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FIRST FINANCIAL BANKSHARES INC

Form 8-K

February 06, 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): January 19, 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 December 31, 2005 of First Financial Bankshares, Inc.

SIGNATURES

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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: February 6, 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 FOURTH QUARTER EARNINGS RESULTS; 19th CONSECUTIVE YEAR OF INCREASED EARNINGS

ABILENE, Texas, January 19, 2006 - First Financial Bankshares, Inc. today reported earnings for the fourth quarter of 2005 of \$10.58 million, a 5.2 percent increase compared with \$10.06 million in the same quarter last year. Basic earnings per share were \$0.51 compared with \$0.49 in the same period last year.

For the fourth quarter, net interest income increased 12.9 percent to \$24.79 million compared with \$21.96 million in the same quarter last year, primarily due to an increase in interest-earning assets from the acquisition in February 2005 of The Peoples State Bank in Clyde and the acquisition in December 2005 of The First National Bank of Bridgeport. The net interest margin, on a taxable equivalent basis, was 4.43 percent for the fourth quarter of 2005 compared with 4.46 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 \$269,000 in the fourth quarter of 2005, down from \$614,000 in the same quarter last year.

Noninterest income in the fourth quarter increased 2.6 percent to \$10.0 million from \$9.7 million in the same quarter a year earlier. Trust fees increased 12.3 percent to \$1.9 million compared with \$1.7 million in the fourth quarter of 2004. Revenue from service fees increased nominally to \$5.5 million compared with \$5.4 million a year ago, due to a plateau in the usage of the overdraft privilege product and the impact of rising rates on earnings credits for commercial accounts.

Noninterest expense increased 15.3 percent in the fourth quarter of 2005 to \$19.5 million from \$16.9 million in the fourth quarter last year. The increase was due primarily to additional salary, employee benefits and facilities expenses resulting from the acquisition of the Clyde and Bridgeport banks and from the opening of five bank branches in Willow Park, Midlothian, Granbury and two in Abilene. During the 2005 fourth quarter, the Company also incurred \$291,000 in conversion costs related to the Bridgeport acquisition. The Company's efficiency ratio in the fourth quarter stood at 54.30 percent compared

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with 51.42 percent in the same quarter a year ago. 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.

First Financial Bankshares reported its 19th consecutive year of increased earnings. For the year, net income rose 12.4 percent to \$44.02 million from \$39.17 million in 2004. Excluding PULSE proceeds of \$3.9 million received during the first, second and third quarters of 2005, net income for 2005 increased 5.9 percent to \$41.49 million. Basic earnings per share rose 12.1 percent to \$2.13, compared with \$1.90 in 2004. Excluding the PULSE gain, basic earnings per share for 2005 were \$2.00, an increase of 5.3 percent. Net interest income increased

13.5 percent in 2005 to \$95.2 million from \$83.9 million last year. The provision for loan losses was \$1.32 million for the year, compared with \$1.63 million a year ago.

"We are pleased to report to our shareholders another year of earnings increases, despite the short-term negative impact of our recent growth and the flattening yield curve, which put pressure on our net interest margins and impacted our bottom-line results," said F. Scott Dueser, President and Chief Executive Officer. "This was a year of strong growth for First Financial, as we added locations both through acquisitions and new branches. We feel our Company has never been better positioned in so many attractive Texas markets, which bodes well for our long-term future."

During the fourth quarter, First Financial completed its acquisition of The First National Bank of Bridgeport and combined it with First Financial Bank, N.A., Southlake, to create a bank with assets of \$273 million serving customers in northern Tarrant and Wise Counties. In addition, the Company opened a new bank branch in Granbury.

As of December 31, 2005, consolidated assets for the Company totaled \$2.734 billion compared with \$2.315 billion a year ago. Loans increased 10.7 percent to \$1.289 billion at year end, compared with loans of \$1.164 billion at the end of 2004. Total deposits rose 18.7 percent as of December 31, 2005 to \$2.366 billion from \$1.994 billion a year earlier. The acquisition of banks in Clyde and Bridgeport accounted for \$122.9 million of the loan growth and \$245.9 million of the deposit growth. Shareholders' equity rose to \$276.3 million as of December 31, 2005, compared with \$265.5 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>.

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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 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)

ASSETS:

Cash and due from banks
Fed funds sold
Investment securities
Loans
 Allowance for loan losses

Net loans
Premises and equipment
Goodwill
Other intangible assets
Other assets

Total assets

LIABILITIES AND SHAREHOLDERS' EQUITY:

Noninterest-bearing deposits
Interest-bearing deposits

Total deposits
Short-term borrowings
Other liabilities
Shareholders' equity

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Total liabilities and shareholders' equity

INCOME STATEMENTS	Three Months Ended December 31,	
	2005	2004
Interest income	\$ 33,811	\$ 26,662
Interest expense	9,023	4,699
Net interest income	24,788	21,963
Provision for loan losses	269	614
Net interest income after provision for loan losses	24,519	21,349
Noninterest income	9,966	9,716
Noninterest expense	19,521	16,929
Net income before income taxes	14,964	14,136
Income tax expense	4,383	4,078
Net income	\$ 10,581	\$ 10,058
PER COMMON SHARE DATA		
Net income - basic	\$ 0.51	\$ 0.49
Net income - diluted	0.51	0.48
Cash dividends	0.28	0.26
Book value		
Market value		
Shares outstanding - end of period	20,714,401	20,682,101
Average outstanding shares - basic	20,709,615	20,672,585
Average outstanding shares - diluted	20,791,465	20,761,607
PERFORMANCE RATIOS		
Return on average assets	1.64 %	1.78 %
Return on average equity	15.32	15.00
Net interest margin (tax equivalent)	4.43	4.46
Efficiency ratio	54.30	51.42

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, except per share data)

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	Quarter Ended		
	2005		
	Dec. 31,	Sept. 30,	June 30,
ALLOWANCE FOR LOAN LOSSES			
Balance at beginning of period	\$ 14,375	\$ 14,323	\$ 14,409
Loans charged off	(529)	(486)	(552)
Loan recoveries	175	221	143
Net (charge-offs) recoveries	(354)	(265)	(409)
Allowance established at acquisition	429	-	-
Provision for loan losses	269	317	323
Balance at end of period	\$ 14,719	\$ 14,375	\$ 14,323
Allowance for loan losses / period-end loans	1.14 %	1.19 %	1.20 %
Allowance for loan losses / nonperforming loans	415.9	475.1	609.7
Net charge-offs / average loans (annualized)	0.11	0.09	0.14
NONPERFORMING ASSETS			
Nonaccrual loans	\$ 3,524	\$ 2,989	\$ 2,323
Accruing loans 90 days past due	15	37	26
Total nonperforming loans	3,539	3,026	2,349
Foreclosed assets	705	796	838
Total nonperforming assets	\$ 4,244	\$ 3,822	\$ 3,187
As a % of loans and foreclosed assets	0.33 %	0.32 %	0.27 %
CAPITAL RATIOS			
Tier 1 Risk-based	13.91 %	15.90 %	15.60 %
Total Risk-based	14.87	16.92	16.62
Tier 1 Leverage	8.37	9.30	9.08
Equity to assets	10.11	11.15	11.30

	Three Months Ended December 31,	
	2005	2004
	RECONCILIATION OF NET INCOME	
Net Income	\$ 10,581	\$ 10,058
Gain on sale of PULSE ownership rights	-	-
Less Tax Effect	-	-

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Net Gain on sale of Pulse ownership rights	-----	-----
	-	-
Net Income excluding gain on sale of Pulse Ownership rights	-----	-----
	\$ 10,581	\$ 10,058
	=====	=====

FIRST FINANCIAL BANKSHARES, INC.
SELECTED FINANCIAL DATA (UNAUDITED)
(In thousands, except per share data)

NONINTEREST INCOME	Three Months Ended December 31,	
	2005	2004
Gain on sale of student loans, net	\$ 48	\$ 80
Gain on sale of PULSE ownership rights	-	-
Gain on securities transactions, net	6	336
Trust fees	1,916	1,707
Service charges on deposits	5,493	5,373
Real estate mortgage fees	474	435
Net gain (loss) on sale of foreclosed assets	(3)	1
ATM and credit card fees	1,331	1,063
Other noninterest income	701	721
Total Noninterest Income	\$ 9,966	\$ 9,716
	=====	=====

NONINTEREST EXPENSE	Three Months Ended December 31,	
	2005	2004
Salaries and Employee Benefits	\$ 10,268	\$ 8,770
Net Occupancy Expense	1,353	1,060
Equipment Expense	1,675	1,387
Printing, Stationery and Supplies	497	455
ATM and credit card expenses	747	646
Audit Fees	311	234
Legal, Tax and Professional Fees	688	597
Correspondent Bank Service Charges	342	384
Advertising and Public Relations	665	526
Amortization of Intangible Assets	214	46
Other Noninterest Expense	2,761	2,824
Total Noninterest Expense	\$ 19,521	\$ 16,929
	=====	=====

TAX EQUIVALENT YIELD ADJUSTMENT	\$ 1,194	\$ 1,244	\$
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SELECTED AVERAGE BALANCES	Three Months Ended December 31,	
	2005	2004
Total Loans	\$ 1,234,668	\$ 1,135,634
Investment Securities	1,004,678	882,728
Federal Funds Sold and Other Short Term Investments	89,678	49,376
Total Interest Earning Assets	\$ 2,329,024	\$ 2,067,738
Interest Bearing Deposits	\$ 1,633,161	\$ 1,424,084
Federal Funds Purchased and Repurchase Agreements	64,184	46,343
Total Interest Bearing Liabilities	\$ 1,697,345	\$ 1,470,427
Total Deposits	\$ 2,197,452	\$ 1,922,424
Shareholders' Equity	\$ 274,005	\$ 266,726
Total Assets	\$ 2,558,916	\$ 2,254,207