



Last year was another challenging time for the banking industry, largely because the Federal Reserve during 2022–2023 carried out the most rapid increase in interest rates in our country’s history. This surge, following on the heels of 10 years of low rates, negatively impacted our net interest margin as short-term rates on deposits rose more than the longer-term rates on bonds and loans. The higher rates also slowed the housing market, which lowered the volume of loans in our mortgage business. After 36 years of increased earnings, we experienced a decline in our year-over-year net income in 2023. In response to the interest rate increases, we worked to restructure our balance sheet to minimize the decline in income for 2023 and position the Bank to achieve better earnings in the coming years. At the same time, I am proud of the many accomplishments we recorded during the year, including continuing to outperform our peer group of banks. We also saw our year-end total deposit levels remain stable when compared with 2022 year-end balances. We achieved this result primarily by adding over 12,500 net new accounts. Additionally, we grew loans organically by \$706.9 million, or 11.0 percent, while maintaining our conservative credit standards. And, as noted above, we restructured our balance sheet by selling \$411.1 million in securities with lower yields to redeploy those dollars into our higher-earning loan portfolio. The cash flows provided from selling the securities, combined with the monthly maturities in our bond and loan portfolios, are providing us with the liquidity we need to grow loans, which should benefit our interest income as we are redeploying this liquidity to much higher yielding assets. Overall, we believe that we are well positioned for success in this economic environment.

## RECOGNITION

In February 2023, Forbes magazine named First Financial Bankshares, Inc. the number two bank in the country out of the 100 largest publicly traded U.S. banks and thrifts (<https://www.forbes.com/lists/americas-best-banks/?sh=63638fd8c0de>). Forbes’s ranking is based on nine metrics measuring the banks’ growth, credit quality and profitability. Also in 2023, S&P Global—a provider of critical intelligence such as credit ratings, benchmarks and analytics covering the global capital, commodity and automotive sectors—ranked First Financial Bankshares as the number seven bank in the nation (<https://www.spglobal.com/marketintelligence/en/news-insights/research/east-west-bancorp-leads-us-public-banks-in-2022-financial-performance-ranking>). But these were not the only recognitions that we received. The Bank, our Regions, and our people earned many other awards throughout the year (see page 18).

## FINANCIAL RESULTS

After 36 consecutive years of increased earnings, our net income declined 15.1 percent to \$199.0 million from \$234.5 million in 2022. There were four primary causes of this decrease. The first was a \$17.6 million (or 4.4 percent) drop in net interest income because our interest cost on deposits increased faster than the interest income on our bond portfolio and loans. The second was a \$7.1 million (or 37.5 percent) decline in real estate mortgage fees, which mirrored the decline in the number of homes sold because of higher interest rates. Third, we sold \$411.1 million in securities at a loss of \$7.1 million versus gains of \$2.1 million in 2022. We redeployed these funds into our loan portfolio. The fourth source of our earnings decline was an \$8.6 million (28.3 percent) decrease in debit card revenue due to the Durbin Amendment. (The Amendment, passed by Congress in 2010 as part of the Dodd-Frank financial reform legislation, requires the Federal Reserve to limit the fees charged to retailers for processing debit cards; however, our company only became subject to it on July 1, 2022.) We realized the decline in debit card revenue during the last six months of 2022 and the full year of 2023.

The provision for credit losses, including provisions for unfunded commitments, was \$10.6 million, which was down 39.0 percent from \$17.4 million for 2022. This large decrease was due primarily to lower unfunded commitments and better economic metrics. Nonperforming assets as a percentage of loans and foreclosed assets totaled 0.49 percent at December 31, 2023, compared with 0.38 percent at December 31, 2022.

Classified loans totaled \$176.2 million at year-end 2023 compared with \$150.7 million a year earlier, an increase of 16.9 percent. Noninterest income declined 18.0 percent to \$108.0 million from \$131.7 million in 2022. The decrease was due primarily to declines of \$7.1 million in real estate mortgage fees, \$8.6 million in debit card income and \$9.3 million in gains and losses on the sale of securities. Noninterest expenses increased 1.3 percent to \$237.9 million from \$234.8 million. This increase was due primarily to a \$4.0 million increase in FDIC insurance premiums, and a \$892 thousand increase in losses sustained from continued fraud losses. These were offset by a decline in officer incentives of \$2.3 million and a reduction of \$2.9 million in profit-sharing expenses.

Even with the decline in earnings, we again outperformed our peer group of banks on several key financial metrics. Our return on average assets was 1.55 percent compared with 0.98 percent for our peers. Return on average equity was 14.99 percent versus our peers’ 9.94 percent. Our efficiency ratio, which expresses expenses as a proportion of tax-equivalent revenues, increased to 47.26 percent; our peers’ average came in much higher, at 60.37 percent.

Total loans at year-end 2023 increased 11.0 percent to \$7.2 billion from \$6.4 billion at the end of 2022. Total deposits grew slightly at 1.2 percent to \$11.1 billion from \$11.0 billion at year-end 2022. Consolidated assets at year-end 2023 increased slightly by \$131.5 million (or 1.0 percent). The increase was due to a 24.6 percent decrease—to \$403.3 million at year-end 2023 from \$535.2 million at year-end 2022—in unrealized losses on investment securities. These losses are reflected in the shareholders’ equity section of our balance sheet.

First Financial Trust & Asset Management Company again delivered solid results, which were fueled by a \$622.5 million growth in the book value of trust assets. Total trust assets under management at year-end reached a book value of \$7.5 billion, an 9.0 percent increase from \$6.9 billion at the end of 2022. The market value of the trust assets totaled \$9.8 billion, up 11.7 percent from \$8.8 billion at year-end 2022. Total trust fee income for 2023 grew as well—to \$40.5 million from \$40.0 million—a 1.2 percent gain. Within that category, trust and estate fee income grew \$1.6 million, which was offset by a decline in oil and gas fee income of \$1.1 million. The trust company’s net after-tax earnings increased 3.7 percent to \$21.6 million from \$20.9 million.

## REAL ESTATE ACTIVITIES

In March 2023, we opened a new location in Huntsville to replace two buildings we had across the street. This state-of-the-art, highly energy-efficient, 8,850 square-foot building is now home to all our Huntsville employees and will better serve our customers with the latest in technology. This location also has a deposit-taking ATM and five motorbank lanes with one designed for large trucks.

Also in March 2023, First Financial Bank’s Bryan/College Station Region opened its new location at 2445 Harvey Mitchell Parkway South, on the northwest corner of Harvey Mitchell Parkway and Earl Rudder Freeway. This new state-of-the-art branch is a 16,000-square-foot, highly energy-efficient building that features a large lobby, offices for lending, mortgage and trust officers, and five motorbank lanes with a wider lane designed for large trucks. Our new building is at one of the best locations in Bryan/College Station and gives our customers easier access to our people and services.

In August 2023, after having a successful loan production office, First Financial Bank’s Bryan/College Station Region was approved to open a new branch at 100 West Decherd, Suite C, in Franklin, Texas. The banking team, made up of local Franklin bankers, is led by Justin Kleiber and Justen Salcido.

This year, the Bryan/College Station Region will make one other real estate change. In May 2024, the bank will move into its Highway 21 branch from a leased space in a convenience store to a new building at 1622 North Earl Rudder Freeway in Bryan. The new branch, also state-of-the-art, occupies 3,300 square feet and has three motorbank lanes plus an ATM lane. It will serve our customers much better than the former leased space, especially since this branch has been our busiest in the entire city.

## MANAGEMENT CHANGES

In January 2023, First Financial Bankshares, Inc. announced the election of Michelle S. Hickox as Executive Vice President and Chief Financial Officer. Michelle formerly served as Chief Financial Officer of Independent Bank Group, Inc. (IBTX) and its subsidiary, Independent Bank, an \$18 billion publicly traded bank holding company based in McKinney, Texas. At IBTX, she led the company through its initial public offering in 2013 and played a key role in 10 acquisitions during her tenure. Prior to joining IBTX, Michelle was an audit partner at RSM US LLP in Dallas, serving financial institutions throughout Texas. She is a certified public accountant and a graduate of Texas A&M University.

Also in January 2023, First Financial Bank's Board of Directors elected Mike Parker as Executive Vice President and Chief Compliance Officer. Mike brings more than 17 years of compliance experience to First Financial, including his most recent post as a director of compliance governance with USAA Federal Savings Bank. Mike has also held positions with Capital One and Ocwen Financial Corporation in compliance and audit director roles. He began his banking career in 2005 as an examiner with the Federal Reserve Bank of Richmond, where he specialized in compliance. He is a native of western New York and earned a Bachelor of Science degree in Economics from Virginia Commonwealth University; he also holds a Certified Regulatory Compliance Manager designation.

In September 2023, First Financial Bankshares, Inc. announced the appointment of Javier Jurado as Executive Vice President and Chief Audit Executive. He oversees and executes internal audit planning and reporting, and reports directly to the Audit Committee. Javier brings more than 19 years of audit experience to First Financial, including his most recent posts in audit management at large banks and a public accounting firm. He worked

with U.S. Bank starting in October 2019 and also held positions with other large organizations like BBVA USA and PricewaterhouseCoopers, where he started his career. A native of Puerto Rico, Javier earned a Bachelor of Science (Psychology) degree from the University of Puerto Rico and a Master's degree in Business Administration (Accounting) from Bowling Green State University; he also completed the School of Management Program at the University of Texas. He holds the designations of Certified Internal Auditor and Certified Information Systems Auditor, and has earned a Certification in Risk Management Assessment.

In November 2023, First Financial Bankshares, Inc. announced the election of Megan Dobbs as Executive Vice President of Marketing. Megan joined First Financial after working as a director of marketing and communications for Bally Sports in Dallas, where she oversaw creative services, partner marketing and public relations for the regional sports network. Previously, Megan held senior positions at the Community Foundation of Abilene and the Center for Contemporary Arts, and she was a news anchor and news director at KTAB/KRBC TV in Abilene. Megan is a graduate of Texas A&M University-Commerce.

Also in November 2023, First Financial Bankshares, Inc. announced the appointment of Keith Morton as Executive Vice President, Southeast Texas Area Credit Administration. Keith oversees the credit functions in our Southeast Texas Regions. His oversight of these Regions' lending efforts will encompass all aspects of lending, including credit underwriting, loan decision making, portfolio risk management, and compliance with bank policy and regulatory requirements.

Keith previously served as Senior Vice President of Special Assets at Capital One in Houston beginning in 2020. He had an extensive 20-year tenure at Capital One Bank in Houston, where he held the positions of Vice President, Commercial Credit Manager and Senior Vice President, Managing Underwriter in the Commercial Lending Group. Keith earned a Bachelor of Business Administration degree in Finance from McNeese State University and a Master of Business Administration degree in Finance from Louisiana State University. He holds a Credit Risk Certification from the Risk Management Association. Keith replaced Marna Yerigan, who retired from the Company after a 12-year tenure, overseeing credit in the Fort Worth and then the Southeast Texas Regions. We will miss Marna greatly and appreciate her exemplary years of service.

In January 2024, First Financial Bankshare's Board of Directors elected Eric Bonnell as the Director of Enterprise Risk Management. Eric oversees the enterprise risk management (ERM) framework to provide more transparency into and structure for proactive risk management. Eric comes to First Financial from Atlantic Union Bank, a \$21 billion bank in Richmond, Virginia, where he was instrumental in developing the bank's ERM framework. He has also served in a number of operational risk management and technology-related roles including business continuity and information security. Eric earned a Bachelor of Arts degree (Computer Science) from Manhattan College and a Master of Science degree (Computer Information Systems) from Iona College. He graduated from the American Banking Association's Stonier Graduate School of Banking and also the Wharton Leadership Program, both at the University of Pennsylvania. He has earned the designations of Certified Information Privacy Professional (CIPP/US), Certified in Risk and Information Systems Control (CRISC) and Certified Information Systems Security Professional (CISSP).

Also in January 2024, First Financial Bank announced the promotion of Lori Hill to Executive Vice President, Retail. Lori is an excellent selection for this position because of her 25 years of experience with the Company. Lori began her career at First Financial while attending Abilene Christian University. She played an integral role in founding what is now the Customer Care Center. Later, she transitioned into the Retail line of business, where she continued to advance her career. Most recently, she served as Senior Vice President, Retail Administrator of First Financial Bank, Weatherford Region. In her new role, Lori will lead all retail initiatives and will work with each of our Regional Presidents and Chief Operating Officers to ensure we have the best retail team in our footprint.

In February 2024, the Board of Directors of First Financial Bank, Southeast Region announced the promotion of Blaine Caillier to Regional President. Blaine started his career at First Financial Bank, Southeast Region over 13 years ago and most recently served as the Mid-County Market President beginning in 2016. Stephen Lee, the former President, will remain as CEO and Chairman of the Southeast Region Board of Directors. Blaine is a graduate of Lamar University; Southwestern Graduate School of Banking at Southern Methodist University; Leadership Southeast Texas; Texas Bankers Association Management Development Training Program; and FFIN University. He is

the seventh president of one of our Regional banks to have started with the Company and to have moved up through our training programs to become President of one of our Regions. He currently serves as a Director of the Nederland and Port Arthur Chambers of Commerce and as a Director of the Luther Theater. Additionally, he is a current member of, and past President of, the Nederland Rotary Club.



**Michelle S. Hickox**  
Executive Vice President  
Chief Financial Officer



**Mike Parker**  
Executive Vice President  
Chief Compliance Officer



**Javier Jurado**  
Executive Vice President  
Chief Audit Executive



**Megan Dobbs**  
Executive Vice President  
Advertising and Marketing



**Keith Morton**  
Executive Vice President  
Credit Administration



**Eric Bonnell**  
Senior Vice President  
Enterprise Risk Management



**Lori Hill**  
Executive Vice President  
Retail Banking



**Blaine Caillier**  
Regional President  
Southeast Texas Region

## COMMUNITY AND NEIGHBORHOOD INVOLVEMENT

Our Bank has always adhered to the philosophy that we are only as successful as the communities we serve. To become a better bank, we strive to improve the quality of life in each of our communities. Besides providing the latest in financial services, we participate on local nonprofit, civic and church boards, volunteer our time and help raise money. The work our team does every day amazes me. We spotlight their efforts with our annual Day of Service, which last year took place on October 9th, the Columbus Day holiday. On that occasion, we had 990 employees serving 81 agencies and organizations across Texas.

We design our banking products and services to meet the needs of all neighborhoods, from the lowest- to the highest-income. I am especially proud of our ongoing contributions in low-income neighborhoods, where we teach classes in financial literacy, homebuying and fraud prevention. We also offer classes on how to utilize our products and services such as our very competitive free checking, savings, affordable home mortgage loan and ITIN (Individual Taxpayer Identification Number) programs.

The affordable home loan and the ITIN mortgage loan programs have become so popular that in 2023, we made 1,074 of those loans in majority minority markets, up from 786 loans in 2022. I am especially proud of our team in Fort Worth, who made 223 loans in the majority minority markets, which was an increase from the previous year's 193 loans.

We attribute our success in continuously increasing loans in the majority minority markets to partnerships we have formed with builders, developers, realtors, city leaders and nonprofit organizations in the Fort Worth area. In fact, loans made in Fort Worth's majority minority markets constituted 46.0 percent of all our mortgage loans made in Fort Worth.

A great example of how the Bank can make a big difference in low-income areas is the Landmark at Abilene redevelopment project. Here, the Bank is

partnering with the Overland Property Group, the Texas Department of Housing and Community Affairs and the Midwest Housing Equity Group. We have committed \$5.5 million to support the historic renovation of the former Travis Elementary School into low-income housing units for senior citizens. We are eager to see the completion of this project, which has already created other redevelopment in this low-income area.

## DIVERSITY AND INCLUSION

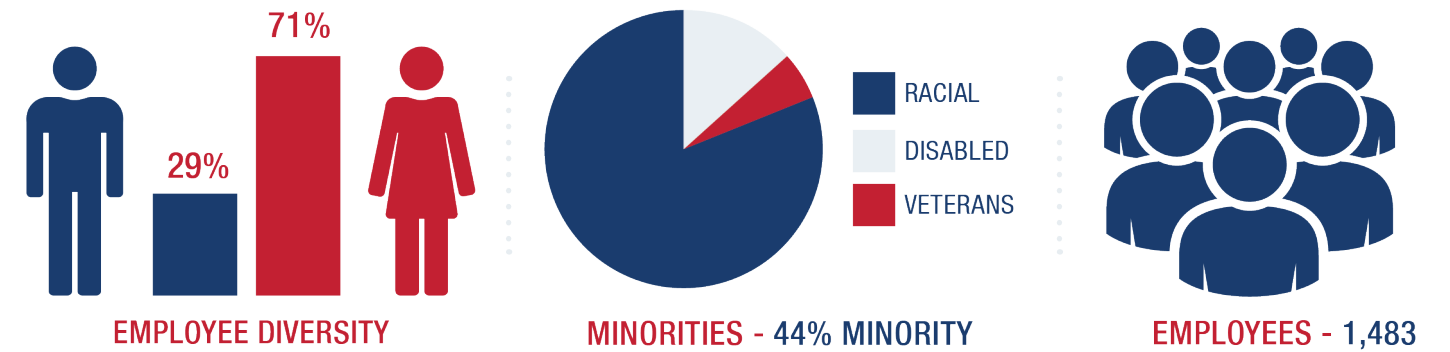
First Financial Bankshares, Inc. embraces and promotes a culture of diversity and inclusion. We seek to attract, recruit and retain employees who bring to our company diverse backgrounds, orientations, beliefs, cultures and interests. We believe that having a diverse team strengthens our company by bringing together people with different ideas, skills and experiences, and by enabling all our customers, regardless of their race and other characteristics, to feel at home when they visit one of our locations. We also continue to refresh and diversify our Regional and subsidiary boards, which have 39 women and minorities as members. These boards are made up of the movers and shakers of each of our market communities. We appreciate the participation of these fine men and women; their expertise, experiences and guidance help us to better serve our communities.

We highlight the importance of diversity and inclusion to our company on page 19, where we present our 2023 Shining Stars. This program annually recognizes the dedicated and professional First Financial bankers who have demonstrated consistent excellence in living our Customer Service First philosophy.

Our Shining Stars perform at the highest level, maintaining positive attitudes and a proactive approach to accomplishing our mission. Year after year, a large percentage of this honored group are women and minorities.

Of the 21 professional bankers achieving this award in 2023, 14 were women and nine were minorities, which demonstrates that our diversity efforts bring the highest-quality people to our company. We recognize and celebrate them for what they do to make this company great.

## First Financial Bankshares Employment Statistics



## ONWARD

Although 2023 was a challenging year for the banking industry, we used those challenges to bolster our strategy for overcoming the rapidly rising interest rate environment. We restructured our balance sheet, kept deposits stable, and grew loans and trust assets by 11.0 and 9.0 percent, respectively. We believe we are well prepared to perform even better in the coming years, since we have continued to upgrade our staff with higher performers. These moves should bring additional growth. With our assets surpassing the \$10 billion mark back in 2020, far earlier than we expected, we have moved consistently and earnestly to find the right people from larger banks who can bring us the expertise to perform well as a \$10 billion-plus bank. We certainly see that expertise in our most recent hires for Chief Financial Officer, Chief Compliance Officer, Chief Audit Executive, Executive Vice President Southeast Texas Credit and Director of Enterprise Risk Management, to mention a few. I am eager to see what our dedicated people will achieve as we move through 2024. I could not be more pleased with our younger people who have taken on new positions across our company over the past several years and who have accepted more responsibilities to support our growth.

Our priorities are to achieve organic growth in loans, deposits and trust relationships; improve our noninterest income; and control our expenses. With the economy

slowing and with banks trying to adjust to rapid rises in interest rates and losses in their bond portfolios (which will take time to roll off), we do not see many banks choosing to sell at this time.

However, I expect that by the end of 2024, we will start seeing banks come to the market, and hopefully we will be able to find the right bank to bring into our company. I can assure you that we are eager to get back to buying banks and growing the Company through acquisitions. We have installed or are in the process of installing new systems for new accounts, lending, accounting and trust services. Each of these systems is bringing us state-of-the-art technology and will enhance our efficiency.

I am very pleased to work with such a dedicated and talented professional team of board members, officers and employees. They continue to go well beyond the call of duty in providing our customers and communities with exceptional service, and I thank each one of them. As you can tell from the decrease in profit sharing and compensation for 2023, we align ourselves with our shareholders who are so loyal and supportive of our company. We are ready to move Onward, never forgetting that we work for you.

F. Scott Dueser  
Chairman, President and CEO