

FIRST FINANCIAL BANKSHARES INC

Form S-4/A

June 19, 2015

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As filed with the Securities and Exchange Commission on June 19, 2015

Registration No. 333-204088

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

Amendment No. 2

to

Form S-4

REGISTRATION STATEMENT

*UNDER*

*THE SECURITIES ACT OF 1933*

FIRST FINANCIAL BANKSHARES, INC.

(Exact name of registrant as specified in its charter)

<b>Texas</b> <b>(State or other jurisdiction of</b>	<b>6021</b> <b>(Primary Standard Industrial</b>	<b>75-0944023</b> <b>(I.R.S. Employer</b>
<b>incorporation or organization)</b>	<b>Classification Code Number)</b> <b>400 Pine Street</b>	<b>Identification No.)</b>

**Abilene, Texas 79601**

**(325) 627-7155**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**F. Scott Dueser**

**Chairman of the Board, President and Chief Executive Officer**

**First Financial Bankshares, Inc.**

**400 Pine Street**

**Abilene, Texas 79601**

**(325) 627-7155**

**(325) 627-7393 (Fax)**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after this registration statement becomes effective and all other conditions to the proposed merger described herein have been satisfied or waived.

If the securities being registered on this form are to be offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box:

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

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

**CALCULATION OF REGISTRATION FEE**

<b>Title of each class of securities to be registered</b>	<b>Amount to be registered<sup>(1)</sup></b>	<b>Proposed maximum offering price per share</b>	<b>Proposed maximum aggregate offering price<sup>(2)</sup></b>	<b>Amount of registration fee</b>
Common Stock, \$0.01 par value	2,231,941	N/A	\$16,754,324	\$1,947

(1) Represents the estimated maximum number of shares of Registrant common stock that could be issued in connection with the merger described herein assuming that Registrant does not issue shares in excess of the cap set forth in the Agreement and Plan of Reorganization, dated April 1, 2015, between Registrant and FBC Bancshares, Inc.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f)(2) under the Securities Act of 1933, as amended, by multiplying (A) the book value of FBC Bancshares, Inc. common stock of \$18.94 per share as of April 30, 2014, by (B) 884,600 shares of FBC Bancshares, Inc. common stock, which represents the maximum number of shares to be acquired by Registrant in the merger described herein.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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**The information in this proxy statement/prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus is not an offer to sell these securities, and it is not soliciting to buy these securities, in any state where the offer or sale is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION, DATED JUNE 19, 2015**

**FBC BANCSHARES, INC.**

**PROPOSED MERGER YOUR VOTE IS VERY IMPORTANT**

Dear Shareholder:

You are cordially invited to attend the special meeting of shareholders of FBC Bancshares, Inc., referred to as FBC, to be held on July 23, 2015 at 1:00 p.m. at FBC's office located at 1800 West White Oak Terrace, Conroe, Texas 77304. At this important special meeting, you will be asked to approve the Agreement and Plan of Reorganization, dated April 1, 2015 (the "reorganization agreement"), by and between First Financial Bankshares, Inc., referred to as First Financial, and FBC, which provides for the acquisition of FBC by First Financial. The acquisition of FBC by First Financial will be completed by means of a merger of FBC Acquisition Corp., a wholly-owned subsidiary of First Financial, with and into FBC, on the terms and subject to the conditions contained in the reorganization agreement. You may also be asked to adjourn or postpone the meeting to a later date or dates, if the board of directors of FBC determines it is necessary.

If the merger is completed, all outstanding shares of FBC common stock will be converted, pursuant to the reorganization agreement, into the right to receive a total number of shares of First Financial common stock with an expected aggregate value of approximately \$59 million, subject to adjustment between a range of \$57 million to \$61 million of aggregate consideration based on the average price per share of First Financial's common stock during the measurement period set forth in the reorganization agreement. Additionally, the aggregate consideration will be reduced on a dollar-for-dollar basis in the event that FBC's consolidated shareholders' equity, as calculated under the reorganization agreement, is less than \$14,705,000 at closing. At the time of the shareholders meeting, FBC shareholders will not know the exact number of shares or the value of the First Financial common stock that will be issued in connection with the merger. Based on the closing price of First Financial common stock on June 17, 2015, shareholders of FBC would receive an aggregate number of shares of First Financial common stock equal to approximately 2.8% of the issued and outstanding shares of First Financial common stock after completion of the merger. First Financial's common stock is listed on the NASDAQ Global Select Market under the symbol "FFIN."

**The board of directors of FBC has determined that the reorganization agreement and the transactions contemplated therein, including the merger, are fair to and in the best interests of FBC and its shareholders,**

**and approved and declared advisable the reorganization agreement and the transactions contemplated therein, including the merger. The FBC board of directors recommends that you vote FOR the proposal to approve the reorganization agreement.**

It is intended that the transactions contemplated by the reorganization agreement will be treated as reorganization for federal income tax purposes under Section 368(a) of the Internal Revenue Code of 1986, as amended.

We cannot complete the merger unless we obtain the necessary governmental approvals and the holders of at least two-thirds of the outstanding shares of FBC common stock approve the reorganization agreement.

Your vote is very important. Whether or not you plan to attend the special meeting, please take the time to vote by completing and mailing the enclosed proxy card to FBC. Submitting a proxy now will not prevent you from being able to vote in person at the special meeting. If you sign, date and mail your proxy card without indicating your vote, your proxy will be counted as a vote FOR the proposal to adopt and approve the reorganization agreement and the transactions contemplated thereby. If you do not return your proxy card, abstain from voting or do not instruct your brokerage firm, bank, trust or other nominee how to vote any shares held for you in street name, the effect will be a vote AGAINST such proposal.

This document contains a more complete description of the special meeting, the reorganization agreement and the transactions contemplated therein, including the merger. We urge you to review this entire document carefully. You may also obtain information about First Financial from documents that First Financial has filed with the Securities and Exchange Commission, referred to as the SEC.

H.J. Shands, III

Chairman of the Board

FBC Bancshares, Inc.

**An investment in First Financial common stock in connection with the merger involves risks. See *Risk Factors* beginning on page 16.**

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE MERGER OR OTHER TRANSACTIONS DESCRIBED IN THE ATTACHED PROXY STATEMENT/PROSPECTUS OR THE SECURITIES TO BE ISSUED PURSUANT TO THE MERGER UNDER THE ATTACHED PROXY STATEMENT/PROSPECTUS NOR HAVE THEY DETERMINED IF THE ATTACHED PROXY STATEMENT/PROSPECTUS IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**The securities that First Financial is offering through this document are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either of First Financial or FBC, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.**

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**Proxy statement/prospectus dated June 19, 2015 and first mailed to shareholders of FBC on or about June 24, 2015.**

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**HOW TO OBTAIN ADDITIONAL INFORMATION**

**This proxy statement/prospectus incorporates important business and financial information about First Financial from documents filed with the SEC that have not been included in or delivered with this document. This information is described on page 68 under *Where You Can Find More Information*. You can obtain free copies of this information by writing or calling:**

**First Financial Bankshares, Inc.**

**400 Pine Street**

**Abilene, Texas 79601**

**Attention: J. Bruce Hildebrand, Executive Vice President and Chief Financial Officer**

**Telephone (325) 627-7155**

To obtain timely delivery of the documents before the special meeting of FBC, you must request the information by July 16, 2015.

**PLEASE NOTE**

We have not authorized anyone to provide you with any information other than the information included in this document and the documents to which we refer you. If someone provides you with other information, please do not rely on it as being authorized by us.

**This proxy statement/prospectus has been prepared as of June 19, 2015. There may be changes in the affairs of FBC or First Financial since that date, which are not reflected in this document.**



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**FBC BANCSHARES, INC.**

**1800 West White Oak Terrace**

**Conroe, Texas 77304**

**(936) 760-1888**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that a special meeting of the shareholders of FBC Bancshares, Inc., or FBC, will be held on July 23, 2015, at 1:00 p.m., local time, at FBC's office located at 1800 West White Oak Terrace, Conroe, Texas 77304, for the following purposes:

1. to consider and vote upon the approval of the Agreement and Plan of Reorganization, dated April 1, 2015, by and between First Financial Bankshares, Inc., or First Financial, and FBC, pursuant to which FBC Acquisition Corp., a wholly-owned subsidiary of First Financial, will merge with and into FBC, with FBC surviving the merger as a wholly-owned subsidiary of First Financial, all on and subject to the terms and conditions contained therein, which transaction is referred to as the merger; and
2. to consider and vote upon any proposal to adjourn the special meeting to a later date or dates, if the board of directors of FBC determines such an adjournment is necessary to permit further solicitation of additional proxies.

Only shareholders of record at the close of business on June 19, 2015 will be entitled to notice of and to vote at the special meeting and any adjournments or postponements thereof. The special meeting may be adjourned or postponed from time to time upon approval of FBC's shareholders without any notice other than by announcement at the meeting of the adjournment or postponement thereof, and any and all business for which notice is hereby given may be transacted at such adjourned or postponed meeting.

Shareholders of FBC have the right to dissent from the merger and obtain payment in cash of the appraised fair value of their shares of FBC common stock under applicable provisions of the Texas Business Organizations Code. In order for a shareholder of FBC to perfect its right to dissent, such shareholder must file a written objection to the merger prior to the special meeting, must vote against the reorganization agreement and must file a written demand with First Financial within 20 days after the consummation of the merger for payment of the fair value of the shareholder's shares of FBC common stock. A copy of the applicable statutory provisions of the Texas Business Organizations Code is included as *Appendix C* to the accompanying proxy statement/prospectus and a summary of these provisions can be

found under the caption *Proposal 1: Approval of the Reorganization Agreement Dissenters Rights of FBC Shareholders*.

**The board of directors of FBC unanimously recommends that you vote (i) FOR the approval of the reorganization agreement and (ii) FOR the proposal to adjourn the special meeting, if necessary or advisable, to permit further solicitation of proxies.**

By Order of the Board of Directors,

H. J. Shands, III

Chairman of the Board

FBC Bancshares, Inc.

Conroe, Texas

June 19, 2015

**Your Vote is Very Important**

A proxy card is enclosed. Whether or not you plan to attend the special meeting, please complete, sign and date the proxy card and promptly mail it in the enclosed envelope. You may revoke your proxy card in the manner described in the proxy statement/prospectus at any time before the special meeting is called to order. If you attend the special meeting, you may vote in person if you wish, even if you have previously returned your proxy card.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING**

**Q: What are FBC Bancshares, Inc.'s shareholders being asked to vote upon?**

A: The shareholders of FBC Bancshares, Inc., or FBC, are being asked to consider and vote on the following matters:

1. the approval of the Agreement and Plan of Reorganization, dated April 1, 2015, by and between First Financial Bankshares, Inc., or First Financial, and FBC, pursuant to which FBC Acquisition Corp., a wholly-owned subsidiary of First Financial, will merge with and into FBC, with FBC surviving the merger as a wholly-owned subsidiary of First Financial, all on and subject to the terms and conditions contained therein, which transaction is referred to as the merger; and
2. any proposal to adjourn the special meeting to a later date or dates, if the board of directors of FBC determines such an adjournment is necessary to permit further solicitation of additional proxies.

As of the date of this proxy statement/prospectus, FBC's board of directors is not aware of any matters, other than those stated above, that may be brought before the special meeting.

**Q: What will happen in the merger?**

A: In the merger, FBC Acquisition Corp., a wholly-owned, transitory subsidiary of First Financial will merge with and into FBC, with FBC surviving the merger as a wholly-owned subsidiary of First Financial. Following the merger, First Financial will cause (i) FBC to merge with and into First Financial, with First Financial as the surviving entity and FBC ceasing its separate corporate existence and (ii) First Bank, N.A., referred to as First Bank, to merge with and into First Financial Bank, N.A., referred to as First Financial Bank, with First Financial Bank as the surviving bank and First Bank, ceasing its separate corporate existence, which transaction is referred to as the bank merger. As a result of the bank merger, the existing main office and branches of First Bank will become branches of First Financial Bank.

**Q: Why am I receiving this proxy statement/prospectus?**

A: FBC is sending these materials to its shareholders to help them decide how to vote their shares of FBC common stock with respect to the reorganization agreement and other matters to be considered at the special meeting. The merger cannot be completed unless FBC common shareholders approve the reorganization agreement. FBC is holding a special meeting of its shareholders to vote on the proposal to approve the reorganization agreement as well as other related matters. Information about this special meeting, the merger and the other business to be considered by shareholders at the special meeting is contained in this document.

This document constitutes both a proxy statement of FBC and a prospectus of First Financial. It is a proxy statement because the FBC board of directors is soliciting proxies from FBC common shareholders using this document with respect to the matters to be considered at the special meeting. It is a prospectus because First Financial, in connection with the merger, is offering shares of its common stock in exchange for outstanding shares of FBC common stock in the merger.

**Q: What form of consideration will FBC shareholders receive as a result of the merger?**

**A:** If the reorganization agreement is approved by the shareholders of FBC and the merger is subsequently completed, all outstanding shares of FBC common stock will be converted into the right to receive anticipated aggregate merger consideration of approximately \$59.0 million payable in shares of First Financial common stock. The number of shares of First Financial common stock deliverable for each share of FBC common stock will be determined based on the average daily closing price of First Financial's common stock on the NASDAQ Global Select Market for each of the twenty consecutive trading days ending on the fifth business day immediately preceding the closing date of the merger.



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The number of shares to be issued by First Financial will fluctuate based on the average price per share of First Financial's common stock. The aggregate merger consideration will also range from \$57.0 million to \$61.0 million based on the average price per share of First Financial's common stock. For illustration purposes only and disregarding certain adjustments described in the reorganization agreement, based on First Financial's closing stock price of \$32.62 on June 17, 2015 and assuming that 884,600 shares of FBC common stock are outstanding at the effective time of the merger, FBC stockholders would have received 2.1 shares of First Financial common stock for each share of FBC common stock, which would have provided FBC stockholders with aggregate ownership, on a pro forma basis, of approximately 2.8% of the common stock of First Financial following the merger.

In addition, the merger consideration will be reduced on a dollar-for-dollar basis in the event that FBC's consolidated shareholders' equity as of the close of business on the business day immediately preceding the closing date of the merger, after certain adjustments prescribed by the reorganization agreement have been made, is less than \$14,705,000. To the extent that FBC's consolidated shareholders' equity exceeds \$14,705,000, FBC may dividend the excess amount to its shareholders prior to closing.

**The actual merger consideration is subject to adjustment and may be higher or lower than the consideration described in the examples above. Because the per share merger consideration will be determined based upon the twenty-day average price of First Financial's common stock and the adjusted consolidated shareholders equity of FBC, the amount of consideration you will receive will not be known at the time you vote on the reorganization agreement. Accordingly, you should read this proxy statement/prospectus carefully to understand the value of the consideration you will receive in the merger. For an explanation of how the merger consideration will be calculated, please see *Proposal 1: Approval of the Reorganization Agreement Terms of Merger*, beginning on page 23.**

**Q: What are the expected U.S. federal income tax consequences to a holder of FBC common stock as a result of the transactions contemplated by the reorganization agreement?**

A: First Financial and FBC intend that the merger will qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended (the Code). If the merger qualifies as a reorganization, then, in general, for U.S. federal income tax purposes, no gain or loss will be recognized by First Financial or FBC as a result of the merger. The U.S. federal income tax consequences of the merger to a holder of FBC common stock will depend, generally, on whether the holder exchanges his or her FBC common stock solely for First Financial common stock or for a combination of First Financial common stock and cash. A holder of FBC common stock who exchanges the holder's FBC common stock solely for First Financial common stock should not recognize a gain or loss except with respect to the cash received in lieu of a fractional share of First Financial common stock. A holder who exchanges FBC common stock for a combination of First Financial common stock and cash should recognize gain (but not loss) in the exchange equal to the lesser of the cash received (excluding cash received for a fractional share of First Financial common stock) and the amount, if any, by which the cash plus the fair market value of First Financial common stock received exceeds the holder's adjusted tax basis of the FBC common stock surrendered in exchange therefor.

**For further information, please see to *Proposal 1: Approval of the Reorganization Agreement Material U.S. Federal Income Tax Consequences of the Merger*. The U.S. federal income tax consequences described above may not apply to all holders of FBC common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.**

**Q: When do you expect the merger to be completed?**

A: We are working to complete the merger during July 2015, although delays could occur.

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**Q: When and where will the FBC shareholders meeting be held?**

A: The FBC shareholders meeting is scheduled to take place at 1:00 p.m., local time, on July 23, 2015 at FBC's office located at 1800 West White Oak Terrace, Conroe, Texas 77304.

**Q: What are my choices when voting?**

A: With respect to each of the proposals, you may vote for the proposal, against the proposal or abstain from voting on the proposal. An abstention will count as a vote against approval of the reorganization agreement.

**Q: What votes are required for approval the reorganization agreement?**

A: Approval by FBC shareholders of the reorganization agreement requires the affirmative vote of the holders of at least two-thirds of the shares of FBC common stock outstanding on June 19, 2015.

**Q: What votes are required to adjourn or postpone the special meeting?**

A: To adjourn or postpone the special meeting, the affirmative vote of a majority of the shares of FBC common stock present, in person or by proxy, at the meeting is required.

**Q: How does the board of directors of FBC recommend that I vote?**

A: The board of directors of FBC unanimously recommends that the shareholders vote their shares as follows:  
Proposal 1 FOR the proposal to approve the reorganization agreement; and

Proposal 2 FOR any proposal to adjourn the special meeting to a later date or dates, if the board of directors of FBC determines such an adjournment is necessary to permit further solicitation of additional proxies.

**Q: What happens if I transfer my shares after the record date for the special meeting?**

A: The record date for the special meeting is earlier than the expected date of completion of the merger. Therefore, if you transfer your shares of FBC common stock after the applicable record date, but prior to the completion of the merger, you will retain the right to vote at the special meeting, but the right to receive the merger consideration will transfer with your shares of FBC common stock.

**Q: What do I need to do now?**

A: After you have thoroughly read and considered the information contained in this proxy statement/prospectus, indicate on the proxy card applicable to your FBC common stock your vote and sign, date and mail your proxy card(s) in the enclosed pre-addressed postage-paid envelope as soon as possible so that your shares of FBC common stock may be represented at the special meeting.

**Q: What happens if I don't return a proxy card for the special meeting?**

A: Because approval of the reorganization agreement requires the affirmative approval of the holders of at least two-thirds of the outstanding shares of FBC common stock, the failure to return your proxy card will have the same effect as a vote against the reorganization agreement, unless you attend the special meeting in person and vote for approval of the reorganization agreement.

**Q: May I vote in person?**

A: Yes. Even if you have previously completed and returned your proxy card, you may vote your shares in person by attending the special meeting, revoking your previously submitted proxy prior to the start of the special meeting and voting your shares in person.

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**Q: May I change my vote after I have submitted my proxy card?**

A: Yes. You may change your vote at any time before the special meeting is called to order by attending the special meeting, revoking your proxy and voting your shares in person or by submitting a new proxy card. If you choose to revoke your proxy and submit a new proxy card, FBC must have received the subsequent proxy card no later than July 22, 2015, at 5:00 p.m. local time, which is the business day immediately prior to the special meeting.

**Q: If my shares are held in street name by my brokerage firm, bank, trust or other nominee, will my brokerage firm, bank, trust or other nominee vote my shares for me?**

A: Your brokerage firm, bank, trust or other nominee will vote your shares only if you provide instructions on how to vote. You should instruct your brokerage firm, bank, trust or other nominee how to vote your shares, following the directions your brokerage firm, bank, trust or other nominee provides. If you do not provide instructions to your brokerage firm, bank, trust or other nominee, your shares will not be voted, which will have the same effect as a vote against the reorganization agreement.

**Q: Do I have any rights to dissent from the merger pursuant to the reorganization agreement?**

A: You have the right to vote against approval of the merger pursuant to the reorganization agreement, dissent from the merger and seek payment of the appraised fair value of your shares in cash as described in *Proposal 1: Approval of the Reorganization Agreement Dissenters Rights of FBC Shareholders* beginning on page 50. The appraised fair value of your shares of FBC common stock may be more or less than the value of the First Financial common stock and cash, if any, to be paid pursuant to the terms of the reorganization agreement.

**Q: Should I send in my stock certificates now?**

A: No. After the merger is completed, the exchange agent, Continental Stock Transfer & Trust Company, will send you written instructions for exchanging your stock certificates. You should not send your FBC stock certificates with your proxy card.

**Q: Who can help answer my questions?**

A: If you have additional questions about the merger, you should contact H. J. Shands, III, FBC Bancshares, Inc., 1800 West White Oak Terrace, Conroe, Texas 77304, telephone (936) 760-1888.

**Q: Are there any risks I should consider in deciding whether I vote for the reorganization agreement?**

A: Yes. A number of risk factors that you should consider carefully are set forth under the heading of Risk Factors, beginning on page 16.

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**SUMMARY**

*This brief summary highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. We urge you to carefully read this entire document and the other documents we refer to in this document. These documents will give you a more complete description of the transaction we are proposing. For more information about First Financial, see *Where You Can Find More Information* on page 68. We have included page references in this summary to direct you to other places in this proxy statement/prospectus where you can find a more complete description of the topics we have summarized.*

**The Companies**

**First Financial Bankshares, Inc.**

400 Pine Street

Abilene, Texas 79601

(325) 627-7155

First Financial is a Texas corporation and a financial holding company registered under the Bank Holding Company Act of 1956, as amended, referred to in this proxy statement/prospectus as the BHC Act. First Financial owns all of the issued and outstanding shares of common stock of First Financial Bank. As of March 31, 2015, on a consolidated basis, First Financial had total assets of approximately \$6.0 billion, total net loans of approximately \$2.9 billion, total deposits of approximately \$4.8 billion and shareholders' equity of approximately \$706.2 million.

First Financial Bank is a national banking association chartered and regulated by the Office of the Comptroller of the Currency (the OCC) and its deposits are insured by the Federal Deposit Insurance Corporation (the FDIC). First Financial Bank conducts a complete range of commercial and personal banking activities. As of March 31, 2015, First Financial Bank had 62 financial centers across Texas, with eleven locations in Abilene, three locations in San Angelo and Weatherford, two locations in Cleburne, Stephenville, and Granbury, and one location each in Acton, Albany, Aledo, Alvarado, Beaumont, Boyd, Bridgeport, Brock, Burleson, Cisco, Clyde, Decatur, Eastland, Fort Worth, Glen Rose, Grapevine, Hereford, Huntsville, Keller, Mauriceville, Merkel, Midlothian, Mineral Wells, Moran, New Waverly, Newton, Odessa, Orange, Port Arthur, Ranger, Rising Star, Roby, Southlake, Sweetwater, Trent, Trophy Club, Vidor, Waxahachie, and Willow Park, all in Texas.

**FBC Bancshares, Inc.**

1800 West White Oak Terrace

Conroe, Texas 77304

(936) 760-1888

FBC is a Texas corporation and a bank holding company registered under the BHC Act. FBC owns all of the issued and outstanding shares of common stock of First Bank. First Bank is a national banking association chartered and regulated by the OCC and its deposits are insured by the FDIC. First Bank conducts a complete range of commercial and personal banking activities. As of March 31, 2015, First Bank had total assets of \$382.7 million, total net loans of \$257.9 million and total deposits of \$352.2 million. In addition to its home office in Conroe, Texas, First Bank

operates seven branches in the following Texas locations: Conroe, Huntsville, Magnolia, Montgomery, Cut and Shoot, Willis and The Woodlands. First Bank's main office is located at 1800 West White Oak Terrace, Conroe, Texas.

### **Proposed Merger**

*The reorganization agreement is the legal document that governs the merger. We have attached the reorganization agreement to this document as **Appendix A**. Please read the entire reorganization agreement.*



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Pursuant to the reorganization agreement, First Financial will acquire FBC and its wholly-owned subsidiary, First Bank, through the merger of FBC Acquisition Corp., a wholly-owned, transitory subsidiary of First Financial, with and into FBC, with FBC surviving the merger as a wholly-owned subsidiary of First Financial. We expect to complete the merger during July 2015, although delays could occur.

### **Terms of the Merger (page 23)**

The reorganization agreement provides for the acquisition of FBC and its wholly-owned subsidiary, First Bank, by First Financial. Subject to the receipt of various governmental and third party approvals and the satisfaction of the conditions set forth in the reorganization agreement, we anticipate that the transactions contemplated by the reorganization agreement will be completed in the July 2015, although delays could occur.

If the merger is completed, all outstanding shares of FBC common stock will be converted into the right to receive anticipated aggregate merger consideration of approximately \$59.0 million payable in shares of First Financial common stock. The number of shares of First Financial common stock deliverable for each share of FBC common stock will be determined based on the average daily closing price of First Financial's common stock on the NASDAQ Global Select Market for each of the twenty consecutive trading days ending on the fifth business day immediately preceding the closing date of the merger.

The number of shares to be issued by First Financial will fluctuate based on the average price per share of First Financial's common stock. The aggregate merger consideration will also range from \$57.0 million to \$61.0 million based on the average price per share of First Financial's common stock. For illustration purposes only and disregarding certain adjustments described in the reorganization agreement, based on First Financial's closing stock price of \$32.62 on June 17, 2015 and assuming that 884,600 shares of FBC common stock are outstanding at the effective time of the merger, FBC stockholders would have received 2.1 shares of First Financial common stock for each share of FBC common stock, which would have provided FBC stockholders with aggregate ownership, on a pro forma basis, of approximately 2.8% of the common stock of First Financial following the merger.

In addition, the merger consideration will be reduced on a dollar-for-dollar basis in the event that FBC's consolidated shareholders' equity as of the close of business on the business day immediately preceding the closing date of the merger, after certain adjustments prescribed by the reorganization agreement have been made, is less than \$14,705,000. To the extent that FBC's consolidated shareholders' equity exceeds \$14,705,000, FBC may dividend the excess amount to its shareholders prior to closing.

First Financial has also agreed to redeem all of FBC's Subordinated Promissory Notes due June 30, 2028 within three business days of the closing date of the merger. FBC's Subordinated Promissory Notes due June 30, 2028 had an aggregate outstanding principal balance of \$13,125,000 as of April 1, 2015.

**The actual merger consideration is subject to adjustment and may be higher or lower than the consideration described in the examples above. Because the per share merger consideration will be determined based upon the twenty-day average price of First Financial's common stock and the adjusted consolidated shareholders equity of FBC, the amount of consideration you will receive will not be known at the time you vote on the reorganization agreement. Accordingly, you should read this proxy statement/prospectus carefully to understand the value of the consideration you will receive in the merger. For an explanation of how the merger consideration will be calculated, please see *Proposal 1: Approval of the Reorganization Agreement Terms of the Merger*, beginning on page 23.**

### **Material U.S. Federal Income Tax Consequences of the Merger (page 45)**

First Financial and FBC intend that the merger will qualify for U. S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. In connection with the filing with the SEC of

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this registration statement on Form S-4 of which this proxy statement/prospectus is a part, Norton Rose Fulbright US LLP, counsel to First Financial, has rendered its tax opinion to First Financial: (a) that the merger is a reorganization within the meaning of Section 368(a) of the Code and that (b) that the discussion under the heading **Material U.S. Federal Income Tax Consequences of the Merger**, insofar as it relates to U.S. federal income tax law, is accurate in all material respects. A copy of this opinion has been filed as an exhibit to First Financial's registration statement on Form S-4 of which this proxy statement/prospectus is a part. In rendering its opinion, counsel has relied upon certain assumptions and representation and covenants, including those contained in certificates of officers of First Financial and FBC, reasonably satisfactory in form and substance to counsel. If any of the assumptions, representations or covenants upon which counsel's opinion is based are inaccurate, the U.S. federal income tax consequences of the merger could be adversely affected. The opinion represents counsel's best legal judgment. Additionally, the Internal Revenue Service (the **IRS**) has not issued (and is not expected to issue) any ruling as to the qualification of the merger as reorganization under Section 368(a) of the Code and counsel's opinion is not binding on the IRS.

Assuming that the merger will be consummated as described in the reorganization agreement and this proxy statement/prospectus, in general, no gain or loss should be recognized by First Financial or FBC as a result of the merger. The U.S. federal income tax consequences of the merger to a holder of FBC common stock will depend, generally, on whether the holder exchanges his or her FBC common stock solely for First Financial common stock or for a combination of First Financial common stock and cash. A holder of FBC common stock who exchanges the holder's FBC common stock solely for First Financial common stock should not recognize a gain or loss, except with respect to the cash received in lieu of a fractional share of First Financial common stock. A holder who exchanges FBC common stock for a combination of First Financial common stock and cash should recognize gain (but not loss) in the exchange equal to the lesser of the cash received by the holder (excluding cash received in lieu of a fractional share of First Financial common stock) and the amount, if any, by which the cash plus the fair market value of First Financial common stock received by the holder exceeds his or her adjusted tax basis of the FBC common stock surrendered in exchange therefor.

**For further information, please see to *Proposal 1: Approval of the Reorganization Agreement Material U.S. Federal Income Tax Consequences of the Merger*. The U.S. federal income tax consequences described above may not apply to all holders of FBC common stock. Your tax consequences will depend on your individual situation. Accordingly, we strongly urge you to consult your tax advisor for a full understanding of the particular tax consequences of the merger to you.**

**Opinion of Financial Advisor of FBC (page 28)**

Vining Sparks IBG, LP ( **Vining Sparks** ) has delivered a written opinion to the board of directors of FBC that, as of April 1, 2015, based upon and subject to certain matters stated in the opinion, the merger consideration is fair to the holders of FBC common stock from a financial point of view. We have attached this opinion to this proxy statement/prospectus as **Appendix B**. The opinion of Vining Sparks is not a recommendation to any FBC shareholder as to how to vote on the proposal to approve the reorganization agreement. You should carefully read this opinion in its entirety to understand the procedures followed, matters considered and limitations on the reviews undertaken by Vining Sparks in providing its opinion.

**First Financial's Dividend Policy (page 64)**

First Financial intends to pay cash dividends to its shareholders of approximately 40% of annual net earnings while maintaining adequate capital to support growth. The cash dividend payout ratios have amounted to 39.34%, 41.62% and 41.99% of net earnings, respectively, in 2014, 2013 and 2012. Following the merger, subject to applicable statutory and regulatory restrictions and the discretion of First Financial's board of



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directors, First Financial intends to continue its practice of paying quarterly cash dividends. For the second quarter of 2015, First Financial announced a cash dividend of \$0.16 per share on April 28, 2015 that is payable to shareholders of record as of June 16, 2015 on July 1, 2015.

### **Ownership of First Financial After the Merger (page 23)**

Pursuant to the reorganization agreement, First Financial will issue shares of its common stock to shareholders of FBC in the merger. For illustration purposes only and disregarding certain adjustments described in the reorganization agreement, based on First Financial's closing stock price of \$32.62 on June 17, 2015 and assuming that 884,600 shares of FBC common stock are outstanding at the effective time of the merger, FBC stockholders would have received 2.1 shares of First Financial common stock for each share of FBC common stock, which would have provided FBC stockholders with aggregate ownership, on a pro forma basis, of approximately 2.8% of the common stock of First Financial following the merger.

### **Market Prices of First Financial Common Stock (page 64)**

Shares of First Financial common stock are quoted on the NASDAQ Global Select Market under the symbol FFIN. On March 31, 2015, the last trading day before the merger was announced, First Financial common stock closed at \$27.64 per share. On June 17, First Financial common stock closed at \$32.62 per share. The market price of First Financial common stock will fluctuate prior to the special meeting and the merger. You should obtain the current stock quotation for First Financial common stock. Shares of FBC are not traded on any established public trading market.

### **The FBC Special Shareholders Meeting (page 20)**

The special meeting of shareholders of FBC will be held on July 23, 2015, at 1:00 p.m., local time, at FBC's office located at 1800 West White Oak Terrace, Conroe, Texas 77304. At the special meeting, you will be asked to consider and vote on the following:

1. the approval of the Agreement and Plan of Reorganization, dated April 1, 2015, by and between First Financial and FBC, pursuant to which FBC Acquisition Corp., a wholly-owned subsidiary of First Financial, will merge with and into FBC, with FBC surviving the merger as a wholly-owned subsidiary of First Financial, all on and subject to the terms and conditions contained therein; and
2. any proposal to adjourn the special meeting to a later date or dates, if the board of directors of FBC determines such an adjournment is necessary to permit further solicitation of additional proxies.

### **Record Date Set at June 19, 2015; Approval of at Least Two-Thirds of Outstanding Shares Required to Approve the Reorganization Agreement (page 20)**

You may vote at the special meeting of FBC shareholders if you owned FBC common stock at the close of business June 19, 2015, which is the record date for the special meeting. You can cast one vote for each share of FBC common stock you owned at that time. As of June 19, 2015, there were 884,600 shares of FBC common stock outstanding.

Approval of the reorganization agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of FBC common stock entitled to vote. If you fail to vote, it will have the effect of a vote against

the reorganization agreement.

You may vote your shares of FBC common stock by attending the special meeting and voting in person or by completing and mailing the enclosed proxy card. If you are the record holder of your shares, you can revoke your proxy at any time before the vote is taken at the special meeting by sending a written notice revoking the proxy or a later-dated proxy to the Secretary of FBC, or by voting in person at the special meeting.

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### **FBC's Reasons for the Merger and Recommendations of FBC's Board (page 27)**

Based on the reasons discussed elsewhere in this proxy statement/prospectus, the board of directors of FBC believes that the merger pursuant to the reorganization agreement is fair to you and in your best interests, and unanimously recommends that you vote FOR the proposal to approve the reorganization agreement. For a discussion of the circumstances surrounding the merger and the factors considered by FBC's board of directors in approving the reorganization agreement, see page 27.

### **Directors and Certain Shareholders of FBC are Subject to a Voting Agreement (page 21)**

As of the record date, all of the directors of FBC (5 persons) and executive officers of FBC were entitled to vote 232,051 shares of FBC common stock, or approximately 26.2% of the outstanding shares of the common stock entitled to vote at the special meeting. Each of the directors has executed a Voting Agreement and Irrevocable Proxy, dated as of April 1, 2015, referred to as the voting agreement in this proxy statement/prospectus, pursuant to which each director agreed to vote his shares of FBC common stock in favor of approval of the merger pursuant to the reorganization agreement. In addition to the directors, certain shareholders of FBC have entered into the voting agreement. As of the record date, 714,098 shares of FBC common stock, or approximately 80.7% of the outstanding shares of FBC common stock entitled to vote at the FBC special meeting, are bound by the voting agreement. Accordingly, approval of the merger pursuant to the reorganization agreement is assumed.

### **Effective Time of the Merger (page 33)**

The merger will become effective at the date and time specified in the certificate of merger to be filed with the Secretary of State of the State of Texas regarding the merger. If FBC shareholders approve the merger pursuant to the reorganization agreement at the special meeting, and if all necessary government approvals are obtained and the other conditions to the parties' obligations to effect the merger are met or waived by the party entitled to do so, we anticipate that the merger will be completed in July 2015, although delays could occur.

We cannot assure you that the necessary shareholder and governmental approvals will be obtained or that the other conditions to completion of the merger can or will be satisfied.

### **Exchange of FBC Stock Certificates (page 34)**

After the effective time of the merger, you will receive a letter of transmittal and instructions from Continental Stock Transfer & Trust Company, as exchange and transfer agent, describing the procedures for surrendering your stock certificates representing shares of FBC common stock in exchange for shares of First Financial common stock and, if applicable, cash, in accordance with the terms of the reorganization agreement. The shares of First Financial common stock issuable in exchange for the shares of FBC common stock will be issued solely in uncertificated book-entry form. You must carefully review and complete the transmittal materials from the exchange agent and return them as instructed along with your stock certificates representing shares FBC common stock or other satisfactory evidence of ownership specified by the exchange agent. Please do not send the exchange agent any stock certificates until you receive these instructions. Stock certificates delivered to the exchange agent without a properly completed letter of transmittal will be rejected and returned for corrective action.

### **Conditions to Completion of the Merger (page 38)**

The reorganization agreement contains a number of conditions to the obligations of First Financial and FBC to complete the merger which must be satisfied as of the closing date of the merger, including, but not limited to, the

following:

approval of the merger pursuant to the reorganization agreement by the requisite vote of the outstanding shares of FBC stock;



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receipt of all required regulatory approvals of transactions contemplated by the reorganization agreement and all required consents, approvals, waivers and other assurances from non-governmental third parties;

the registration statement of which this proxy statement/prospectus forms a part has become effective and no stop order suspending its effectiveness is in effect and no proceedings for that purpose have been initiated and continuing or threatened by the SEC, and all necessary approvals under state securities laws relating to the issuance or trading of the First Financial common stock to be issued have been received;

the accuracy of each party's representations and warranties contained in the reorganization agreement as of the closing date;

the absence of a material adverse change in the business, results of operations, financial condition, assets, properties, liabilities or reserves, of either party;

absence of certain litigation regarding either party; and

the performance or compliance in all material respects by each party with its respective covenants and obligations required by the reorganization agreement to be performed or complied with before the closing of the merger and receipt of a certificate signed by an appropriate representative of the other party to that effect.

In addition to the conditions listed above, First Financial's obligation to complete the merger is subject to the satisfaction of the following conditions, among others:

each of the directors and certain senior officers of FBC and the First Bank must have executed a release agreement, releasing FBC and its successors and assigns from any and all claims of such directors and officers, subject to certain limited exceptions;

certain officers of First Bank must have fully executed an employment agreement with First Financial Bank dated as of the closing date of the merger;

each of the directors of FBC must have fully executed a director support agreement with First Financial;

each of the holders of outstanding FBC stock listed on the schedules to the reorganization agreement must have fully executed a voting agreement and irrevocable proxy;

generally, all of FBC's employee benefit plans must have been terminated in accordance with the terms of such benefit plan and applicable laws;

FBC must have taken all actions required to redeem the Subordinated Promissory Notes due June 30, 2028 or otherwise requested by First Financial in connection with the redemption of the Subordinated Promissory Notes due June 30, 2028;

holders of not more than 5% of the outstanding shares of FBC common stock have dissented to the merger under the provisions of the Texas Business Organizations Code, referred to in this proxy statement/prospectus as the TBOC; and

each holder of a stock option to purchase common stock of FBC must have exercised such option or FBC must have cancelled any unexercised options.

Any condition to the completion of the merger, except the required shareholder and regulatory approvals, and the absence of an order or ruling prohibiting the merger, may be waived in writing by the party to the reorganization agreement entitled to the benefit of such condition. We cannot be certain when or if the conditions to the merger will be satisfied or waived, or that the merger will be completed.

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### **Regulatory Approvals Required (page 50)**

In addition, the acquisition of FBC by First Financial requires the approval of the Board of Governors of the Federal Reserve System (the Federal Reserve) and the OCC. On April 10, 2015, First Financial filed an application with the Federal Reserve to obtain approval of First Financial's acquisition of FBC by virtue of the merger which the Federal Reserve approved on May 20, 2015. Additionally, on April 10, 2015, First Financial Bank and First Bank filed an application with the OCC to obtain approval of the merger of First Financial Bank and First Bank, which will immediately follow the merger of FBC Acquisition Corp., a wholly-owned subsidiary of First Financial, with and into FBC and the subsequent merger of FBC with and into First Financial, which the OCC approved on May 22, 2015. The U.S. Department of Justice has between 15 and 30 days following approval by the OCC to challenge the approval of the merger on antitrust grounds. While FBC and First Financial do not know of any reason that the Department of Justice would challenge regulatory approval by the Federal Reserve or the OCC and believe that the likelihood of such action is remote, there can be no assurance that the Department of Justice will not initiate such a proceeding, or if such a proceeding is initiated, as to the result of any such challenge.

### **Amendments or Waiver (page 44)**

We may amend the reorganization agreement and each of us may waive our right to require the other party to adhere to any term or condition of the reorganization agreement other than regulatory and shareholder approvals. Generally, the consideration to be received by the shareholders of FBC pursuant to the reorganization agreement may not be decreased after the approval of the reorganization agreement without the further approval by FBC shareholders, except in accordance with the terms of the reorganization agreement. The reorganization agreement provides for a decrease in the purchase price without shareholder approval if FBC's total consolidated shareholder equity is less than \$14,705,000 on the business day immediately preceding the closing date after certain adjustments set forth in the reorganization agreement.

### **Termination of the Reorganization Agreement (page 44)**

First Financial and FBC can mutually agree at any time to terminate the reorganization agreement without completing the merger. In addition, either First Financial or FBC may decide, without the consent of the other, to terminate the reorganization agreement if:

the merger has not been completed by December 31, 2015 or such later date approved by First Financial and FBC, unless the failure to complete the merger by that time is due to a material breach of the reorganization agreement by the party that seeks to terminate the reorganization agreement;

any of the transactions contemplated by the reorganization agreement are not approved by the appropriate regulatory authorities or if either party reasonably determines, in good faith and after consulting with counsel, there is substantial likelihood that any necessary regulatory approval will not be obtained or will be obtained only upon a condition or conditions could reasonably be expected to be materially burdensome on, or materially impair the anticipated benefits of the merger;

any order, decree or ruling or any other action which seeks to restrain, enjoin or prohibit the merger is issued, and such order, decree, ruling or other action is final and non-appealable;

there has been any material adverse change with respect to the other party;

the other party materially breaches its representations and warranties or any covenant or agreement contained in the reorganization agreement and such breach has not been cured within 30 days after the terminating party gives written notice of such failure to the breaching party;

the reorganization agreement and the transactions contemplated therein are not approved by the required vote of the shareholders of FBC at the special meeting; provided, that FBC may only

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terminate the reorganization agreement if the board of directors of FBC recommended that the shareholders of FBC vote in favor of the approval and adoption of the reorganization agreement and the transactions contemplated therein; or

the market price of First Financial's common stock is less than \$19.58 per share; provided, that should First Financial exercise its right, in its sole discretion, to make a counter offer so that the aggregate merger consideration (consisting of any combination of stock and cash, subject to certain tax limitations) is no less than \$57.0 million, then FBC may not terminate the reorganization agreement in these circumstances.

In addition, First Financial may terminate the reorganization agreement, without the consent of FBC, if on or prior to July 15, 2015, certain environmental issues become apparent or the results of any environmental inspections or surveys of FBC properties identify certain potential or current violations of environmental laws or environmental law requires certain remedial or clean up action; FBC or First Bank enter into any formal or informal administrative actions with a governmental entity or any such action is threatened by a governmental entity; FBC has mailed this proxy statement/prospectus to its shareholders and FBC does not hold its special shareholders' meeting within 60 days thereafter; the reorganization agreement is not approved by the required vote of shareholders of FBC; the board of directors of FBC fails to recommend that the shareholders vote in favor of approval of the reorganization agreement; or the individuals that executed a director support agreement or a voting agreement and irrevocable proxy have violated the terms thereof.

**Some of the Directors and Officers of FBC Have Financial Interests in the Merger that Differ from Your Interests (page 43)**

Some of the directors and officers of FBC have interests in the merger that differ from, or are in addition to, their interests as shareholders of FBC. The board of directors of FBC was aware of those interests and considered them in approving the reorganization agreement. Those interests include:

certain officers of First Bank, including its President and Chief Executive Officer, Sam W. Baker, have agreed to employment and non-competition agreements with First Financial Bank, which will become effective the first day following the closing date of the merger, whereby each individual is entitled to receive salary payments and to participate in all benefit plans available to employees of First Financial Bank;

the directors and officers of FBC and First Bank will receive continued indemnification and director and officer liability insurance coverage for a period of three (3) years after completion of the merger;

FBC has agreed to pay Sam W. Baker, First Bank's President and Chief Executive Officer, a bonus of \$200,000 for completing the merger;

each of FBC's directors has entered into separate director support agreements with First Financial, effective as of April 1, 2015, which provide, among other things, that each director will support and not harm the goodwill of FBC, First Financial or any subsidiary of either FBC or First Financial or its customers and clients and will comply with the noncompetition and nonsolicitation obligations contained therein; and

certain directors and officers of FBC hold Subordinated Promissory Notes due June 30, 2028 of FBC, which will be redeemed in connection with the merger pursuant to the reorganization agreement.

**Comparison of Rights of Shareholders of First Financial and FBC (page 54)**

FBC is a Texas corporation and the rights of shareholders of FBC are governed by Texas law and FBC's certificate of formation and bylaws. First Financial is a Texas corporation and the rights of First Financial shareholders are governed by Texas law and First Financial's certificate of formation and bylaws. Upon

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completion of the merger, the shareholders of FBC will become shareholders of First Financial and their rights will be governed by First Financial's certificate of formation and bylaws, in addition to Texas law. First Financial's certificate of formation and bylaws will remain the same unless later altered, amended or repealed.

**Dissenters' Rights of Appraisal in the Merger (page 50)**

As a shareholder of FBC, under Texas law you have the right to dissent from the merger and have the appraised fair value of your shares of FBC common stock paid to you in cash. The appraised fair value may be more or less than the value of First Financial common stock and cash, if any, FBC shareholders will receive for their shares of FBC common stock in the merger.

Persons having beneficial interests in FBC common stock held of record in the name of another person, such as a broker or bank, must act promptly to cause the record holder to take the actions required under Texas law to exercise your dissenter's rights.

In order to dissent, you must carefully follow the requirements of the TBOC including giving the required written notice prior to the special meeting at which the vote on the reorganization agreement is taken. These steps are summarized under the caption *Proposal 1: Approval of the Reorganization Agreement Dissenters' Rights of FBC Shareholders* on page 50.

If you intend to exercise dissenters' rights, you should carefully read the statutes and consult with your own legal counsel. You should also remember that if you return a signed proxy card, but fail to provide instructions as to how your shares of FBC common stock are to be voted, you will be considered to have voted in favor of the merger and the reorganization agreement and you will not be able to assert dissenters' rights.

Also, if you exercise dissenters' rights, you may have taxable income as a result, so you should consult with your own tax advisor if you intend to dissent. See *Proposal 1: Approval of the Reorganization Agreement Material U.S. Federal Income Tax Consequences of the Merger Dissenters*. If the merger pursuant to the reorganization agreement is approved by the shareholders of FBC, holders of FBC common stock who make a written objection to the merger prior to the FBC special meeting, vote against the approval of the merger pursuant to the reorganization agreement and properly make a written demand for payment following notice of the consummation of the merger will be entitled to receive the appraised fair value of their shares in cash under the TBOC.

The text of the provisions of the TBOC pertaining to dissenters' rights is attached to this proxy statement/prospectus as ***Appendix C***.

**Table of Contents****SELECTED HISTORICAL FINANCIAL DATA OF FIRST FINANCIAL**

The following table sets forth selected historical financial data of First Financial as of and for the years ended December 31, 2014, 2013, 2012, 2011, and 2010, have been derived from our audited consolidated financial statements. The selected historical financial data as of March 31, 2015 and 2014 and for the three-month periods then ended are derived from First Financial's unaudited interim financial statements, but First Financial's management believes that such amounts reflect all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of its financial position and results of operations as of the dates and for the periods indicated. This information is only a summary and should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and the notes thereto incorporated by reference into this proxy statement/prospectus from First Financial's Annual Report on Form 10-K for the fiscal year ended December 31, 2014 and Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2015. See *Where You Can find More Information* on page 68. The results of operations presented below or contained elsewhere in this proxy statement/prospectus are not necessarily indicative of the results of operations that may be achieved in the future.

	<b>As of and for the Three Months Ended March 31,</b>		<b>Year Ended December 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
(dollars in thousands, except per share data)	(unaudited)						
<b>Summary Income Statement Information:</b>							
Interest income	\$ 52,069	\$ 48,209	\$ 198,539	\$ 176,369	\$ 159,796	\$ 160,021	\$ 149,699
Interest expense	970	1,036	4,181	4,088	5,112	8,024	13,528
Net interest income	51,099	47,173	194,358	172,281	154,684	151,997	136,171
Provision for loan losses	1,290	1,690	4,465	3,753	3,484	6,626	8,962
Noninterest income	15,897	16,405	66,624	62,052	57,209	51,438	49,478
Noninterest expense	33,943	32,448	137,925	126,012	109,049	104,624	98,256
Earnings before income taxes and extraordinary	31,763	29,440	118,592	104,568	99,360	92,185	78,431



item								
Income tax expense	7,766	7,104	29,033	25,700	25,135	23,816	20,068	
Net earnings before extraordinary item	23,997	22,336	89,559	78,868	74,225	68,369	58,363	
Extraordinary item							1,296	
Net earnings	\$ 23,997	\$ 22,336	\$ 89,559	\$ 78,868	\$ 74,225	\$ 68,369	\$ 59,659	
<b>Per Share Data:</b>								
Earnings per share, basic before extraordinary item	\$ 0.37	\$ 0.35	\$ 1.40	\$ 1.24	\$ 1.18	\$ 1.09	\$ 0.94	
Earnings per share, assuming dilution before extraordinary item	0.37	0.35	1.39	1.24	1.18	1.09	0.94	
Earnings per share, basic	0.37	0.35	1.40	1.24	1.18	1.09	0.96	
Earnings per share, assuming dilution	0.37	0.35	1.39	1.24	1.18	1.09	0.96	
Cash dividends declared	0.14	0.13	0.55	0.52	0.50	0.48	0.46	
Book value at period-end	11.01	9.63	10.63	9.18	8.84	8.08	7.03	
<b>Earnings performance ratios:</b>								
Return on average assets	1.64%	1.74%	1.65%	1.64%	1.75%	1.78%	1.75%	
Return on average equity	14.00	15.02	14.00	13.75	13.85	14.44	13.74	
<b>Summary Balance Sheet Data (Period-end):</b>								
Securities	\$ 2,689,640	\$ 2,163,599	\$ 2,416,297	\$ 2,058,407	\$ 1,820,096	\$ 1,844,998	\$ 1,546,242	
Loans	2,938,707	2,698,717	2,937,991	2,689,448	2,088,623	1,786,544	1,690,346	
Total assets	6,025,372	5,281,027	5,848,202	5,222,208	4,502,012	4,120,531	3,776,367	

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Deposits	4,837,007	4,234,281	4,750,255	4,135,075	3,632,584	3,334,798	3,113,301
Total liabilities	5,319,124	4,664,461	5,166,665	4,634,561	3,945,049	3,611,994	3,334,679
Total shareholders equity	706,248	616,566	681,537	587,647	556,963	508,537	441,688

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	As of and for the Three Months Ended March 31,		2014	Year Ended December 31,			
	2015	2014		2013	2012	2011	2010
(dollars in thousands, except per share data)	(unaudited)						
<b>Asset quality ratios:</b>							
Allowance for loan losses/period-end loans	1.29%	1.29%	1.25%	1.26%	1.67%	1.92%	1.84%
Nonperforming assets/period-end loans plus foreclosed assets	0.69	1.02	0.74	1.16	1.22	1.64	1.53
Net charge offs/average loans	0.04	0.14	0.06	0.15	0.15	0.20	0.35
<b>Capital ratios:</b>							
Average shareholders equity/average assets	11.75%	11.58%	11.78%	11.95%	12.62%	12.30%	12.76%
Leverage ratio <sup>(1)</sup>	9.88	9.95	9.89	9.84	10.60	10.33	10.28
Tier 1 risk-based capital <sup>(2)</sup>	16.15	16.24	16.05	15.82	17.43	17.49	17.01
Total risk-based capital <sup>(3)</sup>	17.26	17.39	17.16	16.92	18.68	18.74	18.26
Dividend payout ratio	37.42	37.24	39.34	41.62	41.99	43.57	47.58

- (1) Calculated by dividing at period-end, shareholders equity (before accumulated other comprehensive earnings/loss) less intangible assets by fourth quarter average assets less intangible assets.
- (2) Calculated by dividing at period-end, shareholders equity (before accumulated other comprehensive earnings/loss) less intangible assets by risk-adjusted assets.
- (3) Calculated by dividing at period-end, shareholders equity (before accumulated other comprehensive earnings/loss) less intangible assets plus allowance for loan losses to the extent allowed under regulatory guidelines by risk-adjusted assets.

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**RISK FACTORS**

*In addition to general investment risks and the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the section **A Warning About Forward-Looking Statements** beginning on page 19 and the matters discussed under the caption **Risk Factors** in Annual Report on Forms 10-K filed with the SEC by First Financial, for the year ended December 31, 2014, as updated by other reports filed with the SEC, you should carefully consider the following risk factors in deciding how to vote on the proposals presented in this proxy statement/prospectus. See **Where You Can Find More Information** beginning on page 68.*

***The merger may not be completed.***

Completion of the merger is subject to regulatory approval. First Financial cannot assure you that it will be successful in obtaining required regulatory approvals. If First Financial is not successful in obtaining required regulatory approvals, the merger will not be completed. If such regulatory approvals are received, there can be no assurance to the timing of those approvals or whether any conditions will be imposed that would result in certain closing conditions of the merger not being satisfied.

The consummation of the merger is also subject to other conditions precedent described in the reorganization agreement. If a condition of either party is not satisfied, the other party may be able to terminate the reorganization agreement and, in such case, the transaction would not be consummated. The parties cannot assure you that all of the conditions precedent in the reorganization agreement will be satisfied or that the merger will be completed.

***The number of shares of First Financial common stock received as merger consideration will fluctuate, and shareholders of FBC may receive more or less value, depending upon increases and decreases in market price of First Financial's common stock and the consolidated shareholders' equity of FBC prior to closing.***

The aggregate number of shares of First Financial stock issued to FBC shareholders in exchange for each share of FBC will fluctuate based upon changes in the market price of First Financial's common stock and the consolidated shareholders' equity of FBC prior to the closing of the merger. The consolidated shareholders' equity of FBC at the time the merger is completed may vary from the consolidated shareholders' equity at the date the reorganization agreement was executed, the date of this document and at the date of the shareholders' meeting of FBC.

Changes in the value of the merger consideration may be the result of various factors, many of which are beyond the control of First Financial and FBC, including:

changes in the business, operations or prospects of First Financial, FBC or the combined company;

governmental and/or litigation developments and/or regulatory considerations;

governmental action affecting the banking and financial industry generally;

fluctuation in the market price of First Financial's common stock; and

general market and economic conditions.

The merger may not be completed until a significant period of time has passed after the FBC's shareholders' meeting. At the time of the shareholder meeting, FBC shareholders will not know the exact number of shares or the value of the First Financial common stock that will be issued in connection with the merger.

***The market price of First Financial common stock after the merger may be affected by factors different from those affecting FBC common stock or First Financial common stock currently.***

The businesses of First Financial and FBC differ in some respects and, accordingly, the results of operations of the combined company and the market price of First Financial's shares of common stock after the merger may

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be affected by factors different from those currently affecting the independent results of operations of each of First Financial and FBC. For a discussion of the business of First Financial and of certain factors to consider in connection with that business, see the documents incorporated by reference into this proxy statement/prospectus and referred to under *Where You Can Find More Information*.

***Regulatory approvals may not be received, may take longer than expected or impose conditions that are not presently anticipated.***

The Federal Reserve must approve First Financial's acquisition of FBC and the OCC must approve the merger of First Bank with and into First Financial Bank. On April 10, 2015, First Financial filed an application with the Federal Reserve to obtain approval of the merger under the BHC Act and First Financial Bank and First Bank filed an application with the OCC to obtain approval of bank merger. First Financial received such approvals from the Federal Reserve and the OCC on May 20, 2015 and May 22, 2015, respectively. The Federal Reserve and the OCC considers, among other factors, the competitive impact of the merger, the financial and managerial resources of our companies and our subsidiary banks and the convenience and needs of the communities to be served. As part of that consideration, we expect that the Federal Reserve and OCC reviewed issues related to capital position, safety and soundness, and legal and regulatory compliance, including compliance with anti-money laundering laws.

Shareholders should bear in mind that regulatory approval reflects only the view that the merger does not contravene applicable competitive standards imposed by law, and that the merger is consistent with regulatory policies relating to safety and soundness. Further, regulatory approval is not an opinion that the proposed merger is favorable to the shareholders of either party to the merger from a financial point of view or that the regulatory authority has considered the adequacy of the terms of the merger. Regulatory approval is not an endorsement or recommendation of the merger.

***FBC will be subject to business uncertainties while the merger is pending.***

Uncertainty about the effect of the merger on employees and customers of FBC may have an adverse effect on FBC and its wholly-owned subsidiary, First Bank, and consequently on First Financial following completion of the merger. These uncertainties may impair FBC's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with FBC to seek to change existing business relationships with FBC. Retention of certain employees of FBC and First Bank may be challenging while the merger is pending, as certain employees may experience uncertainty about their future roles with First Financial. If key employees depart, First Financial's business following the merger could be harmed. See the section entitled *Proposal 1: Approval of the Reorganization Agreement Conduct of Business Pending Effective Time* beginning on page 35 of this proxy statement/prospectus for a description of the restrictive covenants to which FBC is subject.

***Combining our two banks may be more difficult, costly or time-consuming than we expect.***

First Financial Bank and First Bank have historically operated and, until the bank merger is completed, will continue to operate, independently. It is possible that the integration process could result in the loss of key employees or disruption of each bank's ongoing business or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger. As with any combination of banking institutions, there also may be business disruptions that cause us to lose customers or cause customers to take their deposits out of our banks. The success of the combined bank following the merger may depend in large part on the ability to integrate the two businesses, business models and cultures. If we are not able to integrate our operations successfully and timely, the expected benefits of the merger may not be realized.



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***Some of the directors and officers of FBC may have interests and arrangements that may have influenced their decisions to support or recommend that you approve the reorganization agreement and the transactions contemplated therein.***

The interests of some of the directors and officers of FBC may be different from those of FBC shareholders, and such directors and officers may be participants in arrangements that are different from, or in addition to, those of FBC shareholders. These interests are described in more detail in the section of this proxy statement/prospectus entitled *Proposal 1: Approval of the Reorganization Agreement Financial Interests of Directors and Officers of FBC in the Merger* beginning on page 43.

***First Financial may fail to realize the cost savings estimated for the merger.***

Although First Financial estimates that it will realize cost savings from the merger when integrated, it is possible that the estimates of the potential cost savings could turn out to be incorrect. For example, the combined purchasing power may not be as strong as expected, and therefore the cost savings could be reduced. In addition, unanticipated growth in First Financial's business may require First Financial to continue to operate or maintain some facilities or support functions that are currently expected to be combined or reduced. The cost savings estimates also depend on our ability to combine the businesses of First Financial Bank and First Bank in a manner that permits those cost savings to be realized. If the estimates turn out to be incorrect or First Financial is not able to combine successfully the two banks, the anticipated cost savings may not be fully realized or realized at all, or may take longer to realize than expected.

***FBC shareholders will have a reduced ownership and voting interest after the merger and will exercise less influence over management.***

The merger will transfer control of FBC to First Financial and to the shareholders of First Financial. When the merger is completed, each FBC shareholder (other than dissenting shareholders) will become a shareholder of First Financial with a percentage ownership of First Financial much smaller than such shareholder's percentage ownership of FBC. Because of this, FBC shareholders will have less influence on the management and policies of First Financial, and thus First Financial Bank, than they now have on the management and policies of FBC.



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**A WARNING ABOUT FORWARD-LOOKING STATEMENTS**

Certain statements contained in this proxy statement/prospectus, including statements included or incorporated by reference in this proxy statement/prospectus, that are not statements of historical fact constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of operations of First Financial after the merger is completed as well as information about the merger. Words such as believes, expects, anticipates, estimates, intends, continue, should, may, or similar expressions, or the n thereof, are intended to identify forward-looking statements, but are not the exclusive means of identifying such statements. Many possible events or factors could affect the future financial results and performance of each of our companies before the merger or First Financial after the merger, and could cause those results or performance to differ materially from those expressed in the forward-looking statements. These possible events or factors include, but are not limited to:

First Financial's actual cost savings resulting from the merger are less than expected, First Financial is unable to realize those cost savings as soon as expected or First Financial incurs additional or unexpected costs;

First Financial's revenues after the merger are less than expected;

deposit attrition, operating costs, customer loss and business disruption before and after the merger, including, without limitation, difficulties in maintaining relationships with employees, may be greater than First Financial expected;

competition among financial services companies may increase;

the risk that the businesses of First Financial Bank and First Bank will not be integrated successfully, or such integration may be more difficult, time-consuming or costly than expected;

the failure of FBC's shareholders to approve the reorganization agreement;

the ability to obtain the governmental approvals of the merger on the proposed terms and schedule;

changes in the level of nonperforming assets and charge-offs;

changes in the interest rate environment reduce First Financial's or FBC's interest margins;

general business and economic conditions in the markets First Financial or FBC serves change or are less favorable than expected;

legislative or regulatory changes adversely affect First Financial's or FBC's businesses;

changes occur in business conditions and inflation;

changes in commodity prices (i.e., oil and gas, cattle and wind energy);

personal or commercial customers' bankruptcies increase;

changes occur in the securities markets; and

technology-related changes are harder to make or more expensive than expected.

For other factors, risks and uncertainties that could cause actual results to differ materially from estimates and projections contained in forward-looking statements, please read the *Risk Factors* section of this proxy statement/prospectus.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. Therefore, we caution you not to place undue reliance on our forward-looking statements. The forward-looking statements are made as of the date of this proxy statement/prospectus or the date of the applicable document incorporated by reference into this proxy statement/prospectus. We undertake no obligation to publicly update or otherwise revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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**GENERAL INFORMATION**

This document constitutes a proxy statement of FBC and is being furnished to all record holders of FBC common stock in connection with the solicitation of proxies by the board of directors of FBC to be used at the special meeting of shareholders of FBC to be held on July 23, 2015. The purpose of the FBC special meeting is to consider and vote to approve the reorganization agreement, dated April 1, 2015, by and between First Financial and FBC, and the transactions contemplated by the reorganization agreement including, among other things, the merger of FBC Acquisition Corp., a wholly-owned subsidiary of First Financial, with and into FBC, with FBC surviving the merger as a wholly-owned subsidiary of First Financial.

This document also constitutes a prospectus relating to the First Financial common stock to be issued to shareholders of FBC common stock upon completion of the merger.

**FBC SPECIAL SHAREHOLDERS MEETING**

**Date, Place and Time of the Special Meeting**

The special meeting of shareholders of FBC will be held on July 23, 2015 at 1:00 p.m., local time, at FBC's office located at 1800 West White Oak Terrace, Conroe, Texas 77304. The special meeting may be postponed to another date or place for proper purposes, including for the purpose of soliciting additional proxies.

**Purpose**

The purpose of the special meeting are to consider and vote on the following:

1. a proposal to approve the Agreement and Plan of Reorganization, dated April 1, 2015, by and between First Financial and FBC, pursuant to which FBC Acquisition Corp., a wholly-owned subsidiary of First Financial, will merge with and into FBC, with FBC surviving the merger as a wholly-owned subsidiary of First Financial, all on and subject to the terms and conditions contained therein; and
2. any proposal to adjourn the special meeting to a later date or dates, if the board of directors of FBC determines such an adjournment is necessary to permit further solicitation of additional proxies.

At this time, the board of directors of FBC and the voting representatives are unaware of any matter, other than the matter set forth above, that may be presented for action at the special meeting.

**Record Date; Shares Entitled to Vote**

The close of business on June 19, 2015 is the record date. The holders of record of the outstanding shares of FBC common stock as of the close of business on the record date are entitled to notice of, and to vote at, the special meeting, or any postponement thereof. At the close of business on the record date, there were 884,600 shares of FBC common stock outstanding and entitled to vote at the special meeting. At the special meeting, the shareholders of FBC will be entitled to one vote for each share of common stock owned as of the close of business on the record date.

**Quorum; Vote Required**

The holders of a majority of the shares of FBC common stock entitled to vote at the special meeting must be present, either in person or by proxy, to constitute a quorum at the special meeting. Approval of the reorganization agreement requires the affirmative vote of the holders of at least two-thirds of the outstanding shares of FBC common stock entitled to vote. If you fail to vote, it will have the effect of a vote against the reorganization agreement.

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### **Shares Held by Directors and Executive Officers**

As of the record date, all of the directors of FBC (5 persons) and executive officers of FBC were entitled to vote 232,051 shares of FBC common stock, or approximately 26.2% of the outstanding shares of the common stock entitled to vote at the special meeting. Each of the directors has executed a Voting Agreement and Irrevocable Proxy, dated as of April 1, 2015, referred to as the voting agreement in this proxy statement/prospectus, pursuant to which each director agreed to vote his shares of FBC common stock in favor of approval of the merger pursuant to the reorganization agreement. In addition to the directors, certain shareholders of FBC have entered into the voting agreement. As of the record date, 714,098 shares of FBC common stock, or approximately 80.7% of the outstanding shares of FBC common stock entitled to vote at the FBC special meeting, are bound by the voting agreement. Accordingly, approval of the merger pursuant to the reorganization agreement by the FBC shareholders is assumed.

### **Voting and Revocation of Proxies**

Any holder of record of shares of FBC common stock entitled to vote may submit a proxy by returning a signed proxy card by mail, or may vote in person by appearing at the special meeting. Proxies, in the form enclosed, which are properly executed and returned to FBC and not subsequently revoked, will be voted in accordance with the instructions indicated on the proxies. Any properly executed proxy on which voting instructions are not specified will be voted FOR the proposal to approve the merger pursuant to the reorganization agreement. The proxy also grants authority to the persons designated in such proxy to vote in accordance with their own judgment if an unscheduled matter is properly brought before the special meeting.

If you are a beneficial owner and hold your shares of FBC common stock in street name through a brokerage firm, bank, trust or other nominee, you should instruct your nominee on how you wish to vote your shares of FBC common stock using the instructions provided by your nominee. Under applicable rules, brokerage firms, banks, trusts and other nominees have the discretion to vote on routine matters. The merger proposal is a non-routine matter, and brokerage firms, banks, trusts and other nominees cannot vote on these proposals without your instructions. Therefore, it is important that you cast your vote or instruct your brokerage firm, bank, trust or other nominee on how you wish to vote your shares of FBC common stock.

If you do not return your proxy card or attend the special meeting, your shares of FBC common stock will not be voted, which will have the same effect as a vote against the merger. Even if you plan to attend the special meeting, if you hold your shares of FBC common stock in your own name as the shareholder of record, please vote your shares of FBC common stock by completing, signing, dating and returning the enclosed proxy card.

If you are the record holder of your shares, you may revoke any proxy given pursuant to this solicitation by the board of directors of FBC at any time before it is voted at the special meeting by:

giving written notice to the Secretary of FBC;

executing a proxy bearing a later date and filing that proxy with the Secretary of FBC at or before the special meeting; or

attending and voting in person at the special meeting.

All written notices of revocation and other communications with respect to revocation or proxies must be received by FBC no later than July 22, 2015, at 5:00 p.m. local time, which is the business day immediately prior to the special meeting and should be sent to: FBC Bancshares, Inc., 1800 West White Oak Terrace, Conroe, Texas 77304, Attention: Secretary. If you hold your shares in street name with a brokerage firm, bank, trust or other nominee, you must contact such brokerage firm, bank, trust or other nominee if you wish to revoke your proxy.

Your presence without voting at the special meeting will not automatically revoke your proxy, and any revocation during the special meeting will not affect votes previously taken.

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The secretary of FBC will determine all questions as to validity, form, eligibility (including time of receipt) and acceptance of proxies. Its determination will be final and binding. The board of directors has the right to waive any irregularities or conditions as to the manner of voting. FBC may accept your proxy by any form of communication permitted by the TBOC so long as FBC is reasonably assured that the communication is authorized by you.

## **Shares Held in Street Name**

Your brokerage firm, bank, trust or other nominee cannot vote your shares of FBC common stock for or against approval and adoption of the merger proposal unless you tell the brokerage firm, bank, trust or other nominee how you wish to vote. To tell your nominee how to vote, you should follow the directions that your nominee provides to you. Please note that you may not vote your shares of FBC common stock held in street name by returning a proxy card directly to FBC or by voting in person at the special meeting unless you provide a legal proxy, which you must obtain from your nominee. If you do not instruct your broker or other nominee on how to vote your shares of FBC common stock, your broker or other nominee may not vote your FBC common shares, which will have the same effect as a vote against the merger proposal for purposes of the required vote. You should therefore provide your brokerage firm, bank, trust or other nominee with instructions as to how to vote your shares of FBC common stock.

## **Solicitation of Proxies; Expenses**

This proxy solicitation is made by the board of directors of FBC. FBC is responsible for its expenses incurred in preparing, assembling, printing and mailing this proxy statement/prospectus. Proxies will be solicited through the mail. Additionally, directors of FBC intend to solicit proxies personally or by telephone or other means of communication. The directors will not be additionally compensated. FBC will reimburse banks, brokers and other custodians, nominees and fiduciaries for their reasonable expenses in forwarding the proxy materials to beneficial owners.

## **Recommendation of FBC's Board of Directors**

After considering various factors described in the section entitled *Proposal 1: Approval of the Reorganization Agreement Recommendation of FBC's Board of Directors and its Reasons for the Merger*, the board of directors of FBC has unanimously determined that the reorganization agreement and the transactions contemplated by the reorganization agreement, including the merger, are advisable and in the best interests of FBC's shareholders and has adopted and approved the reorganization agreement and the transactions contemplated by the reorganization agreement, including the merger. The board of directors recommends that you vote **FOR** the proposal to adopt and approve the reorganization agreement.

## **Dissenters' Rights**

Holders of shares of FBC common stock are entitled to dissenters' rights under Subchapter H of Chapter 10 of the TBOC, provided they satisfy the conditions set forth therein. For a more detailed discussion of your dissenters' rights and the requirements for perfecting your dissenters' rights, see *Proposal 1: Approval of the Reorganization Agreement Dissenters' Rights of FBC Shareholders* on page 50. In addition, a copy of Subchapter H of Chapter 10 of the TBOC is attached as Annex C to this proxy statement/prospectus.

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**PROPOSAL 1: APPROVAL OF THE REORGANIZATION AGREEMENT**

The following information describes material aspects of the merger pursuant to the reorganization agreement. It is not intended to be a complete description of all information relating to the merger pursuant to the reorganization agreement and is qualified in its entirety by reference to more detailed information contained in the appendices to this document, including the reorganization agreement. A copy of the reorganization agreement is included as *Appendix A* and is incorporated herein by reference. You are urged to read the appendices in their entirety.

**Terms of the Merger**

*Structure of Merger.* The reorganization agreement provides for the acquisition of FBC and its wholly-owned subsidiary, First Bank, by First Financial. If (i) the shareholders of FBC approve the merger pursuant to the reorganization agreement at the special meeting, (ii) the required regulatory approvals are obtained and (iii) the other conditions to the parties' obligations to effect the transactions contemplated by the reorganization agreement are met or waived by the party entitled to do so, we anticipate that the transactions contemplated by the reorganization agreement will be completed in July 2015, although delays could occur.

The first transaction contemplated by the reorganization agreements is the merger of FBC Acquisition Corp., a wholly-owned, transitory subsidiary of First Financial, with and into FBC, with FBC surviving the merger as a wholly-owned subsidiary of First Financial. As a result of the merger, holders of FBC common stock as of the effective time of the merger will be entitled to receive whole shares of First Financial common stock and, in some instances, cash, with additional cash payable in lieu of any fractional share. Following the merger, certificates for FBC common stock will only represent the right to receive the merger consideration pursuant to the reorganization agreement, and otherwise will be null and void.

Following immediately after the merger, First Financial will cause (i) FBC to merge with and into First Financial, with First Financial as the surviving entity and FBC ceasing its separate corporate existence and (ii) First Bank to merge with and into First Financial Bank, with First Financial Bank as the surviving bank and First Bank ceasing its separate corporate existence. As a result of the bank merger, the existing branches and main office of First Bank will become branches of First Financial Bank.

*Consideration.* The number of shares of First Financial common stock deliverable for each share of FBC common stock will be determined based on the average daily closing price of First Financial's common stock on the NASDAQ Global Select Market for each of the twenty consecutive trading days ending on the fifth business day immediately preceding the closing date of the merger, referred to as the FFIN Market Price in this proxy statement/prospectus. Subject to the terms of the reorganization agreement, the general method for calculating the number of shares to be issued for each share of FBC common stock is to divide the aggregate merger consideration by (i) the number of shares of FBC common stock outstanding, less certain adjustments and (ii) the FFIN Market Price. Subject to the adjustments set forth in the reorganization agreement, the aggregate merger consideration will be determined as follows:

If the FFIN Market Price is equal to or exceeds \$32.97, the aggregate merger consideration is fixed at \$61.0 million;



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If the FFIN Market Price exceeds \$30.97, but is less than \$32.97, then the aggregate merger consideration would fluctuate between \$59.0 million and \$61.0 million;

If the FFIN Market price is between \$24.97 and \$30.97, then the aggregate merger consideration is fixed at \$59.0 million. For illustration purposes only and disregarding certain adjustments described in the reorganization agreement, based on First Financial's closing stock price of \$32.62 on June 17, 2015 and assuming that 884,600 shares of FBC common stock are outstanding at the effective time of the merger, FBC stockholders would have received 2.1 shares of First Financial common stock

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for each share of FBC common stock, which would have provided FBC stockholders with aggregate ownership, on a pro forma basis, of approximately 2.8% of the common stock of First Financial following the merger.;

If the FFIN Market Price is less than \$24.97, but exceeds \$22.97, then the aggregate merger consideration would fluctuate between \$57.0 million and \$59.0 million; and

If the FFIN Market Price is equal to or less than \$22.97, the aggregate merger consideration is fixed at \$57.0 million.

Regardless of the FFIN Market Price, the maximum number of shares of First Financial common stock that First Financial is required to issue under the reorganization agreement is 2,231,941 shares of First Financial common stock (the FFIN Share Cap). To the extent that the aggregate merger consideration due to the holders of FBC common stock pursuant to the reorganization agreement exceeds the value of shares of First Financial common stock equal to the FFIN Share Cap, First Financial may, in its sole discretion, (i) increase the number of shares of First Financial common stock issued in excess of the FFIN Share Cap, (ii) increase the number of shares of First Financial common stock issued in excess of the FFIN Share Cap and pay an additional cash amount, or (iii) pay an additional cash amount.

*Consideration Examples.* The following table, which is for illustration purposes only, provides examples of the consideration that would be payable to holders of FBC common stock based upon the FFIN Market Prices listed in the table. The table does not reflect all possible adjustments that may be made to the merger consideration that are set forth in the reorganization agreement including, without limitation, possible adjustments for the consolidated shareholders' equity or that cash will be paid instead of fractional shares. The following table assumes that 884,600 shares of FBC common stock will be outstanding as of the effective time of the merger. The actual prices at which First Financial common stock trades will establish the actual FFIN Market Price. The actual trading price of First Financial common stock is subject to market fluctuations.

FFIN Market Price	Number of shares of First Financial common stock that each share of FBC common stock will be converted into the right to receive <sup>(1)(2)</sup>	Number of aggregate shares of First Financial common stock to be issued to holders of FBC common stock <sup>(2)</sup>	Estimated cash to be paid per share of FBC common stock	Estimated aggregate cash to be paid to holders of FBC common stock <sup>(2)</sup>	Aggregate value of merger consideration
\$33.97	2.0300	1,795,702	\$0	\$0	\$61.0 million
\$32.97	2.0915	1,850,167	\$0	\$0	\$61.0 million
\$31.97	2.1216	1,876,759	\$0	\$0	\$60.0 million
\$30.97	2.1536	1,905,069	\$0	\$0	\$59.0 million
\$29.97	2.2255	1,968,635	\$0	\$0	\$59.0 million
\$27.97	2.3846	2,109,403	\$0	\$0	\$59.0 million
\$25.97	2.5231	2,231,941	\$1.17	\$1,036,492	\$59.0 million
\$24.97	2.5231	2,231,941	\$3.69	\$3,268,433	\$59.0 million
\$23.97	2.5231	2,231,941	\$5.09	\$4,500,374	\$58.0 million
\$22.97	2.5231	2,231,941	\$6.48	\$5,732,315	\$57.0 million

\$21.97	2.5231	2,231,941	\$9.00	\$7,964,256	\$57.0 million
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- (1) Rounded to the nearest ten-thousandth.
- (2) Assumes that First Financial will pay all cash for amounts due under the reorganization agreement if the FFIN Share Cap applies.

*Downward Adjustment of Consideration*. The aggregate merger consideration to be paid pursuant to the reorganization agreement will be reduced on a dollar-for-dollar basis in the event that FBC's consolidated shareholders' equity as of the close of business on the business day immediately preceding the closing date of the merger, after certain adjustments prescribed by the reorganization agreement have been made, is less than \$14,705,000.

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*Dividend of Excess Shareholders' Equity.* To the extent that FBC's consolidated shareholders' equity as of the close of business on the business day immediately preceding the closing date of the merger, after certain adjustments prescribed by the reorganization agreement have been made, exceeds \$14,705,000, FBC may dividend the excess amount to its shareholders prior to closing.

*Debt Repayment.* First Financial has also agreed to redeem all of FBC's Subordinated Promissory Notes due June 30, 2028 within three business days of the closing date of the merger. The Subordinated Promissory Notes due June 30, 2028 had an aggregate outstanding principal balance of \$13,125,000 as of April 1, 2015.

**The actual merger consideration is subject to adjustment and may be higher or lower than the consideration described in the examples above. Because the per share merger consideration will be determined based upon the price of First Financial's common stock and the adjusted consolidated shareholders' equity of FBC, the amount of consideration you will receive will not be known at the time you vote on the reorganization agreement. Accordingly, you should read this proxy statement/prospectus carefully to understand the value of the consideration you will receive in the merger.**

## **Background of the Merger**

The FBC board of directors periodically has reviewed FBC's performance, compared its performance with that of certain comparable institutions, reviewed the limited market activity in FBC's common stock, considered various business opportunities and strategies available to FBC and discussed the general economic, regulatory, competitive and business pressures affecting FBC and First Bank. In addition, the FBC board of directors, on an informal basis and during strategic planning sessions, would periodically review merger and acquisition activity in the banking industry.

In November 2012, F. Scott Dueser, Chairman of the Board, President and Chief Executive Officer of First Financial, contacted Sam W. Baker, President of FBC and President and Chief Executive Officer of the First Bank, by telephone to preliminarily discuss a possible business combination between First Financial and First Bank (FBC had not been formed at that time). Messrs. Dueser and Baker spoke again by telephone in June 2013 for further discussions regarding a possible business combination. At each of these meetings, Mr. Baker, indicated that FBC was not ready to sell, but that FBC may be interested in a transaction in the future. Mr. Baker reported each of those conversations to H. J. Shands, III, Chairman of the Board of FBC and First Bank, who in turn disclosed them to FBC's board of directors.

In September 2013, Mr. Baker introduced Mr. Dueser to Mr. Shands by telephone and the parties briefly discussed a proposed business combination and the possibility of FBC and First Bank moving forward with a transaction. In March 2014, Messrs. Shands and Baker visited Mr. Dueser in Abilene, Texas. At this initial visit, the parties discussed the opportunities presented by a business combination between their institutions, the overall banking marketplace in southeast Texas and contiguous markets, the communities in which FBC and First Bank does business, the structure and nature of First Bank, and various potential transaction structures. Messrs. Dueser and Shands met in person again on May 9, 2014 in Colorado Springs, Colorado in furtherance of discussions regarding a proposed transaction.

Following the March and May 2014 meetings, the parties continued discussions regarding the terms and structure of a proposed transaction. As these discussions progressed, on September 24, 2014, First Financial and FBC entered into a confidentiality agreement to facilitate the exchange of information. In October 2014, Mr. Shands along with Messrs. Joe C. Denman, III and M. Richard Warner, each a director of FBC and First Bank, approached Vining Sparks regarding providing financial advice to FBC in connection with a potential corporate transaction involving FBC.

The discussions between the parties and Vining Sparks then turned toward structuring a formal offer from First Financial to FBC regarding a proposed merger transaction, including a preliminary price range. On October 15, 2015, representatives of Vining Sparks provided FBC with its initial analysis regarding the

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preliminary pricing range and structure offered by First Financial, which analysis discussed the attractiveness of the proposal from a financial point of view. On October 22, 2014, First Financial submitted a formal offer to FBC in the form of a Letter of Intent. In the Letter of Intent, First Financial offered to purchase FBC for an aggregate purchase price of \$59.0 million in the form of First Financial common stock, based on the market value of First Financial's common stock at that time, and to pay FBC an additional \$13.1 million to pay off its outstanding Subordinated Promissory Notes due June 30, 2028.

After input and recommendations of revisions to the Letter of Intent from the parties' legal and financial advisors, FBC signed the revised Letter of Intent on October 22, 2014 and thereafter engaged Vining Sparks as its exclusive financial adviser in connection with the proposed transaction. This Letter of Intent had an expiration date of January 31, 2015 and a no-shop provision that prohibited FBC from pursuing and negotiating a transaction with another party during the term of the Letter of Intent.

Following the signing of the Letter of Intent, the executive management teams of First Financial and FBC met for dinner in The Woodlands, Texas on November 17, 2014 and discussed the proposed transaction.

During November and December 2014, the parties proceeded on an exclusive basis to perform regular and reverse due diligence investigations of each company and their respective subsidiaries. The two companies' legal teams also began preparing and negotiating the terms of the reorganization agreement. During the due diligence period, First Financial conducted a thorough due diligence investigation of FBC. This due diligence investigation included on-site review of documents, files and other pertinent materials, including in-person meetings and discussions with key FBC personnel. FBC, together with its financial advisor, Vining Sparks and legal counsel, conducted a thorough reverse due diligence investigation of First Financial. This due diligence investigation included a review of current and historical public filings of First Financial and on-site review of material information and records of First Financial, as well as interviews with senior management.

In November 2014, the parties agreed that First Financial would directly repay FBC's Subordinated Promissory Notes due June 30, 2028 rather than pay FBC cash for satisfying such debt obligations, as originally agreed.

From December 2014 through March 2015, management of First Financial and FBC negotiated the terms and conditions of the reorganization agreement, including, among other terms, the mix of consideration between stock and cash and price protection measures in the form of caps and collars applicable to the merger consideration. During this period, the term of the Letter of Intent was set to expire and First Financial and FBC agreed on January 14, 2015 to extend the deadline under the Letter of Intent until March 31, 2015 to allow the parties additional time to perform due diligence and negotiate the terms of the reorganization agreement.

The parties prepared several memoranda providing specific proposals of methodology for calculating the aggregate merger consideration and allocating risk related to any potential changes in First Financial's market price, specifically in light of the recent volatility with the oil and gas industry and significant decreases in energy prices. After further negotiation, the parties agreed on a merger consideration calculation methodology based on a variable aggregate merger consideration with high and low collars of \$61.0 million and \$57.0 million, respectively, and a stock and cash mix based on any changes in First Financial's average market value for a specified period prior to the closing date of the merger.

On March 16, 2015, FBC's board of directors held a meeting to discuss the proposed transaction and the then current draft of the reorganization agreement. At that meeting, the FBC board of directors was briefed on the terms of reorganization agreement and the related agreements and had the opportunity to ask questions to FBC's legal and financial advisors regarding terms and conditions of the transaction as set forth in the reorganization agreement.

Vining Sparks also presented an analysis of the financial terms set forth in the reorganization agreement. Vining Sparks provided FBC's board of directors with its opinion that consummation of the proposed transaction on those terms was fair to the shareholders of FBC from a financial point of view.

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Following this discussion, and after due consideration and deliberation, the board of directors of FBC unanimously approved the transactions contemplated by the reorganization agreement, authorized the execution of the reorganization agreement and recommended the approval of the reorganization agreement and the transactions contemplated therein to the shareholders of FBC.

On April 1, 2015, First Financial and FBC entered into the definitive version of the reorganization agreement, the voting agreements and the director support agreements. FBC and First Financial also issued a press release announcing the transaction.

### **Recommendation of FBC's Board and its Reasons for the Merger**

FBC's board of directors believes that the merger is in the best interest of FBC and its shareholders. Accordingly, FBC's board of directors has unanimously approved the merger and the reorganization agreement and unanimously recommends that FBC's shareholders vote FOR approval of the reorganization agreement.

In approving the reorganization agreement, FBC's board of directors consulted with Vining Sparks with respect to the financial aspects and fairness of the merger consideration, from a financial point of view, to the holders of shares of FBC common stock and with its outside legal counsel as to its legal duties and the terms of the reorganization agreement. The board believes that combining with First Financial will create a stronger and more diversified organization that will provide significant benefits to FBC's shareholders and customers alike.

The terms of the reorganization agreement, including the consideration to be paid to FBC's shareholders, were the result of arm's length negotiations between representatives of FBC and representatives of First Financial. In arriving at its determination to approve the reorganization agreement, FBC's board of directors considered a number of factors, including the following:

FBC's board of directors' familiarity with and review of information concerning the business, results of operations, financial condition, competitive position and future prospects of FBC;

the current and prospective environment in which FBC operates, including national, regional and local economic conditions, the competitive environment for banks, thrifts and other financial institutions;

institutions generally and the increased regulatory burdens on financial institutions generally and the trend toward consolidation in the banking industry and in the financial services industry;

the financial presentation of Vining Sparks and the opinion of Vining Sparks, dated as of April 1, 2015, that, as of April 1, 2015, and subject to the assumptions, limitations and qualifications set forth in the opinion, the total aggregate merger consideration to be received from First Financial, consisting of First Financial common stock, valued between \$57.0 and \$61.0 million based on First Financial's market price, with the possibility of cash consideration in the case of certain adjustments, is fair, from a financial point of view, to the shareholders of FBC (see *Proposal 1: Approval of the Reorganization Agreement Opinion of FBC's Financial Advisor*, beginning on page 28);



that shareholders of FBC will receive the merger consideration in shares of First Financial common stock, which are publicly traded on NASDAQ Global Select Market, contrasted with the absence of a public market for FBC's common stock;

the treatment of the merger as a reorganization within the meaning of Section 368(a) of the Code with respect to the FBC common stock exchanged for First Financial common stock;

the results that FBC could expect to obtain if it continued to operate independently, and the likely benefits to shareholders of that course of action, as compared with the value of the merger consideration offered by First Financial;

the ability of First Financial to pay the aggregate merger consideration without a financing contingency and without the need to obtain financing to close the transaction;

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the ability of First Financial to receive the requisite regulatory approvals in a timely manner;

the terms and conditions of the reorganization agreement, including the parties' respective representations, warranties, covenants and other agreements, and the conditions to closing;

the likelihood that a merger with a larger holding company would provide the opportunity to realize economies of scale, increase efficiencies of operations and enhance the development of new products and services;

that some of FBC's directors and executive officers have other financial interests in the merger in addition to their interests as FBC shareholders, including financial interests that are the result of compensation arrangements with FBC, the manner in which such interests would be affected by the merger, as well as the new employment agreements that certain of these persons entered into with First Financial in connection with the merger;

that any cash portion of the merger consideration will be taxable to FBC's shareholders upon completion of the merger;

the requirement that FBC conduct its business in the ordinary course and the other restrictions on the conduct of the FBC's business before completion of the merger, which may delay or prevent FBC from undertaking business opportunities that may arise before completion of the merger; and

that under the reorganization agreement FBC could not solicit competing proposals for the acquisition of FBC.

The reasons set out above for the merger are not intended to be exhaustive but include the material factors considered by the board of directors of FBC in approving the merger and the reorganization agreement. In reaching its determination, the board of directors of FBC did not assign any relative or specific weight to different factors and individual directors may have given weight to different factors. Based on the reasons stated above, the board of directors of FBC believes that the merger is in the best interest of FBC and its shareholders and therefore the board of directors of FBC unanimously approved the reorganization agreement and the merger. Each member of FBC's board of directors has agreed to vote the stock of FBC which he or she has voting authority in favor of the reorganization agreement and the merger.

**THE BOARD OF DIRECTORS OF FBC UNANIMOUSLY RECOMMENDS THAT YOU VOTE (I) FOR THE PROPOSAL TO APPROVE THE REORGANIZATION AGREEMENT AND (II) FOR THE PROPOSAL TO ADJOURN THE SPECIAL MEETING, IF NECESSARY OR ADVISABLE, TO PERMIT FURTHER SOLICITATION OF PROXIES.**

**Opinion of FBC's Financial Advisor**

In October 2014, FBC engaged Vining Sparks IBG, LP. ( Vining Sparks ) to render financial advisory and investment banking services to FBC. Vining Sparks agreed to assist FBC in assessing the fairness, from a financial point of view,

of the merger consideration in the proposed merger to the shareholders of FBC. FBC selected Vining Sparks because Vining Sparks is a nationally recognized investment banking firm with substantial experience in transactions similar to the merger and is familiar with FBC and its business. As part of its investment banking business, Vining Sparks is continually engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

As part of its engagement, representatives of Vining Sparks participated in meetings of the FBC board of directors, at which the FBC board of directors evaluated the proposed merger. At these meetings, a Vining Sparks representative reviewed the financial aspects of the proposed merger and rendered an opinion that, as of April 1, 2015, the merger consideration offered to FBC's shareholders in the merger was fair to the holders of FBC's common stock from a financial point of view. The full text of Vining Sparks' written opinion is attached as **Appendix B** to this proxy statement/prospectus and is incorporated herein by reference. FBC's shareholders

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are urged to carefully read the opinion in its entirety for a description of the procedures followed, assumptions made, matters considered, and qualifications and limitations on the review undertaken by Vining Sparks. The description of the opinion set forth below is qualified in its entirety by reference to the full text of such opinion.

For purposes of Vining Sparks' opinion and in connection with its review of the proposed transaction, Vining Sparks has, among other things:

reviewed the terms of the reorganization agreement;

reviewed certain publicly available financial statements, both audited (where available) and unaudited, and related financial information of FBC and First Financial, including those included in their respective annual reports for the past two years and their respective quarterly reports for the past two years;

reviewed certain internal financial information and financial forecasts relating to the business, earnings, cash flows, assets and prospects of FBC furnished to Vining Sparks by FBC management;

held discussions with members of executive and senior management of FBC and First Financial concerning the past and current results of operations of FBC and First Financial, their respective current financial condition and managements' opinion of their respective future prospects;

reviewed available analysts' reports concerning First Financial;

compared First Financial's recent operating results and pricing multiples with those of certain other publicly traded banks in Texas;

reviewed reported market prices, historical trading activity and trading volume of First Financial common stock;

reviewed the financial terms of merger and acquisition transactions, to the extent publicly available, involving financial institutions and financial institution holding companies that Vining Sparks deemed to be relevant; and

reviewed such other information, financial studies, analyses and investigations, as Vining Sparks considered appropriate under the circumstances.

In performing its review, Vining Sparks has assumed and relied, without independent verification, upon the accuracy and completeness of all of the financial and other information that has been provided to it by FBC and First Financial and their respective representatives, and of the publicly available information that was reviewed by it. Vining Sparks did not make an independent evaluation or appraisal of the assets, or the liabilities (contingent or otherwise) of FBC or

First Financial, nor was Vining Sparks furnished with any such evaluation or appraisal. Vining Sparks is not an expert in the evaluation of allowances for loan losses and did not review any individual credit files and did not make an independent evaluation of the adequacy of the allowance for loan losses, and has relied on and assumed that the allowance for loan losses set forth in the balance sheets of FBC and First Financial is adequate to cover such losses and complied fully with applicable law, regulatory policy and sound banking practice as of the date of such financial statements.

Vining Sparks' opinion is necessarily based on economic, regulatory, market and other conditions as in effect on, and the information made available to Vining Sparks as of, the date of its opinion. Events occurring after the date thereof, including but not limited to, changes affecting the securities markets, the results of operations or material changes in the assets or liabilities of FBC or First Financial could materially affect the assumptions used in preparing the opinion. Vining Sparks assumed that all of the representations and warranties contained in the reorganization agreement and all related agreements are true and correct, that each party to such agreements will perform all of the covenants required to be performed by such party under such agreements and that the conditions precedent in the reorganization agreement are not waived.

No limitations were imposed by FBC's board of directors upon Vining Sparks with respect to the investigations made or procedures followed in rendering its opinion. Vining Sparks' opinion as expressed herein

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is limited to the fairness, from a financial point of view, of the merger consideration to be received by the holders of FBC common stock in the merger and does not address FBC's underlying business decision to proceed with the merger. Vining Sparks has been retained on behalf of the board of directors of FBC, and its opinion does not constitute a recommendation to any shareholder of FBC as to how such shareholder should vote at the special meeting with respect to the merger.

Vining Sparks relied upon the management of FBC as to the reasonableness of the financial and operating forecasts, and projections (and the assumptions and bases therefore) provided to or reviewed by Vining Sparks, and Vining Sparks assumed that such forecasts and projections reflect the best currently available estimates and judgments of FBC management. FBC does not publicly disclose internal management forecasts, projections or estimates of the type furnished to or reviewed by Vining Sparks in connection with its analysis of the financial terms of the proposed transaction, and such forecasts and estimates were not prepared with a view towards public disclosure. These forecasts and estimates were based on numerous variables and assumptions which are inherently uncertain and which may not be within the control of the management of FBC, including without limitation to, the general economic, regulatory and competitive conditions. Accordingly, actual results could vary materially from those set forth in such forecasts and estimates.

In rendering its opinion, Vining Sparks performed a variety of financial analyses. The following is a summary of the material financial analyses performed by Vining Sparks in connection with the preparation of its opinion and does not purport to be a complete description of all the analyses performed by Vining Sparks. The summary includes information presented in tabular format, which should be read together with the text that accompanies those tables. The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. Therefore, an opinion is not necessarily susceptible to partial analysis or summary description. Vining Sparks believes that its analyses must be considered as a whole and that selecting portions of such analyses and the factors considered therein, without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. In its analyses, Vining Sparks made numerous assumptions with respect to industry performance, business and economic conditions, and other matters, many of which are beyond the control of FBC, First Financial and Vining Sparks. Any estimates contained in Vining Sparks' analyses are not necessarily indicative of future results or values, which may be significantly more or less favorable than such estimates. Estimates of values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold.

*Summary of Proposal.* Vining Sparks reviewed the financial terms of the proposed transaction. As discussed elsewhere in this proxy statement/prospectus, the FBC common stock will be converted into the right to receive the merger consideration pursuant to the terms of the reorganization agreement. If the FBC's consolidated shareholders equity as of the close of business on the business day immediately preceding the closing date of the merger, after certain adjustments prescribed by the reorganization agreement have been made, is less than \$14,705,000, then the merger consideration will be reduced on a dollar-for-dollar basis by the amount of such difference. As indicated in the reorganization agreement, FBC may dividend the excess amount if FBC's consolidated shareholders' equity exceeds \$14,705,000. Additionally, First Financial has also agreed to redeem all of FBC's Subordinated Promissory Notes due June 30, 2028 within three business days of the closing date of the merger. FBC's Subordinated Promissory Notes due June 30, 2028 had an aggregate outstanding principal balance of \$13,125,000 as of April 1, 2015. The total value of the merger consideration would have a minimum price of \$57.0 million and a maximum price of \$61.0 million. The number of shares of First Financial common stock deliverable for each share of FBC common stock will be determined based on the average daily closing price of First Financial's common stock on the NASDAQ Global Select Market for each of the twenty consecutive trading days ending on the fifth business day immediately preceding the closing date of the merger.

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Based on merger consideration of \$59.0 million and a closing price of \$26.80 at March 9, 2015, First Financial would issue 2,201,493 shares of First Financial common stock to the holders of shares of common

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stock of FBC. Based on 884,600 shares of FBC common stock outstanding (which includes the exercise of all options), each share of FBC common stock would be converted into 2.4887 shares of First Financial common stock. Merger consideration of \$59.0 million represents a price to required equity of \$14,705,000 of 4.01x, a price to required tangible equity of 4.06x, a price to 2014 earnings of 16.23x, a price to assets of 15.87% and a tangible premium on core deposits of 14.92%.

*Analysis of Selected Public Companies.* Vining Sparks used publicly available information to compare selected financial and market trading information for First Financial with those of a group of comparable publicly traded Texas banking organizations with total assets between \$3 and \$30 billion and a return on assets greater than 0.00%. The companies in First Financial's peer group were as follows:

Company	Ticker	City	State
Cullen/Frost Bankers, Inc.	CFR	San Antonio	TX
Hilltop Holdings Inc.	HTH	Dallas	TX
Independent Bank Group, Inc.	IBTX	McKinney	TX
International Bancshares Corp.	IBOC	Laredo	TX
LegacyTexas Financial Group, Inc.	LTXB	Plano	TX
Prosperity Bancshares, Inc.	PB	Houston	TX
Southside Bancshares, Inc.	SBSI	Tyler	TX
Texas Capital Bancshares, Inc.	TCBI	Dallas	TX

To perform this analysis, Vining Sparks used financial information as of December 31, 2014, a price of \$26.80 for First Financial (the closing price on March 9, 2015) and pricing data for the peer group as of March 9, 2015 obtained from SNL Financial LC. The following table sets forth the comparative financial and market data:

	First Financial	Peer Group Median
Total Assets (in millions)	\$ 5,848.2	\$ 10,719.5
Return on Average Assets	1.65%	1.06%
Return on Average Equity	14.00%	8.86%
Equity/Assets	11.65%	13.03%
Loans/Deposits	61.84%	69.45%
Loan Loss Reserve/Gross Loans	1.25%	0.73%
Nonperforming Assets/Assets	0.37%	0.28%
Efficiency Ratio	48.38%	55.94%
Price/Book Value Per Share	2.52x	1.45x
Price/Tangible Book Value Per Share	2.93x	1.98x
Price/Last 12 Months Earnings Per Share	19.3x	16.8x

*Stock Trading History.* Vining Sparks reviewed the closing per share market prices and volumes for First Financial common stock which is listed for trading on The NASDAQ Global Select Market under the symbol FFIN on a daily basis from March 10, 2014 to March 9, 2015.

For the period between March 10, 2014 and March 9, 2015, the closing price of First Financial common stock ranged from a low of \$24.46 to a high of \$32.54. The average closing price for the period was \$29.12, the closing price on March 9, 2015 was \$26.80 per share and the average daily trading volume for First Financial was 211,968 shares.





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*Analysis of Selected Bank Merger Transactions.* Vining Sparks reviewed certain publicly available information regarding selected merger and acquisition transactions (the Comparable Transactions ) announced from January 1, 2013 to March 9, 2015 involving Texas financial institutions with total assets between \$25 million and \$5 billion and a return on assets greater than 0.50%. The transactions included in the group are shown on the following chart. This data was obtained from SNL Financial LC.

Buyer	City	Seller	City
First Financial Bankshares, Inc.	Abilene	Orange Savings Bank, SSB	Orange
CBFH, Inc.	Beaumont	VB Texas, Inc.	Houston
Commercial Bancshares, Inc.	Humble	City State Bancshares, Inc.	Palacios
Goldthwaite Bancshares, Inc.	Goldthwaite	First National Bancshrs of Hico	Hico
R Corp Financial	Round Rock	Bertram Bancshares, Inc.	Bertram
Texas State Bankshares, Inc.	Harlingen	Border Capital Group, Inc.	McAllen
Prosperity Bancshares, Inc.	Houston	FVNB Corp.	Victoria
Independent Bank Group, Inc.	McKinney	Collin Bank	Plano
Cullen/Frost Bankers, Inc.	San Antonio	WNB Bancshares, Inc.	Odessa
Independent Bank Group, Inc.	McKinney	Live Oak Financial Corp.	Dallas
East West Bancorp, Inc.	Pasadena	MetroCorp Bancshares, Inc.	Houston
Independent Bank Group, Inc.	McKinney	BOH Holdings, Inc.	Houston
ViewPoint Financial Group	Plano	LegacyTexas Group, Inc.	Plano
Chalybeate Springs Corporation	Hughes Springs	Citizens State Bank	Tenaha
BancorpSouth, Inc.	Tupelo	Central Community Corporation	Temple
CBFH, Inc.	Beaumont	MC Bancshares, Inc.	Houston
Independent Bank Group, Inc.	McKinney	Houston City Bancshares, Inc.	Houston
Olney Bancshares of Texas	Olney	HBank Texas	Grapevine
Veritex Holdings, Inc.	Dallas	IBT Bancorp, Inc.	Irving

Vining Sparks reviewed the multiples of transaction value to stated book value, transaction value to tangible book value, transaction value to last twelve months earnings and tangible book premium to core deposits and calculated high, low, mean and median multiples for the Comparable Transactions. The median multiples were then applied to FBC's required equity, earnings for 2014 and FBC's assets and core deposits as of December 31, 2014 to derive an implied range of values of FBC. The following table sets forth the median multiples as well as the implied values based upon those median multiples.

	Comparable Transaction Median Multiple	Implied Value (in Thousands)
Transaction Value/Required Book Value	1.54x	\$ 22,646
Transaction Value/Required Tangible Book Value	1.67x	\$ 24,282
Transaction Value/2014 Earnings	17.53x	\$ 63,739
Transaction Value/Assets	16.56%	\$ 61,580
Tangible Premium/Core Deposits	11.94%	\$ 49,551

The transaction value of \$59.0 million is within the range of implied values computed in using the Comparable Transactions, which supports the fairness of the transaction. No company or transaction used as a comparison in the above analysis is identical to FBC or the merger. Accordingly, an analysis of these results is not strictly mathematical.

An analysis of the results of the foregoing involves complex considerations and judgments concerning differences in financial and operating characteristics of FBC and the companies included in the Comparable Transactions.

*Present Value Analysis.* Vining Sparks calculated the present value of theoretical future earnings of FBC and compared the transaction value to the calculated present value of FBC's common stock on a stand-alone

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basis. Based on projected earnings for FBC for 2015 through 2019, and a discount rate of 12%, and including a residual value, the stand-alone present value of FBC equaled \$51.8 million. The transaction value of \$59.0 million is above this value, which supports the fairness of the transaction.

*Discounted Cash Flow Analysis.* Using a discounted cash flow analysis, Vining Sparks estimated the net present value of the future streams of after-tax cash flow that FBC could produce to benefit a potential acquiror, referred to as dividendable net income, and added a terminal value. Based on projected earnings for FBC for 2015 through 2019, Vining Sparks assumed after-tax distributions to a potential acquiror such that its tier 1 leverage ratio would be maintained at 7.00%. The terminal values for FBC were calculated based on FBC's projected 2019 equity and earnings, the median price to book and median price to earnings multiples paid in the Comparable Transactions and utilized discount rate of 12%. This discounted cash flow analysis indicated implied values of \$36.5 million and \$56.0 million. The transaction value of \$59.0 million is above these values, which supports the fairness of the transaction.

In the two years prior to the issuance of this opinion, Vining Sparks has not had a material relationship with FBC or First Financial where compensation was received or that it contemplates will be received after closing of the transaction. Pursuant to the terms of an engagement letter with FBC, Vining Sparks received a fee of \$50,000 upon delivery of its opinion. Vining Sparks' fee was not contingent upon consummation of the merger. In addition, FBC agreed to indemnify Vining Sparks against certain liabilities and expenses arising out of or incurred in connection with its engagement, including liabilities and expenses which may arise under the federal securities laws.

## **First Financial's Reasons for the Merger**

As a part of First Financial's growth strategy, First Financial routinely evaluates opportunities to acquire financial institutions. The acquisition of FBC and its wholly-owned subsidiary First Bank is consistent with First Financial's expansion strategy. First Financial's board of directors, senior management and certain lenders reviewed the business, financial condition, results of operation and prospects for First Bank, the market condition of the market area in which First Bank conducts business, the compatibility of the management and the proposed financial terms of the transaction. In addition, management of First Financial believes that the transaction will expand First Financial's footprint in the Conroe and the southeast Texas area, provide opportunities for future growth and provide the potential to realize cost savings. First Financial's board of directors also considered the financial condition and valuation for both FBC and First Financial as well as the financial and other effects the transaction would have on First Financial's shareholders.

While management of First Financial believes that revenue opportunities will be achieved and costs savings will be obtained following the transaction, First Financial has not quantified the amount of enhancements or projected the areas of operation in which such enhancements will occur.

In view of the variety of factors considered in connection with its evaluation of the transaction, the First Financial board did not find it useful to and did not attempt to quantify, rank or otherwise assign relative weights to factors it considered. Further, individual directors may have given differing weights to different factors. In addition, the First Financial board did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to its ultimate determination. Rather, the board conducted an overall analysis of the factors it considered material, including thorough discussions with, and questioning of, First Financial's management.

## **Effective Time of the Merger**

The merger will become effective at the date and time specified in the certificate of merger to be filed with the Secretary of State of the State of Texas regarding the merger. If the shareholders of FBC approve the merger pursuant to the reorganization agreement at the special meeting, and if all required regulatory approvals are

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obtained and the other conditions to the parties' obligations to effect the merger are met or waived by the party entitled to do so, we anticipate that the merger will be completed in July 2015, although delays could occur. We cannot assure you that we can obtain the necessary shareholder and regulatory approvals or that the other conditions to completion of the merger set forth in the reorganization agreement can or will be satisfied.

### **Exchange of FBC Stock Certificates**

Promptly after the effective time of the merger, First Financial will deposit with or make available to Continental Stock Transfer & Trust Company, as exchange and transfer agent, shares of First Financial common stock and cash to be exchanged for shares of FBC common stock in accordance with the reorganization agreement (the Exchange Fund). With the intent to be within five days of the effective time of the merger, First Financial will cause the exchange agent to mail to each record holder of FBC common stock a letter of transmittal and instructions describing the procedures for surrendering stock certificates representing shares of FBC common stock in exchange for shares of First Financial common stock and, if applicable, cash. The shares of First Financial common stock issuable in exchange for the shares of FBC common stock will be issued solely in uncertificated book-entry form. Please do not send the exchange agent any stock certificates until you receive these instructions. Stock certificates delivered to the exchange agent without a properly completed letter of transmittal will be rejected and returned for corrective action.

Until surrendered in accordance with the instructions of the exchange agent, other than shares of FBC common stock subject to the exercise of dissenters' rights, each stock certificate representing shares of FBC common stock will represent after the effective time of the merger only the right to receive, without interest, the merger consideration and any cash in lieu of a fractional share of First Financial common stock to be issued or paid upon surrender of such stock certificate and any dividends or distributions to which such holder is entitled pursuant to the reorganization agreement. Subject to the terms of the reorganization agreement, each record holder of FBC common stock will generally be entitled to receive without interest, the amount of dividends or other distributions with a record date after the effective time of the merger that are payable with respect to whole shares of First Financial common stock.

If any certificate representing shares of FBC common stock is lost, stolen or destroyed, upon the making of an affidavit of such fact by the person claiming the certificate to be lost, stolen or destroyed and, if required by First Financial or the exchange agent, the posting by such person of a bond in such amount as the exchange agent may determine is reasonably necessary as indemnity against any claim that may be made against it with respect to such certificate, the exchange agent will issue in exchange for the lost, stolen or destroyed certificate the merger consideration, cash in lieu of fractional shares and any dividends or other distributions that have been payable or become payable in respect of the shares of First Financial common stock represented by that certificate pursuant to the reorganization agreement.

Any portion of the Exchange Fund that remains unclaimed by the shareholders of FBC at the expiration of six months after the effective time of the merger will be paid to First Financial. In such event, any former shareholders of FBC who have not previously complied with the exchange procedures set forth in the reorganization agreement and instructions from the exchange agent will look only to First Financial with respect to the merger consideration, any cash in lieu of any fractional shares and any unpaid dividends and distributions on the First Financial common stock as determined pursuant to the reorganization agreement, in each case, without any interest.

First Financial and the exchange agent, as the case may be, will be entitled to deduct and withhold, if necessary, from any consideration payable pursuant to the reorganization agreement to any holder of FBC common stock such amounts as First Financial or the exchange agent is required to deduct or withhold under applicable tax laws, and any such withheld amounts that are paid to the appropriate taxing authorities will be treated for purposes of the reorganization agreement as having been paid to the holder of FBC common stock from whom such amounts were

deducted or withheld.

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**Conduct of Business Pending Effective Time**

From the date of the reorganization agreement to and including the closing date of the merger, unless otherwise permitted in writing by First Financial, FBC will, and will cause First Bank to:

operate (including, without limitation, the making of, or agreeing to make, any loans or other extensions of credit) only in the ordinary course of business and consistent with past practices and safe and sound banking principles;

except as required by prudent business practices, use all commercially reasonable efforts to preserve its business organization intact and to retain its present directors, officers, employees, key personnel and customers, depositors and goodwill and to maintain all assets owned, leased or used by it (whether under its control or the control of others), in good operating condition and repair, ordinary wear and tear excepted;

perform all of its obligations under any material contracts, leases and documents relating to or affecting its assets, properties and business, except such obligations as FBC or First Bank may in good faith reasonably dispute;

maintain in full force and effect all insurance policies now in effect or renewals thereof and give all notices and present all claims under all insurance policies in due and timely fashion;

timely file, subject to extensions, all reports required to be filed with governmental authorities and observe and conform, in all material respects, to all applicable laws, except those being contested in good faith by appropriate proceedings;

timely file, subject to extensions, all tax returns required to be filed by it and promptly pay all taxes, assessments, governmental charges, duties, penalties, interest and fines that become due and payable, except those being contested in good faith by appropriate proceedings;

withhold from each payment made to each of its employees, independent contractors, creditors and other third parties the amount of all taxes required to be withheld therefrom and pay the same to the proper tax receiving officers;

account for all transactions and prepare all financial statements in accordance with generally accepted accounting principles of the United States ( GAAP ) (unless otherwise instructed by regulatory accounting principles in which instance account for such transaction in accordance with regulatory accounting principles ( RAP ));



promptly classify and charge off loans and make appropriate adjustments to loss reserves in accordance with the instructions to the Consolidated Report of Condition and Income and the Uniform