

FIRST FINANCIAL BANKSHARES INC
Form 10-Q
April 30, 2019
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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 March 31, 2019
Commission file number 0-7674

FIRST FINANCIAL BANKSHARES, INC.
(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

75-0944023
(I.R.S. Employer
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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company and emerging growth company in Rule 12b-2 of the Exchange Act.

Large accelerated filer
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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
Common Stock, \$0.01 par value per share

Outstanding at April 30, 2019
135,702,134 (see note 2)

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

The consolidated balance sheets of First Financial Bankshares, Inc. (the Company or we) at March 31, 2019 and 2018 and December 31, 2018, and the consolidated statements of earnings, comprehensive earnings, shareholders equity and cash flows for the three months ended March 31, 2019 and 2018, 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)**

	March 31,	December 31,	
	2019	2018	2018
	(Unaudited)		
<u>ASSETS</u>			
CASH AND DUE FROM BANKS	\$ 176,278	\$ 130,979	\$ 207,835
FEDERAL FUNDS SOLD	12,825		
INTEREST-BEARING DEPOSITS IN BANKS	197,758	67,060	40,812
Total cash and cash equivalents	386,861	198,039	248,647
INTEREST-BEARING TIME DEPOSITS IN BANKS	1,458	1,458	1,458
SECURITIES AVAILABLE-FOR-SALE, at fair value	3,212,812	3,276,193	3,158,777
LOANS:			
Held for investment	3,989,160	3,730,051	3,953,636
Less allowance for loan losses	(51,585)	(49,499)	(51,202)
Net loans held for investment	3,937,575	3,680,552	3,902,434
Held for sale (\$12,007 at fair value at March 31, 2019; none at March 31, 2018; and \$19,185 at December 31, 2018)	14,446	17,030	21,672
Net loans	3,952,021	3,697,582	3,924,106
BANK PREMISES AND EQUIPMENT, net	135,321	126,446	133,421
INTANGIBLE ASSETS	174,415	175,569	174,683
OTHER ASSETS	83,007	92,162	90,762
Total assets	\$ 7,945,895	\$ 7,567,449	\$ 7,731,854
<u>LIABILITIES AND SHAREHOLDERS EQUITY</u>			
NONINTEREST-BEARING DEPOSITS	\$ 2,165,745	\$ 2,111,116	\$ 2,116,107
INTEREST-BEARING DEPOSITS	4,184,996	4,079,647	4,064,282
Total deposits	6,350,741	6,190,763	6,180,389
DIVIDENDS PAYABLE	14,244	12,589	14,227
BORROWINGS	382,711	372,155	468,706
OTHER LIABILITIES	90,677	22,128	15,237
Total liabilities	6,838,373	6,597,635	6,678,559

COMMITMENTS AND CONTINGENCIES**SHAREHOLDERS EQUITY:**

Common stock (\$0.01 par value, authorized 200,000,000 shares;

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135,680,420, 67,612,760 and 67,753,133 shares issued at March 31, 2019 and 2018 and December 31, 2018, respectively)	1,356	676	678
Capital surplus	445,672	437,868	443,114
Retained earnings	629,988	533,427	606,658
Treasury stock (shares at cost: 928,678, 493,994 and 467,811 at March 31, 2019 and 2018, and December 31, 2018, respectively)	(7,660)	(7,291)	(7,507)
Deferred compensation	7,660	7,291	7,507
Accumulated other comprehensive earnings (loss)	30,506	(2,157)	2,845
Total shareholders equity	1,107,522	969,814	1,053,295
Total liabilities and shareholders equity	\$ 7,945,895	\$ 7,567,449	\$ 7,731,854

See notes to consolidated financial statements.

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

(Dollars in thousands, except per share amounts)

	Three Months Ended March 31,	
	2019	2018
INTEREST INCOME:		
Interest and fees on loans	\$ 53,232	\$ 46,746
Interest on investment securities:		
Taxable	13,289	11,354
Exempt from federal income tax	9,763	10,341
Interest on federal funds sold and interest-bearing deposits in banks	617	641
Total interest income	76,901	69,082
INTEREST EXPENSE:		
Interest on deposits	6,661	3,519
Other	726	114
Total interest expense	7,387	3,633
Net interest income	69,514	65,449
PROVISION FOR LOAN LOSSES	965	1,310
Net interest income after provision for loan losses	68,549	64,139
NONINTEREST INCOME:		
Trust fees	6,979	6,904
Service charges on deposit accounts	5,176	4,884
ATM, interchange and credit card fees	6,840	6,996
Real estate mortgage operations	3,474	2,933
Net gain on sale of available-for-sale securities (includes \$0 and \$1,221 for the three months ended March 31, 2019 and 2018, respectively, related to accumulated other comprehensive earnings reclassifications)		1,221
Net gain on sale of foreclosed assets	69	99
Net (loss) gain on sale of assets		(91)
Interest on loan recoveries	338	119
Other	1,561	1,358
Total noninterest income	24,437	24,423
NONINTEREST EXPENSE:		

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Salaries and employee benefits	27,424	26,203
Net occupancy expense	2,763	2,883
Equipment expense	3,127	3,516
FDIC insurance premiums	538	566
ATM, interchange and credit card expenses	2,383	2,143
Professional and service fees	1,832	2,413
Printing, stationery and supplies	366	486
Operational and other losses	266	566
Software amortization and expense	923	524
Amortization of intangible assets	269	387
Other	7,476	8,111
Total noninterest expense	47,367	47,798
EARNINGS BEFORE INCOME TAXES	45,619	40,764
INCOME TAX EXPENSE (includes \$0 and \$256 for the three months ended March 31, 2019 and 2018, respectively, related to income tax expense reclassification)	7,367	6,245
NET EARNINGS	\$ 38,252	\$ 34,519
EARNINGS PER SHARE, BASIC	\$ 0.28	\$ 0.26
EARNINGS PER SHARE, ASSUMING DILUTION	\$ 0.28	\$ 0.25
DIVIDENDS PER SHARE	\$ 0.11	\$ 0.10

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 March 31,	
	2019	2018
NET EARNINGS	\$ 38,252	\$ 34,519
OTHER ITEMS OF COMPREHENSIVE EARNINGS (LOSS):		
Change in unrealized gain on investment securities available-for-sale, before income taxes	35,014	(42,706)
Reclassification adjustment for realized gains on investment securities included in net earnings, before income taxes		(1,221)
Total other items of comprehensive earnings (loss)	35,014	(43,927)
Income tax benefit (expense) related to other items of comprehensive earnings	(7,353)	9,225
Reclassification of certain income tax effects related to the change in the U.S. statutory federal income tax rate under the Tax Cuts and Jobs Act to retained earnings		5,759
COMPREHENSIVE EARNINGS	\$ 65,913	\$ 5,576

See notes to consolidated financial statements.

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

(Dollars in thousands, except per share amounts)

	Common Shares	Stock Amount	Capital Surplus	Retained Earnings	Treasury Shares	Stock Amount	Deferred Compensation	Accumulated Other Comprehensive Earnings	Total Shareholders Equity
Balances at December 31, 2017	66,260,444	\$ 663	\$ 378,062	\$ 517,257	(495,964)	\$ (7,148)	\$ 7,148	\$ 26,786	\$ 922,768
Net earnings (unaudited)				34,519					34,519
Stock option exercises (unaudited)	62,945		1,355						1,355
Cash dividends declared, \$0.10 per share (unaudited)				(12,590)					(12,590)
Stock issued in acquisition of Commercial Bancshares, Inc.	1,289,371	13	58,074						58,087
Change in unrealized gain in investment securities available-for-sale, net of related income taxes (unaudited)								(34,702)	(34,702)
Shares purchased (redeemed) in connection with directors' deferred compensation plan, net (unaudited)					1,970	(143)	143		
Stock option expense (unaudited)									