

Edgar Filing: FIRST FINANCIAL BANKSHARES INC - Form 8-K

FIRST FINANCIAL BANKSHARES INC
Form 8-K
April 20, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of Earliest Event Reported): April 20, 2006

FIRST FINANCIAL BANKSHARES, INC.

(Exact Name of Registrant as Specified in its Charter)

Texas	0-7674	75-0944023
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(State or other Jurisdiction of Incorporation)	(Commission File No.)	(IRS Employer Identification No.)

400 Pine Street, Abilene, Texas 79601

(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number (325) 627-7155

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02 Results of Operations and Financial Condition

Attached as an exhibit to this Form 8-K is the earnings release for the quarter ended March 31, 2006 of First Financial Bankshares, Inc.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

FIRST FINANCIAL BANKSHARES, INC.
(Registrant)

DATE: April 20, 2006

By: /S/ F. Scott Dueser

F. SCOTT DUESER
President and Chief Executive Officer

EXHIBIT

For immediate release

For More Information:

J. Bruce Hildebrand, Executive Vice President
325.627.7155

FIRST FINANCIAL BANKSHARES ANNOUNCES
FIRST QUARTER EARNINGS RESULTS

ABILENE, Texas, April 20, 2006 - First Financial Bankshares, Inc. today reported earnings for the first quarter of 2006 of \$11.47 million, compared with \$12.08 million in the same quarter last year. Basic earnings per share were \$0.55 compared with \$0.58 in the same period last year. The 2005 results included a \$3.0 million special distribution of proceeds to the Company from the merger of PULSE EFT Association and Discover Financial Services, Inc. Excluding these special proceeds, the Company's net income in the first quarter of 2006 would have increased 13.10 percent and its basic earnings per share 12.24 percent.

Net interest income for the first quarter increased 12.22 percent to \$25.65 million compared with \$22.86 million in the same quarter last year, primarily due to an increase in interest-earning assets from the acquisition in December 2005 of The First National Bank of Bridgeport. The net interest margin, on a taxable equivalent basis, was 4.41 percent for the first quarter of 2006 compared with 4.52 percent in the same period a year ago. This decrease in the net interest margin was due primarily to the flattening yield curve between short and long-term interest rates, which has put pressure on margins in recent quarters. The provision for loan losses was \$333,000 in the first quarter of 2006, down from \$410,000 in the same quarter last year.

Noninterest income in the first quarter was \$11.48 million compared with \$13.35 million in the same quarter a year earlier. However, excluding the proceeds from the PULSE/Discover transaction described above, noninterest income in the first quarter of 2005 would have been \$10.37 million, a 10.68 percent increase. Trust fees increased 7.70 percent to \$1.85 million compared with \$1.72 million in the first quarter last year. Revenue from service fees increased 5.38 percent to \$5.29 million compared with \$5.02 million a year ago. The net gain on the sale of student loans was \$1.41 million versus \$1.31 million in the same quarter last year, based on the sale of \$47 million compared to \$44 million in the first

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quarter of 2005.

Noninterest expense increased 10.62 percent in the first quarter of 2006 to \$20.51 million from \$18.54 million in the same quarter last year. The increase was due primarily to additional salary, employee benefits and facilities expenses resulting from the acquisition of the Bridgeport bank and from the opening of new bank branches in Midlothian, Granbury and two in Abilene. The Company's efficiency ratio in the first quarter stood at 53.54 percent compared with 49.54 percent in the same quarter a year ago. Without the PULSE/Discover proceeds described above, the first quarter 2005 efficiency ratio was 53.82 percent. First Financial expects to realize better efficiencies as the Company brings its newly acquired banks into its template and as newly opened branches become profitable.

"We are pleased to begin the year with solid first quarter results," said F. Scott Dueser, President and Chief Executive Officer. "These came despite the continuing flat yield curve, which has put pressure on our net interest margin, and the highly competitive banking environment in Texas."

As of March 31, 2006, consolidated assets for the Company totaled \$2.76 billion compared with \$2.41 billion a year ago. Loans increased 4.66 percent to \$1.25 billion at quarter end, compared with loans of \$1.20 billion at the end of the 2005 first quarter. Total deposits rose 14.01 percent as of March 31, 2006 to \$2.37 billion from \$2.08 billion a year earlier. The acquisition of The First National Bank of Bridgeport accounted for \$65.9 million of the loan growth and \$132.0 million of the deposit growth. Shareholders' equity rose to \$280.6 million as of March 31, 2006, compared with \$266.6 million the prior year.

Headquartered in Abilene, Texas, First Financial Bankshares is a financial holding company that operates ten separately chartered banks with 44 locations in Texas, a trust company and a technology operating company. These subsidiaries are First Financial Bank, N.A., Abilene, Clyde and Moran; First Financial Bank, N.A., Eastland, Ranger and Rising Star; First Financial Bank, N.A., Cleburne, Burleson, Alvarado and Midlothian; Hereford State Bank, Hereford; City National Bank, Mineral Wells; San Angelo National Bank, San Angelo; First Financial Bank, N.A., Southlake, Trophy Club, Keller, Bridgeport, Decatur and Boyd; First Financial Bank, N.A., Stephenville, Granbury and Glen Rose; First National Bank, Sweetwater, Roby and Trent; Weatherford National Bank, Weatherford, Willow Park and Aledo; First Financial Trust & Asset Management Company, N.A.; and First Technology Services, Inc.

The Company is listed on The Nasdaq Stock Market under the trading symbol FFIN. For more information about First Financial Bankshares, please visit our Web site at <http://www.ffin.com>.

Certain statements contained herein may be considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. These statements are based upon the belief of the Company's management, as well as assumptions made beyond information currently available to the Company's management, and may be, but not necessarily are, identified by such words as "expect", "plan", "anticipate", "target", "forecast" and "goal". Because such "forward-looking statements" are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from the Company's expectations include competition from other

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financial institutions and financial holding companies; the effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Federal Reserve Board; changes in the demand for loans; fluctuations in value of collateral and loan reserves; inflation, interest rate, market and monetary fluctuations; changes in consumer spending, borrowing and savings habits; and acquisitions and integration of acquired businesses, and similar variables. Other key risks are described in the Company's reports filed with the Securities and Exchange Commission, which may be obtained under "Investor Relations-Documents/Filings" on the Company's Web site or by writing or calling the Company at 325.627.7155. Except as otherwise stated in this news announcement, the Company does not undertake any obligation to update publicly or revise any forward-looking statements because of new information, future events or otherwise.

FIRST FINANCIAL BANKSHARES, INC.
CONSOLIDATED FINANCIAL SUMMARY (UNAUDITED)
(In thousands, except share and per share data)

	March 31,	
	2006	2005
ASSETS:		
Cash and due from banks	\$ 117,189	\$ 91,934
Fed funds sold	132,925	50,950
Investment securities	1,105,816	947,346
Loans	1,254,973	1,199,117
Allowance for loan losses	(15,116)	(14,409)
Net loans	1,239,857	1,184,708
Premises and equipment	60,933	53,997
Goodwill	62,035	50,758
Other intangible assets	5,855	2,956
Other assets	33,508	25,692
Total assets	\$ 2,758,118	\$ 2,408,341
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Noninterest-bearing deposits	\$ 608,161	\$ 521,453
Interest-bearing deposits	1,760,958	1,556,481
Total deposits	2,369,119	2,077,934
Short-term borrowings	86,384	43,520
Other liabilities	21,987	20,322
Shareholders' equity	280,628	266,565
Total liabilities and shareholders' equity	\$ 2,758,118	\$ 2,408,341

	Three Months Ended March 31,	
	2006	2005
INCOME STATEMENTS		

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Interest income	\$ 36,401	\$ 28,534
Interest expense	10,750	5,677
Net interest income	25,651	22,857
Provision for loan losses	333	410
Net interest income after provision for loan losses	25,318	22,447
Noninterest income	11,478	13,350
Noninterest expense	20,511	18,542
Net income before income taxes	16,285	17,255
Income tax expense	4,818	5,179
Net income	\$ 11,467	\$ 12,076

PER COMMON SHARE DATA

Net income - basic	\$ 0.55	\$ 0.58
Net income - diluted	0.55	0.58
Cash dividends	0.28	0.26
Book value	13.55	12.88
Market value	38.30	33.47
Shares outstanding - end of period	20,717,481	20,688,642
Average outstanding shares - basic	20,715,484	20,684,392
Average outstanding shares - diluted	20,773,616	20,772,559

PERFORMANCE RATIOS

Return on average assets	1.71 %	2.04 %
Return on average equity	16.71	18.19
Net interest margin (tax equivalent)	4.41	4.52
Efficiency ratio	53.54	49.54

Note: On April 26, 2005, the Company's Board of Directors declared a four-for-three stock split in the form of a 33% stock dividend effective June 1, 2005. All share and per share amounts in this earnings release have been restated to reflect this stock split.

FIRST FINANCIAL BANKSHARES, INC.
SELECTED FINANCIAL DATA (UNAUDITED)
(In thousands)

	Quarter Ended		
	2006	2005	
	March 31,	Dec. 31,	Sep. 30,
ALLOWANCE FOR LOAN LOSSES			
Balance at beginning of period	\$ 14,719	\$ 14,375	\$ 14,323
Loans charged off	(380)	(529)	(486)

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Loan recoveries	444	175	221	
	-----	-----	-----	-----
Net (charge-offs) recoveries	64	(354)	(265)	
Allowance established at acquisition	-	429	-	
Provision for loan losses	333	269	317	
	-----	-----	-----	-----
Balance at end of period	\$ 15,116	\$ 14,719	\$ 14,375	\$
	=====	=====	=====	=====
Allowance for loan losses / period-end loans	1.20 %	1.14 %	1.19 %	
Allowance for loan losses / nonperforming loans	401.3	415.9	475.1	
Net charge-offs (recoveries) / average loans (annualized)	(0.02)	0.11	0.09	
NONPERFORMING ASSETS				
Nonaccrual loans	\$ 3,570	\$ 3,524	\$ 2,989	\$
Accruing loans 90 days past due	197	15	37	
	-----	-----	-----	-----
Total nonperforming loans	3,767	3,539	3,026	
Foreclosed assets	588	705	796	
	-----	-----	-----	-----
Total nonperforming assets	\$ 4,355	\$ 4,244	\$ 3,822	\$
	=====	=====	=====	=====
As a % of loans and foreclosed assets	0.35 %	0.33 %	0.32 %	
CAPITAL RATIOS				
Tier 1 Risk-based	14.54 %	14.17 %	15.90 %	
Total Risk-based	15.52	15.13	16.92	
Tier 1 Leverage	8.22	8.56	9.30	
Equity to assets	10.17	10.11	11.15	
RECONCILIATION OF NET INCOME TO NET INCOME EXCLUDING GAIN ON SALE OF PULSE OWNERSHIP RIGHTS				
Net Income				\$
Gain on sale of PULSE ownership rights				
Less Tax Effect				

Net Gain on sale of Pulse ownership rights				

Net Income excluding gain on sale of Pulse Ownership rights				\$
				=====

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FIRST FINANCIAL BANKSHARES, INC.
 SELECTED FINANCIAL DATA (UNAUDITED)
 (In thousands)

NONINTEREST INCOME

Gain on sale of student loans, net
 Gain on sale of PULSE ownership rights
 Gain on securities transactions, net
 Trust fees
 Service charges on deposits
 Real estate mortgage fees
 Net gain (loss) on sale of foreclosed assets
 ATM and credit card fees
 Other noninterest income

Total Noninterest Income

NONINTEREST EXPENSE

Salaries and Employee Benefits
 Net Occupancy Expense
 Equipment Expense
 Printing, Stationery and Supplies
 ATM and credit card expenses
 Audit Fees
 Legal, Tax and Professional Fees
 Correspondent Bank Service Charges
 Advertising and Public Relations
 Amortization of Intangible Assets
 Other Noninterest Expense

Total Noninterest Expense

TAX EQUIVALENT YIELD ADJUSTMENT

AVERAGE BALANCES AND YIELD/RATES

Interest Earning Assets:

 Average Balance

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Fed Funds Sold	\$	105,580	\$
Interest Bearing Deposits in Nonaffiliated Banks		5,904	
Taxable Securities		841,914	
Tax Exempt Securities		230,310	
Loans		1,286,932	
		-----	---
Total Interest Earning Assets		2,470,640	
Non-interest Earning Assets		256,474	
		-----	---
Total Assets	\$	2,727,114	
		=====	
Interest Bearing Liabilities:			
Deposits	\$	1,757,804	\$
Fed Funds Purchased and Other Short Term Borrowings		88,229	
		-----	---
Total Interest Bearing Liabilities		1,846,033	
Non-interest Bearing Liabilities		602,716	
Shareholders' Equity		278,365	
		-----	---
Total Liabilities and Shareholders' Equity	\$	2,727,114	
		=====	
Net Interest Income and Margin (Tax Equivalent)			\$
			==