FIRST FINANCIAL BANKSHARES

June 10, 2013

J. Bruce Hildebrand Executive Vice President and Chief Financial Officer

Mr. Leslie Seidman, Chairman Financial Accounting Standards Board 401 Merritt 7 P. O. Box 5116 Norwalk, CT 06856-5116

Via email: director@fasb.org

RE: File Reference No. 2013-220: Recognition and Measurement of Financial Assets and Financial Liabilities

Dear Chairman Seidman:

First Financial Bank, N.A., Abilene, Texas (FFB) appreciates the opportunity to comment on the Exposure Draft: *Recognition and Measurement of Financial Assets and Financial Liabilities* (ED).

FFB is a \$5.0 billion community bank with 61 branches located primarily in West Texas. We are a wholly owned subsidiary of First Financial Bankshares, Inc., which is a publicly traded company (NASDAQ). We report to the Securities and Exchange Commission as a large accelerated filer. We also note the following facts about FFB:

- Loan to deposit ratio of 60%;
- Loan portfolio is 60% real estate, but well diversified within real estate with 1-4 family, commercial real estate (substantially all owner occupied), ranch loans, etc.;
- Investment portfolio totals approximately \$2.1 billion and is noncomplex consisting of municipals, mortgage backed/CMO's and agencies. All of our mortgage backed/CMO's are agency backed;
- 1,000 employees with a 48% efficiency ratio and 1.70 return on assets;
- We have a ten-person loan review department and spend significant time documenting our allowance for loan and lease losses (ALLL). As expected, our auditors and regulators also spend significant time reviewing our ALLL documentation.

We support the comments in the American Bankers Association (ABA) comment letter dated May 15, 2013, and believe there is no change necessary to the current model to classify and measure loans and debt securities. Our additional comments are provided below.

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The "SPPI" Test

We understand the requirement that if a loan or security does not pass the SPPI test – its cash flows are not solely payments of principal and interest – we will be required to mark the asset to market, with fair value changes recorded in net income. Our loans to our commercial customers often have many different terms over several different products and services. Determining whether there is more than insignificant amounts that are not SPPI will be very difficult and time consuming for our bank. Recording these loans and securities at fair value does not appear appropriate.

Sales for the Purposes of Managing Credit Concentrations

We understand that, under the ED, sales for the purposes of credit concentration management are not consistent with a business model that holds the instruments for the collection of contractual cash flows. Our bank occasionally sells and issues loan participations based on such credit concentrations to specific borrowers. Under the exposure draft, we would likely be required to include most of our loans in the Fair Value-OCI classification instead of amortized cost. This is a major change accompanied by an illogical accounting result. Selling and participating out credit risk is a common part of the business of banking and the requirement appears to penalize our bank for doing this without improving the accounting. We, therefore, support maintaining the current accounting in classifying loans.

Fair Value Information for Loans

As we are a publicly-held institution, the proposal would require parenthetical fair value disclosure on the face of the balance sheet for amortized cost assets (including loans). These requirements will add further costs to develop amounts that are not used by our bank, or analysts or our investors. FASB should remember that liquidity discounts that accompany the loans made by our bank are significantly larger than those applied to home mortgages or other loans or securities. This effectively makes our loans look worse than those of larger banks, even though that is not the case. We believe these requirements should be omitted from the final standard, as they clearly cannot pass the costs vs. benefit test.

Core Deposit Information

As a publicly-held institution, the proposal would also require disclosure related to core deposits. We strongly oppose such requirements, since information such as implied maturity and servicing costs are proprietary. Further we do not believe that our auditors will be able to efficiently audit such information. This requirement in the ED should be eliminated.

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Again, we agree with the comment letter submitted by the American Bankers Association, and our comments should be viewed in conjunction with that letter.

Thank you for your attention to these matters and for considering our views. Please feel free to contact me if you would like to discuss our views.

Sincerely,

J. Hruce Hildebrand

Executive Vice President and Chief Financial Officer

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