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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________to_________

Commission file number 0-07674

First Financial Bankshares, Inc.
(Exact name of registrant as specified in its charter)

Texas **(State or other jurisdiction of incorporation or organization)**	**75-0944023** **(I.R.S. Employer Identification No.)**
400 Pine Street, Abilene, Texas **(Address of principal executive offices)**	**79601** **(Zip Code)**

(325) 627-7155
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	**FFIN**	**The Nasdaq Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule12b-2of the Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at November 4, 2024
Common Stock, $0.01 par value per share	142,910,170

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

The consolidated balance sheets of First Financial Bankshares, Inc. and Subsidiaries (the “Company” or “we”) at September 30, 2024 and 2023 (unaudited), and December 31, 2023, and the consolidated statements of earnings, comprehensive earnings (loss) and shareholders’ equity for the three and nine-months ended September 30, 2024 and 2023 (unaudited), and the consolidated statements of cash flows for the nine-months ended September 30, 2024 and 2023 (unaudited), and notes to consolidated financial statements (unaudited), follow on pages 4 through 43.

FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

	September 30, 2024	September 30, 2023	December 31, 2023
	(Unaudited)		
ASSETS			
CASH AND DUE FROM BANKS	$ 296,188	$ 208,277	$ 281,354
INTEREST-BEARING DEMAND DEPOSITS IN BANKS	287,476	180,008	255,237
Total cash and cash equivalents	583,664	388,285	536,591
SECURITIES AVAILABLE-FOR-SALE, at fair value (amortized cost of these securities was $5,030,124, $5,463,186, and $5,243,681 as of September 30, 2024 and 2023, and December 31, 2023, respectively)	4,612,299	4,652,537	4,732,762
LOANS:			
Held-for-investment	7,723,191	6,994,696	7,148,791
Less—allowance for credit losses	(99,936)	(89,714)	(88,734)
Net loans held-for-investment	7,623,255	6,904,982	7,060,057
Held-for-sale ($16,513, $11,908, and $11,077, at fair value at September 30, 2024 and 2023, and December 31, 2023, respectively)	20,114	12,229	14,253
BANK PREMISES AND EQUIPMENT, net	151,204	152,936	151,788
INTANGIBLE ASSETS, net	314,152	314,850	314,622
OTHER ASSETS	278,244	351,599	295,521
Total assets	$ 13,582,932	$ 12,777,418	$ 13,105,594
LIABILITIES AND SHAREHOLDERS' EQUITY			
NONINTEREST-BEARING DEPOSITS	$ 3,303,143	$ 3,477,553	$ 3,435,586
INTEREST-BEARING DEPOSITS	8,452,718	7,238,970	7,702,714
Total deposits	11,755,861	10,716,523	11,138,300
DIVIDENDS PAYABLE	25,739	25,730	25,712
REPURCHASE AGREEMENTS	57,557	621,791	381,928
BORROWINGS	25,978	129,753	22,153
TRADE DATE PAYABLE	5,416	2,500	—
OTHER LIABILITIES	50,190	41,011	38,601
Total liabilities	11,920,741	11,537,308	11,606,694
COMMITMENTS AND CONTINGENCIES			
SHAREHOLDERS' EQUITY:			
COMMON STOCK — ($0.01 par value, authorized 200,000,000 shares; 142,906,070, 142,677,069, and 142,716,939 shares issued at September 30, 2024 and 2023, and December 31, 2023, respectively)	1,429	1,427	1,427
CAPITAL SURPLUS	687,065	679,374	681,246
RETAINED EARNINGS	1,303,514	1,199,243	1,219,525
TREASURY STOCK (shares at cost: 931,423, 926,723, and 930,152 at September 30, 2024 and 2023, and December 31, 2023, respectively)	(12,653)	(11,658)	(11,855)
DEFERRED COMPENSATION	12,653	11,658	11,855
ACCUMULATED OTHER COMPREHENSIVE EARNINGS (LOSS), net	(329,817)	(639,934)	(403,298)
Total shareholders' equity	1,662,191	1,240,110	1,498,900
Total liabilities and shareholders' equity	$ 13,582,932	$ 12,777,418	$ 13,105,594

See notes to consolidated financial statements.

FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS—(UNAUDITED)
(Dollars in thousands, except per share amounts)

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2024	2023	2024	2023
INTEREST INCOME:				
Interest and fees on loans	$ 129,638	$ 106,377	$ 370,438	$ 293,453
Interest on investment securities:				
Taxable	19,866	19,425	59,730	60,240
Exempt from federal income tax	7,696	8,757	23,120	28,145
Interest on federal funds sold and interest-bearing demand deposits in banks	2,758	792	9,838	4,026
Total interest income	159,958	135,351	463,126	385,864
INTEREST EXPENSE:				
Interest on deposits	51,995	36,165	145,661	85,606
Interest on repurchase agreements and borrowings	854	5,037	6,841	13,957
Total interest expense	52,849	41,202	152,502	99,563
Net interest income	107,109	94,149	310,624	286,301
PROVISION FOR CREDIT LOSSES	6,123	2,276	12,817	10,631
Net interest income after provision for credit losses	100,986	91,873	297,807	275,670
NONINTEREST INCOME:				
Trust fees	11,694	10,050	34,787	29,778
Service charges on deposit accounts	6,428	6,509	18,683	18,855
Debit card fees	5,528	5,041	15,564	16,697
Credit card fees	617	694	1,920	2,014
Gain on sale and fees on mortgage loans	3,359	3,442	10,174	9,950
Net gain on sale of available-for-sale securities	—	(972)	—	(914)
Net gain (loss) on sale of foreclosed assets	(30)	(10)	(88)	23
Net gain on sale of other assets	267	696	269	1,626
Interest on loan recoveries	1,359	698	2,578	1,519
Other noninterest income	3,140	1,922	9,125	6,477
Total noninterest income	32,362	28,070	93,012	86,025
NONINTEREST EXPENSE:				
Salaries, commissions and employee benefits	37,497	32,935	111,652	96,162
Net occupancy expense	3,738	3,565	10,826	10,418
Equipment expense	2,291	2,200	6,761	6,525
FDIC insurance premiums	1,514	1,573	4,987	4,644
Debit card expense	3,248	3,284	9,548	9,704
Professional and service fees	2,793	2,425	8,017	7,187
Printing, stationery and supplies	199	512	1,071	1,962
Operational and other losses	955	959	2,878	2,746
Software amortization and expense	3,712	2,441	9,875	7,271
Amortization of intangible assets	157	228	471	684
Other noninterest expense	9,908	9,417	28,879	27,104
Total noninterest expense	66,012	59,539	194,965	174,407
EARNINGS BEFORE INCOME TAXES	67,336	60,404	195,854	187,288
INCOME TAX EXPENSE	12,028	10,848	34,664	34,291
NET EARNINGS	$ 55,308	$ 49,556	$ 161,190	$ 152,997
NET EARNINGS PER SHARE, BASIC	$ 0.39	$ 0.35	$ 1.13	$ 1.07
NET EARNINGS PER SHARE, DILUTED	$ 0.39	$ 0.35	$ 1.13	$ 1.07
DIVIDENDS PER SHARE	$ 0.18	$ 0.18	$ 0.54	$ 0.53

See notes to consolidated financial statements.

FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS) —(UNAUDITED)
(Dollars in thousands)

	Three-Months Ended September 30, 2024	Three-Months Ended September 30, 2023	Nine-Months Ended September 30, 2024	Nine-Months Ended September 30, 2023
NET EARNINGS	$ 55,308	$ 49,556	$ 161,190	$ 152,997
OTHER ITEMS OF COMPREHENSIVE EARNINGS (LOSS):				
Change in unrealized gain (loss) on investment securities available-for-sale, before income taxes	141,443	(190,407)	93,014	(133,453)
Reclassification adjustment for realized (gains) losses on investment securities included in net earnings, before income taxes	—	972	—	914
Total other items of comprehensive earnings (loss)	141,443	(189,435)	93,014	(132,539)
Income tax benefit (expense) related to:				
Change in unrealized gain (loss) on investment securities available-for-sale	(29,703)	39,985	(19,533)	28,025
Reclassification adjustment for realized gains (losses) on investment securities included in net earnings	—	(204)	—	(192)
Total income tax benefit (expense)	(29,703)	39,781	(19,533)	27,833
COMPREHENSIVE EARNINGS (LOSS)	$ 167,048	$ (100,098)	$ 234,671	$ 48,291

See notes to consolidated financial statements.

6FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share amounts)

	Common Stock		Capital	Retained	Treasury Stock		Deferred	Accumulated Other Comprehensive Earnings	Total Shareholders'
	Shares	Amount	Surplus	Earnings	Shares	Amounts	Compensation	(Loss)	Equity
Balances at June 30, 2023 (unaudited)	142,741,196	$ 1,427	$ 680,676	$ 1,175,410	(927,608)	$ (11,466)	$ 11,466	$ (490,280)	$ 1,367,233
Net earnings (unaudited)	—	—	—	49,556	—	—	—	—	49,556
Stock option exercises/ stock unit conversions/ restricted stock activity (unaudited)	37,210	1	383	—	—	—	—	—	384
Cash dividends declared, $0.18 per share (unaudited)	—	—	—	(25,723)	—	—	—	—	(25,723)
Change in unrealized gain (loss) in investment securities available-for-sale, net of related income taxes (unaudited)	—	—	—	—	—	—	—	(149,654)	(149,654)
Shares purchased in connection with directors' deferred compensation plan, net (unaudited)	—	—	—	—	885	(192)	192	—	—
Stock-based compensation expense (unaudited)	—	—	1,049	—	—	—	—	—	1,049
Shares repurchased under stock repurchase authorization (unaudited)	(101,337)	(1)	(2,734)	—	—	—	—	—	(2,735)
Balances at September 30, 2023 (unaudited)	142,677,069	$ 1,427	$ 679,374	$ 1,199,243	(926,723)	$ (11,658)	$ 11,658	$ (639,934)	$ 1,240,110
Balances at June 30, 2024 (unaudited)	142,848,909	$ 1,428	$ 685,209	$ 1,273,946	(934,135)	$ (12,378)	$ 12,378	$ (441,557)	$ 1,519,026
Net earnings (unaudited)	—	—	—	55,308	—	—	—	—	55,308
Stock option exercises/ stock unit conversions/ restricted stock activity (unaudited)	57,161	1	601	—	—	—	—	—	602
Cash dividends declared, $0.18 per share (unaudited)	—	—	—	(25,740)	—	—	—	—	(25,740)
Change in unrealized gain (loss) in investment securities available-for-sale, net of related income taxes (unaudited)	—	—	—	—	—	—	—	111,740	111,740
Shares purchased in connection with directors' deferred compensation plan, net (unaudited)	—	—	—	—	2,712	(275)	275	—	—
Stock-based compensation expense (unaudited)	—	—	1,255	—	—	—	—	—	1,255
Balances at September 30, 2024 (unaudited)	142,906,070	$ 1,429	$ 687,065	$ 1,303,514	(931,423)	$ (12,653)	$ 12,653	$ (329,817)	$ 1,662,191

See notes to consolidated financial statements.

FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands, except per share amounts)

	Common Stock		Capital	Retained	Treasury Stock		Deferred	Accumulated Other Comprehensive Earnings	Total Shareholders'
	Shares	Amount	Surplus	Earnings	Shares	Amounts	Compensation	(Loss)	Equity
Balances at December 31, 2022	142,657,871	$ 1,427	$ 677,593	$ 1,121,945	(929,210)	$ (11,035)	$ 11,035	$ (535,228)	$ 1,265,737
Net earnings (unaudited)	—	—	—	152,997	—	—	—	—	152,997
Stock option exercises/ stock unit conversions/ restricted stock activity (unaudited)	120,535	1	1,482	—	—	—	—	—	1,483
Cash dividends declared, $0.53 per share (unaudited)	—	—	—	(75,699)	—	—	—	—	(75,699)
Change in unrealized gain (loss) in investment securities available-for-sale, net of related income taxes (unaudited)	—	—	—	—	—	—	—	(104,706)	(104,706)
Shares purchased in connection with directors' deferred compensation plan, net (unaudited)	—	—	—	—	2,487	(623)	623	—	—
Stock-based compensation expense (unaudited)	—	—	3,033	—	—	—	—	—	3,033
Shares repurchased under stock repurchase authorization (unaudited)	(101,337)	(1)	(2,734)						(2,735)
Balances at September 30, 2023 (unaudited)	142,677,069	$ 1,427	$ 679,374	$ 1,199,243	(926,723)	$ (11,658)	$ 11,658	$ (639,934)	$ 1,240,110
Balances at December 31, 2023	142,716,939	$ 1,427	$ 681,246	$ 1,219,525	(930,152)	$ (11,855)	$ 11,855	$ (403,298)	$ 1,498,900
Net earnings (unaudited)	—	—	—	161,190	—	—	—	—	161,190
Stock option exercises/ stock unit conversions/ restricted stock activity (unaudited)	189,131	2	2,385	—	—	—	—	—	2,387
Cash dividends declared, $0.54 per share (unaudited)	—	—	—	(77,201)	—	—	—	—	(77,201)
Change in unrealized gain (loss) in investment securities available-for-sale, net of related income taxes (unaudited)	—	—	—	—	—	—	—	73,481	73,481
Shares purchased in connection with directors' deferred compensation plan, net (unaudited)	—	—	—	—	(1,271)	(798)	798	—	—
Stock-based compensation expense (unaudited)	—	—	3,434	—	—	—	—	—	3,434
Balances at September 30, 2024 (unaudited)	142,906,070	1,429	687,065	1,303,514	(931,423)	(12,653)	12,653	(329,817)	1,662,191

See notes to consolidated financial statements.

FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS—(UNAUDITED)
(Dollars in thousands)

	Nine-Months Ended September 30,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 161,190	$ 152,997
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	9,924	9,290
Provision for credit losses	12,817	10,631
Securities premium amortization, net	34,041	40,376
Gain on sale of securities and other assets, net	(181)	(735)
Deferred federal income tax benefit	1,011	1,789
Stock-based compensation	3,434	3,033
Net tax benefit from stock-based compensation	220	269
Change in loans held-for-sale	(5,754)	(312)
Change in other assets	(8,218)	(371)
Change in other liabilities	16,686	9,126
Total adjustments	63,980	73,096
Net cash provided by operating activities	225,170	226,093
CASH FLOWS FROM INVESTING ACTIVITIES:		
Activity in available-for-sale securities:		
Sales	—	320,419
Maturities	4,536,702	333,273
Purchases	(4,351,769)	(3,322)
Net increase in loans held-for-investment	(574,867)	(553,762)
Purchases of bank premises, equipment and software	(11,946)	(13,386)
Proceeds from sale of bank premises and equipment and other assets	1,555	3,740
Net cash provided by (used in) investing activities	(400,325)	86,962
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in noninterest-bearing deposits	(132,443)	(584,235)
Net increase in interest-bearing deposits	750,004	295,250
Net increase (decrease) in repurchase agreements and borrowings	(320,546)	109,036
Common stock transactions:		
Proceeds from stock option exercises/stock unit conversions/restricted stock activity	2,387	1,483
Dividends paid	(77,174)	(74,247)
Repurchases of stock	—	(2,735)
Net cash provided by (used in) financing activities	222,228	(255,448)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	47,073	57,607
CASH AND CASH EQUIVALENTS, beginning of period	536,591	330,678
CASH AND CASH EQUIVALENTS, end of period	$ 583,664	$ 388,285
SUPPLEMENTAL INFORMATION AND NONCASH TRANSACTIONS:		
Interest paid	$ 153,215	$ 87,127
Federal income taxes paid	31,173	35,529
Investment securities purchased not settled	5,416	2,500
Transfer of loans to other real estate	1,156	190

See notes to consolidated financial statements.

FIRST FINANCIAL BANKSHARES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 – Summary of Significant Accounting Policies

Nature of Operations

First Financial Bankshares, Inc., a Texas corporation ("Bankshares," "Company," "we" or "us"), is a financial holding company which owns all of the capital stock of First Financial Bank which had 79 locations located in Texas as of September 30, 2024. The Company's primary source of revenue is providing loans and banking services to consumers and commercial customers in the market area in which First Financial Bank is located. In addition, the Company also owns First Financial Trust & Asset Management Company, First Financial Insurance Agency, Inc. (inactive), First Technology Services, Inc., FFB Investment Paris Fund, LLC, and FFB Portfolio Management, Inc.

Basis of Presentation

A summary of significant accounting policies of the Company and its subsidiaries applied in the preparation of the accompanying consolidated financial statements follows. The accounting principles followed by the Company and the methods of applying them are in conformity with both United States generally accepted accounting principles ("GAAP") and prevailing practices of the banking industry.

The Company evaluated subsequent events for potential recognition through the date the consolidated financial statements were issued.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company's significant estimates include its allowance for credit losses and its valuation of financial instruments.

Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions have been eliminated.

Stock Repurchase

On July 23, 2024, the Company's Board of Directors extended the authorization to repurchase up to 5,000,000 common shares through July 31, 2025. The prior authorization had been in place since July 27, 2021. The stock repurchase plan authorizes management to repurchase and retire the stock at such time as repurchases and retirements are considered beneficial to the Company and stockholders. Any repurchase of stock will be made through the open market, block trades, or in privately negotiated transactions in accordance with applicable laws and regulations. Under the repurchase plan, there is no minimum number of shares that the Company is required to repurchase. Under the previous authorization effective through July 31, 2024, the Company repurchased and retired 101,337 shares (all during September 2023) at an average price of $26.99 per share.

Other Recently Issued and Effective Authoritative Accounting Guidance

ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." ASU 2020-04 provides optional expedients and exceptions for accounting related to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. ASU 2020-04 applies only to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform and do not apply to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022, except for hedging relationships existing as of December 31, 2022, that an entity has elected certain optional expedients for and that are retained through the end of the hedging relationship. ASU 2020-04 was effective upon issuance, and based upon the amendments provided in ASU 2022-06 discussed below, can generally be applied through December 31, 2024. The adoption of ASU 2020-04 did not have a significant impact on our financial statements.

ASU 2021-01, "Reference Rate Reform (Topic 848): Scope." ASU 2021-01 clarifies that certain optional expedients and exceptions in ASC 848 for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition. ASU 2021-01 also amends the expedients and exceptions in ASC 848 to capture the incremental consequences of the scope clarification and to tailor the existing guidance to derivative instruments affected by the discounting transition. ASU 2021-01 was effective upon issuance, and based upon the amendments provided in ASU 2022-06 discussed below, can generally be applied through December 31, 2024. The adoption of ASU 2021-01 did not have a significant impact on our financial statements.

ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures." ASU 2022-02 eliminates the accounting guidance for troubled debt restructurings in ASC Subtopic 310-40, Receivables - Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. ASU 2022-02 will also require that an entity disclose current-period gross charge-offs by year of origination for financial receivables and net investment leases within the scope of ASC Subtopic 326-20, Financial Instruments - Credit Losses - Measured at Amortized Cost. ASU 2022-02 became effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, though early adoption is permitted. The adoption of ASU 2022-02 did not have a significant impact on our financial statements.

ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848." ASU 2022-06 extends the period of time preparers can utilize the reference rate reform relief guidance provided by ASU 2020-04 and ASU 2021-01, which are discussed above. ASU 2022-06, which was effective upon issuance, defers the sunset date of this prior guidance from December 31, 2022 to December 31, 2024, after which entities will no longer be permitted to apply the relief guidance in Topic 848. The adoption of ASU 2022-06 did not have a significant impact on our financial statements.

ASU 2023-02, "Investments - Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method." ASU 2023-02 is intended to improve the accounting and disclosures for investments in tax credit structures. ASU 2023-02 allows entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. Previously, this method was only available for qualifying tax equity investments in low-income housing tax credit structures. ASU 2023-02 has been early adopted by the Company as it relates to the qualifying investments that are generating New Market Tax Credits. The adoption of ASU 2023-02 did not have a significant impact on our financial statements.

ASU 2023-09, “Income Taxes (Topic 740): Improvements to Income Tax Disclosures.” ASU 2023-09 requires entities to disclose more detailed information in their reconciliation of their statutory tax rate to their effective tax rate. Public business entities (PBEs) are required to provide this incremental detail in a numerical, tabular format. The ASU also requires entities to disclose more detailed information about income taxes paid, including by jurisdiction; pretax income (or loss) from continuing operations; and income tax expense (or benefit). PBEs will be required to adopt the new requirements in annual reporting periods beginning after December 15, 2024, and interim periods beginning after December 15, 2025. The adoption of ASU 2023-09 is not expected to have a significant impact on our financial statements.

Investment Securities

Management classifies debt securities as held-to-maturity, available-for-sale, or trading based on its intent. Securities that management has the positive intent and ability to hold to maturity are classified as held-to-maturity and recorded at amortized cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income using the interest method. Securities not classified as held-to-maturity or trading are classified as available-for-sale and recorded at fair value, with unrealized holding gains and losses (those for which no allowance for credit losses are recorded) reported as a component of other comprehensive income, net of tax. Management determines the appropriate classification of securities at the time of purchase.

Interest income includes amortization of purchase premiums and discounts over the period to maturity using a level-yield method, except for premiums on callable securities, which are amortized to their earliest call date. Realized gains and losses are recorded on the sale of securities in noninterest income.

The Company has made a policy election to exclude accrued interest from the amortized cost basis of securities and report accrued interest separately in other assets on the consolidated balance sheets. A security is placed on nonaccrual status at the time any principal or interest payments become more than 90 days delinquent or if full collection of interest or principal becomes uncertain. Accrued interest for a security placed on nonaccrual is reversed against interest income. There was no accrued interest related to securities reversed against interest income for the three and nine-months ended September 30, 2024 or 2023, respectively.

The Company records its available-for-sale securities portfolio at fair value. Fair values of these securities are determined based on methodologies in accordance with current authoritative accounting guidance. Fair values are volatile and may be influenced by a number of factors, including market interest rates, prepayment speeds, discount rates, credit ratings, and yield curves. Fair values for securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on the quoted prices of similar instruments or an estimate of fair value by using a range of fair value estimates in the marketplace as a result of the illiquid market, specific to the type of security.

The Company’s investment portfolio currently consists of obligations of state and political subdivisions, mortgage pass-through securities, corporate bonds and general obligation or revenue based municipal bonds. Pricing for such securities is generally readily available and transparent in the market. The Company utilizes independent third-party pricing services to value its investment securities, which the Company reviews as well as the underlying pricing methodologies for reasonableness and to ensure such prices are aligned with pricing matrices. The Company validates prices supplied by the independent pricing services by comparison to prices obtained from other third-party sources on a quarterly basis.

Allowance for Credit Losses – Available-for-Sale Securities

For available-for-sale securities in an unrealized loss position, we first assess whether we intend to sell, or if it is more likely than not that we will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, any previously recognized allowances are charged-off and the security’s amortized cost basis is written down to fair value through income as a provision for credit losses. For available-for-sale securities that do not meet the aforementioned criteria, we evaluate whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis.

Management has made the accounting policy election to exclude accrued interest receivable on available-for-sale securities from the estimate of credit losses. Changes in the allowance for credit losses are recorded as provision for (or reversal of) credit losses. Available-for-sale securities are charged-off against the allowance or, in the absence of any allowance, written down through income when deemed uncollectible by management or when either of the aforementioned criteria regarding intent or requirement to sell is met.

At September 30, 2024 and 2023, and December 31, 2023, no allowance for credit losses - available-for-sale securities was recorded.

Allowance for Credit Losses – Held-to-Maturity Securities

The allowance for credit losses on held-to-maturity securities is a contra-asset valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of held-to-maturity securities to present management's best estimate of the net amount expected to be collected. Held-to-maturity securities are charged-off against the allowance when deemed uncollectible by management. Adjustments to the allowance are reported in our income statement as a component of credit loss expense. Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Management has made the accounting policy election to exclude accrued interest receivable on held-to-maturity securities from the estimate of credit losses.

At September 30, 2024 and 2023, and December 31, 2023, the Company held no securities that were classified as held-to-maturity.

Loans Held-for-Investment

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the allowance for credit losses. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts, fair value hedge accounting adjustments, deferred loan fees and costs. The Company has made a policy election to exclude accrued interest from the amortized cost basis of loans and report accrued interest separately from the related loan balance in other assets on the condensed consolidated balance sheets.

Interest on loans is calculated by using the simple interest method on daily balances of the principal amounts outstanding. The Company defers and amortizes net loan origination fees and costs as an adjustment to yield.

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on nonaccrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. In determining whether or not a borrower may be unable to meet payment obligations for each class of loans, we consider the borrower's debt service capacity through the analysis of current financial information, if available, and/or current information with regards to our collateral position. Regulatory provisions would typically require the placement of a loan on nonaccrual status if principal or interest has been in default for a period of 90 days or more unless the loan is both well secured and in the process of collection or full payment of principal and interest is not expected. Loans may be placed on nonaccrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received in excess of principal due. A loan may be returned to accrual status when all the principal and interest amounts contractually due are brought current and future principal and interest amounts contractually due are reasonably assured.

Further information regarding our accounting policies related to past due loans, nonaccrual loans and loans to borrowers experiencing financial difficulty is presented in Note 3.

Acquired Loans

Loans acquired in connection with acquisitions are recorded at their acquisition-date fair value. The allowance for credit losses related to the acquired loan portfolio is not carried over. Acquired loans are classified into two categories based on the credit risk characteristics of the underlying borrowers as either purchased credit deteriorated ("PCD") loans, or loans with no evidence of credit deterioration ("non-PCD").

PCD loans are defined as a loan or pool of loans that have experienced more-than-insignificant credit deterioration since the origination date. The Company uses a combination of individual and pooled review approaches to determine if acquired loans are PCD. At acquisition, the Company considers a number of factors to determine if an acquired loan or pool of loans has experienced more-than-insignificant credit deterioration.

The initial allowance related to PCD loans that share similar risk characteristics is established using a pooled approach. The Company uses either a discounted cash flow or weighted average remaining life method to determine the required level of the allowance. PCD loans that were classified as nonaccrual as of the acquisition date and are collateral dependent are assessed for allowance on an individual basis. For PCD loans, an initial allowance is established on the acquisition date. Subsequent to the acquisition date, the initial allowance for credit losses on PCD loans will increase or decrease based on future evaluations, with changes recognized in the provision for credit losses.

Non-PCD loans are pooled into segments together with originated loans that share similar risk characteristics and have an allowance established on the acquisition date, which is recognized in the current period provision for credit losses as well as a fair value adjustment to the amortized cost of the loan and accreted into income over the life of the loan.

Determining the fair value of the acquired loans involves estimating the principal and interest payment cash flows expected to be collected on the loans and discounting those cash flows at a market rate of interest. Management considers a number of factors in evaluating the acquisition-date fair value including the remaining life, interest rate profile, market interest rate environment, payment schedules, risk ratings, probability of default and loss given default, and estimated prepayment rates. For PCD loans, the non-credit discount or premium is allocated to individual loans as determined by the difference between the loan's unpaid principal balance and amortized cost basis. For non-PCD loans, the fair value discount or premium is allocated to individual loans and recognized into interest income on a level yield basis over the remaining expected life of the loan.

Allowance for Credit Losses - Loans

The allowance for credit losses ("allowance" or "ACL") is a contra-asset valuation account, calculated in accordance with ASC 326, that is deducted from the amortized cost basis of loans. The ACL represents an amount which, in management's judgment, is adequate to absorb the lifetime expected credit losses that may be experienced on outstanding loans at the balance sheet date based on the evaluation of the size and current risk characteristics of the loan portfolio, past events, current conditions, reasonable and supportable forecasts of future economic conditions and prepayment experience. The allowance for credit losses is measured and recorded upon the initial recognition of a financial asset. Determination of the adequacy of the allowance is inherently complex and requires the use of significant and highly subjective estimates. Loans are charged-off against the allowance when deemed uncollectible by management. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Adjustments to the allowance are reported in our income statement as a component of the provision for credit losses. Management has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses.

The Company's methodology for estimating the allowance includes: (1) a collective quantified reserve that reflects the Company's historical default and loss experience adjusted for expected economic conditions throughout a reasonable and supportable period and the Company's prepayment and curtailment rates; (2) collective qualitative factors based on the risk perceived in concentrations of the loan portfolio, changes in economic conditions, early delinquencies, and factors related to credit administrations, including, among others, underwriting standards, loan-to-value ratios, and borrowers' risk rating; and (3) individual allowances on loans where borrowers are experiencing financial difficulty or when the Company determines that the foreclosure is probable.

In calculating the allowance for credit losses, most loans are segmented into pools based upon similar characteristics and risk profiles. Common characteristics and risk profiles include the type/purpose of loan, underlying collateral, geographical similarity and historical/expected credit loss patterns. In developing these loan pools for the purposes of modeling expected credit losses, we also analyzed the degree of correlation in how loans within each portfolio respond when subjected to varying economic conditions and scenarios as well as other portfolio stress factors. For modeling purposes, our loan portfolio segments include C&I, Municipal, Agricultural, Construction and Development, Farm, Non-Owner Occupied and Owner Occupied CRE, Residential, Consumer Auto and Consumer Non-Auto. We periodically reassess each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary. Refer to Note 3 for more details on the Company's portfolio segments.

The Company applies two methodologies to estimate the allowance on its pooled portfolio segments; discounted cash flows method and weighted average remaining life method. Allowance estimates on the following portfolio segments are calculated using the discounted cash flows method: C&I, Municipal, Construction and Development, Farm, Non-Owner Occupied and Owner Occupied CRE and Residential. Allowance estimates on the following portfolio segments are calculated using the remaining life method: Agriculture, Consumer Auto and Consumer Non-Auto. The models related to these methodologies utilize the Company's historical default and loss experience adjusted for future economic forecasts. The reasonable and supportable forecast period represents a one-year economic outlook for the applicable economic variables. Following the end of the reasonable and supportable forecast period, expected losses revert back to the historical mean over the next two years on a straight-line basis. Economic variables that have the most significant impact on the allowance include: Texas unemployment rate, Texas house price index and Texas retail sales index. Contractual loan level cash flows within the discounted cash flows methodology are adjusted for the Company's historical prepayment and curtailment rate experience.

In some cases, management may determine that an individual loan exhibits unique risk characteristics which differentiate the loan from other loans within our loan pools. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific allocations of the allowance for credit losses are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk rating of the loan and economic conditions affecting the borrower's industry, among other things. A loan is considered to be collateral dependent when, based upon management's assessment, the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the sale of the collateral. In such cases, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. We reevaluate the fair value of collateral supporting collateral dependent loans on an ongoing basis.

Management qualitatively adjusts model results for risk factors that are not considered within our modeling processes but are nonetheless relevant in assessing the expected credit losses within our loan pools. These qualitative factor ("Q-Factor") adjustments may increase management's estimate of expected credit losses based upon the estimated level of risk within the risk factor. The various risk factors that may be considered in making Q-Factor adjustments include, among other things, the impact of (i) changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries, (ii) actual and expected changes in national, regional, and local economic and business conditions and developments that affect the collectability of the loan pools, (iii) changes in the nature, volume and size of a loan or the loan pools and in the terms of the underlying loans, (iv) changes in the experience, ability, and depth of our lending management and staff, (v) changes in volume and severity of past due financial assets, the volume of nonaccrual assets, and the volume and severity of adversely classified or graded assets, (vi) changes in the quality of our credit review function, (vii) changes in the value of the underlying collateral for loans that are non-collateral dependent, (viii) the existence, growth, and effect of any concentrations of credit, and (ix) other factors such as the regulatory, legal and technological environments, competition, and events such as natural disasters or health pandemics.

Management believes it uses relevant information available to make determinations about the allowance and that it has established the existing allowance in accordance with GAAP. However, the determination of the allowance requires significant judgment, and estimates of expected lifetime losses in the loan portfolio can vary significantly from the amounts actually observed. While management uses available information to recognize expected losses, future additions to the allowance may be necessary based on changes in the loans comprising the portfolio, changes in the current and forecasted economic conditions, changes to the interest rate environment which may directly impact prepayment and curtailment rate assumptions, and changes in the financial condition of borrowers.

Allowance for Credit Losses - Off-Balance-Sheet/Reserve for Unfunded Commitments

The allowance for credit losses on off-balance-sheet credit exposures is a liability account, calculated in accordance with ASC 326, representing expected credit losses over the contractual period for which we are exposed to credit risk resulting from a contractual obligation to extend credit. These obligations include unfunded lines of credit, commitments to extend credit and federal funds sold to correspondent banks and standby letters of credit. No allowance is recognized if we have the unconditional right to cancel the obligation. The allowance is reported as a component of accrued interest payable and other liabilities in our consolidated balance sheets. Adjustments to the allowance are reported in our income statement as a component of the provision for credit losses. At September 30, 2024, the Company's reserve for unfunded commitments totaled $8,004,000. The reserve for unfunded commitments totaled $7,903,000 at both September 30, 2023 and December 31, 2023, respectively. The reserve for unfunded commitments is included in other liabilities in the consolidated balance sheet.

Other Real Estate

Other real estate owned is foreclosed property held pending disposition and is initially recorded at fair value, less estimated costs to sell, and is included in other assets in the consolidated balance sheet. At foreclosure, if the fair value of the real estate, less estimated costs to sell, is less than the Company's recorded investment in the related loan, a write-down is recognized through a charge to the ACL. Any subsequent reduction in value is recognized by a charge to income. Operating and holding expenses of such properties, net of related income, and gains/losses on their disposition are included in net gain (loss) on sale of foreclosed assets as incurred.

Bank Premises and Equipment

Bank premises and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed principally on a straight-line basis over the estimated useful lives of the related assets. Leasehold improvements are amortized over the life of the respective lease or the estimated useful lives of the improvements, whichever is shorter.

Business Combinations, Goodwill and Other Intangible Assets

The Company accounts for all business combinations under the purchase method of accounting. Tangible and intangible assets and liabilities of the acquired entity are recorded at fair value. Intangible assets with finite useful lives represent the future benefit associated with the acquisition of the core deposits and are amortized over seven years, utilizing a method that approximates the expected attrition of the deposits. Goodwill with an indefinite life is not amortized, but rather tested annually for impairment as of June 30 each year. There was no impairment recorded during the nine-months ended September 30, 2024 or 2023, respectively.

Securities Sold Under Agreements to Repurchase

Securities sold under agreements to repurchase, which are classified as borrowings, generally mature within one to four days from the transaction date. Securities sold under agreements to repurchase are reflected at the amount of the cash received in connection with the transaction. The Company may be required to provide additional collateral based on the estimated fair value of the underlying securities.

Segment Reporting

The Company has determined that its banking regions meet the aggregation criteria of the current authoritative accounting guidance since each of its banking regions offer similar products and services, operate in a similar manner, have similar customers and report to the same regulatory authority, and therefore operate one line of business (community banking) located in a single geographic area (Texas).

Statements of Cash Flows

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, amounts due from banks, including interest-bearing deposits in banks with original maturity of 90 days or less, and federal funds sold.

Accumulated Other Comprehensive Earnings (Loss)

Unrealized net losses on the Company's available-for-sale securities, net of applicable income taxes, totaled $329,817,000, $639,934,000 and $403,298,000 at September 30, 2024, and 2023, and December 31, 2023, respectively, are included in accumulated other comprehensive earnings (loss) as a separate component of shareholders' equity.

Income Taxes

The Company's provision for income taxes is based on income before income taxes adjusted for permanent differences between financial reporting and taxable income. Deferred tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. As of September 30, 2024, and 2023, and December 31, 2023, deferred tax assets totaled $94,239,000, $173,032,000 and $110,800,000, respectively, and were included in other assets on the consolidated balance sheets.

Stock Based Compensation

The Company grants stock options for a fixed number of shares to employees with an exercise price equal to the fair value using the Black-Scholes model of the shares at the grant date. The grant date fair value is amortized over the vesting period, which generally is three, five or six years. The Company also grants restricted stock and/or units for a fixed number of shares which generally vests over periods of one to three years, and performance stock units which vest over a three-year period based on Company performance metrics relative to a defined peer group. For stock option grants, the exercise price is established based on the closing trading price. No adjustments have been necessary to properly value the grant based on the terms or other conditions of the grants. Expense is recognized based on the fair value of the portion of stock-based payment awards that ultimately expected to vest, reduced for forfeitures based on grant-date fair value. See Note 8 for further information.

Advertising Costs

Advertising costs are expensed as incurred.

Per Share Data

Net earnings per share ("EPS") are computed by dividing net earnings by the weighted average number of common shares outstanding during the period. The Company calculates dilutive EPS assuming all outstanding stock options to purchase common shares and unvested restricted stock shares and units have been exercised and/or vested at the beginning of the year (or the time of issuance, if later.) The dilutive effect of the outstanding options and restricted stock is determined by application of the treasury stock method, whereby the proceeds from the exercised options and unearned compensation for both restricted stock and stock options are assumed to be used to purchase common shares at the average market price during the respective period. There were 375,000 and 449,000 anti-dilutive shares for the three and nine-months ended September 30, 2024 that were excluded from the computation of EPS. There were 864,000 and 478,000 anti-dilutive shares for the three and nine-months ended September 30, 2023 that were excluded from the computation of EPS. The following table reconciles the computation of basic EPS to diluted EPS:

	Net Earnings (in thousands)	Weighted Average Shares	Per Share Amount
For the three-months ended September 30, 2024:			
Net earnings per share, basic	$ 55,308	142,853,215	$ 0.39
Effect of stock options and stock grants	—	335,642	—
Net earnings per share, diluted	$ 55,308	143,188,857	$ 0.39

	Net Earnings (in thousands)	Weighted Average Shares	Per Share Amount
For the three-months ended September 30, 2023:			
Net earnings per share, basic	$ 49,556	142,707,260	$ 0.35
Effect of stock options and stock grants	—	442,113	—
Net earnings per share, diluted	$ 49,556	143,149,373	$ 0.35

	Net Earnings (in thousands)	Weighted Average Shares	Per Share Amount
For the nine-months ended September 30, 2024:			
Net earnings per share, basic	$ 161,190	142,797,621	$ 1.13
Effect of stock options and stock grants	—	362,031	—
Net earnings per share, diluted	$ 161,190	143,159,652	$ 1.13

	Net Earnings (in thousands)	Weighted Average Shares	Per Share Amount
For the nine-months ended September 30, 2023:			
Net earnings per share, basic	$ 152,997	142,691,389	$ 1.07
Effect of stock options and stock grants	—	351,469	—
Net earnings per share, diluted	$ 152,997	143,042,858	$ 1.07

Note 2 - Securities

Debt securities have been classified in the consolidated balance sheets according to management's intent. The amortized cost, related gross unrealized gains and losses, allowance for credit losses and the fair value of available-for-sale securities are as follows (dollars in thousands):

	September 30, 2024			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. Treasury securities	$ 298,671	$ 14	$ (5,671)	$ 293,014
Obligations of states and political subdivisions	1,586,300	699	(115,516)	1,471,483
Residential mortgage-backed securities	2,712,305	1,655	(290,030)	2,423,930
Commercial mortgage-backed securities	320,685	1,946	(5,795)	316,836
Corporate bonds and other	112,163	59	(5,186)	107,036
Total securities available-for-sale	$ 5,030,124	$ 4,373	$ (422,198)	$ 4,612,299

	September 30, 2023			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. Treasury securities	$ 507,549	$ —	$ (22,102)	$ 485,447
Obligations of states and political subdivisions	1,726,947	120	(263,313)	1,463,754
Residential mortgage-backed securities	2,792,813	—	(495,578)	2,297,235
Commercial mortgage-backed securities	323,539	—	(18,191)	305,348
Corporate bonds and other	112,338	—	(11,585)	100,753
Total securities available-for-sale	$ 5,463,186	$ 120	$ (810,769)	$ 4,652,537

	December 31, 2023			
	Amortized Cost Basis	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Estimated Fair Value
Securities available-for-sale:				
U.S. Treasury securities	$ 496,975	$ 4	$ (14,745)	$ 482,234
Obligations of states and political subdivisions	1,621,405	934	(125,182)	1,497,157
Residential mortgage-backed securities	2,716,968	7	(352,883)	2,364,092
Commercial mortgage-backed securities	295,663	—	(11,339)	284,324
Corporate bonds and other	112,670	—	(7,715)	104,955
Total securities available-for-sale	$ 5,243,681	$ 945	$ (511,864)	$ 4,732,762

The Company did not hold any securities classified as held-to-maturity at September 30, 2024, September 30, 2023, or December 31, 2023.

The Company invests in mortgage-backed securities that have expected maturities that differ from their contractual maturities. These differences arise because borrowers may have the right to call or prepay obligations with or without a prepayment penalty. These securities include collateralized mortgage obligations (CMOs) and other asset backed securities. The expected maturities of these securities at September 30, 2024 and 2023, and December 31, 2023, were computed by using scheduled amortization of balances and historical prepayment rates.

The carrying value and estimated fair value of available-for-sale securities at September 30, 2024, by contractual and expected maturity, are shown below (dollars in thousands):

	Carrying Value	Estimated Fair Value
Due within one year	$ 281,764	$ 278,517
Due after one year through five years	1,758,382	1,662,649
Due after five years through ten years	2,167,043	1,955,247
Due after ten years	822,935	715,886
Total	$ 5,030,124	$ 4,612,299

The following tables disclose as of September 30, 2024 and 2023, and December 31, 2023, the Company's investment securities that have been in a continuous unrealized-loss position for less than 12 months and for 12 or more months (dollars in thousands):

	Less than 12 Months		12 Months or Longer		Total	
September 30, 2024	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury securities	$ —	$ —	$ 290,535	$ 5,671	$ 290,535	$ 5,671
Obligations of states and political subdivisions	6,899	43	1,395,597	115,473	$ 1,402,496	$ 115,516
Residential mortgage-backed securities	124,439	335	2,205,425	289,695	$ 2,329,864	$ 290,030
Commercial mortgage-backed securities	7,118	32	209,632	5,763	$ 216,750	$ 5,795
Corporate bonds and other	—	—	97,183	5,186	$ 97,183	$ 5,186
Total	$ 138,456	$ 410	$ 4,198,372	$ 421,788	$ 4,336,828	$ 422,198

	Less than 12 Months		12 Months or Longer		Total	
September 30, 2023	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury securities	$ 4,867	$ 49	$ 480,580	$ 22,053	$ 485,447	$ 22,102
Obligations of states and political subdivisions	53,029	2,568	1,402,097	260,745	1,455,126	263,313
Residential mortgage-backed securities	3,123	106	2,294,112	495,472	2,297,235	495,578
Commercial mortgage-backed securities	1,274	87	304,074	18,104	305,348	18,191
Corporate bonds and other	—	—	100,753	11,585	100,753	11,585
Total	$ 62,293	$ 2,810	$ 4,581,616	$ 807,959	$ 4,643,909	$ 810,769

	Less than 12 Months		12 Months or Longer		Total	
December 31, 2023	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Treasury securities	$ 3,477	$ 7	$ 477,306	$ 14,738	$ 480,783	$ 14,745
Obligations of states and political subdivisions	11,855	34	1,427,975	125,148	1,439,830	125,182
Residential mortgage-backed securities	1,631	1	2,361,089	352,882	2,362,720	352,883
Commercial mortgage-backed securities	—	—	284,324	11,339	284,324	11,339
Corporate bonds and other	—	—	104,955	7,715	104,955	7,715
Total	$ 16,963	$ 42	$ 4,655,649	$ 511,822	$ 4,672,612	$ 511,864

The number of investments in an unrealized loss position totaled 730 at September 30, 2024. We believe any unrealized losses in the U.S. treasury securities, obligations of state and political subdivisions, residential and commercial mortgage-backed and asset-backed investment securities, and corporate bonds and other at September 30, 2024 and 2023, and December 31, 2023, are due to changes in interest rates and not credit-related events. As such, no allowance for credit losses is required on these securities at September 30, 2024 and 2023, and December 31, 2023. Unrealized losses on investment securities are expected to recover over time as these securities approach maturity. Based on evaluations of impaired securities as of September 30, 2024, the Company does not intend to sell any impaired available-for-sale securities before fair value recovers to the current amortized cost, and it is more-likely-than-not that the Company will not be required to sell impaired securities before fair value recovers, which may be maturity. Our mortgage related securities are backed by GNMA, FNMA and FHLMC or are collateralized by securities backed by these agencies. At September 30, 2024, 67.05% of our available-for-sale securities that are obligations of states and political subdivisions were issued within the State of Texas, of which 56.08% are guaranteed by the Texas Permanent School Fund.

Securities, carried at approximately $2,511,801,000 on September 30, 2024, were pledged as collateral for public or trust fund deposits, repurchase agreements, borrowings and for other purposes required or permitted by law.

During the three-months ended September 30, 2024, there were no sales of investment securities that were classified as available-for-sale. During the three-months ended September 30, 2023, sales of investment securities that were classified as available-for-sale were $113,132,000. There were no gross realized security gains or losses from sales and calls during the third quarter of 2024. Gross realized security gains from sales and calls during the third quarter of 2023 totaled $53,000. Gross realized security losses from sales or calls during the third quarter of 2023 totaled $1,025,000.

During the nine-months ended September 30, 2024, there were no sales of investment securities that were classified as available-for-sale. During the nine-months ended September 30, 2023, sales of investment securities that were classified as available-for-sale were $320,419,000. There were no gross realized security gains or losses from sales and calls during the nine-months ended September 30, 2024. Gross realized security gains from sales and calls during the nine-months ended September 30, 2023 totaled $1,701,000. Gross realized security losses from sales or calls during the nine-months ended September 30, 2023 totaled $2,615,000.

The specific identification method was used to determine cost in order to compute the realized gains and losses.

Note 3 – Loans Held-for-Investment and Allowance for Credit Losses

For the periods ended September 30, 2024 and 2023, and December 31, 2023, the following tables outline the Company's loan portfolio by the ten portfolio segments where applicable.

Loans held-for-investment by portfolio segment are as follows (dollars in thousands):

	September 30, 2024	September 30, 2023	December 31, 2023
Commercial:			
C&I	$ 1,175,774	$ 1,108,240	$ 1,164,811
Municipal	333,732	218,358	214,850
Total Commercial	1,509,506	1,326,598	1,379,661
Agricultural	83,269	81,876	84,890
Real Estate:			
Construction & Development	1,013,810	929,570	963,158
Farm	315,720	341,052	344,954
Non-Owner Occupied CRE	825,928	828,900	827,969
Owner Occupied CRE	1,086,750	1,002,913	1,037,281
Residential	2,112,196	1,788,913	1,834,593
Total Real Estate	5,354,404	4,891,348	5,007,955
Consumer:			
Auto	618,103	540,382	521,859
Non-Auto	157,909	154,492	154,426
Total Consumer	776,012	694,874	676,285
Total Loans	7,723,191	6,994,696	7,148,791
Less: Allowance for credit losses	(99,936)	(89,714)	(88,734)
Loans, net	$ 7,623,255	$ 6,904,982	$ 7,060,057

Outstanding loan balances at September 30, 2024 and 2023, and December 31, 2023, are net of unearned income, including net deferred loan fees.

At September 30, 2024, $5,256,833,000 in loans held by our bank subsidiary were subject to blanket liens as security for a line of credit with the Federal Home Loan Bank of Dallas ("FHLB"). At September 30, 2024, this available line of credit was $2,196,671,000. At September 30, 2024, there was $641,500,000 used on the line advance for undisbursed commitments (letters of credit) used to secure public funds.

The Company's nonaccrual loans and loans still accruing and past due 90 days or more are as follows (dollars in thousands):

	September 30, 2024	September 30, 2023	December 31, 2023
Nonaccrual loans	$ 63,378	$ 38,812	$ 33,609
Loans still accruing and past due 90 days or more	504	289	1,004
Total nonperforming loans	$ 63,882	$ 39,101	$ 34,613

The Company had $64,417,000, $39,698,000 and $35,096,000 in nonaccrual, past due 90 days or more and still accruing, and foreclosed assets at September 30, 2024 and 2023, and December 31, 2023, respectively. Nonaccrual loans at September 30, 2024 and 2023, and December 31, 2023, consisted of the following (dollars in thousands):

	September 30,		December 31,
	2024	2023	2023
Commercial:			
C&I	$ 3,952	$ 3,365	$ 4,132
Municipal	—	—	—
Total Commercial	3,952	3,365	4,132
Agricultural	2,088	838	155
Real Estate:			
Construction & Development	1,617	3,295	1,444
Farm	4,738	5,534	4,804
Non-Owner Occupied CRE	12,787	8,407	8,022
Owner Occupied CRE	29,411	7,812	6,822
Residential	7,741	8,990	7,649
Total Real Estate	56,294	34,038	28,741
Consumer:			
Auto	546	465	464
Non-Auto	498	106	117
Total Consumer	1,044	571	581
Total	$ 63,378	$ 38,812	$ 33,609

No significant additional funds are committed to be advanced in connection with nonaccrual loans as of September 30, 2024.

Summary information on the allowance for credit losses for the three and nine-months ended September 30, 2024 and 2023, are outlined by portfolio segment in the following tables (dollars in thousands):

Three-Months Ended September 30, 2024	C&I	Municipal	Agricultural	Construction & Development	Farm
Beginning balance	$ 15,251	$ 239	$ 1,931	$ 23,511	$ 2,902
Provision for loan losses	1,665	(42)	294	(3,164)	272
Recoveries	257	—	8	—	—
Charge-offs	(398)	—	(8)	—	—
Ending balance	$ 16,775	$ 197	$ 2,225	$ 20,347	$ 3,174

Three-Months Ended September 30, 2024 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Beginning balance	$ 13,028	$ 21,054	$ 15,668	$ 1,073	$ 513	$ 95,170
Provision for loan losses	869	1,827	3,243	321	267	5,552
Recoveries	3	38	—	145	42	493
Charge-offs	—	—	(174)	(428)	(271)	(1,279)
Ending balance	$ 13,900	$ 22,919	$ 18,737	$ 1,111	$ 551	$ 99,936

Three-Months Ended September 30, 2023	C&I	Municipal	Agricultural	Construction & Development	Farm
Beginning balance	$ 16,530	$ 187	$ 1,082	$ 28,966	$ 2,804
Provision for loan losses	(64)	(2)	53	(696)	131
Recoveries	56	—	21	6	—
Charge-offs	(715)	—	—	—	—
Ending balance	$ 15,807	$ 185	$ 1,156	$ 28,276	$ 2,935

Three-Months Ended September 30, 2023 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Beginning balance	$ 13,471	$ 12,572	$ 9,767	$ 829	$ 333	$ 86,541
Provision for loan losses	2,330	767	1,035	172	95	3,821
Recoveries	16	187	3	96	47	432
Charge-offs	—	—	(7)	(235)	(123)	(1,080)
Ending balance	$ 15,817	$ 13,526	$ 10,798	$ 862	$ 352	$ 89,714

Nine-Months Ended September 30, 2024	C&I	Municipal	Agricultural	Construction & Development	Farm
Beginning balance	$ 15,698	$ 195	$ 1,281	$ 28,553	$ 2,914
Provision for loan losses	1,376	2	952	(8,173)	260
Recoveries	545	—	59	—	—
Charge-offs	(844)	—	(67)	(33)	—
Ending balance	$ 16,775	$ 197	$ 2,225	$ 20,347	$ 3,174

Nine-Months Ended September 30, 2024 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Beginning balance	$ 13,425	$ 13,813	$ 11,654	$ 810	$ 391	$ 88,734
Provision for loan losses	454	8,988	7,168	1,111	580	12,718
Recoveries	34	118	100	346	113	1,315
Charge-offs	(13)	—	(185)	(1,156)	(533)	(2,831)
Ending balance	$ 13,900	$ 22,919	$ 18,737	$ 1,111	$ 551	$ 99,936

Nine-Months Ended September 30, 2023	C&I	Municipal	Agricultural	Construction & Development	Farm
Beginning balance	$ 16,129	$ 1,026	$ 1,041	$ 26,443	$ 1,957
Provision for loan losses	860	(841)	(128)	1,727	978
Recoveries	221	—	243	106	—
Charge-offs	(1,403)	—	—	—	—
Ending balance	$ 15,807	$ 185	$ 1,156	$ 28,276	$ 2,935

Nine-Months Ended September 30, 2023 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Beginning balance	$ 9,075	$ 9,928	$ 9,075	$ 845	$ 315	$ 75,834
Provision for loan losses	6,679	3,390	1,826	341	218	15,050
Recoveries	63	208	18	329	128	1,316
Charge-offs	—	—	(121)	(653)	(309)	(2,486)
Ending balance	$ 15,817	$ 13,526	$ 10,798	$ 862	$ 352	$ 89,714

Additionally, the Company records a reserve for unfunded commitments in other liabilities, which totaled $8,004,000, $7,903,000 and $7,903,000 at September 30, 2024 and 2023, and December 31, 2023, respectively. The provision for loan losses of $5,552,000 for the three-months ended September 30, 2024 is combined with the provision for unfunded commitments of $571,000 and reported in the net aggregate of $6,123,000 under the provision for credit losses in the consolidated statement of earnings for the three-months ended September 30, 2024. The provision for loan losses of $12,718,000 for the nine-months ended September 30, 2024 is combined with the provision for unfunded commitments of $101,000 and reported in the net aggregate of $12,817,000 under the provision for credit losses in the consolidated statement of earnings for the nine-months ended September 30, 2024.

The $3,821,000 provision for loan losses for the three-months ended September 30, 2023 above is combined with the reversal of provision for unfunded commitments of $1,545,000 and reported in the aggregate of $2,276,000 under the provision for credit losses for the three-months ended September 30, 2023. The $15,050,000 provision for loan losses for the nine-months ended September 30, 2023 above is combined with the reversal of provision for unfunded commitments of $4,419,000 and reported in the aggregate of $10,631,000 under the provision for credit losses for the nine-months ended September 30, 2023.

The Company's loans that are individually evaluated for credit losses (both collateral and non-collateral dependent) and their related allowances as of September 30, 2024 and 2023, and December 31, 2023, are summarized in the following tables by loan segment (dollars in thousands):

September 30, 2024	Collateral Dependent Loans Individually Evaluated for Credit Losses Without an Allowance	Collateral Dependent Loans Individually Evaluated for Credit Losses With an Allowance	Non-Collateral Dependent Loans Individually Evaluated for Credit Losses	Total Loans Individually Evaluated for Credit Losses	Related Allowance on Collateral Dependent Loans	Related Allowance on Non-Collateral Dependent Loans	Total Allowance for Credit Losses on Loans Individually Evaluated for Credit Losses
Commercial:							
C&I	$ 1,137	$ 2,815	$ 21,285	$ 25,237	$ 1,430	$ 3,921	$ 5,351
Municipal	—	—	373	373	—	—	—
Total Commercial	1,137	2,815	21,658	25,610	1,430	3,921	5,351
Agricultural	278	1,810	1,150	3,238	1,092	636	1,728
Real Estate:							
Construction & Development	1,091	526	8,404	10,021	35	556	591
Farm	412	4,326	5,586	10,324	546	443	989
Non-Owner Occupied CRE	2,234	10,553	25,607	38,394	1,402	2,047	3,449
Owner Occupied CRE	402	29,009	57,364	86,775	6,709	2,888	9,597
Residential	4,142	3,599	43,439	51,180	644	2,373	3,017
Total Real Estate	8,281	48,013	140,400	196,694	9,336	8,307	17,643
Consumer:							
Auto	—	546	2,562	3,108	1	4	5
Non-Auto	—	498	775	1,273	87	78	165
Total Consumer	—	1,044	3,337	4,381	88	82	170
Total	$ 9,696	$ 53,682	$ 166,545	$ 229,923	$ 11,946	$ 12,946	$ 24,892

September 30, 2023	Collateral Dependent Loans Individually Evaluated for Credit Losses Without an Allowance	Collateral Dependent Loans Individually Evaluated for Credit Losses With an Allowance	Non-Collateral Dependent Loans Individually Evaluated for Credit Losses	Total Loans Individually Evaluated for Credit Losses	Related Allowance on Collateral Dependent Loans	Related Allowance on Non-Collateral Dependent Loans	Total Allowance for Credit Losses on Loans Individually Evaluated for Credit Losses
Commercial:							
C&I	$ 310	$ 3,055	$ 20,476	$ 23,841	$ 2,025	$ 4,651	$ 6,676
Municipal	—	—	1,377	1,377	—	—	—
Total Commercial	310	3,055	21,853	25,218	2,025	4,651	6,676
Agricultural	215	623	1,278	2,116	58	594	652
Real Estate:							
Construction & Development	2,678	617	19,912	23,207	139	1,887	2,026
Farm	553	4,981	2,225	7,759	1,070	133	1,203
Non-Owner Occupied CRE	1,991	6,416	28,127	36,534	889	2,665	3,554
Owner Occupied CRE	5,473	2,339	34,988	42,800	400	1,635	2,035
Residential	6,059	2,931	29,453	38,443	281	1,865	2,146
Total Real Estate	16,754	17,284	114,705	148,743	2,779	8,185	10,964
Consumer:							
Auto	—	465	1,858	2,323	1	3	4
Non-Auto	—	106	599	705	—	2	2
Total Consumer	—	571	2,457	3,028	1	5	6
Total	$ 17,279	$ 21,533	$ 140,293	$ 179,105	$ 4,863	$ 13,435	$ 18,298

December 31, 2023	Collateral Dependent Loans Individually Evaluated for Credit Losses Without an Allowance	Collateral Dependent Loans Individually Evaluated for Credit Losses With an Allowance	Non-Collateral Dependent Loans Individually Evaluated for Credit Losses	Total Loans Individually Evaluated for Credit Losses	Related Allowance on Collateral Dependent Loans	Related Allowance on Non-Collateral Dependent Loans	Total Allowance for Credit Losses on Loans Individually Evaluated for Credit Losses
Commercial:							
C&I	$ 1,322	$ 2,810	$ 18,633	$ 22,765	$ 1,363	$ 4,495	$ 5,858
Municipal	—	—	733	733	—	—	—
Total Commercial	1,322	2,810	19,366	23,498	1,363	4,495	5,858
Agricultural	57	98	1,304	1,459	50	700	750
Real Estate:							
Construction & Development	758	686	22,545	23,989	148	2,253	2,401
Farm	—	4,804	1,362	6,166	937	57	994
Non-Owner Occupied CRE	1,919	6,103	29,117	37,139	700	2,984	3,684
Owner Occupied CRE	4,661	2,161	35,746	42,568	232	1,431	1,663
Residential	3,909	3,740	30,257	37,906	360	1,799	2,159
Total Real Estate	11,247	17,494	119,027	147,768	2,377	8,524	10,901
Consumer:							
Auto	—	464	2,125	2,589	1	3	4
Non-Auto	—	117	782	899	—	60	60
Total Consumer	—	581	2,907	3,488	1	63	64
Total	$ 12,626	$ 20,983	$ 142,604	$ 176,213	$ 3,791	$ 13,782	$ 17,573

The Company's allowance for loans that are individually evaluated for credit losses and collectively evaluated for credit losses as of September 30, 2024 and 2023, and December 31, 2023, are summarized in the following table by loan segment (dollars in thousands). Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

September 30, 2024	C&I	Municipal	Agricultural	Construction & Development	Farm
Loans individually evaluated for credit losses	$ 5,351	$ —	$ 1,728	$ 591	$ 989
Loans collectively evaluated for credit losses	11,424	197	497	19,756	2,185
Total	$ 16,775	$ 197	$ 2,225	$ 20,347	$ 3,174

September 30, 2024 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Loans individually evaluated for credit losses	$ 3,449	$ 9,597	$ 3,017	$ 5	$ 165	$ 24,892
Loans collectively evaluated for credit losses	10,451	13,322	15,720	1,106	386	75,044
Total	$ 13,900	$ 22,919	$ 18,737	$ 1,111	$ 551	$ 99,936

September 30, 2023	C&I	Municipal	Agricultural	Construction & Development	Farm
Loans individually evaluated for credit losses	$ 6,676	$ —	$ 652	$ 2,026	$ 1,203
Loans collectively evaluated for credit losses	9,131	185	504	26,250	1,732
Total	$ 15,807	$ 185	$ 1,156	$ 28,276	$ 2,935

September 30, 2023 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Loans individually evaluated for credit losses	$ 3,554	$ 2,035	$ 2,146	$ 4	$ 2	$ 18,298
Loans collectively evaluated for credit losses	12,263	11,491	8,652	858	350	71,416
Total	$ 15,817	$ 13,526	$ 10,798	$ 862	$ 352	$ 89,714

December 31, 2023	C&I	Municipal	Agricultural	Construction & Development	Farm
Loans individually evaluated for credit losses	$ 5,858	$ —	$ 750	$ 2,401	$ 994
Loans collectively evaluated for credit losses	9,840	195	531	26,152	1,920
Total	$ 15,698	$ 195	$ 1,281	$ 28,553	$ 2,914

December 31, 2023 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Loans individually evaluated for credit losses	$ 3,684	$ 1,663	$ 2,159	$ 4	$ 60	$ 17,573
Loans collectively evaluated for credit losses	9,741	12,150	9,495	806	331	71,161
Total	$ 13,425	$ 13,813	$ 11,654	$ 810	$ 391	$ 88,734

The Company's recorded investment in loans as of September 30, 2024 and 2023, and December 31, 2023, related to the balance in the allowance for credit losses follows below (dollars in thousands):

September 30, 2024	C&I	Municipal	Agricultural	Construction & Development	Farm
Loans individually evaluated for credit losses	$ 25,237	$ 373	$ 3,238	$ 10,021	$ 10,324
Loans collectively evaluated for credit losses	1,150,537	333,359	80,031	1,003,789	305,396
Total	$ 1,175,774	$ 333,732	$ 83,269	$ 1,013,810	$ 315,720

September 30, 2024 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Loans individually evaluated for credit losses	$ 38,394	$ 86,775	$ 51,180	$ 3,108	$ 1,273	$ 229,923
Loans collectively evaluated for credit losses	787,534	999,975	2,061,016	614,995	156,636	7,493,268
Total	$ 825,928	$ 1,086,750	$ 2,112,196	$ 618,103	$ 157,909	$ 7,723,191

September 30, 2023	C&I	Municipal	Agricultural	Construction & Development	Farm
Loans individually evaluated for credit losses	$ 23,841	$ 1,377	$ 2,116	$ 23,207	$ 7,759
Loans collectively evaluated for credit losses	1,084,399	216,981	79,760	906,363	333,293
Total	$ 1,108,240	$ 218,358	$ 81,876	$ 929,570	$ 341,052

September 30, 2023 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Loans individually evaluated for credit losses	$ 36,534	$ 42,800	$ 38,443	$ 2,323	$ 705	$ 179,105
Loans collectively evaluated for credit losses	792,366	960,113	1,750,470	538,059	153,787	6,815,591
Total	$ 828,900	$ 1,002,913	$ 1,788,913	$ 540,382	$ 154,492	$ 6,994,696

December 31, 2023	C&I	Municipal	Agricultural	Construction & Development	Farm
Loans individually evaluated for credit losses	$ 22,765	$ 733	$ 1,459	$ 23,989	$ 6,166
Loans collectively evaluated for credit losses	1,142,046	214,117	83,431	939,169	338,788
Total	$ 1,164,811	$ 214,850	$ 84,890	$ 963,158	$ 344,954

December 31, 2023 (continued)	Non-Owner Occupied CRE	Owner Occupied CRE	Residential	Auto	Non-Auto	Total
Loans individually evaluated for credit losses	$ 37,139	$ 42,568	$ 37,906	$ 2,589	$ 899	$ 176,213
Loans collectively evaluated for credit losses	790,830	994,713	1,796,687	519,270	153,527	6,972,578
Total	$ 827,969	$ 1,037,281	$ 1,834,593	$ 521,859	$ 154,426	$ 7,148,791

From a credit risk standpoint, the Company rates its loans in one of five categories: (i) pass, (ii) special mention, (iii) substandard, (iv) doubtful or (v) loss (which are charged-off).

The ratings of loans reflect a judgment about the risks of default and loss associated with the loan. The Company reviews the ratings on our credits as part of our ongoing monitoring of the credit quality of our loan portfolio. Ratings are adjusted to reflect the degree of risk and loss that are felt to be inherent in each credit as of each reporting period. Our methodology is structured so that specific allocations are increased in accordance with deterioration in credit quality (and a corresponding increase in risk and loss) or decreased in accordance with improvement in credit quality (and a corresponding decrease in risk and loss).

Credits rated special mention show clear signs of financial weaknesses or deterioration in credit worthiness, however, such concerns are not so pronounced that the Company generally expects to experience significant loss within the short-term. Such credits typically maintain the ability to perform within standard credit terms and credit exposure is not as prominent as credits rated more harshly.

Credits rated substandard are those in which the normal repayment of principal and interest may be, or has been, jeopardized by reason of adverse trends or developments of a financial, managerial, economic or political nature, or important weaknesses exist in collateral. A protracted workout on these credits is a distinct possibility. Prompt corrective action is therefore required to strengthen the Company's position, and/or to reduce exposure and to assure that adequate remedial measures are taken by the borrower. Credit exposure becomes more likely in such credits and a serious evaluation of the secondary support to the credit is performed.

Credits rated doubtful are those in which full collection of principal appears highly questionable, and which some degree of loss is anticipated, even though the ultimate amount of loss may not yet be certain and/or other factors exist which could affect collection of debt. Based upon available information, positive action by the Company is required to avert or minimize loss. Credits rated doubtful are generally also placed on nonaccrual.

The following summarizes the Company's internal ratings of its loans held-for-investment, including the year of origination, by portfolio segments, at September 30, 2024 (dollars in millions):

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
C&I								
Risk rating:								
Pass	$ 533	$ 331	$ 175	$ 57	$ 25	$ 30	$ —	$ 1,151
Special mention	9	1	—	—	—	—	—	10
Substandard	5	3	3	1	1	2	—	15
Doubtful	—	—	—	—	—	—	—	—
Total	$ 547	$ 335	$ 178	$ 58	$ 26	$ 32	$ —	$ 1,176
Year-to-Date Gross Charge-Offs	$ —	$ 1	$ —	$ —	$ —	$ —	$ —	$ 1

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Municipal								
Risk rating:								
Pass	$ 131	$ 29	$ 79	$ 13	$ 9	$ 73	$ —	$ 334
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Doubtful	—	—	—	—	—	—	—	—
Total	$ 131	$ 29	$ 79	$ 13	$ 9	$ 73	$ —	$ 334
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Agricultural								
Risk rating:								
Pass	$ 53	$ 19	$ 5	$ 2	$ 1	$ —	$ —	$ 80
Special mention	—	—	—	—	—	—	—	—
Substandard	3	—	—	—	—	—	—	3
Doubtful	—	—	—	—	—	—	—	—
Total	$ 56	$ 19	$ 5	$ 2	$ 1	$ —	$ —	$ 83
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Construction & Development								
Risk rating:								
Pass	$ 513	$ 227	$ 180	$ 57	$ 17	$ 9	$ 1	$ 1,004
Special mention	2	—	—	—	—	—	—	2
Substandard	5	2	1	—	—	—	—	8
Doubtful	—	—	—	—	—	—	—	—
Total	$ 520	$ 229	$ 181	$ 57	$ 17	$ 9	$ 1	$ 1,014
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Farm								
Risk rating:								
Pass	$ 76	$ 44	$ 76	$ 65	$ 20	$ 25	$ —	$ 306
Special mention	—	—	—	—	—	—	—	—
Substandard	—	1	4	—	4	1	—	10
Doubtful	—	—	—	—	—	—	—	—
Total	$ 76	$ 45	$ 80	$ 65	$ 24	$ 26	$ —	$ 316
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Non-Owner Occupied CRE								
Risk rating:								
Pass	$ 147	$ 91	$ 244	$ 155	$ 60	$ 91	$ —	$ 788
Special mention	1	—	—	1	—	1	—	3
Substandard	3	3	1	7	6	15	—	35
Doubtful	—	—	—	—	—	—	—	—
Total	$ 151	$ 94	$ 245	$ 163	$ 66	$ 107	$ —	$ 826
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Owner Occupied CRE								
Risk rating:								
Pass	$ 128	$ 138	$ 279	$ 185	$ 104	$ 166	$ —	$ 1,000
Special mention	2	5	—	5	1	1	—	14
Substandard	2	4	42	13	1	11	—	73
Doubtful	—	—	—	—	—	—	—	—
Total	$ 132	$ 147	$ 321	$ 203	$ 106	$ 178	$ —	$ 1,087
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Residential								
Risk rating:								
Pass	$ 448	$ 392	$ 392	$ 278	$ 136	$ 246	$ 167	$ 2,059
Special mention	2	1	1	2	—	2	—	8
Substandard	4	7	12	3	4	11	4	45
Doubtful	—	—	—	—	—	—	—	—
Total	$ 454	$ 400	$ 405	$ 283	$ 140	$ 259	$ 171	$ 2,112
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Auto								
Risk rating:								
Pass	$ 271	$ 137	$ 144	$ 45	$ 14	$ 4	$ —	$ 615
Special mention	—	—	—	—	—	—	—	—
Substandard	—	1	1	1	—	—	—	3
Doubtful	—	—	—	—	—	—	—	—
Total	$ 271	$ 138	$ 145	$ 46	$ 14	$ 4	$ —	$ 618
Year-to-Date Gross Charge-Offs	$ —	$ —	$ 1	$ —	$ —	$ —	$ —	$ 1

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Non-Auto								
Risk rating:								
Pass	$ 59	$ 42	$ 31	$ 15	$ 2	$ 1	$ 7	$ 157
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	1	—	—	—	—	1
Doubtful	—	—	—	—	—	—	—	—
Total	$ 59	$ 42	$ 32	$ 15	$ 2	$ 1	$ 7	$ 158
Year-to-Date Gross Charge-Offs	$ —	$ —	$ 1	$ —	$ —	$ —	$ —	$ 1

September 30,	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Total
Total Loans								
Risk rating:								
Pass	$ 2,359	$ 1,450	$ 1,605	$ 872	$ 388	$ 645	$ 175	$ 7,494
Special mention	16	7	1	8	1	4	—	37
Substandard	22	21	65	25	16	40	4	193
Doubtful	—	—	—	—	—	—	—	—
Total	$ 2,397	$ 1,478	$ 1,671	$ 905	$ 405	$ 689	$ 179	$ 7,724
Year-to-Date Gross Charge-Offs	$ —	$ 1	$ 2	$ —	$ —	$ —	$ —	$ 3

The following summarizes the Company's internal ratings of its loans held-for-investment, including the year of origination, by portfolio segments, at September 30, 2023 (dollars in millions):

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
C&I								
Risk rating:								
Pass	$ 524	$ 386	$ 94	$ 40	$ 16	$ 24	$ —	$ 1,084
Special mention	7	1	—	—	1	—	—	9
Substandard	2	5	3	2	1	2	—	15
Doubtful	—	—	—	—	—	—	—	—
Total	$ 533	$ 392	$ 97	$ 42	$ 18	$ 26	$ —	$ 1,108
Year-to-Date Gross Charge-Offs	$ —	$ —	$ 1	$ —	$ —	$ —	$ —	$ 1

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Municipal								
Risk rating:								
Pass	$ 20	$ 83	$ 16	$ 14	$ 2	82	$ —	$ 217
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	1	—	—	—	—	1
Doubtful	—	—	—	—	—	—	—	—
Total	$ 20	$ 83	$ 17	$ 14	$ 2	$ 82	$ —	$ 218
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Agricultural								
Risk rating:								
Pass	$ 42	$ 30	$ 5	$ 2	$ 1	—	$ —	$ 80
Special mention	—	—	—	—	—	—	—	—
Substandard	1	1	—	—	—	—	—	2
Doubtful	—	—	—	—	—	—	—	—
Total	$ 43	$ 31	$ 5	$ 2	$ 1	$ —	$ —	$ 82
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Construction & Development								
Risk rating:								
Pass	$ 373	$ 401	$ 94	$ 22	$ 10	$ 7	$ —	$ 907
Special mention	7	4	—	—	—	—	—	11
Substandard	8	3	1	—	—	—	—	12
Doubtful	—	—	—	—	—	—	—	—
Total	$ 388	$ 408	$ 95	$ 22	$ 10	$ 7	$ —	$ 930
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Farm								
Risk rating:								
Pass	$ 83	$ 116	$ 75	$ 25	$ 9	$ 25	$ —	$ 333
Special mention	—	—	—	—	—	—	—	—
Substandard	—	1	1	5	—	1	—	8
Doubtful	—	—	—	—	—	—	—	—
Total	$ 83	$ 117	$ 76	$ 30	$ 9	$ 26	$ —	$ 341
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Non-Owner Occupied CRE								
Risk rating:								
Pass	$ 134	$ 240	$ 182	$ 116	$ 45	$ 75	$ —	$ 792
Special mention	—	4	1	—	11	2	—	18
Substandard	1	1	1	7	2	7	—	19
Doubtful	—	—	—	—	—	—	—	—
Total	$ 135	$ 245	$ 184	$ 123	$ 58	$ 84	$ —	$ 829
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Owner Occupied CRE								
Risk rating:								
Pass	$ 81	$ 320	$ 228	$ 118	$ 64	$ 149	$ —	$ 960
Special mention	1	—	5	—	3	—	—	9
Substandard	3	6	4	—	5	16	—	34
Doubtful	—	—	—	—	—	—	—	—
Total	$ 85	$ 326	$ 237	$ 118	$ 72	$ 165	$ —	$ 1,003
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Residential								
Risk rating:								
Pass	$ 368	$ 443	$ 325	$ 165	$ 70	$ 241	$ 139	$ 1,751
Special mention	—	2	2	2	—	3	1	10
Substandard	4	5	4	3	2	8	2	28
Doubtful	—	—	—	—	—	—	—	—
Total	$ 372	$ 450	$ 331	$ 170	$ 72	$ 252	$ 142	$ 1,789
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Auto								
Risk rating:								
Pass	$ 168	$ 237	$ 86	$ 32	$ 13	$ 2	$ —	$ 538
Special mention	—	—	—	—	—	—	—	—
Substandard	—	1	1	—	—	—	—	2
Doubtful	—	—	—	—	—	—	—	—
Total	$ 168	$ 238	$ 87	$ 32	$ 13	$ 2	$ —	$ 540
Year-to-Date Gross Charge-Offs	$ —	$ 1	$ —	$ —	$ —	$ —	$ —	$ 1

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Non-Auto								
Risk rating:								
Pass	$ 60	$ 54	$ 26	$ 5	$ 1	$ 1	$ 7	$ 154
Special mention	—	—	—	—	—	—	—	—
Substandard	1	—	—	—	—	—	—	1
Doubtful	—	—	—	—	—	—	—	—
Total	$ 61	$ 54	$ 26	$ 5	$ 1	$ 1	$ 7	$ 155
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

September 30,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Total Loans								
Risk rating:								
Pass	$ 1,853	$ 2,310	$ 1,131	$ 539	$ 231	$ 606	$ 146	$ 6,816
Special mention	15	11	8	2	15	5	1	57
Substandard	20	23	16	17	10	34	2	122
Doubtful	—	—	—	—	—	—	—	—
Total	$ 1,888	$ 2,344	$ 1,155	$ 558	$ 256	$ 645	$ 149	$ 6,995
Year-to-Date Gross Charge-Offs	$ —	$ 1	$ 1	$ —	$ —	$ —	$ —	$ 2

The following summarizes the Company's internal ratings of its loans held-for-investment, including the year of origination, by portfolio segments, at December 31, 2023 (dollars in millions):

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
C&I								
Risk rating:								
Pass	$ 720	$ 276	$ 73	$ 36	$ 14	$ 23	$ —	$ 1,142
Special mention	1	1	—	—	1	—	—	3
Substandard	12	2	2	1	1	2	—	20
Doubtful	—	—	—	—	—	—	—	—
Total	$ 733	$ 279	$ 75	$ 37	$ 16	$ 25	$ —	$ 1,165
Year-to-Date Gross Charge-Offs	$ —	$ —	$ 1	$ —	$ —	$ —	$ —	$ 1

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Municipal								
Risk rating:								
Pass	$ 25	$ 83	$ 15	$ 10	$ 1	$ 80	$ —	$ 214
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	1	—	—	—	—	1
Doubtful	—	—	—	—	—	—	—	—
Total	$ 25	$ 83	$ 16	$ 10	$ 1	$ 80	$ —	$ 215
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Agricultural								
Risk rating:								
Pass	$ 63	$ 15	$ 4	$ 1	$ 1	$ —	$ —	$ 84
Special mention	—	—	—	—	—	—	—	—
Substandard	1	—	—	—	—	—	—	1
Doubtful	—	—	—	—	—	—	—	—
Total	$ 64	$ 15	$ 4	$ 1	$ 1	$ —	$ —	$ 85
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Construction & Development								
Risk rating:								
Pass	$ 515	$ 311	$ 78	$ 20	$ 9	$ 6	$ —	$ 939
Special mention	8	2	—	—	—	—	—	10
Substandard	9	4	1	—	—	—	—	14
Doubtful	—	—	—	—	—	—	—	—
Total	$ 532	$ 317	$ 79	$ 20	$ 9	$ 6	$ —	$ 963
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Farm								
Risk rating:								
Pass	$ 101	$ 111	$ 73	$ 24	$ 8	$ 22	$ —	$ 339
Special mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	5	—	1	—	6
Doubtful	—	—	—	—	—	—	—	—
Total	$ 101	$ 111	$ 73	$ 29	$ 8	$ 23	$ —	$ 345
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Non-Owner Occupied CRE								
Risk rating:								
Pass	$ 167	$ 232	$ 172	$ 106	$ 41	$ 73	$ —	$ 791
Special mention	—	5	1	—	—	2	—	8
Substandard	2	1	2	7	13	4	—	29
Doubtful	—	—	—	—	—	—	—	—
Total	$ 169	$ 238	$ 175	$ 113	$ 54	$ 79	$ —	$ 828
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Owner Occupied CRE								
Risk rating:								
Pass	$ 154	$ 305	$ 217	$ 114	$ 62	$ 142	$ —	$ 994
Special mention	1	1	4	—	1	1	—	8
Substandard	3	6	4	—	7	15	—	35
Doubtful	—	—	—	—	—	—	—	—
Total	$ 158	$ 312	$ 225	$ 114	$ 70	$ 158	$ —	$ 1,037
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Residential								
Risk rating:								
Pass	$ 477	$ 415	$ 313	$ 158	$ 67	$ 229	$ 138	$ 1,797
Special mention	1	2	2	2	—	3	1	11
Substandard	4	4	3	3	3	7	3	27
Doubtful	—	—	—	—	—	—	—	—
Total	$ 482	$ 421	$ 318	$ 163	$ 70	$ 239	$ 142	$ 1,835
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Auto								
Risk rating:								
Pass	$ 195	$ 212	$ 74	$ 26	$ 10	$ 2	$ —	$ 519
Special mention	—	—	—	—	—	—	—	—
Substandard	—	1	1	1	—	—	—	3
Doubtful	—	—	—	—	—	—	—	—
Total	$ 195	$ 213	$ 75	$ 27	$ 10	$ 2	$ —	$ 522
Year-to-Date Gross Charge-Offs	$ —	$ 1	$ —	$ —	$ —	$ —	$ —	$ 1

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Non-Auto								
Risk rating:								
Pass	$ 71	$ 47	$ 22	$ 4	$ 1	$ 1	$ 7	$ 153
Special mention	—	—	—	—	—	—	—	—
Substandard	1	—	—	—	—	—	—	1
Doubtful	—	—	—	—	—	—	—	—
Total	$ 72	$ 47	$ 22	$ 4	$ 1	$ 1	$ 7	$ 154
Year-to-Date Gross Charge-Offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

December 31,	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Total
Total Loans								
Risk rating:								
Pass	$ 2,488	$ 2,007	$ 1,041	$ 499	$ 214	$ 578	$ 145	$ 6,972
Special mention	11	11	7	2	2	6	1	40
Substandard	32	18	14	17	24	29	3	137
Doubtful	—	—	—	—	—	—	—	—
Total	$ 2,531	$ 2,036	$ 1,062	$ 518	$ 240	$ 613	$ 149	$ 7,149
Year-to-Date Gross Charge-Offs	$ —	$ 1	$ 1	$ —	$ —	$ —	$ —	$ 2

At September 30, 2024 and 2023, and December 31, 2023, the Company's past due loans are as follows (dollars in thousands):

September 30, 2024	15-59 Days Past Due*	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	90 Days Past Due Still Accruing
Commercial:							
C&I	$ 3,570	$ 672	$ 1,261	$ 5,503	$ 1,170,271	$ 1,175,774	$ 224
Municipal	—	—	—	—	333,732	333,732	—
Total Commercial	3,570	672	1,261	5,503	1,504,003	1,509,506	224
Agricultural	192	134	1,617	1,943	81,326	83,269	—
Real Estate:							
Construction & Development	9,116	155	911	10,182	1,003,628	1,013,810	245
Farm	777	—	—	777	314,943	315,720	—
Non-Owner Occupied CRE	203	87	2,682	2,972	822,956	825,928	—
Owner Occupied CRE	4,045	403	1,234	5,682	1,081,068	1,086,750	—
Residential	18,074	2,438	515	21,027	2,091,169	2,112,196	35
Total Real Estate	32,215	3,083	5,342	40,640	5,313,764	5,354,404	280
Consumer:							
Auto	964	79	43	1,086	617,017	618,103	—
Non-Auto	220	212	.	432	157,477	157,909	—
Total Consumer	1,184	291	43	1,518	774,494	776,012	—
Total	$ 37,161	$ 4,180	$ 8,263	$ 49,604	$ 7,673,587	$ 7,723,191	$ 504

September 30, 2023	15-59 Days Past Due*	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	90 Days Past Due Still Accruing
Commercial:							
C&I	$ 5,111	$ 390	$ 1,388	$ 6,889	$ 1,101,351	$ 1,108,240	$ 109
Municipal	481	—	—	481	217,877	218,358	—
Total Commercial	5,592	390	1,388	7,370	1,319,228	1,326,598	109
Agricultural	187	—	550	737	81,139	81,876	32
Real Estate:							
Construction & Development	10,037	169	1,986	12,192	917,378	929,570	—
Farm	706	—	205	911	340,141	341,052	—
Non-Owner Occupied CRE	2,748	—	—	2,748	826,152	828,900	—
Owner Occupied CRE	1,867	—	476	2,343	1,000,570	1,002,913	—
Residential	9,049	1,658	2,067	12,774	1,776,139	1,788,913	148
Total Real Estate	24,407	1,827	4,734	30,968	4,860,380	4,891,348	148
Consumer:							
Auto	339	176	32	547	539,835	540,382	—
Non-Auto	217	2	9	228	154,264	154,492	—
Total Consumer	556	178	41	775	694,099	694,874	—
Total	$ 30,742	$ 2,395	$ 6,713	$ 39,850	$ 6,954,846	$ 6,994,696	$ 289

December 31, 2023	15-59 Days Past Due*	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	90 Days Past Due Still Accruing
Commercial:							
C&I	$ 8,789	$ 1,624	$ 1,700	$ 12,113	$ 1,152,698	$ 1,164,811	$ 141
Municipal	102	—	—	102	214,748	214,850	—
Total Commercial	8,891	1,624	1,700	12,215	1,367,446	1,379,661	141
Agricultural	850	246	4	1,100	83,790	84,890	—
Real Estate:							
Construction & Development	8,887	2,115	1,856	12,858	950,300	963,158	863
Farm	1,024	195	—	1,219	343,735	344,954	—
Non-Owner Occupied CRE	3,565	—	—	3,565	824,404	827,969	—
Owner Occupied CRE	2,818	240	1,823	4,881	1,032,400	1,037,281	—
Residential	12,293	828	2,816	15,937	1,818,656	1,834,593	—
Total Real Estate	28,587	3,378	6,495	38,460	4,969,495	5,007,955	863
Consumer:							
Auto	1,482	251	24	1,757	520,102	521,859	—
Non-Auto	341	51	—	392	154,034	154,426	—
Total Consumer	1,823	302	24	2,149	674,136	676,285	—
Total	$ 40,151	$ 5,550	$ 8,223	$ 53,924	$ 7,094,867	$ 7,148,791	$ 1,004

* The Company monitors commercial, agricultural and real estate loans after such loans are 15 days past due. Consumer loans are monitored after such loans are 30 days past due.

Modifications of receivables to debtors experiencing financial difficulty

On January 1, 2023, the Company adopted the accounting guidance in ASU 2022-02, which eliminates the recognition and measurement of a troubled debt restructuring ("TDR). Due to the removal of the TDR designation, the Company evaluates all loan restructurings according to the accounting guidance for loan modifications to determine if the restructuring results in a new loan or a continuation of the existing loan. Loan modifications to borrowers experiencing financial difficulty that result in a direct change in the timing or amount of contractual cash flows include situations where there is principal forgiveness, term extensions, interest rate reduction, and combinations of the listed modifications. Therefore, the disclosures related to loan restructurings are only for modifications that directly affect cash flows.

An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification. Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses due to the measurement methodologies used to estimate the allowance, a change to the allowance for credit losses is generally not recorded upon modification. During the nine-months ended September 30, 2024 and 2023, respectively, loan modifications made to borrowers experiencing financial difficulty was insignificant.

Note 4 - Loans Held-for-Sale

Loans held-for-sale totaled $20,114,000, $12,229,000 and $14,253,000 at September 30, 2024 and 2023, and December 31, 2023, respectively. At September 30, 2024 and 2023, and December 31, 2023, $3,601,000, $321,000 and $3,176,000, respectively, are valued at the lower of cost or fair value, and the remaining amounts are valued under the fair value option.

These loans, which are sold on a servicing released basis, are valued using a market approach by utilizing either: (i) the fair value of the securities backed by similar mortgage loans, adjusted for certain factors to approximate the fair value of a whole mortgage loan, including the value attributable to mortgage servicing and credit risk, (ii) current commitments to purchase loans or (iii) recent observable market trades for similar loans, adjusted for credit risk and other individual loan characteristics. As these prices are derived from market observable inputs, the Company classifies these valuations as Level 2 in the fair value disclosures (see Note 9). Interest income on mortgage loans held-for-sale is recognized based on the contractual rates and reflected in interest income on loans in the consolidated statements of earnings. The Company has no continuing ownership in any residential mortgage loans sold.

The Company originates certain mortgage loans for sale in the secondary market. The mortgage loan sales contracts contain indemnification clauses should the loans default, generally in the first three to six months, or if documentation is determined not to be in compliance with regulations. The Company's historic losses as a result of these indemnities have been insignificant.

Note 5 - Derivative Financial Instruments

The Company enters into interest rate lock commitments ("IRLCs") with customers to originate residential mortgage loans at a specific interest rate that are ultimately sold in the secondary market. These commitments, which contain fixed expiration dates, offer the borrower an interest rate guarantee provided the loan meets underwriting guidelines and closes within the timeframe established by the Company.

The Company purchases forward mortgage-backed securities contracts to manage the changes in fair value associated with changes in interest rates related to a portion of the IRLCs. These instruments are typically entered into at the time the IRLC is made in the aggregate.

The fair values of IRLCs are based on current secondary market prices for underlying loans and estimated servicing value with similar coupons, maturity and credit quality, subject to the anticipated loan funding probability (pull-through rate) net of estimated costs to originate the loan. The fair value of IRLCs is subject to change primarily due to changes in interest rates and the estimated pull-through rate. These commitments are classified as Level 3 in the fair value disclosures (see Note 9).

Forward mortgage-backed securities contracts are exchange-traded or traded within highly active dealer markets. In order to determine the fair value of these instruments, the Company utilizes the exchange price or dealer market price for the particular derivative contract and these instruments are therefore classified as Level 2 in the fair value disclosures (see Note 9). The estimated fair values are subject to change primarily due to changes in interest rates. The impact of these forward contracts is included in gain on sale and fees on mortgage loans in the statement of earnings.

These financial instruments are not designated as hedging instruments for accounting purposes. All derivatives are carried at fair value in either other assets or other liabilities and are reflected in the gain on sale and fees on mortgage loans in the consolidated statement of earnings.

The following tables provide the outstanding notional balances and fair values of outstanding derivative positions (dollars in thousands):

September 30, 2024:	Outstanding Notional Balance	Asset Derivative Fair Value	Liability Derivative Fair Value
IRLCs	$ 50,053	$ 499	$ —
Forward mortgage-backed securities trades	63,000	—	98

September 30, 2023:	Outstanding Notional Balance	Asset Derivative Fair Value	Liability Derivative Fair Value
IRLCs	$ 35,081	$ 409	$ —
Forward mortgage-backed securities trades	45,500	237	—

December 31, 2023:	Outstanding Notional Balance	Asset Derivative Fair Value	Liability Derivative Fair Value
IRLCs	$ 28,956	$ 427	$ —
Forward mortgage-backed securities trades	35,000	—	288

Note 6 – Borrowings

Borrowings consisted of the following (dollars in thousands):

	September 30, 2024	September 30, 2023	December 31, 2023
Securities sold under agreements with customers to repurchase	$ 57,557	$ 621,791	$ 381,928
Federal funds purchased	4,925	108,700	1,100
Other borrowings	21,053	21,053	21,053
Total	$ 83,535	$ 751,544	$ 404,081

Securities sold under repurchase agreements are generally with significant customers of the Company that require short-term liquidity for their funds for which the Company pledges certain securities that have a fair value equal to at least the amount of the borrowings. The agreements mature daily and therefore the risk arising from a decline in the fair value of the collateral pledged is minimal. The securities pledged are mortgage-backed securities. These agreements do not include "right of set-off" provisions and therefore the Company does not offset such agreements for financial reporting purposes.

The Company renewed its loan agreement, effective June 30, 2023, with Frost Bank. Under the loan agreement, as renewed and amended, we are permitted to draw up to $25,000,000 on a revolving line of credit. There was no outstanding balance under the line of credit as of September 30, 2024.

During 2021, the Company began investing in qualifying Community Development Entities ("CDE") under the federal New Market Tax Credits ("NMTC") program. See Note 7 for further discussion of our activity and related balances on the consolidated balance sheets, including the $21,053,000 in other borrowings shown above.

Note 7 - Income Taxes

Income tax expense was $12,028,000 for the third quarter of 2024 as compared to $10,848,000 for the same period in 2023. The Company's effective tax rates on pretax income were 17.86% and 17.96% for the third quarters of 2024 and 2023, respectively. Income tax expense was $34,664,000 for the first nine months of 2024 as compared to $34,291,000 for the same period in 2023. The Company's effective tax rates on pretax income were 17.70% and 18.31% for the first nine months of 2024 and 2023, respectively. The effective tax rates differ from the statutory federal tax rate of 21% primarily due to tax exempt interest income earned on certain investment securities and loans, the deductibility of dividends paid to our employee stock ownership plan, excess tax benefits for distributions under our deferred compensation plan and vesting of equity awards, and NMTC benefits.

Low Income Housing Tax Credit Investments - During 2021, the Company began investing in an affordable housing fund that will invest in real estate projects that qualify for the federal low-income housing tax credit ("LIHTC") program designed to promote private development of low income housing. The investments made by the fund will generate a return to the Company primarily through the realization of LIHTCs, and also through federal tax deductions generated from the ongoing operating losses from the investees of the fund. The Company's investment in the fund will be amortized through income tax expense using the proportional amortization method as related tax credits are utilized by the Company. The initial capital contribution commitment to the fund was for up to $5,500,000. Contributions were $2,091,000 at September 30, 2024, and $539,000 at September 30, 2023, and $615,000 at December 31, 2023, respectively, which is included in other assets on the consolidated balance sheet.

New Market Tax Credit Investments - During 2021, the Company began investing in qualifying CDEs under the federal NMTC program. NMTC investments are made through the third-party CDEs which are qualified through the U.S. Department of Treasury and receive periodic allocation of amounts under the NMTC program. NMTCs are generated from qualified investments by the CDEs utilizing equity investments made by a taxpayer, like the Company. Through these equity investments, the Company will receive the tax benefits from the NMTCs equal to 39% of the qualified investment from the CDE to qualifying eligible projects over a seven year period. The Company's equity investments in the CDEs is amortized using the proportional amortization method and related tax credits are allocated to the Company. At September 30, 2024, September 30, 2023, and December 31, 2023, the consolidated balance sheet of the Company included a $18,000,000 loan to the investee in loans and the $21,053,000 leveraged loan from the investee in other borrowings (see Note 6). At September 30, 2024 and 2023, and December 31, 2023, the consolidated balance sheet of the Company included CDE investments in other assets of $24,759,000, $26,009,000, and $25,738,000, respectively.

Note 8 - Stock Based Compensation

On April 27, 2021, the Company's shareholders approved the 2021 Omnibus Stock and Incentive Plan ("2021 Plan") and reserved 2,500,000 shares of the Company's common stock for issuance under this plan. At September 30, 2024, the Company had 1,214,226 shares of stock remaining for issuance under the plan. The 2021 Plan supersedes all prior stock option and restricted stock plans with shares previously reserved for issuance under such plans cancelled.

Restricted Stock Units

Under the 2021 Plan, the Company grants restricted stock units under compensation arrangements for the benefit of employees, senior and executive officers and directors. Restricted stock unit grants are subject to time-based vesting. The total number of restricted stock units granted represents the maximum number of restricted stock units eligible to vest based upon the service conditions set forth in the grant agreements. The following table summarizes information about the changes in restricted stock units for the nine-months ended September 30, 2024 and 2023.

	For the Nine-Months Ended September 30,			
	2024		2023	
	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value	Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Balance at beginning of period	53,817	$ 37.04	39,657	$ 47.83
Grants	45,064	34.37	33,294	29.53
Vesting	(24,075)	40.35	(14,553)	48.00
Forfeited/expired	(2,389)	34.80	(2,888)	47.87
Balance at end of period	72,417	$ 34.35	55,510	$ 36.81

Performance Stock Units

Also under the 2021 Plan, the Company awards performance-based restricted stock units ("PSUs") to employees, senior and executive officers, and directors. Under the terms of the award, the number of units that will vest and convert to shares of common stock will be based on the extent to which the Company achieves specific performance criteria during the fixed three-year performance period. The number of shares issued upon vesting will range from 0% to 200% of the PSUs granted. The PSUs vest at the end of a three-year period based on either 50% each on average adjusted earnings per share growth and return on average assets, or 100% return on average assets, as reported, adjusted for unusual gains/losses, merger expenses, and other items as approved by the compensation committee of the Company's board of directors. Performance for each period is measured relative to other U.S. publicly traded banks with $10 billion to $50 billion in assets. Compensation expense for the PSUs will be estimated each period based on the fair value of the stock at the grant date and the most probable outcome of the performance condition, adjusted for the passage of time within the vesting period of the awards.

The following table summarizes information about the changes in PSUs as of and for the nine-months ended September 30, 2024 and 2023.

	For the Nine-Months Ended September 30,			
	2024		2023	
	Performance-Based Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value	Performance-Based Restricted Stock Units Outstanding	Weighted Average Grant Date Fair Value
Balance at beginning of period	75,227	$ 40.24	47,082	$ 48.00
Grants	45,064	34.37	33,294	29.53
Vesting	(20,532)	48.91	—	—
Forfeited/expired	(2,493)	35.21	(3,456)	48.04
Balance at end of period	97,266	$ 35.82	76,920	$ 40.01

Restricted Stock Awards

Under the 2021 Plan, the Company grants restricted stock awards under compensation arrangements for the benefit of employees, senior and executive officers and directors. Restricted stock awards are subject to time-based vesting. The total number of restricted stock awards granted represents the maximum number of shares of restricted stock eligible to vest based upon the service conditions set forth in the grant agreements.

The following table summarizes information about vested and unvested restricted stock.

	For the Nine-Months Ended September 30,			
	2024		2023	
	Restricted Stock Outstanding	Weighted Average Grant Date Fair Value	Restricted Stock Outstanding	Weighted Average Grant Date Fair Value
Balance at beginning of period	25,190	$ 27.79	24,813	$ 36.21
Grants	24,348	30.91	25,190	27.79
Vesting	(25,190)	27.79	(17,682)	38.54
Forfeited/expired	—	—	(1,105)	29.70
Balance at end of period	24,348	$ 30.91	31,216	$ 28.25

The total fair value of restricted stock vested for the nine-months ended September 30, 2024 and 2023, was $2,276,000 and $940,000, respectively.

The Company recorded restricted stock unit, performance-based restricted stock unit and restricted stock award expense for employees of $521,000 and $483,000 for the three-months ended September 30, 2024 and 2023, respectively. The Company recorded restricted stock unit, performance-based restricted stock unit and restricted stock award expense for employees of $1,381,000 and $1,261,000 for the nine-months ended September 30, 2024 and 2023, respectively. The Company recorded director expense related to these restricted stock grants of $187,000 and $175,000, for the three-months ended September 30, 2024 and 2023, respectively. The Company recorded director expense related to these restricted stock grants of $537,000 and $492,000, for the nine-months ended September 30, 2024 and 2023, respectively.

As of September 30, 2024 and 2023, there were $4,920,000 and $3,998,000, respectively, of total unrecognized compensation cost related to unvested restricted stock, restricted stock units and performance-based restricted stock units which is expected to be recognized over a weighted-average period of 1.19 years and 1.27 years, respectively. At September 30, 2024 and 2023, and December 31, 2023, there was $112,000, $107,000 and $124,000, respectively, accrued in other liabilities related to dividends declared to be paid upon vesting.

Stock Option Plans

Prior to the approval of the 2021 Plan, the 2012 Incentive Stock Option Plan (the "2012 Plan") provided for the granting of options to employees of the Company at prices not less than market value at the date of the grant. The 2012 Plan provided that options granted vest and are exercisable after two years from the date of grant and vest at a rate of 20% each year thereafter and have a 10-year term. The most recent grants from the 2021 Plan provided that 20% of the options granted vest and are exercisable after one year from the date of grant and the remaining options vest and are exercisable at a rate of 20% each year thereafter, or 33.3% of the options granted are vested and exercisable after one year from the date of the grant and the remaining options are vested and exercisable at a rate of 33.3% each year thereafter, and have a 10-year term. Shares are issued under the 2012 Plan and the 2021 Plan from available authorized shares. An analysis of stock option activity for the nine-months ended September 30, 2024 is presented in the table and narrative below:

	Shares	Weighted-Average Ex. Price
Outstanding, December 31, 2023	1,552,249	$ 30.45
Granted	270,495	34.37
Exercised	(124,887)	20.38
Cancelled	(66,589)	34.43
Outstanding, September 30, 2024	1,631,268	31.70
Exercisable, September 30, 2024	960,544	$ 28.30

The options outstanding at September 30, 2024 had exercise prices ranging between $16.95 and $48.91. Stock options have been adjusted retroactively for the effects of stock dividends and splits.

The Company grants incentive stock options for a fixed number of shares with an exercise price equal to the fair value of the shares at the date of grant to employees.

The Company recorded stock option expense totaling $546,000 and $391,000 for the three-months ended September 30, 2024 and 2023, respectively. The Company recorded stock option expense totaling $1,516,000 and $1,280,000 for the nine-months ended September 30, 2024 and 2023, respectively.

As of September 30, 2024, there was $5,888,000 of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the plans. That cost is expected to be recognized over a weighted-average period of 1.36 years. The total fair value of shares vested during the nine-months ended September 30, 2024 and 2023 was $2,131,000 and $2,110,000, respectively.

Note 9 - Fair Value Disclosures

The authoritative accounting guidance for fair value measurements defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market for the asset or liability. The price in the principal (or most advantageous) market used to measure the fair value of the asset or liability shall not be adjusted for transaction costs. An orderly transaction is a transaction that assumes exposure to the market for a period prior to the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets and liabilities; it is not a forced transaction. Market participants are buyers and sellers in the principal market that are (i) independent, (ii) knowledgeable, (iii) able to transact, and (iv) willing to transact.

The authoritative accounting guidance requires the use of valuation techniques that are consistent with the market approach, the income approach and/or the cost approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets and liabilities. The income approach uses valuation techniques to convert future amounts, such as cash flows or earnings, to a single present amount on a discounted basis. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset (replacement costs). Valuation techniques should be consistently applied. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. In that regard, the authoritative guidance establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 Inputs – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (for example, interest rates, volatilities, prepayment speeds, loss severities, credit risks and default rates) or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs – Significant unobservable inputs that reflect an entity's own assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below.

In general, fair value is based upon quoted market prices, where available. If such quoted market prices are not available, fair value is based upon internally developed models that primarily use, as inputs, observable market-based parameters. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. While management believes the Company's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Securities classified as available-for-sale and trading are reported at fair value utilizing Level 1 and Level 2 inputs. For these securities, the Company obtains fair value measurements from an independent pricing service. The fair value measurements consider observable data that may include market spreads, cash flows, the United States Treasury yield curve, live trading levels, trade execution data, dealer quotes, market consensus prepayment speeds, credit information and the security's terms and conditions, among other items.

See Notes 4 and 5 related to the determination of fair value for loans held-for-sale, IRLCs and forward mortgage-backed securities trades.

There were no transfers between Level 2 and Level 3 during the three and nine-months ended September 30, 2024 and 2023, and the year ended December 31, 2023.

The following table summarizes the Company's available-for-sale securities, loans held-for-sale, and derivatives which are measured at fair value on a recurring basis, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value (dollars in thousands):

September 30, 2024	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Available-for-sale investment securities:				
U.S. Treasury securities	$ 293,014	$ —	$ —	$ 293,014
Obligations of state and political subdivisions	—	1,471,483	—	1,471,483
Corporate bonds	—	102,471	—	102,471
Residential mortgage-backed securities	—	2,423,930	—	2,423,930
Commercial mortgage-backed securities	—	316,836	—	316,836
Other securities	4,565	—	—	4,565
Total	$ 297,579	$ 4,314,720	$ —	$ 4,612,299
Loans held-for-sale	$ —	$ 16,513	$ —	$ 16,513
IRLCs	$ —	$ —	$ 499	$ 499
Forward mortgage-backed securities trades	$ —	$ (98)	$ —	$ (98)

September 30, 2023	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Available-for-sale investment securities:				
U.S. Treasury securities	$ 485,447	$ —	$ —	$ 485,447
Obligations of states and political subdivisions	—	1,463,754	—	1,463,754
Corporate bonds	—	96,961	—	96,961
Residential mortgage-backed securities	—	2,297,235	—	2,297,235
Commercial mortgage-backed securities	—	305,348	—	305,348
Other securities	3,792	—	—	3,792
Total	$ 489,239	$ 4,163,298	$ —	$ 4,652,537
Loans held-for-sale	$ —	$ 11,908	$ —	$ 11,908
IRLCs	$ —	$ —	$ 409	$ 409
Forward mortgage-backed securities trades	$ —	$ 237	$ —	$ 237

December 31, 2023	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Available-for-sale investment securities:				
U.S. Treasury securities	$ 482,234	$ —	$ —	$ 482,234
Obligations of state and political subdivisions	—	1,497,157	—	1,497,157
Corporate bonds	—	100,471	—	100,471
Residential mortgage-backed securities	—	2,364,092	—	2,364,092
Commercial mortgage-backed securities	—	284,324	—	284,324
Other securities	4,484	—	—	4,484
Total	$ 486,718	$ 4,246,044	$ —	$ 4,732,762
Loans held-for-sale	$ —	$ 11,077	$ —	$ 11,077
IRLCs	$ —	$ —	$ 427	$ 427
Forward mortgage-backed securities trades	$ —	$ (288)	$ —	$ (288)

The following table summarizes the Company's loans held-for-sale at fair value and the net unrealized gains as of the balance sheet dates shown below (dollars in thousands):

	September 30,		December 31,
	2024	2023	2023
Unpaid principal balance on loans held-for-sale	$ 16,086	$ 11,684	$ 10,757
Net unrealized gains on loans held-for-sale	427	224	320
Loans held-for-sale at fair value	$ 16,513	$ 11,908	$ 11,077

The following table summarizes the Company's gains on sale and fees of mortgage loans for the three and nine-months ended September 30, 2024 and 2023 (dollars in thousand):

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2024	2023	2024	2023
Realized gain on sale and fees on mortgage loans*	$ 3,463	$ 3,485	$ 9,813	$ 9,774
Change in fair value on loans held-for-sale and IRLCs	(10)	(121)	171	24
Change in forward mortgage-backed securities trades	(94)	78	190	152
Total gain on sale of mortgage loans	$ 3,359	$ 3,442	$ 10,174	$ 9,950

* This includes gains on loans held-for-sale carried under the fair value method and lower of cost or market.

No residential mortgage loans held-for-sale were 90 days or more past due or considered nonaccrual as of September 30, 2024, September 30, 2023, or December 31, 2023. No significant credit losses were recognized on mortgage loans held-for-sale for the three and nine-months ended September 30, 2024 and 2023.

Certain non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis include other real estate owned, goodwill and other intangible assets, and other non-financial long-lived assets. Non-financial assets measured at fair value on a non-recurring basis during the nine-months ended September 30, 2024 include other real estate owned which, subsequent to their initial transfer to other real estate owned from loans, were re-measured at fair value through a write-down included in gain (loss) on sale of foreclosed assets. During the reported periods, all fair value measurements for foreclosed assets utilized Level 2 inputs based on observable market data, generally third-party appraisals, or Level 3 inputs based on customized discounting criteria. These appraisals are evaluated individually and discounted as necessary due to the age of the appraisal, lack of comparable sales, expected holding periods of property or special use type of the property. Such discounts vary by appraisal based on the above factors but generally range from 5% to 25% of the appraised value. Re-evaluation of other real estate owned is performed at least annually as required by regulatory guidelines or more often if particular circumstances arise. There were no significant other real estate owned properties that were re-measured subsequent to their initial transfer to other real estate owned during the three and nine-months ended September 30, 2024 and 2023.

At September 30, 2024 and 2023, and December 31, 2023, other real estate owned totaled $501,000, $15,000, and $483,000, respectively.

The Company is required under current authoritative accounting guidance to disclose the estimated fair value of their financial instrument assets and liabilities including those subject to the requirements discussed above. For the Company, as for most financial institutions, substantially all of its assets and liabilities are considered financial instruments. Many of the Company's financial instruments, however, lack an available trading market as characterized by a willing buyer and willing seller engaging in an exchange transaction.

The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

In addition, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates that must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values.

Cash and due from banks, federal funds sold, interest-bearing deposits in banks and accrued interest receivable and payable are liquid in nature and considered Levels 1 or 2 of the fair value hierarchy.

Financial instruments with stated maturities have been valued using a present value discounted cash flow with a discount rate approximating current market for similar assets and liabilities and are considered Levels 2 and 3 of the fair value hierarchy. Financial instrument liabilities with no stated maturities have an estimated fair value equal to both the amount payable on demand and the carrying value and are considered Level 1 of the fair value hierarchy.

The carrying value and the estimated fair value of the Company's contractual off-balance-sheet unfunded lines of credit, loan commitments and letters of credit, which are generally priced at market at the time of funding, are not material.

The estimated fair values and carrying values of all financial instruments under current authoritative guidance were as follows (dollars in thousands).

	September 30,				December 31,		
	2024		2023		2023		
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	Fair Value Hierarchy
Cash and due from banks	$ 296,188	$ 296,188	$ 208,277	$ 208,277	$ 281,354	$ 281,354	Level 1
Interest-bearing demand deposits in banks	287,476	287,476	180,008	180,008	255,237	255,237	Level 1
Available-for-sale securities	4,612,299	4,612,299	4,652,537	4,652,537	4,732,762	4,732,762	Levels 1 and 2
Loans held-for-investment, net of allowance for credit losses	7,623,255	7,607,920	6,904,982	6,890,218	7,060,057	7,036,722	Level 3
Loans held-for-sale	20,114	20,293	12,229	12,266	14,253	14,378	Level 2
Accrued interest receivable	56,427	56,427	53,518	53,518	58,544	58,544	Level 2
Deposits with stated maturities	1,009,667	1,011,199	1,004,227	1,002,893	938,980	938,534	Level 2
Deposits with no stated maturities	10,746,194	10,746,194	9,712,296	9,712,296	10,199,320	10,199,320	Level 1
Repurchase Agreements	57,557	57,557	621,791	621,791	381,928	381,928	Level 2
Borrowings	25,978	25,978	129,753	129,753	22,153	22,153	Level 2
Accrued interest payable	9,502	9,502	13,557	13,557	10,215	10,215	Level 2
IRLCs	499	499	409	409	427	427	Level 3
Forward mortgage-backed securities trades asset (liability)	(98)	(98)	237	237	(288)	(288)	Level 2

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. When used in this Form 10-Q, words such as "anticipate," "believe," "estimate," "expect," "intend," "predict," "project," "could," "may," or "would" and similar expressions, as they relate to us or our management, identify forward-looking statements. These forward-looking statements are based on information currently available to our management. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors, including, but not limited, to those discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023, under the heading "Risk Factors," and the following:

- general economic conditions, including our local, state and national real estate markets and employment trends;
- the effects of and changes in trade, monetary and fiscal policies and laws, including interest rate policies of the Board of Governors of the Federal Reserve System (the "Federal Reserve Board");
- effect of severe weather conditions, including hurricanes, tornadoes, flooding and droughts;
- volatility and disruption in national and international financial and commodity markets;
- government intervention in the U.S. financial system including the effects of recent legislative, tax, accounting and regulatory actions and reforms, including the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the Jumpstart Our Business Startups Act, the Consumer Financial Protection Bureau ("CFPB"), the Inflation Reduction Act of 2022, the capital ratios of Basel III as adopted by the federal banking authorities and the Tax Cuts and Jobs Act;
- political or social unrest and economic instability;
- the ability of the federal government to address the national economy;
- changes in our competitive environment from other financial institutions and financial service providers;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board ("PCAOB"), the Financial Accounting Standards Board ("FASB") and other accounting standard setters;
- effect of a pandemic, epidemic, or highly contagious disease, including the coronavirus ("COVID"), on our Company, the communities where we have our branches, the state of Texas and the United States, related to the economy and overall financial stability, including disruptions to supply channels and labor availability;
- government and regulatory responses to a pandemic, epidemic, or highly contagious disease, including COVID;
- the effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which we and our subsidiaries must comply;
- the costs, effects and results of regulatory examinations, investigations or reviews and the ability to obtain required regulatory approvals;
- changes in the demand for loans, including loans originated for sale in the secondary market;
- fluctuations in the value of collateral securing our loan portfolio and in the level of the allowance for credit losses;
- the accuracy of our estimates of future credit losses;
- the accuracy of our estimates and assumptions regarding the performance of our securities portfolio, including securities with a current unrealized loss;
- inflation, interest rate, market and monetary fluctuations;
- soundness of other financial institutions with which we have transactions;
- changes in consumer spending, borrowing and savings habits;
- changes in commodity prices (e.g., oil and gas, cattle, and wind energy);
- our ability to attract deposits, maintain and/or increase market share;
- changes in our liquidity position, including a result of a reduction in the amount of sources of liquidity we currently have;
- fluctuations in the market value and liquidity of the investment securities we have classified as held-for-sale ("HFS"), including the effects of changes in market interest rates;
- changes in the reliability of our vendors, internal control system or information systems;
- cyber-attacks on our technology information systems, including fraud from our customers and external third-party vendors;
- our ability to attract and retain qualified employees;

- acquisitions and integration of acquired businesses;
- the possible impairment of goodwill and other intangibles associated with our acquisitions;
- consequences of continued bank mergers and acquisitions in our market area, resulting in fewer but much larger and stronger competitors;
- expansion of operations, including branch openings, new product offerings and expansion into new markets;
- changes in our compensation and benefit plans;
- acts of God or of war or terrorism;
- the impact of changes to the global climate and its effect on our operations and customers;
- potential risk of environmental liability associated with lending activities;
- the rise of Artificial Intelligence as a commonly used resource; and
- our success at managing the risk involved in the foregoing items.

In addition, financial markets and global supply chains may continue to be adversely affected by the current or anticipated impact of military conflict, including the current Russian invasion of Ukraine, the Israel-Palestine conflict and other world events, terrorism or other geopolitical events.

Such forward-looking statements reflect the current views of our management with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to our operations, results of operations, growth strategies and liquidity. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by this paragraph. 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 (except as required by law).

Introduction

As a financial holding company, we generate most of our revenue from interest on loans and investments, trust fees, gain on sale of mortgage loans and service charges and fees on deposit accounts. Our primary source of funding for our loans and investments are deposits held by our bank subsidiary, First Financial Bank. Our largest expenses are interest on deposits and salaries and related employee benefits. We measure our performance by calculating our return on average assets, return on average equity, regulatory capital ratios, net interest margin and efficiency ratio, which is calculated by dividing noninterest expense by the sum of net interest income on a tax equivalent basis and noninterest income.

The following discussion and analysis of operations and financial condition should be read in conjunction with the financial statements and accompanying footnotes included in Item 1 of this Form 10-Q as well as those included in the Company's 2023 Annual Report on Form 10-K.

Critical Accounting Policies

We prepare consolidated financial statements based on generally accepted accounting principles ("GAAP") and customary practices in the banking industry. These policies, in certain areas, require us to make significant estimates and assumptions.

We deem a policy critical if (i) the accounting estimate requires us to make assumptions about matters that are highly uncertain at the time we make the accounting estimate; and (ii) different estimates that reasonably could have been used in the current period, or changes in the accounting estimate that are reasonably likely to occur from period to period, would have a material impact on the financial statements.

We deem our most critical accounting policies to be (i) our allowance for credit losses and our provision for credit losses and (ii) our valuation of financial instruments. We have other significant accounting policies and continue to evaluate the materiality of their impact on our consolidated financial statements, but we believe these other policies either do not generally require us to make estimates and judgments that are difficult or subjective, or it is less likely they would have a material impact on our reported results for a given period. A discussion of (i) our allowance for credit losses and our provision for credit losses and (ii) our valuation of financial instruments is included in Note 1 to our Consolidated Financial Statements beginning on page 10.

Stock Repurchase

On July 23, 2024, the Company's Board of Directors re-authorized the repurchase of up to 5 million common shares through July 31, 2025. The prior authorization had been in place since July 27, 2021. The stock repurchase plan authorizes management to repurchase and retire the stock at such time as repurchases and retirements are considered beneficial to the Company and stockholders. Any repurchase of stock will be made through the open market, block trades, or in privately negotiated transactions in accordance with applicable laws and regulations. Under the repurchase plan, there is no minimum number of shares that the Company is required to repurchase. Under the authorization effective through July 31, 2024, the Company repurchased and retired 101,337 shares (all during September 2023) at an average price of $26.99 per share.

Recent Developments

Effective April 22, 2024, First Financial Bank and First Financial Trust and Asset Management Company converted their charters to a Texas state banking association and a Texas chartered trust company, respectively. The Bank is now a Texas banking association chartered and regulated by the Texas Department of Banking and Trust Company is now a Texas trust company chartered and regulated by the Texas Department of Banking. The Bank will continue to be a member bank of the Federal Reserve system and maintain FDIC deposit insurance.

Results of Operations

Performance Summary. Net earnings for the third quarter of 2024 were $55.31 million, an increase of 11.61% when compared to earnings of $49.56 million for the third quarter of 2023. Diluted earnings per share was $0.39 for the third quarter of 2024 and $0.35 for the third quarter of 2023.

The return on average assets was 1.66% for the third quarter of 2024, as compared to 1.53% for the third quarter of 2023. The return on average equity was 14.00% for the third quarter of 2024 as compared to 14.51% for the third quarter of 2023.

Net earnings for the nine-months ended September 30, 2024 were $161.19 million, an increase of 5.36% when compared to earnings of $153.00 million for the nine-months ended September 30, 2023. Diluted earnings per share was $1.13 for the first nine months of 2024 and $1.07 for the first nine months of 2023.

The return on average assets was 1.63% for the first nine months of 2024, as compared to 1.59% for the first nine months of 2023. The return on average equity was 14.28% for the first nine months of 2024, as compared to 15.22% for the same period in 2023.

Net Interest Income. Net interest income is the difference between interest income on earning assets and interest expense on liabilities incurred to fund those assets. Our earning assets consist primarily of loans and investment securities. Our liabilities to fund those assets consist primarily of noninterest-bearing and interest-bearing deposits.

Tax-equivalent net interest income was $109.74 million for the third quarter of 2024, as compared to $96.97 million for the same period last year. The increase in 2024 tax equivalent net interest income compared to 2023 was largely attributable to the change in the mix of interest earning assets primarily derived from an increase in average loans offset by a decrease in taxable and tax-exempt investment securities. Additionally, the rates received on loans continued to increase along with the rates paid on deposits. Average earning assets were $12.48 billion for the third quarter of 2024, as compared to $11.96 billion during the third quarter of 2023. The increase of $516.97 million in average earning assets for the third quarter of 2024 when compared to the same period in 2023 was primarily a result of (i) an increase in loans of $749.17 million, offset by (ii) a decrease in tax-exempt securities of $160.45 million, and (iii) a decrease in taxable investment securities of $217.80 million. Average interest-bearing liabilities were $8.37 billion for the third quarter of 2024, as compared to $7.88 billion in the same period in 2023. The yield on earning assets increased 60 basis points while the rate paid on interest-bearing liabilities increased 44 basis points for the third quarter of 2024 compared to the third quarter of 2023.

Tax-equivalent net interest income was $318.40 million for the nine-months ended September 30, 2024 as compared to $295.20 million for the same period in 2023. The increase in 2024 tax equivalent net interest income compared to 2023 was largely attributable to the change in the mix of interest earning assets primarily derived from an increase in average loans offset by a decrease in taxable and tax-exempt investment securities. Additionally, the rates received on loans continued to increase along with the rates paid on deposits. Average earning assets were $12.36 billion for the nine-months ended September 30, 2024, as compared to $12.03 billion during the same period last year. The increase of $331.18 million in average earning assets for the nine-months ended September 30, 2024 when compared to the same period in 2023 was primarily a result of (i) an increase in loans of $724.81 million, offset by (ii) a decrease in tax-exempt securities of $241.10 million, and (iii) a decrease in taxable investment securities of $283.50 million. Average interest-bearing liabilities were $8.32 billion for the nine-months ended September 30, 2024, as compared to $7.78 billion in the same period in 2023. The yield on earning assets increased 70 basis points while the rate paid on interest-bearing liabilities increased 74 basis points for the nine-months ended September 30, 2024 as compared to the nine-months ended September 30, 2023.

Table 1 allocates the change in tax-equivalent net interest income between the amount of change attributable to volume and to rate.

Table 1 - Changes in Interest Income and Interest Expense (dollars in thousands):

	Three-Months Ended September 30, 2024 Compared to Three-Months Ended September 30, 2023			Nine-Months Ended September 30, 2024 Compared to Nine-Months Ended September 30, 2023		
	Change Attributable to		Total	Change Attributable to		Total
	Volume	Rate	Change	Volume	Rate	Change
Short-term investments	$ 2,003	$ (36)	$ 1,967	$ 4,876	$ 936	$ 5,812
Taxable investment securities	(1,234)	1,675	441	(4,794)	4,284	(510)
Tax-exempt investment securities (1)	(1,127)	(216)	(1,343)	(5,174)	(1,186)	(6,360)
Loans (1) (2)	11,614	11,734	23,348	31,928	45,263	77,191
Interest income	11,256	13,157	24,413	26,836	49,297	76,133
Interest-bearing deposits	4,891	10,938	15,829	11,059	48,996	60,055
Repurchase agreements	(3,714)	(64)	(3,778)	(7,283)	968	(6,315)
Borrowings	(282)	(121)	(403)	(662)	(138)	(800)
Interest expense	895	10,753	11,648	3,114	49,826	52,940
Net interest income	$ 10,361	$ 2,404	$ 12,765	$ 23,722	$ (529)	$ 23,193

(1) Computed on a tax-equivalent basis assuming a marginal tax rate of 21%.
(2) Nonaccrual loans are included in loans.

The net interest margin, on a tax equivalent basis, was 3.50% for the third quarter of 2024, an increase of 28 basis points from the same period in 2023. The net interest margin, on a tax equivalent basis, for the first nine-months of 2024 was 3.44%, an increase of 16 basis points from the same period in 2023. The net interest margin has expanded during the past year primarily due to (i) a shift in asset mix from investment securities to higher yielding loans, and (ii) increased loan yields due to new and renewing loans and variable rate loans repricing higher. The Federal Reserve began aggressively increasing interest rates in March 2022 and continuing into 2023 with increases of 25 basis points in February, March, May, and July 2023. Most recently, the Federal Reserve decreased interest rates 50 basis points in September 2024, resulting in a target rate range of 4.75% to 5.00% at September 30, 2024.

There are $938.59 million of municipal and related deposits which are indexed to short-term treasury rates which have continued to increase with the changes in the applicable rate index. Average municipal and related deposits totaled $1.48 billion for both of the nine-months ended September 30, 2024 and 2023, respectively, with an average rate paid of 4.03% and 2.95%, for the respective nine-months then ended.

The net interest margin, which measures tax-equivalent net interest income as a percentage of average earning assets, is illustrated in Table 2.

Table 2 - Average Balances and Average Yields and Rates (dollars in thousands, except percentages):

	Three-Months Ended September 30,					
	2024			2023		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Assets						
Short-term investments (1)	$ 203,657	$ 2,759	5.39%	$ 57,614	$ 792	5.45%
Taxable investment securities (2)	3,211,490	19,866	2.47%	3,429,290	19,425	2.27
Tax-exempt investment securities (2)(3)	1,418,214	9,742	2.75%	1,578,660	11,085	2.81
Loans (3)(4)	7,643,238	130,220	6.78%	6,894,064	106,872	6.15
Total earning assets	12,476,599	$ 162,587	5.18%	11,959,628	$ 138,174	4.58%
Cash and due from banks	217,469			227,156		
Bank premises and equipment, net	152,153			151,867		
Other assets	228,827			243,386		
Goodwill and other intangible assets, net	314,237			314,953		
Allowance for credit losses	(94,929)			(86,507)		
Total assets	$ 13,294,356			$ 12,810,483		
Liabilities and Shareholders' Equity						
Interest-bearing deposits	$ 8,240,938	$ 51,994	2.51%	$ 7,259,252	$ 36,165	1.98%
Repurchase agreements	100,892	740	2.92	567,064	4,518	3.16
Borrowings	24,670	116	1.87	54,124	519	3.80
Total interest-bearing liabilities	8,366,500	$ 52,850	2.51%	7,880,440	$ 41,202	2.07%
Noninterest-bearing deposits	3,279,486			3,509,809		
Other liabilities	76,264			65,094		
Total liabilities	11,722,250			11,455,343		
Shareholders' equity	1,572,096			1,355,140		
Total liabilities and shareholders' equity	$ 13,294,346			$ 12,810,483		
Net interest income (tax equivalent)		$ 109,737			$ 96,972	
Rate Analysis:						
Interest income/earning assets			5.18%			4.58%
Interest expense/earning assets			(1.68)			(1.36)
Net interest margin			3.50%			3.22%

(1) Short-term investments are comprised of federal funds sold, interest-bearing deposits in banks and interest-bearing time deposits in banks.
(2) Average balances include unrealized gains and losses on available-for-sale securities.
(3) Includes tax equivalent yield adjustment of approximately $2.63 million and $2.82 million in the third quarters of 2024 and 2023, respectively, using an effective tax rate of 21% for both periods.
(4) Includes nonaccrual loans.

	Nine-Months Ended September 30,					
	2024			2023		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
Assets						
Short-term investments (1)	$ 239,008	$ 9,838	5.50%	$ 108,034	$ 4,026	4.98%
Taxable investment securities (2)	3,279,251	59,730	2.43	3,562,753	60,240	2.25
Tax-exempt investment securities (2)(3)	1,419,138	29,266	2.75	1,660,241	35,626	2.86
Loans (3)(4)	7,418,808	372,066	6.70	6,694,000	294,875	5.89
Total earning assets	12,356,205	$ 470,900	5.09%	12,025,028	$ 394,767	4.39%
Cash and due from banks	230,335			230,473		
Bank premises and equipment, net	151,962			152,630		
Other assets	240,498			234,982		
Goodwill and other intangible assets, net	314,392			315,183		
Allowance for credit losses	(91,168)			(81,155)		
Total assets	$ 13,202,224			$ 12,877,141		
Liabilities and Shareholders' Equity						
Interest-bearing deposits	$ 8,047,136	$ 145,661	2.42%	$ 7,126,471	$ 85,606	1.61%
Repurchase agreements	209,907	5,197	3.31	571,445	11,512	2.69
Borrowings	60,058	1,645	3.66	82,339	2,445	3.97
Total interest-bearing liabilities	8,317,101	$ 152,503	2.45%	7,780,255	$ 99,563	1.71%
Noninterest-bearing deposits	3,305,289			3,690,190		
Other liabilities	71,642			62,468		
Total liabilities	11,694,032			11,532,913		
Shareholders' equity	1,508,192			1,344,228		
Total liabilities and shareholders' equity	$ 13,202,224			$ 12,877,141		
Net interest income (tax equivalent)		$ 318,397			$ 295,204	
Rate Analysis:						
Interest income/earning assets			5.09%			4.39%
Interest expense/earning assets			(1.65)			(1.11)
Net interest margin			3.44%			3.28%

(1) Short-term investments are comprised of federal funds sold, interest-bearing deposits in banks and interest-bearing time deposits in banks.
(2) Average balances include unrealized gains and losses on available-for-sale securities.
(3) Includes tax equivalent yield adjustment of approximately $7.77 million and $8.90 million in the first nine months of 2024 and 2023, respectively, using an effective tax rate of 21% for both periods.
(4) Includes nonaccrual loans.

Noninterest Income. Noninterest income for the third quarter of 2024 was $32.36 million, an increase of $4.29 million, when compared to $28.07 million in the same quarter of 2023. Trust fee income increased $1.64 million, or 16.36%, compared to the third quarter of 2023. Trust revenue has increased primarily due to the growth in assets under management to $10.86 billion at September 30, 2024, compared to $9.02 billion at September 30, 2023, and additionally from increases in oil and gas related fees. Available-for-sale securities totaling $113.13 million with an average book yield of 3.53% were sold in the third quarter of 2023 resulting in a loss on sales of securities of $972 thousand. There were no securities sales in the third quarter of 2024. Recoveries of interest on previously charged-off or nonaccrual loans totaled $1.36 million for the third quarter of 2024 compared to $698 thousand for the third quarter of 2023. Debit card fees increased by $487 thousand to $5.53 million for the third quarter of 2024 compared with $5.04 million for the third quarter of 2023, primarily due to the continued increase in the number of debit cards issued. Mortgage related income declined to $3.36 million for the third quarter of 2024 compared to $3.44 million in the third quarter of 2023 due to stagnant overall origination from loan volume primarily because of the level of mortgage interest rates.

Noninterest income for the first nine months of 2024 was $93.01 million, an increase of $6.99 million, when compared to $86.03 million in the same period of 2023. Trust fee income increased to $34.79 million for the first nine months of 2024 compared to $29.78 million for the first nine months of 2023, primarily due to the growth in assets under management to $10.86 billion at September 30, 2024, compared to $9.02 billion at September 30, 2023. Debit card fees decreased to $15.56 million for the first nine months of 2024 compared with $16.70 million for the first nine months of 2023, due to annual incentives of $1.50 million that were recognized during the first nine months of 2024 as compared to $2.90 million that was recognized during the first nine months of 2023. There were no securities sales during the first nine months of 2024. During the nine-months ended September 30, 2023, losses on sales of available-for-sale securities was $914 thousand. Net gain on the sale of assets was $269 thousand for the first nine months of 2024 compared to $1.63 million during the same period of 2023. Recoveries of interest on previously charged-off or nonaccrual loans totaled $2.58 million for the first nine months of 2024 compared to $1.52 million for the first nine months of 2023.

Table 3 - Noninterest Income (dollars in thousands):

	Three-Months Ended September 30,			Nine-Months Ended September 30,		
	2024	Increase (Decrease)	2023	2024	Increase (Decrease)	2023
Trust fees	$ 11,694	$ 1,644	$ 10,050	$ 34,787	$ 5,009	$ 29,778
Service charges on deposit accounts	6,428	(81)	6,509	18,683	(172)	18,855
Debit card fees	5,528	487	5,041	15,564	(1,133)	16,697
Credit card fees	617	(77)	694	1,920	(94)	2,014
Gain on sale and fees on mortgage loans	3,359	(83)	3,442	10,174	224	9,950
Net gain on sale of available-for-sale securities	—	972	(972)	—	914	(914)
Net gain (loss) on sale of foreclosed assets	(30)	(20)	(10)	(88)	(111)	23
Net gain on sale of assets	267	(429)	696	269	(1,357)	1,626
Interest on loan recoveries	1,359	661	698	2,578	1,059	1,519
Other:						
Check printing fees	30	1	29	65	(6)	71
Safe deposit rental fees	176	—	176	615	(28)	643
Credit life fees	233	56	177	922	470	452
Brokerage commissions	388	8	380	1,227	113	1,114
Wire transfer fees	459	39	420	1,355	131	1,224
Miscellaneous income	1,854	1,114	740	4,941	1,968	2,973
Total other	3,140	1,218	1,922	9,125	2,648	6,477
Total Noninterest Income	$ 32,362	$ 4,292	$ 28,070	$ 93,012	$ 6,987	$ 86,025

Noninterest Expense. Total noninterest expense for the third quarter of 2024 was $66.01 million, compared to $59.54 million for the same period of 2023. An important measure in determining whether a financial institution effectively manages noninterest expense is the efficiency ratio, which is calculated by dividing noninterest expense by the sum of net interest income on a tax-equivalent basis and noninterest income. Lower ratios indicate better efficiency since more income is generated with a lower noninterest expense total. Our efficiency ratio was 46.45% for the third quarter of 2024 compared to 47.62% for the same quarter in 2023.

Salaries, commissions and employee benefits for the third quarter of 2024 totaled $37.50 million, compared to $32.94 million for the same period in 2023. The increase from prior year is related primarily to increases of $2.06 million in profit sharing expense and $288 thousand in bonus and incentive accruals related to annualized earnings growth. Additionally, officer and employee salaries increased for additions to the middle market lending team and the audit and risk departments as well as merit-based pay increases since the prior year.

All other categories of noninterest expense for the third quarter of 2024 totaled $28.52 million, compared to $26.60 million in the same quarter a year ago. Noninterest expense, excluding salary related costs, for the three-months ended September 30, 2024 increased largely due to increases in software amortization and expense, legal expenses and professional and service fees when compared to the same period in 2023.

Total noninterest expense for the first nine months of 2024 was $194.97 million, compared to $174.41 million for the same period of 2023. Our efficiency ratio was 47.39% for the first nine months of 2024 compared to 45.75% for the same period in 2023.

Salaries, commissions and employee benefits for the first nine months of 2024 totaled $111.65 million, compared to $96.16 million for the same period in 2023. The net increase was primarily a result of merit-based and market driven pay increases, additions to the middle market lending team and the audit and risk departments, performance based incentive accruals, an increase of $5.64 million in profit sharing expense and an increase of $2.20 million in medical insurance expense.

All other categories of noninterest expense for the nine-months ended September 30, 2024 totaled $83.31 million, compared to $78.25 million in the same period a year ago. Noninterest expense, excluding salary related costs, for the nine-months ended September 30, 2024 increased largely due to increases in software amortization and expense, legal expenses, and professional and service fees.

Table 4 - Noninterest Expense (dollars in thousands):

	Three-Months Ended September 30,			Nine-Months Ended September 30,		
	2024	Increase (Decrease)	2023	2024	Increase (Decrease)	2023
Salaries, commissions and incentives (excluding mortgage)	$ 26,238	$ 2,427	$ 23,811	$ 77,768	$ 6,598	$ 71,170
Mortgage salaries and incentives	2,374	122	2,252	6,672	310	6,362
Medical	2,735	(413)	3,148	9,576	2,203	7,373
Profit sharing	2,235	2,055	180	5,818	5,638	180
401(k) match expense	991	53	938	2,966	96	2,870
Payroll taxes	1,857	125	1,732	5,955	289	5,666
Stock based compensation	1,067	193	874	2,897	356	2,541
Total salaries and employee benefits	37,497	4,562	32,935	111,652	15,490	96,162
Net occupancy expense	3,738	173	3,565	10,826	408	10,418
Equipment expense	2,291	91	2,200	6,761	236	6,525
FDIC insurance premiums	1,514	(59)	1,573	4,987	343	4,644
Debit card expense	3,248	(36)	3,284	9,548	(156)	9,704
Professional and service fees	2,793	368	2,425	8,017	830	7,187
Printing, stationery and supplies	199	(313)	512	1,071	(891)	1,962
Operational and other losses	955	(4)	959	2,878	132	2,746
Software amortization and expense	3,712	1,271	2,441	9,875	2,604	7,271
Amortization of intangible assets	157	(71)	228	471	(213)	684
Other:						
Data processing fees	636	151	485	1,849	377	1,472
Postage	393	25	368	1,142	56	1,086
Advertising	712	(96)	808	2,168	(122)	2,290
Correspondent bank service charges	224	12	212	697	49	648
Telephone	699	(99)	798	2,317	(105)	2,422
Public relations and business development	754	(60)	814	2,217	(378)	2,595
Directors' fees	755	147	608	2,160	260	1,900
Audit and accounting fees	658	27	631	1,597	(297)	1,894
Legal fees and other related costs	996	494	502	2,163	1,049	1,114
Regulatory exam fees	270	(63)	333	899	(55)	954
Travel	511	27	484	1,349	(52)	1,401
Courier expense	312	(1)	313	956	49	907
Other real estate owned	30	(38)	68	63	(16)	79
Other miscellaneous expense	2,958	(35)	2,993	9,302	960	8,342
Total other	9,908	491	9,417	28,879	1,775	27,104
Total Noninterest Expense	$ 66,012	$ 6,473	$ 59,539	$ 194,965	$ 20,558	$ 174,407

Balance Sheet Review

Loans. The portfolio is comprised of loans made to businesses, professionals, individuals, and farm and ranch operations located in the primary trade areas served by our subsidiary bank. As of September 30, 2024, total loans held-for-investment were $7.72 billion, an increase of $574.40 million, as compared to December 31, 2023.

As compared to year-end 2023 balances, total real estate loans increased $346.45 million, total commercial loans increased $129.85 million, total consumer loans increased $99.73 million, and agricultural loans decreased $1.62 million. Loans averaged $7.64 billion for the third quarter of 2024, an increase of $749.17 million over the prior year third quarter average balances. Loans averaged $7.42 billion for the first nine months of 2024, an increase of $724.81 million from the prior year nine-month period average balances.

Loan portfolio segments include C&I, Municipal, Agricultural, Construction and Development, Farm, Non-Owner Occupied and Owner Occupied CRE, Residential, Consumer Auto and Consumer Non-Auto. This segmentation allows for a more precise pooling of loans with similar credit risk characteristics and credit monitor procedures for the Company's calculation of its allowance for credit losses.

Table 5 outlines the composition of the Company's held-for-investment loans by portfolio segment.

Table 5 - Composition of Loans Held-for-Investment (dollars in thousands):

	September 30,		December 31,
	2024	2023	2023
Commercial:			
C&I	$ 1,175,774	$ 1,108,240	$ 1,164,811
Municipal	333,732	218,358	214,850
Total Commercial	1,509,506	1,326,598	1,379,661
Agricultural	83,269	81,876	84,890
Real Estate:			
Construction & Development	1,013,810	929,570	963,158
Farm	315,720	341,052	344,954
Non-Owner Occupied CRE	825,928	828,900	827,969
Owner Occupied CRE	1,086,750	1,002,913	1,037,281
Residential	2,112,196	1,788,913	1,834,593
Total Real Estate	5,354,404	4,891,348	5,007,955
Consumer:			
Auto	618,103	540,382	521,859
Non-Auto	157,909	154,492	154,426
Total Consumer	776,012	694,874	676,285
Total	$ 7,723,191	$ 6,994,696	$ 7,148,791

Loans held-for-sale, consisting of secondary market mortgage loans, totaled $20.11 million, $12.23 million, and $14.25 million at September 30, 2024 and 2023, and December 31, 2023, respectively. At September 30, 2024 and 2023, and December 31, 2023, $3.60 million, $321 thousand and $3.18 million, respectively, are valued using the lower of cost or fair value, and the remaining amounts are valued under the fair value option.

Commercial real estate loans (owner and non-owner occupied CRE) represent 24.77% of the Company's total loan portfolio as of September 30, 2024. Non-owner occupied CRE represents $825.93 million, or 10.69%, of the Company's total loan portfolio as of September 30, 2024. The properties securing this portfolio are diverse as to geographic location in Texas as well as industry type. Collateral for CRE loans is located throughout the Company's markets in central west Texas, the Dallas-Fort Worth metroplex and southeast Texas with less than 1% of properties located outside of the state. The largest concentrations in the CRE portfolio as to type are industrial/warehouse at approximately 13.44% and multifamily at approximately 7.78% as of September 30, 2024. All additional property type categories are 6% or less of the CRE portfolio. Credit underwriting standards are periodically reviewed and adjusted based upon observations from our ongoing monitoring of economic conditions in our lending areas. In response to the current interest rate environment and increases in benchmark rates, the Company has enhanced stress testing and loan review activities to mitigate interest rate reset risk with a specific emphasis on borrowers' abilities to absorb the impact of higher interest rates on loans.

The following tables summarize maturity information of our loan portfolio as of September 30, 2024. The tables also presents the portion of loans that have fixed interest rates or variable interest rates that fluctuate over the life of the loans in accordance with changes in an interest rate index.

Maturity Distribution and Interest Sensitivity of Loans at September 30, 2024 (dollars in thousands):

Total Loans Held-for-Investment:	**Due in One Year or Less**	**After One but Within Five Years**	**After Five but Within Fifteen Years**	**After Fifteen Years**	**Total**
Commercial:					
C&I	$ 417,003	$ 617,186	$ 117,055	$ 24,530	$ 1,175,774
Municipal	107,105	42,629	121,541	62,457	333,732
Total Commercial	524,108	659,815	238,596	86,987	1,509,506
Agricultural	65,286	16,046	1,937	—	83,269
Real Estate:					
Construction & Development	452,115	245,397	212,935	103,363	1,013,810
Farm	23,391	34,135	153,389	104,805	315,720
Non-Owner Occupied CRE	113,117	217,032	389,327	106,452	825,928
Owner Occupied CRE	51,355	295,538	531,314	208,543	1,086,750
Residential	178,408	128,671	804,545	1,000,572	2,112,196
Total Real Estate	818,386	920,773	2,091,510	1,523,735	5,354,404
Consumer:					
Auto	7,340	586,102	24,558	103	618,103
Non-Auto	40,984	86,338	27,442	3,145	157,909
Total Consumer	48,324	672,440	52,000	3,248	776,012
Total	$ 1,456,104	$ 2,269,074	$ 2,384,043	$ 1,613,970	$ 7,723,191
% of Total Loans	18.85%	29.39%	30.87%	20.89%	100.00%

Loans with fixed interest rates:	**Due in One Year or Less**	**After One but Within Five Years**	**After Five but Within Fifteen Years**	**After Fifteen Years**	**Total**
Commercial:					
C&I	$ 66,683	$ 338,453	$ 12,573	$ —	$ 417,709
Municipal	2,849	42,022	91,958	12,839	149,668
Total Commercial	69,532	380,475	104,531	12,839	567,377
Agricultural	4,976	11,954	117	—	17,047
Real Estate:					
Construction & Development	177,326	141,772	33,807	6,600	359,505
Farm	8,977	26,075	82,874	8,248	126,174
Non-Owner Occupied CRE	72,070	139,345	67,723	4,021	283,159
Owner Occupied CRE	30,859	166,029	35,611	6,712	239,211
Residential	113,708	100,073	499,376	125,132	838,289
Total Real Estate	402,940	573,294	719,391	150,713	1,846,338
Consumer:					
Auto	7,340	586,102	24,558	103	618,103
Non-Auto	38,236	86,231	27,146	415	152,028
Total Consumer	45,576	672,333	51,704	518	770,131
Total	$ 523,024	$ 1,638,056	$ 875,743	$ 164,070	$ 3,200,893
% of Total Loans	6.77%	21.22%	11.34%	2.12%	41.45%

Loans with variable interest rates:	Due in One Year or Less	After One but Within Five Years	After Five but Within Fifteen Years	After Fifteen Years	Total
Commercial:					
C&I	$ 350,320	$ 278,733	$ 104,482	$ 24,530	$ 758,065
Municipal	104,256	607	29,583	49,618	184,064
Total Commercial	454,576	279,340	134,065	74,148	942,129
Agricultural	60,310	4,092	1,820	—	66,222
Real Estate:					
Construction & Development	274,789	103,625	179,128	96,763	654,305
Farm	14,414	8,060	70,515	96,557	189,546
Non-Owner Occupied CRE	41,047	77,687	321,604	102,431	542,769
Owner Occupied CRE	20,496	129,509	495,703	201,831	847,539
Residential	64,700	28,598	305,169	875,440	1,273,907
Total Real Estate	415,446	347,479	1,372,119	1,373,022	3,508,066
Consumer:					
Auto	—	—	—	—	—
Non-Auto	2,748	107	296	2,730	5,881
Total Consumer	2,748	107	296	2,730	5,881
Total	$ 933,080	$ 631,018	$ 1,508,300	$ 1,449,900	$ 4,522,298
% of Total Loans	12.08%	8.17%	19.53%	18.77%	58.55%

Of the $4.52 billion of variable interest rate loans shown above, loans totaling $1.92 billion mature or reprice over the next twelve months. Of this amount, approximately $1.51 billion will reprice immediately upon changes in the underlying index rate (primarily U.S. prime rate) with the remaining $410.16 million being subject to floors above or ceilings below the current index.

Asset Quality. Our loan portfolio is subject to periodic reviews by our centralized independent loan review group as well as periodic examinations by bank regulatory agencies. Loans are placed on nonaccrual status when, in the judgment of management, the collectability of principal or interest under the original terms becomes doubtful. Nonaccrual, past due 90 days or more and still accruing, and foreclosed assets were $64.42 million at September 30, 2024, as compared to $39.70 million at September 30, 2023 and $35.10 million at December 31, 2023. As a percent of loans held-for-investment and foreclosed assets, these assets were 0.83% at September 30, 2024, 0.57% at September 30, 2023, and 0.49% at December 31, 2023. As a percent of total assets, these assets were 0.47% at September 30, 2024, as compared to 0.31% at September 30, 2023 and 0.27% at December 31, 2023, respectively. We believe the level of these assets to be manageable and are not aware of any material classified credits not properly disclosed as nonperforming at September 30, 2024.

Table 6 – Nonaccrual, Past Due 90 Days or More and Still Accruing, and Foreclosed Assets (dollars in thousands, except percentages):

	September 30, 2024	September 30, 2023	December 31, 2023
Nonaccrual loans	$ 63,378	$ 38,812	$ 33,609
Loans still accruing and past due 90 days or more	504	289	1,004
Total nonperforming loans	63,882	39,101	34,613
Foreclosed assets	535	597	483
Total nonperforming assets	$ 64,417	$ 39,698	$ 35,096
As a % of loans held-for-investment and foreclosed assets	0.83%	0.57%	0.49%
As a % of total assets	0.47	0.31	0.27

We record interest payments received on nonaccrual loans as reductions of principal. Prior to the loans being placed on nonaccrual, we recognized interest income on these loans of approximately $913 thousand for the year ended December 31, 2023. If interest on these loans had been recognized on a full accrual basis during the year ended December 31, 2023, such income would have been approximately $3.22 million. Such amounts for the 2024 and 2023 interim periods were not significant.

Allowance for Credit Losses. The allowance for credit losses is the amount we determine as of a specific date to be appropriate to absorb current expected credit losses on existing loans. For a discussion of our methodology, see our accounting policies in Note 1 to the Consolidated Financial Statements (unaudited).

The provision for loan losses of $5.55 million for the three-months ended September 30, 2024 is combined with the provision for unfunded commitments of $571 thousand and reported in the net aggregate of $6.12 million under the provision for credit losses in the consolidated statements of earnings for the three-months ended September 30, 2024. The provision for loan losses of $12.72 million for the nine-months ended September 30, 2024 is combined with the provision for unfunded commitments of $101 thousand and reported in the net aggregate of $12.82 million under the provision for credit losses on the consolidated statements of earnings for the nine-months ended September 30, 2024.

The provision for loan losses of $3.82 million for the three-months ended September 30, 2023 is combined with the reversal of provision for unfunded commitments of $1.55 million and reported in the aggregate of $2.28 million under the provision for credit losses in the consolidated statements of earnings for the three-months ended September 30, 2023. The provision for loan losses of $15.05 million for the nine-months ended September 30, 2023 is combined with the reversal of provision for unfunded commitments of $4.42 million and reported in the net aggregate of $10.63 million under the provision for credit losses in the consolidated statements of earnings for the nine-months ended September 30, 2023.

As a percent of average loans, net loan charge-offs were 0.04% for the third quarter of 2024, as compared to net loan charge-offs of 0.04% for the third quarter of 2023. As a percent of average loans, net loan charge-offs were 0.03% for the first nine months of 2024, as compared to net loan charge-offs of 0.02% for the first nine months of 2023. The allowance for credit losses as a percent of loans held-for-investment was 1.29% as of September 30, 2024, as compared to 1.28% as of September 30, 2023 and 1.24% as of December 31, 2023, respectively.

Table 7 - Loan Loss Experience and Allowance for Credit Losses (dollars in thousands, except percentages):

	Three-Months Ended September 30,		Nine-Months Ended September 30,	
	2024	2023	2024	2023
Allowance for credit losses at period-end	$ 99,936	$ 89,714	$ 99,936	$ 89,714
Loans held-for-investment at period-end	7,723,191	6,994,696	7,723,191	6,994,696
Average loans for period	7,643,238	6,894,064	7,418,808	6,694,000
Net charge-offs (recoveries)/average loans (annualized)	0.04%	0.04%	0.03%	0.02%
Allowance for loan losses/period-end loans held-for-investment	1.29%	1.28%	1.29%	1.28%
Allowance for loan losses/nonaccrual loans, past due 90 days still accruing and restructured loans	156.44%	229.44%	156.44%	229.44%

Interest-Bearing Demand Deposits in Banks. The Company had interest-bearing deposits in banks of $287.48 million at September 30, 2024 compared to $180.01 million at September 30, 2023 and $255.24 million at December 31, 2023, respectively. At September 30, 2024, interest-bearing deposits in banks included $273.63 million maintained at the Federal Reserve Bank of Dallas and $13.85 million on deposit with the FHLB.

Available-for-Sale Securities. At September 30, 2024, securities with a fair value of $4.61 billion were classified as securities available-for-sale. As compared to December 31, 2023, the available-for-sale portfolio at September 30, 2024 reflected (i) a decrease of $189.22 million in U.S. Treasury securities, (ii) a decrease of $25.67 million in obligations of states and political subdivisions, (iii) an increase of $92.35 million in mortgage-backed securities, and (iv) an increase of $2.08 million in corporate bonds and other securities. Fluctuations in the available-for-sale securities portfolio balances were primarily driven by calls and maturities, and changes in unrealized losses during the first nine months of 2024. Our mortgage related securities are backed by GNMA, FNMA or FHLMC, or are collateralized by securities backed by these agencies.

See the below table and Note 2 to the Consolidated Financial Statements (unaudited) for additional disclosures relating to the maturities and fair values of the investment portfolio at September 30, 2024 and 2023, and December 31, 2023.

Table 8 - Maturities and Yields of Available-for-Sale Securities Held at September 30, 2024 (dollars in thousands, except percentages):

	Maturing by Contractual Maturity									
	One Year or Less		After One Year Through Five Years		After Five Years Through Ten Years		After Ten Years		Total	
Available-for-Sale:	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. Treasury securities	$ 192,216	2.03%	$ 100,798	1.53%	$ —	—%	$ —	—%	$ 293,014	1.85%
Obligations of states and political subdivisions	47,984	4.49	558,552	2.83	703,208	2.35	161,739	2.78	1,471,483	2.65
Corporate bonds and other securities	9,517	3.79	83,463	2.58	14,056	1.82	—	—	107,036	2.59
Mortgage-backed securities	28,800	2.23	919,836	2.36	1,237,983	2.22	554,147	2.73	2,740,766	2.37
Total	$ 278,517	2.53%	$ 1,662,649	2.48%	$ 1,955,247	2.26%	$ 715,886	2.74%	$ 4,612,299	2.43%

All yields are computed on a tax-equivalent basis assuming a marginal tax rate of 21%. Yields on available-for-sale securities are based on amortized cost. Maturities of mortgage-backed securities are based on contractual maturities and could differ due to prepayments of underlying mortgages. Maturities of other securities are reported at the earlier of maturity date or call date.

As of September 30, 2024, the investment portfolio had an overall tax equivalent yield of 2.43%, a weighted average life of 6.28 and modified duration of 5.36 years.

Deposits. Deposits held by our subsidiary bank represent our primary source of funding. Total deposits were $11.76 billion as of September 30, 2024, as compared to $10.72 billion as of September 30, 2023 and $11.14 billion as of December 31, 2023.

Table 9 provides a breakdown of average deposits and rates paid over the three and nine month periods ended September 30, 2024 and 2023, respectively.

Table 9 - Composition of Average Deposits (dollars in thousands, except percentages):

	For the Three-Months Ended September 30,			
	2024		2023	
	Average Balance	Average Rate	Average Balance	Average Rate
Noninterest-bearing deposits	$ 3,279,486	—%	$ 3,509,809	—%
Interest-bearing deposits:				
Interest-bearing checking	4,121,102	2.36	3,197,961	1.56
Savings and money market accounts	3,130,492	2.30	3,106,443	1.95
Time deposits under $250,000	612,459	3.67	352,294	5.71
Time deposits of $250,000 or more	376,885	4.01	602,554	2.16
Total interest-bearing deposits	8,240,938	2.51%	7,259,252	1.98%
Total average deposits	$ 11,520,424		$ 10,769,061	
Total cost of deposits		1.80%		1.33%

	For the Nine-Months Ended September 30,			
	2024		2023	
	Average Balance	Average Rate	Average Balance	Average Rate
Noninterest-bearing deposits	$ 3,305,289	—%	$ 3,690,190	—%
Interest-bearing deposits:				
Interest-bearing checking	4,001,909	2.24	3,319,967	1.23
Savings and money market accounts	3,089,625	2.23	3,002,987	1.64
Time deposits under $250,000	600,550	3.61	295,717	4.84
Time deposits of $250,000 or more	355,052	3.96	507,800	1.97
Total interest-bearing deposits	8,047,136	2.42%	7,126,471	1.61%
Total average deposits	$ 11,352,425		$ 10,816,661	
Total cost of deposits		1.71%		1.06%

The estimated amount of uninsured and uncollateralized deposits including related accrued and unpaid interest is approximately $5.35 billion as of September 30, 2024.

Borrowings. Included in borrowings were federal funds purchased, advances from the FHLB and other borrowings of $25.98 million, $129.75 million and $22.15 million at September 30, 2024 and 2023, and December 31, 2023, respectively. The average balance of federal funds purchased, advances from the FHLB and other borrowings were $24.67 million and $54.12 million in the third quarters of 2024 and 2023, respectively. The weighted average interest rates paid on these borrowings were 1.87% and 3.80% for the third quarters of 2024 and 2023, respectively. The average balance of federal funds purchased, advances from the FHLB and other borrowings were $60.06 million and $82.34 million in the first nine months of 2024 and 2023, respectively. The weighted average interest rates paid on these borrowings were 3.66% and 3.97% for the first nine months of 2024 and 2023, respectively.

Repurchase Agreements. Securities sold under repurchase agreements of $57.56 million, $621.79 million and $381.93 million at September 30, 2024 and 2023, and December 31, 2023, respectively. Securities sold under repurchase agreements are generally with significant customers of the Company that require short-term liquidity for their funds for which we pledge certain securities that have a fair value equal to at least the amount of the short-term borrowings. The average balances of securities sold under repurchase agreements were $100.89 million and $567.06 million for the third quarters of 2024 and 2023, respectively. The average rates paid on securities sold under repurchase agreements were 2.92% and 3.16% for the third quarters of 2024 and 2023, respectively. The average balances of securities sold under repurchase agreements were $209.91 million and $571.45 million for the first nine months of 2024 and 2023, respectively. The average rates paid on securities sold under repurchase agreements were 3.31% and 2.69% for the first nine months of 2024 and 2023, respectively. The average balances of securities sold under repurchase agreements has decreased from the prior year as customers have moved funds to IntraFi deposit accounts.

Interest Rate Risk

Interest rate risk results when the maturity or repricing intervals of interest-earning assets and interest-bearing liabilities are different. Our exposure to interest rate risk is managed primarily through our strategy of selecting the types and terms of interest-earning assets and interest-bearing liabilities that generate favorable earnings while limiting the potential negative effects of changes in market interest rates. We use no off-balance-sheet financial instruments to manage interest rate risk.

Our subsidiary bank has an asset liability management committee that monitors interest rate risk and compliance with investment policies. The subsidiary bank utilizes an earnings simulation model as the primary quantitative tool in measuring the amount of interest rate risk associated with changing market rates. The model quantifies the effects of various interest rate scenarios on projected net interest income and net income over the next twelve months. The model measures the impact on net interest income relative to a base case scenario of hypothetical fluctuations in interest rates over the next twelve months. These simulations incorporate assumptions regarding balance sheet growth and mix, pricing and the re-pricing and maturity characteristics of the existing and projected balance sheet.

The following analysis depicts the estimated impact on net interest income of immediate changes in interest rates at the specified levels for the periods presented.

Change in interest rates:	Percentage change in net interest income: September 30,		December 31,
(in basis points)	2024	2023	2023
+400	1.13%	3.03%	7.17%
+300	0.86%	2.23%	5.36%
+200	0.84%	1.82%	3.87%
+100	0.57%	1.14%	2.11%
-100	(3.32)%	(1.76)%	(2.72)%
-200	(7.00)%	(3.45)%	(5.54)%
-300	(9.19)%	(5.76)%	(8.70)%
-400	(9.51)%	(6.31)%	(9.65)%

The results for the net interest income simulations as of September 30, 2024 and 2023, and December 31, 2023 resulted in an asset sensitive position. These are good faith estimates and assume that the composition of our interest sensitive assets and liabilities existing at each year-end will remain constant over the relevant twelve-month measurement period and that changes in market interest rates are instantaneous and sustained across the yield curve regardless of duration of pricing characteristics on specific assets or liabilities. Also, this analysis does not contemplate any actions that we might undertake in response to changes in market interest rates. We believe these estimates are not necessarily indicative of what actually could occur in the event of immediate interest rate increases or decreases of this magnitude. As interest-bearing assets and liabilities reprice in different time frames and proportions to market interest rate movements, various assumptions must be made based on historical relationships of these variables in reaching any conclusion. Since these correlations are based on competitive and market conditions, we anticipate that our future results will likely be different from the foregoing estimates, and such differences could be material.

Should we be unable to maintain a reasonable balance of maturities and repricing of our interest-earning assets and our interest-bearing liabilities, we could be required to dispose of our assets in an unfavorable manner or pay a higher than market rate to fund our activities. Our asset liability management committee oversees and monitors this risk.

The fair value of our investment securities classified as available-for-sale totaled $4.61 billion at September 30, 2024. During the nine months ended September 30, 2024, the corresponding unrealized loss before taxes on the portfolio of $510.92 million at December 31, 2023, changed to an unrealized loss before taxes of $417.83 million at September 30, 2024, which is recorded net of taxes in accumulated other comprehensive earnings (loss) in shareholders' equity. The unrealized gains or losses, net of taxes, on the portfolio are excluded from the calculation of all regulatory capital ratios. The changes in the fair value were driven by changes in interest rates based on expected actions by the Federal Reserve Board and other market conditions. The overall valuation of the portfolio is most correlated to the 5-year U.S. Treasury rates based on the composition and duration of the portfolio. At September 30, 2024, the 5-year U.S. Treasury rate was 3.57% compared to 3.84% at December 31, 2023, representing a 27 basis point decrease during the first nine months of 2024. As of September 30, 2024, an increase of 100 basis points in the 5-year U.S. Treasury rate would result in an increase to unrealized losses by approximately $218 thousand before taxes, while a 100 basis point decrease in the same rate would result in a decrease to unrealized losses by approximately $183 thousand before taxes. We believe that we have the ability to hold these securities based on our overall liquidity and intent to hold the portfolio.

Capital and Liquidity

Capital. We evaluate capital resources by our ability to maintain adequate regulatory capital ratios to do business in the banking industry. Issues related to capital resources arise primarily when we are growing at an accelerated rate but not retaining a significant amount of our profits or when we experience significant asset quality deterioration.

Total shareholders’ equity was $1.66 billion, or 12.24% of total assets at September 30, 2024, as compared to $1.24 billion, or 9.71% of total assets at September 30, 2023, and $1.50 billion, or 11.44% of total assets at December 31, 2023. Included in shareholders' equity at September 30, 2024, and 2023, and December 31, 2023 were $329.82 million, $639.93 million and $403.30 million, respectively, in unrealized losses on investment securities available-for-sale, net of related income taxes, although such amount is excluded from and does not impact regulatory capital. For the third quarter of 2024, total shareholders’ equity averaged $1.57 billion, or 11.83% of average assets, as compared to $1.36 billion, or 10.58% of average assets, during the same period in 2023. For the first nine months of 2024, total shareholders' equity averaged $1.51 billion, or 11.42% of average assets, as compared to $1.34 billion, or 10.44% of average assets, during the same period in 2023.

Banking regulators measure capital adequacy by means of the risk-based capital ratios and the leverage ratio under the Basel III rules and prompt corrective action regulations. The risk-based capital rules provide for the weighting of assets and off-balance-sheet commitments and contingencies according to prescribed risk categories. Regulatory capital is then divided by risk-weighted assets to determine the risk-adjusted capital ratios. The leverage ratio is computed by dividing shareholders’ equity less intangible assets by quarter-to-date average assets less intangible assets.

Beginning in January 2015, under the Basel III rules, the implementation of the capital conservation buffer was effective for the Company starting at the 0.625% level and increasing 0.625% each year thereafter, until it reached 2.50% on January 1, 2019. The capital conservation buffer is designed to absorb losses during periods of economic stress and requires increased capital levels for the purpose of capital distributions and other payments. Failure to meet the amount of the buffer will result in restrictions on the Company's ability to make capital distributions, including dividend payments and stock repurchases, and to pay discretionary bonuses to executive officers.

As of September 30, 2024 and 2023, and December 31, 2023, we had a total risk-based capital ratio of 20.03%, 19.49% and 19.62%, a Tier 1 capital to risk-weighted assets ratio of 18.83%, 18.35% and 18.50%, a common equity Tier 1 to risk-weighted assets ratio of 18.83%, 18.35% and 18.50% and a Tier 1 leverage ratio of 12.53%, 12.00% and 12.06%, respectively. The regulatory capital ratios as of September 30, 2024 and 2023, and December 31, 2023 were calculated under Basel III rules.

The regulatory capital ratios of the Company and Bank under the Basel III regulatory capital framework are as follows:

	Actual		Minimum Capital Required-Basel III		Required to be Considered Well-Capitalized	
As of September 30, 2024:	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital to Risk-Weighted Assets:						
Consolidated	$ 1,799,947	20.03%	$ 943,527	10.50%	$ 898,598	10.00%
First Financial Bank	$ 1,650,389	18.42%	$ 941,026	10.50%	$ 896,215	10.00%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,692,008	18.83%	$ 763,808	8.50%	$ 539,159	6.00%
First Financial Bank	$ 1,542,450	17.21%	$ 761,783	8.50%	$ 716,972	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,692,008	18.83%	$ 629,018	7.00%	$ —	N/A
First Financial Bank	$ 1,542,450	17.21%	$ 627,351	7.00%	$ 582,540	6.50%
Leverage Ratio:						
Consolidated	$ 1,692,008	12.53%	$ 359,439	4.00%	$ —	N/A
First Financial Bank	$ 1,542,450	11.48%	$ 358,486	4.00%	$ 448,108	5.00%

	Actual		Minimum Capital Required-Basel III		Required to be Considered Well-Capitalized	
As of September 30, 2023:	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital to Risk-Weighted Assets:						
Consolidated	$ 1,676,476	19.49%	$ 903,272	10.50%	$ 860,259	10.00%
First Financial Bank	$ 1,507,129	17.56%	$ 901,009	10.50%	$ 858,104	10.00%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,578,858	18.35%	$ 731,220	8.50%	$ 516,155	6.00%
First Financial Bank	$ 1,409,511	16.43%	$ 729,388	8.50%	$ 686,483	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,578,858	18.35%	$ 602,181	7.00%	$ —	N/A
First Financial Bank	$ 1,409,511	16.43%	$ 600,673	7.00%	$ 557,768	6.50%
Leverage Ratio:						
Consolidated	$ 1,578,858	12.00%	$ 344,103	4.00%	$ —	N/A
First Financial Bank	$ 1,409,511	10.76%	$ 343,242	4.00%	$ 429,052	5.00%

	Actual		Minimum Capital Required Basel III		Required to be Considered Well-Capitalized	
As of December 31, 2023:	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total Capital to Risk-Weighted Assets:						
Consolidated	$ 1,697,999	19.62%	$ 908,870	10.50%	$ 865,590	10.00%
First Financial Bank	$ 1,518,365	17.59%	$ 906,541	10.50%	$ 863,372	10.00%
Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,601,361	18.50%	$ 735,752	8.50%	$ 519,354	6.00%
First Financial Bank	$ 1,421,727	16.47%	$ 733,866	8.50%	$ 690,698	8.00%
Common Equity Tier 1 Capital to Risk-Weighted Assets:						
Consolidated	$ 1,601,361	18.50%	$ 605,913	7.00%	—	N/A
First Financial Bank	$ 1,421,727	16.47%	$ 604,361	7.00%	$ 561,192	6.50%
Leverage Ratio:						
Consolidated	$ 1,601,361	12.06%	$ 346,236	4.00%	—	N/A
First Financial Bank	$ 1,421,727	10.75%	$ 345,349	4.00%	$ 431,686	5.00%

In connection with the adoption of the Basel III regulatory capital framework, our subsidiary bank made the election to continue to exclude accumulated other comprehensive income from available-for-sale securities ("AOCI") from capital in connection with its quarterly financial filing and, in effect, to retain the AOCI treatment under the prior capital rules.

Liquidity. Liquidity is our ability to meet cash demands as they arise. Such needs can develop from loan demand, deposit withdrawals or acquisition opportunities. Potential obligations resulting from the issuance of standby letters of credit and commitments to fund future borrowings to our loan customers are other factors affecting our liquidity needs. Many of these obligations and commitments are expected to expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements affecting our liquidity position. The potential need for liquidity arising from these types of financial instruments is represented by the contractual notional amount of the instrument. Asset liquidity is provided by cash and assets which are readily marketable, or which will mature in the near future. Liquid assets include cash, federal funds sold, and short-term investments in time deposits in banks. Liquidity is also provided by access to funding sources, which include core depositors and correspondent banks that maintain accounts with and sell federal funds to our subsidiary bank. Other sources of funds include our ability to borrow from short-term sources, such as purchasing federal funds from correspondent banks, sales of securities under agreements to repurchase and other borrowings (see below) and an unfunded $25.00 million revolving line of credit established with Frost Bank, a nonaffiliated bank, which matures on June 30, 2025 (see next paragraph). Our subsidiary bank also has federal funds purchased lines of credit with two non-affiliated banks totaling $130.00 million. At September 30, 2024, there were no amounts drawn on these lines of credit. Our subsidiary bank also has (i) an available line of credit with the FHLB totaling $2.20 billion at September 30, 2024, secured by portions of our loan portfolio and certain investment securities, and (ii) access to the Federal Reserve Bank of Dallas lending program secured by portions of certain investment securities. At September 30, 2024, there was $641.50 million used on the FHLB line advance for undisbursed commitments (letters of credit) used to secure public funds.

The Company renewed its loan agreement, effective June 30, 2023, with Frost Bank. Under the loan agreement, as renewed and amended, we are permitted to draw up to $25.00 million on a revolving line of credit. Prior to June 30, 2025, interest is paid quarterly at *The Wall Street Journal* Prime Rate and the line of credit matures June 30, 2025. If a balance exists at June 30, 2025, the principal balance converts to a term facility payable quarterly over five years and interest is paid quarterly at *The Wall Street Journal* Prime Rate. The line of credit is unsecured. Among other provisions in the credit agreement, we must satisfy certain financial covenants during the term of the loan agreement, including, without limitation, covenants that require us to maintain certain capital, loan loss reserve, non-performing asset and cash flow coverage ratios. In addition, the credit agreement contains certain operational covenants, which among others, restricts the payment of dividends above 55% of consolidated net income, limits the incurrence of debt (excluding any amounts acquired in an acquisition) and prohibits the disposal of assets except in the ordinary course of business. Since 1995, we have historically declared dividends as a percentage of our consolidated net income in a range of 36% (low) in 2021 and 2020 to 53% (high) in 2003 and 2006. The Company was in compliance with the financial and operational covenants at September 30, 2024. There was no outstanding balance under the line of credit as of September 30, 2024.

In addition, we anticipate that future acquisitions of financial institutions, expansion of branch locations or offerings of new products could also place a demand on our cash resources. Available cash and cash equivalents at our parent company which totaled $107.32 million at September 30, 2024, investment securities which totaled $2.16 million at September 30, 2024 and mature over 5 to 6 years, available dividends from our subsidiaries which totaled $375.30 million at September 30, 2024, utilization of available lines of credit, and future debt or equity offerings are expected to be the source of funding for these potential acquisitions or expansions.

Our liquidity position is continuously monitored and adjustments are made to the balance between sources and uses of funds as deemed appropriate. Liquidity risk management is an important element in our asset/liability management process. We regularly model liquidity stress scenarios to assess potential liquidity outflows or funding problems resulting from economic disruptions, volatility in the financial markets, unexpected credit events or other significant occurrences deemed potentially problematic by management. These scenarios are incorporated into our contingency funding plan, which provides the basis for the identification of our liquidity needs. As of September 30, 2024, management is not aware of any events that are reasonably likely to have a material adverse effect on our liquidity, capital resources or operations. We are monitoring closely the impact to the financial system due to the recent failures of several banks. Given the diversified core deposit base and relatively low loan to deposit ratios maintained at our subsidiary bank, we consider our current liquidity position to be adequate to meet our short-term and long-term liquidity needs. In addition, management is not aware of any regulatory recommendations regarding liquidity that would have a material adverse effect on us.

Off-Balance Sheet ("OBS")/Reserve for Unfunded Commitments. We are a party to financial instruments with OBS risk in the normal course of business to meet the financing needs of our customers. These financial instruments include unfunded lines of credit, commitments to extend credit and federal funds sold to correspondent banks and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in our consolidated balance sheets. At September 30, 2024, the Company's reserve for unfunded commitments totaled $8.00 million which is recorded in other liabilities.

Our exposure to credit loss in the event of nonperformance by the counterparty to the financial instrument for unfunded lines of credit, commitments to extend credit and standby letters of credit is represented by the contractual notional amount of these instruments. We generally use the same credit policies in making commitments and conditional obligations as we do for on-balance-sheet instruments.

Unfunded lines of credit and commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. These commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, as we deem necessary upon extension of credit, is based on our credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment and income-producing commercial properties.

Standby letters of credit are conditional commitments we issue to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The average collateral value held on letters of credit usually exceeds the contract amount.

Table 10 – Commitments as of September 30, 2024 (dollars in thousands):

	Total Notional Amounts Committed
Unfunded lines of credit	$ 1,279,108
Unfunded commitments to extend credit	761,150
Standby letters of credit	49,683
Total commercial commitments	$ 2,089,941

We believe we have no other OBS arrangements or transactions with unconsolidated, special purpose entities that would expose us to liability that is not reflected on the face of the financial statements. The above table does not include balances related to the Company's IRLC and forward mortgage-backed security trades. Total commercial commitments were $2.09 billion at September 30, 2024, compared to $1.98 billion at September 30, 2023, and $1.92 billion at December 31, 2023.

Parent Company Funding. Our ability to fund various operating expenses, dividends, and cash acquisitions is generally dependent on our own earnings (without giving effect to our subsidiaries), cash reserves and funds derived from our subsidiaries. These funds historically have been produced by intercompany dividends and management fees that are limited to reimbursement of actual expenses. We anticipate that our recurring cash sources will continue to include dividends and management fees from our subsidiaries. At September 30, 2024, $375.30 million was available for the payment of intercompany dividends by our subsidiaries without the prior approval of regulatory agencies. Our subsidiaries paid aggregate dividends of $40.50 million and $97.50 million for the nine-months ended September 30, 2024 and 2023, respectively.

Dividends. Our long-term dividend policy is to pay cash dividends to our shareholders of approximately 35% to 40% of annual net earnings while maintaining adequate capital to support growth. We are also restricted by a loan covenant within our line of credit agreement with Frost Bank to dividend no greater than 55% of net income, as defined in such loan agreement. The cash dividend payout ratios have amounted to 47.89% and 49.48% of net earnings for the first nine months of 2024 and 2023, respectively. Given our current capital position, projected earnings and asset growth rates, we do not anticipate any significant change in our current dividend policy.

Our bank subsidiary, which was a national banking association until April 22, 2024, and a member of the Federal Reserve System, was required by federal law to obtain the prior approval of the OCC to declare and pay dividends if the total of all dividends declared in any calendar year would exceed the total of (i) such bank's net profits (as defined and interpreted by regulation) for that year plus (ii) its retained net profits (as defined and interpreted by regulation) for the preceding two calendar years, less any required transfers to surplus.

To pay dividends, we and our subsidiary bank must maintain adequate capital above regulatory guidelines and comply with the general requirements applicable to a Texas corporation. Generally, a Texas corporation may not pay a dividend to its shareholders if (i) after giving effect to the dividend, the corporation would be insolvent, or (ii) the amount of the dividend would exceed the surplus of the corporation. In addition, if the applicable regulatory authority believes that a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), the authority may require, after notice and hearing, that such bank cease and desist from the unsafe practice. The Federal Reserve, the FDIC, Texas Department of Banking, and the OCC have each indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice. The Federal Reserve, Texas Department of Banking, the OCC and the FDIC expect that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Management considers interest rate risk to be a significant market risk for the Company. See "Item 2—Management's Discussion and Analysis of Financial Condition and Results of Operations — Interest Rate Risk" for disclosure regarding this market risk.

Item 4. Controls and Procedures.

As of September 30, 2024, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Securities Exchange Act of 1934). Our management, which includes our principal executive officer and our principal financial officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected. Our principal executive officer and principal financial officer have concluded, based on our evaluation of our disclosure controls and procedures, that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2024.

Subsequent to our evaluation, there were no significant changes in internal controls over financial reporting or other factors that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we and our subsidiaries are parties to lawsuits arising in the ordinary course of our banking business. However, there are no material pending legal proceedings to which we, our subsidiaries, or any of their properties, are currently subject.

Item 1A. Risk Factors.

There has been no material change in the risk factors previously disclosed under Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable

Item 3. Defaults Upon Senior Securities.

Not Applicable

Item 4. Mine Safety Disclosures.

Not Applicable

Item 5. Other Information.

On July 1, 2024, First Financial Bankshares, Inc. (the "Company") renewed, effective July 1, 2024, its Executive Recognition Agreement (each, an "Agreement") with each of the following executive officers of the Company (each, an "Employee"):

Name	Title
F. Scott Dueser	Chairman, President and CEO
David W. Bailey	Executive Vice President, Chief Banking Officer
Ronald D. Butler, II	Executive Vice President, Chief Administrative Officer
Michelle S. Hickox	Executive Vice President, Chief Financial Officer
T. Luke Longhofer	Executive Vice President, Chief Credit Officer
J. Kyle McVey	Executive Vice President, Chief Accounting Officer
John Ruzicka	Executive Vice President, Chief Information Officer
Randall A. Roewe	Executive Vice President, Chief Risk Officer
Kirk W. Thaxton	Chairman, President and CEO, First Financial Trust and Asset Management Company

A copy of the form of Agreement is attached hereto as Exhibit 10.5 and incorporated herein by reference, and the following summary of the Agreement is qualified entirely by reference to the text of the Agreement.

Each Employee's prior Executive Recognition Agreement, if applicable, expired on July 1, 2024, and was replaced by the Agreement.

The term of the Agreement commences effective July 1, 2024, and continues until the earliest to occur of (a) the Employee's death, disability or retirement, (b) the termination of the Employee's employment with the Company prior to a "change in control" (as defined in the Agreement) of the Company, or (c) June 30, 2026, however, on the Initial Expiration Date and on each subsequent second anniversary of the Initial Expiration Date, the Expiration Date shall automatically be postponed for two additional years unless written notice of non-extension of this Agreement is provided by the Company to the Employee at least sixty calendar days before the then-scheduled Expiration Date. Pursuant to the Agreement, if a change in control of the Company occurs during the term of the Agreement, the Agreement shall continue in effect for a period of two years from the date of any such change in control of the Company; and further, if a second change in control occurs within a period of two years from the date of the first change in control, the Agreement shall continue in effect for a period of two years from the date of the second change in control of the Company. If any benefit accrues and remains unpaid at the time the Agreement would otherwise have terminated, the Agreement will remain in effect until such benefit is paid in full solely for the purpose of permitting the Employee to enforce the full payment of such benefit.

The Agreement provides that if a change in control of the Company occurs, the Employee shall be entitled to benefits (described below) upon the subsequent termination of the Employee's employment during the term of the Agreement, unless such termination is (a) because of the Employee's death, disability or retirement, (b) by the Company "for cause" (as defined in the Agreement), or (c) by the Employee other than for "good reason" (as defined in the Agreement).

The Agreement also provides that if, within twenty-four months following a change in control of the Company, the Company terminates the Employee for any reason other than for cause, death, disability or retirement, or the Employee terminates his employment for good reason, then the Company shall pay or provide to the Employee, no later than the 15th day of the third month following the Employee's date of termination, without regard to any contrary provisions of any applicable employee benefit plan, the following: (a) three-hundred percent (300%) in the case of Mr. Dueser's annual base salary payable by the Company immediately preceding the Date of Termination or two-hundred percent (200%) in the case of other executive officer's annual base salary payable by the Company immediately preceding the Date of Termination; (b) the targeted amount of the Employee's bonus prorated through the date of termination; and (c) a lump sum payment of the Employee's accrued but unused paid time off.

Notwithstanding the foregoing, if an Employee is a "key employee" within the meaning of Section 416(i) of the Internal Revenue Code of 1986, as amended, and the Employee has the right to receive a distribution as a result thereof, then the distribution to such key Employee upon termination of employment shall not commence earlier than six months following the date of termination.

Under the Agreement, if any payments or benefits to the Employee would constitute a "parachute payment" and would be subject to excise tax, then a calculation shall be made comparing (a) the net benefit to the Employee, after payment of such excise tax and all other federal, state, local, or foreign income, and employment taxes, to (b) the net benefit to the Employee if payments are limited to the extent necessary to avoid being subject to the excise tax. Only if the amount calculated under (a) above is less than the amount under (b) above will the payments be reduced to the minimum extent necessary to ensure that no portion of the payment to the Employee is subject to the excise tax. As of the date of this report, based on projected parachute payment amounts, no Employee would incur an excise tax and all parachute payments per the "net benefit" calculation would be fully deductible by the Company.

Item 6. Exhibits.

3.1	—	Amended and Restated Certificate of Formation (incorporated by reference from Exhibit 3.1 of the Registrant's Form 10-Q filed July 30, 2019).
3.2	—	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K filed April 3, 2020).
3.3	—	Amendment to the Amended and Restated Bylaws of the Registrant, dated July 27, 2021 (incorporated by reference from Exhibit 3.3 to the Registrant's Form 10-Q filed August 2, 2021).
4.1	—	Specimen certificate of First Financial Common Stock (incorporated by reference from Exhibit 3 of the Registrant's Amendment No. 1 to Form 8-A filed on Form 8-A/A No. 1 on January 7, 1994).
4.2	—	Description of Registrant's Securities (incorporated by reference from Exhibit 4.2 of the Registrant's Form 10-K filed February 23, 2024).
10.1	—	2012 Incentive Stock Option Plan (incorporated by reference from Appendix A of the Registrant's Definitive Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 filed March 1, 2012).++
10.2	—	2021 Omnibus Stock and Incentive Plan as Amended (incorporated by reference from Exhibit 10 of the Registrant's Form 8-K filed April 28, 2021).++
10.3	—	Promissory Note, dated June 30, 2023, between First Financial Bankshares, Inc. and Frost Bank (incorporated by reference from Exhibit 10.1 of the Registrant's Form 8-K filed July 7, 2023).
10.4	—	Amended and Restated Loan Agreement, dated June 30, 2023, by and between First Financial Bankshares, Inc. and Frost Bank (incorporated by reference from Exhibit 10.2 of the Registrant's Form 8-K filed July 7, 2023).
10.5	—	Form of Executive Recognition Agreement dated July 1, 2024.*++
10.6	—	First Financial Bankshares, Inc. Supplemental Executive Retirement Plan, as amended and restated effective July 26, 2022 (incorporated by reference from Exhibit 10.1 of the Registrant's Form 8-K filed July 29, 2022.)++
10.7	—	Confidential Separation and Release Agreement , dated January 9, 2023, by and between the Company and James R. Gordon (incorporated by reference from Exhibit 10.1 of the Registrant's Form 8-K filed January 11, 2023).++
31.1	—	Rule 13a-14(a) / 15(d)-14(a) Certification of Chief Executive Officer of First Financial Bankshares, Inc.*
31.2	—	Rule 13a-14(a) / 15(d)-14(a) Certification of Chief Financial Officer of First Financial Bankshares, Inc.*
32.1	—	Section 1350 Certification of Chief Executive Officer of First Financial Bankshares, Inc.+
32.2	—	Section 1350 Certification of Chief Financial Officer of First Financial Bankshares, Inc.+
101.INS	—	Inline XBRL Instance Document.- the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.*
101.SCH	—	Inline XBRL Taxonomy Extension Schema with Embedded Linkbase Documents.*
104	—	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith
+ Furnished herewith. This Exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.
++ Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST FINANCIAL BANKSHARES, INC.

Date: November 4, 2024	**By: /s/ F. Scott Dueser** **F. Scott Dueser** **Chairman of the Board, President and Chief Executive Officer**
Date: November 4, 2024	**By: /s/ Michelle S. Hickox** **Michelle S. Hickox** **Executive Vice President and** **Chief Financial Officer and Treasurer**

Exhibit 10.5

EXECUTIVE RECOGNITION AGREEMENT

THIS EXECUTIVE RECOGNITION AGREEMENT (this "Agreement") between **FIRST FINANCIAL BANKSHARES, INC.**, a Texas corporation (the "Company"), and ______________________ (the "Employee") is dated effective July 1, 2024 (the "Effective Date").

WITNESSETH:

WHEREAS, the Company considers it essential to the best interests of its stockholders to foster the continuous employment of key executives of the Company; and

WHEREAS, the Employee is a key executive of the Company; and

WHEREAS, the parties recognize that, as is the case with many publicly-held corporations, the possibility of a "Change in Control" (as such term is defined in Section 1 hereof) may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of a key executive at a critical time, and to the detriment of the Company and its stockholders; and

WHEREAS, the Company recognizes that the Employee, as a key executive, could suffer financial and professional detriments if a Change in Control of the Company were to occur; and

WHEREAS, in order to protect the Employee in the event of a Change in Control of the Company, the Company agrees that the Employee shall receive the benefits set forth in this Agreement in the event the Employee's employment with the Company is terminated subsequent to a Change in Control of the Company under the circumstances described below;

NOW, THEREFORE, the parties hereby agree as follows:

1. Employment in General; Change in Control. This Agreement does not affect the Employee's employment arrangements with the Company except for the conditions contained herein pertaining to a Change in Control of the Company. Absent a Change in Control of the

Company, the Employee's continued employment with the Company shall at all times be subject to the will of the Board of Directors of the Company (the "Board"). For purposes of this Agreement, a "Change in Control" of the Company means the occurrence of any of the following after the Effective Date: (a) any Person (as hereinafter defined) becomes the beneficial owner (as such term is defined in Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the Company's then outstanding voting securities; or (b) the consummation of a reorganization, merger, consolidation, recapitalization, exchange offer, purchase of assets or other transaction, in each case, with respect to which the Persons who were the beneficial owners of the Company immediately prior to such a transaction do not, immediately after such transaction, own more than fifty percent (50%) of the combined voting power of the reorganized, merged, recapitalized or resulting company's then outstanding voting securities; or (c) the stockholders of the Company approve a plan of complete liquidation or dissolution of the Company and such complete liquidation or dissolution is consummated; or (d) in any two-year period, individuals who were members of the Board at the beginning of such period plus each new director whose election or nomination for election was approved by at least two-thirds of the directors in office immediately prior to such election or nomination, cease for any reason to constitute at least a majority of the Board; or (e) the sale or disposition by the Company of all or substantially all of the Company's assets, other than a sale or disposition by the Company of all or substantially all of the Company's assets to an entity at least 50% of the combined voting power of the voting securities of which is owned by Persons in substantially the same proportions as their ownership of the Company immediately prior to such sale. For purposes of this Agreement, "Person" shall mean and include any individual, corporation, partnership, group, association or other "person", as such term is used in Sections 13(d) and 14(d) of the

Exchange Act, other than the Company, a wholly owned subsidiary of the Company or any employee benefit plan(s) sponsored by the Company or a subsidiary of the Company.

2. <u>Term of Agreement.</u>

(i) Unless extended pursuant to the provisions of Subsection 2(ii), the term of this Agreement shall be for the period commencing as of the Effective Date and continuing thereafter until the earliest to occur of (A) the Employee's death, Disability (as defined in Subsection 3(i) hereof) or Retirement (as defined in Subsection 3(ii) hereof), (B) the termination of the Employee's employment with the Company prior to a Change in Control of the Company, or (C) the Expiration Date (as hereinafter defined). For purposes of clause (C) of this Section 2, the "Expiration Date" shall mean June 30, 2026 (the "Initial Expiration Date"); provided, however, that on the Initial Expiration Date and on each subsequent second anniversary of the Initial Expiration Date, the Expiration Date shall automatically be postponed for two (2) additional years unless written notice of non-extension of this Agreement is provided by the Company to the Employee at least sixty (60) calendar days before the then-scheduled Expiration Date.

(ii) Notwithstanding anything to the contrary in Subsection 2(i), (A) if a Change in Control of the Company shall have occurred during the term of this Agreement, this Agreement shall continue in effect for a period of two (2) years from the date of any such Change in Control of the Company; and further, if a second Change in Control occurs within a period of two (2) years from the date of the first Change in Control, this Agreement shall continue in effect for a period of two (2) years from the date of the second Change in Control of the Company; and (B) if any benefit accrues and remains unpaid at the time this Agreement would otherwise have terminated, this Agreement shall remain in effect until such benefit is paid in full solely for the purpose of permitting the Employee to enforce the full payment of such benefit.

3. **<u>Termination Following Change in Control.</u>** If a Change in Control of the Company occurs, the Employee shall be entitled to the benefits provided in Subsection 4(iii) hereof upon the subsequent termination of the Employee's employment during the term of this Agreement, unless such termination is (a) because of the Employee's death, Disability or Retirement, (b) by the Company for Cause, or (c) by the Employee other than for Good Reason. The parties hereto expressly acknowledge and agree that notwithstanding anything contained in this Agreement to the contrary, the Employee is entitled to any and all benefits due to the Employee as determined in accordance with the terms of the Company's benefit plans (without reference to this Agreement), including, without limitation, all qualified and nonqualified deferred compensation plans, all equity- and cash-based incentive plans, and all medical, dental, disability, accident and insurance plans, then in effect (each a "Company Benefit Plan") whether the Employee is terminated by the Company for Cause or for other than Cause, by the Employee for Good Reason or for other than Good Reason, because of the Retirement, Disability or death of the Employee or for any other reason, and the benefits provided in Subsection 4(iii) hereof shall be determined in accordance with this Agreement without any impact, impairment, reduction or other effect on the Employee's rights or benefits under such Company Benefit Plan(s). For purposes of this Agreement the following definitions shall apply:

> **(i)** **<u>Disability.</u>** Termination by the Company of the Employee's employment based on "Disability" shall mean termination because of the Employee's absence from his/her duties with the Company on a full-time basis for ninety (90) consecutive days as a result of the Employee's physical or mental incapacity due to injury or illness, unless within thirty (30) days after Notice of Termination (as hereinafter defined) is given to the Employee following such absence the Employee shall have returned to the full-time performance of his/her duties, with or without reasonable accommodations.

(ii) Retirement. Termination by the Employee of the Employee's employment based on "Retirement" shall mean the Employee's voluntary resignation without Good Reason after attaining age 65.

(iii) Cause. Termination by the Company of the Employee's employment for "Cause" shall mean termination upon (A) the willful and continued failure by the Employee to substantially perform his/her duties with the Company (other than any such failure resulting from the Employee's physical or mental incapacity due to injury or illness) after written demand for substantial performance is delivered to the Employee by the Company, which demand specifically identifies the manner in which the Employee has not substantially performed his/her duties, or (B) the willful engaging by the Employee in conduct which is demonstrably injurious to the Company, monetarily or otherwise. For purposes of this Subsection (iii), no act, or failure to act, on the Employee's part shall be deemed "willful" unless done, or omitted to be done, by the Employee in bad faith and without "reasonable belief" (as hereinafter defined) that his/her action or omission was in, or not opposed to, the best interests of the Company. The phrase "reasonable belief" shall mean the belief that a reasonable and prudent person would have had in the same or similar circumstances as to the act or failure to act. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Employee in good faith, and in the best interests of the Company. Notwithstanding the foregoing the Employee shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Employee a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the entire membership of the Board at a meeting of the Board called for such purpose (after reasonable notice to the Employee and an opportunity for the Employee, together with counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Employee was guilty of the conduct set forth above in (A) or (B) of this Subsection (iii) and specifying the particulars thereof in detail.

(iv) **<u>Good Reason.</u>** Termination by the Employee of his/her employment for "Good Reason" shall mean termination within a period of time not to exceed one (1) year following the initial existence of one or more of the following conditions arising without the consent of the Employee:

(A) a determination by the Employee, made in good faith and based on the Employee's reasonable belief, that there has been a materially adverse change in his/her status or position as an executive officer of the Company as in effect immediately prior to the Change in Control, including, without limitation, any material change in the Employee's status or position as a result of a diminution in the Employee's duties or responsibilities or the assignment to the Employee of any duties or responsibilities which are inconsistent with such status or position(s), or any removal of the Employee from or any failure to reappoint or reelect the Employee to such position(s) (except in connection with the termination of the Employee's employment for Cause, Disability or Retirement or as a result of the Employee's death or by the Employee other than for Good Reason). The phrase "reasonable belief" shall mean the belief that a reasonable and prudent person would have had in the same or similar circumstances as to the change in status or position;

(B) a material reduction by the Company in the Employee's annual base salary in effect immediately prior to the Change in Control;

(C) the relocation of the Employee's principal office outside of the city or metropolitan area in which the Employee is residing at the time of any Change in Control of the Company;

(D) a material reduction by the Company in the budget over which the Employee retained authority immediately prior to the Change in Control;

(E) the failure by the Company to provide and credit the Employee with the number of paid vacation days to which the Employee is then entitled in accordance with the Company's normal vacation policy as in effect immediately prior to the Change in Control;

(F) any other action or inaction by the Company following any Change in Control that constitutes a material breach by the Company of the agreement under which the Employee provided service at the time of the Change in Control of the Company;

(G) the failure by the Company to obtain from any Successor (as hereinafter defined) the assent to this Agreement contemplated by Section 5 hereof; or

(H) any purported termination by the Company of the Employee's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Subsection (v) below (and, if applicable, Subsection (iii) above); and for purposes of this Agreement, no such purported termination shall be effective.

Notwithstanding the above, the Employee is required to provide notice to the Company of the existence of any condition that would allow the Employee to terminate his/her employment for Good Reason within a period not to exceed ninety (90) days of the initial existence of the condition, upon the notice of which the Company shall have a period of no more than thirty (30) days to remedy the condition and during which period the Employee may not terminate his/her employment for Good Reason. It is the intent of the parties that this provision regarding termination by the Employee of his/her employment for Good Reason comply with the requirements of Treasury Regulation Section 1.409A-1(n)(2) and this Agreement shall be construed accordingly.

(v) Notice of Termination. Any purported termination of the Employee's employment by the Company or by the Employee following a Change in Control of the Company shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 9 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific termination provision in this Agreement relied upon and, if the termination provision is claimed to relieve the Company of its obligation to pay the benefits provided by this Agreement, the notice shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for the denial of the payment of the benefits provided by this Agreement.

(vi) Date of Termination. "Date of Termination" following a Change in Control shall mean (A) if the Employee's employment is to be terminated for Disability, thirty (30) days after Notice of Termination is given (provided that the Employee shall not have returned to the performance of his/her duties on a full-time basis during such thirty (30) day period), (B) if the Employee's employment is to be terminated by the Company for Cause or by the Employee for Good Reason, the date specified in the Notice of Termination, or (C) if the Employee's employment is to be terminated by the Company for any reason other than Cause, the date specified in the Notice of Termination, which in no event shall be a date earlier than sixty (60) days after the date on which a Notice of Termination is given, unless an earlier date has been expressly agreed to by the Employee in writing.

4. <u>Compensation Upon Termination; Other Agreements.</u>

(i) If the Employee's employment shall be terminated for Disability following a Change in Control of the Company, the Company shall pay the Employee's salary through the Date of Termination at the rate in effect just prior to the time a Notice of Termination is given plus any benefits or awards (including both the cash and stock components) under any Company Benefit Plans which pursuant to the terms of any Company Benefit Plans have been earned or become payable, but which have not yet been paid to the Employee. Thereafter, benefits shall be determined in accordance with the Company Benefit Plans then in effect.

(ii) If the Employee's employment shall be terminated for Cause following a Change in Control of the Company, the Company shall pay the Employee's salary through the Date of Termination at the rate in effect just prior to the time a Notice of Termination is given plus any benefits or awards (including both the cash and stock components) under any Company Benefit Plans which pursuant to the terms of any Company Benefit Plans have been earned or become payable, but which have not yet been paid to the Employee. Thereupon the Company shall have no further obligations to the Employee under this Agreement.

(iii) Subject to Section 7 hereof, if, within twenty-four (24) months following a Change in Control of the Company, Employee's employment by the Company shall be terminated by the Company other than for Cause, death, Disability or Retirement, or shall be terminated by the Employee for Good Reason, then the Company shall pay or provide to the Employee, no later than the 15th day of the third month following the Employee's Date of Termination, without regard to any contrary provisions of any Company Benefit Plan, the following:

(A) two hundred percent (200%) of the Employee's annual base salary payable by the Company immediately preceding the Date of Termination;

(B) the targeted amount of the Employee's bonus prorated through the Date of Termination; and

(C) a lump sum payment of Employee's accrued but unused paid time off.

(iv) It is the intent of the parties that this Agreement not be subject to the provisions of Section 409A of the Internal Revenue Code of 1986, as amended from time to time (the "Code"). As such, this Agreement has been drafted to avoid the requirements imposed by Section 409A of the Code. Provided however, in the event this Agreement or any distribution under this Agreement is later determined to be subject to the provisions of Section 409A of the Code, then if an employee is a Key Employee, pursuant to Section 409A(a)(2)(B)(i) of the Code, such distributions to such Key Employee upon termination of employment shall not commence earlier than six (6) months following the Date of Termination. A "Key Employee" is defined in Section 416(i) of the Code and includes officers of a publicly traded company who have annual compensation greater than $220,000 (as adjusted following 2024 from year to year for inflation by the Secretary of the Treasury), five percent owners of a publicly traded company, and one percent owners who have annual compensation from a publicly traded company greater than $150,000. The Company makes no representation that any or all of the payments or benefits described in this Agreement will be exempt from or comply with Section 409A of the Code and makes no undertaking to preclude Section 409A of the Code from applying to any such payment or benefit. The Employee shall be solely responsible for the payment of any taxes and penalties incurred under Section 409A of the Code.

(v) The amount of any payment provided for in this Section 4 shall not be reduced, offset or subject to recovery by the Company by reason of any compensation earned by the Employee as the result of employment by another employer after the Date of Termination, or otherwise.

5. Successors; Binding Agreement.

(i) The Company will seek, by written request at least five (5) business days prior to the time a Person becomes a Successor (as hereinafter defined), to have such Person assent to the fulfillment of the Company's obligations under this Agreement. Failure of such Person to furnish such assent prior to the time such Person becomes a Successor shall constitute a condition for termination by the Employee of his/her employment for Good Reason under the provisions of Section 3(iv) of this Agreement, if a Change in Control of the Company occurs or has occurred. For purposes of this Agreement, "Successor" shall mean any Person that succeeds to, or has the practical ability to control (either immediately or with the passage of time), the Company's business directly, by merger, consolidation or purchase of assets, or indirectly, by purchase of the Company's voting securities or otherwise.

(ii) This Agreement shall inure to the benefit of and be enforceable by the Employee's personal or legal representatives, executors, administrators, heirs, distributees, and legatees. If the Employee should die while any amount would still be payable to him/her hereunder if the Employee had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Employee's legatee or other designee or, if there is no such designee, to the Employee's estate.

(iii) For purposes of this Agreement, the "Company" shall include any corporation or other entity which is the surviving or continuing entity in respect of any merger, consolidation or form of business combination in which the Company ceases to exist.

6. **Fees and Expenses.** The Company shall reimburse the Employee for all reasonable legal fees and related expenses, if any, incurred by the Employee in the successful enforcement of any right or benefit provided by this Agreement.

7. **Taxes.**

(i) All payments to be made to the Employee under this Agreement will be subject to required withholding of federal, state and local income and employment taxes.

(ii)

(A) Notwithstanding any other provision of this Agreement or any other plan, arrangement or agreement to the contrary, if any of the payments or benefits provided or to be provided by the Company or a corporation which is a member of an "affiliated group" (as defined in Section 1504(a) of the Code without regard to Section 1504(b) of the Code) of which the Company is a member, to the Employee or for the Employee's benefit pursuant to the terms of this Agreement or otherwise (the "Covered Payments") would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), and would, but for this Section 7(ii) be subject to excise tax imposed under Section 4999 of the

Code (or any successor provision thereto) or any similar tax imposed by state or local law or any interest or penalties with respect to such taxes (collectively, the "Excise Tax"), then prior to making the Covered Payments, a calculation shall be made comparing (i) the Net Benefit (as defined below) to the Employee of the Covered Payments after payment of the Excise Tax to (ii) the Net Benefit to the Employee if the Covered Payments are limited to the extent necessary to avoid being subject to the Excise Tax. Only if the amount calculated under (i) above is less than the amount under (ii) above will the Covered Payments be reduced to the minimum extent necessary to ensure that no portion of the Covered Payments is subject to the Excise Tax (that amount, the "Reduced Amount"). "Net Benefit" shall mean the present value of the Covered Payments net of all federal, state, local, foreign income, employment and excise taxes.

(B) The Covered Payments shall be reduced in a manner that maximizes the Employee's economic position. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code, and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero.

(C) Any determination required under this Section 7(ii) shall be made in writing in good faith by an independent accounting firm selected by the Company that is reasonably acceptable to the Employee (the "Accountants"), which shall provide detailed supporting calculations to the Company and the Employee as requested by the Company or the Employee. The Company and the Employee shall provide the Accountants with such information and documents as the Accountants may reasonably request in order to make a determination under this Section 7(ii). For purposes of making the calculations and determinations required by this Section 7(ii), the Accountants may rely on reasonable, good faith assumptions and approximations concerning the application of Section 280G and Section 4999 of the Code. The Accountants' determinations shall be final and binding on the Company and the Employee. The Company shall be responsible for all fees and expenses incurred by the Accountants in connection with the calculations required by this Section 7(ii).

8. **Survival.** The respective obligations of, and benefits afforded to, the Company and the Employee as provided in Sections 4, 5, 6, 7, 8, 11, 12 and 15 of this Agreement shall survive termination of this Agreement.

9. **Notice.** For purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or when mailed by United States registered mail, return receipt requested, postage prepaid to the address set forth below:

Employee Address: ________________________________
____
____

Company Address: 400 Pine Street
Abilene, Texas 79601

provided that all notices to the Company shall be directed to the attention of an executive officer of the Company other than Employee, with a copy to the Secretary of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change of address shall be effective only upon receipt.

10. **Employment with Subsidiaries.** Employment with the Company for purposes of this Agreement includes employment with any corporation in which the Company has a direct or indirect ownership interest of fifty percent (50%) or more of the total combined voting power of all classes of stock in such corporation.

11. Confidential Information. The Employee shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Employee during the Employee's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Employee or his/her representatives in violation of this Agreement). After termination of the Employee's employment with the Company, the Employee shall not, without the prior written consent of the Company, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 11 constitute a basis for deferring or withholding any amounts otherwise payable to the Employee under this Agreement.

12. Miscellaneous; Governing Law. No provision of this Agreement may be amended, waived or discharged following a Change in Control of the Company unless such amendment, waiver or discharge is agreed to in writing and signed by all of the parties affected thereby. No waiver by either party at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed to be a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Texas.

13. Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

14. Headings. The headings of Sections of this Agreement are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

15. Arbitration. At the election of the Employee, any controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be determined by final and binding arbitration administered by the American Arbitration Association under its Commercial Arbitration Rules and Mediation Procedures then in effect. Judgment may be entered on the arbitrators' award in any court having jurisdiction. Notwithstanding the above, the Employee shall be entitled to seek specific performance of his/her right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement.

16. Counterparts and Signatures. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. Signatures delivered by facsimile or other electronic means shall be treated as originals.

IN WITNESS WHEREOF, the undersigned have executed this Agreement to be effective as of the date first written above.

FIRST FINANCIAL BANKSHARES, INC.

By:________________________________
Name:______________________________
Title:_______________________________

"Company"

ACCEPTED AND AGREED TO THIS ______ DAY OF __________________, 2024.

By:________________________________
Name:_____________________________

"Employee"

Exhibit 31.1

Certification of
Chief Executive Officer
of First Financial Bankshares, Inc.

I, F. Scott Dueser, Chairman of the Board, President and Chief Executive Officer of First Financial Bankshares, Inc., certify that:

1. I have reviewed this Form 10-Q of First Financial Bankshares, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2024

By: /s/ F. Scott Dueser
F. Scott Dueser
Chairman of the Board, President and Chief Executive Officer

Exhibit 31.2

Certification of
Chief Financial Officer
of First Financial Bankshares, Inc.

I, Michelle S. Hickox, Executive Vice President and Chief Financial Officer and Treasurer of First Financial Bankshares, Inc., certify that:

1. I have reviewed this Form 10-Q of First Financial Bankshares, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f), for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 4, 2024

By: /s/ Michelle S. Hickox
Michelle S. Hickox
Executive Vice President and Chief
Financial Officer and Treasurer

Exhibit 32.1

Certification of
Chief Executive Officer
of First Financial Bankshares, Inc.

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accompanies the quarterly report on Form 10-Q (the “Form 10-Q”) for the quarter ended September 30, 2024 of First Financial Bankshares, Inc. (the “Company”).

I, F. Scott Dueser, the Chairman of the Board, President and Chief Executive Officer of the Company, certify that:

1. the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2024

By: /s/ F. Scott Dueser
F. Scott Dueser
Chairman of the Board, President and Chief Executive Officer

Subscribed and sworn to before me this 4th day of November, 2024.

/s/ Melissa Ann Kampert
Melissa Ann Kampert
Notary Public

My commission expires: October 11, 2028

Exhibit 32.2

Certification of
Chief Financial Officer
of First Financial Bankshares, Inc.

This certification is provided pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and accompanies the quarterly report on Form 10-Q (the “Form 10-Q”) for the quarter ended September 30, 2024 of First Financial Bankshares, Inc. (the “Company”).

I, Michelle S. Hickox, the Executive Vice President and Chief Financial Officer and Treasurer of the Company, certify that:

1. the Form 10-Q fully complies with the requirements of section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m(a) or 78o(d)); and

2. the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 4, 2024

By: /s/ Michelle S. Hickox
Michelle S. Hickox
Executive Vice President and Chief
Financial Officer and Treasurer

Subscribed and sworn to before me this 4th day of November, 2024.

/s/ Melissa Ann Kampert
Melissa Ann Kampert
Notary Public

My commission expires: October 11, 2028