ 209	\$ 274,629	\$ 146,397	(166,329)	\$ (4,207)	\$ 4,207	\$ 20,453	\$ 441,688
Net earnings (unaudited)				32,815					32,815
Stock issuances (unaudited)	27,982		804						804
Cash dividends declared, \$0.47 per share (unaudited)				(14,690)					(14,690)
Change in unrealized gain in investment securities available-for-sale, net of related income taxes (unaudited)								16,851	16,851
Additional tax benefit related to directors' deferred compensation plan (unaudited)			20						20
Shares purchased in connection with directors' deferred compensation plan, net (unaudited)					(2,041)	(187)	187		
Stock option expense (unaudited)			217						217
Three-for-two stock split in the form of a 50% stock dividend (unaudited)	10,481,177	105		(105)	(83,146)				
Balances at June 30, 2011 (unaudited)	31,451,300	\$ 314	\$ 275,670	\$ 164,417	(251,516)	\$ (4,394)	\$ 4,394	\$ 37,304	\$ 477,705
Balances at December 31, 2011	31,459,635	\$ 314	\$ 276,127	\$ 184,871	(258,235)	\$ (4,597)	\$ 4,597	\$ 47,225	\$ 508,537
Net earnings (unaudited)				36,107					36,107
Stock issuances (unaudited)	22,112	1	481						482
Cash dividends declared, \$0.49 per share (unaudited)				(15,424)					(15,424)
Change in unrealized gain in investment securities available-for-sale, net of related income taxes (unaudited)								4,368	4,368
Additional tax benefit related to directors' deferred compensation			20						20

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plan (unaudited)

Shares purchased in connection with directors' deferred compensation plan, net (unaudited)					(5,682)	(166)	166		
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Stock option expense (unaudited)									173
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Balances at June 30, 2012 (unaudited)	31,481,747	\$ 315	\$ 276,801	\$ 205,554	(263,917)	\$ (4,763)	\$ 4,763	\$ 51,593	\$ 534,263
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See notes to consolidated financial statements.

Table of Contents

FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS - (UNAUDITED)

(Dollars in thousands)

	Six Months Ended June 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 36,107	\$ 32,815
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization		&nb