SECURITIES AND EXCHANGE COMMISSION

FORM S-4

Registration of securities issued in business combination transactions

Filing Date: **1994-01-10**
SEC Accession No. 0000950109-94-000039

(HTML Version on secdatabase.com)

FILER

FIRST FINANCIAL BANKSHARES INC

CIK:**36029**| IRS No.: **750944023** | State of Incorp.:**TX** | Fiscal Year End: **1231**
Type: **S-4** | Act: **33** | File No.: **033-51861** | Film No.: **94500872**
SIC: **6022** State commercial banks

Business Address
400 PINE STREET THIRD FL
P O BOX 701
ABILENE TX 79601-0701
9156757155

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JANUARY 10, 1994.

REGISTRATION NO. 33-_______

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-4
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

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

TEXAS	6712	75-0944023
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

400 PINE STREET
ABILENE, TEXAS 79601
(915) 675-7155
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

CURTIS R. HARVEY
EXECUTIVE VICE PRESIDENT AND
CHIEF FINANCIAL OFFICER
FIRST FINANCIAL BANKSHARES, INC.
400 PINE STREET
ABILENE, TEXAS 79601
(915) 675-7155
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,
INCLUDING AREA CODE OF AGENT FOR SERVICE)

Copies to:

N. KATHLEEN FRIDAY, P.C.
AKIN, GUMP, STRAUSS,
HAUER & FELD, L.L.P.
1700 PACIFIC AVENUE,
SUITE 4100
DALLAS, TEXAS 75201-4618

DAVID L. BUHRMANN
MCMAHON, SUROVIK, SUTTLE,
BUHRMANN, COBB & HICKS, P.C.
P.O. BOX 3679
ABILENE, TX 79604

PATRICK J. KENNEDY, JR.
KENNEDY & BARIS, L.L.P.
112 EAST PECAN STREET
SUITE 1775
SAN ANTONIO, TX 78205

Approximate date of commencement of proposed sale to public: As soon as practicable after the registration statement becomes effective.

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

<TABLE>
<CAPTION>

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED(1)	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(1)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(1)	AMOUNT OF REGISTRATION FEE(1)
<S>	<C>	<C>	<C>	<C>
Common Stock....................	232,550	$30.55	$7,104,403	$2,452

</TABLE>

(1) The registration fee has been computed pursuant to Rule 457(f)(2) under the Securities Act of 1933, as amended (the "Securities Act"), based on the book value of the shares of Common Stock of Concho Bancshares, Inc. at September 30, 1993 that may be exchanged for the securities being registered. The proposed maximum offering price per share has been determined by dividing the maximum aggregate offering price by the number of shares being registered.

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

==

FIRST FINANCIAL BANKSHARES, INC.

CROSS-REFERENCE SHEET SHOWING LOCATION IN THE PROSPECTUS OF INFORMATION REQUIRED BY ITEMS OF FORM S-4

<TABLE>
<CAPTION>

FORM S-4 ITEM NUMBER AND CAPTION		PROSPECTUS CAPTION
<C>	<S>	<C>
1.	Forepart of the Registration Statement and Outside Front Cover Page of Prospectus.......	Outside Front Cover Page
2.	Inside Front and Outside Back Cover Pages of Prospectus..................................	Inside Front Cover Page; Available Information; Incorporation by Reference; Table of Contents
3.	Ratio of Earnings to Fixed Charges and Other Information.................................	Prospectus Summary; Summary Financial Data; Pro Forma Combined Selected Financial Data; Comparative Per Share Data
4.	Terms of the Transaction.....................	The Exchange Offer; Description of First Financial Capital Stock; Comparison of Shareholder Rights
5.	Pro Forma Financial Information.............	Pro Forma Combined Selected Financial Data
6.	Material Contacts With the Company Being Acquired....................................	*
7.	Additional Information Required for Reoffering by Persons and Parties Deemed to be Underwriters.............................	*
8.	Interests of Named Experts and Counsel.......	*
9.	Disclosure of Commission Position on Indemnification of Securities Act Liabilities	*
10.	Information with Respect to S-3 Registrants..	Available Information; Incorporation by Reference; Prospectus Summary; Summary Financial Data; Certain Regulatory Considerations; Information About First Financial
11.	Incorporation of Certain Information by Reference....................................	Incorporation by Reference
12.	Information with Respect to S-2 or S-3 Registrants.................................	*
13.	Incorporation of Certain Information by Reference....................................	*
14.	Information with Respect to Registrants Other than S-3 or S-2 Registrants.................	*
15.	Information With Respect to S-3 Companies....	*
16.	Information With Respect to S-2 or S-3 Companies....................................	*
17.	Information With Respect to Companies Other than S-2 or S-3 Companies...................	Prospectus Summary; Summary Financial Data; Information About Concho; Consolidated Financial Statements
18.	Information if Proxies, Consents or Authorizations are to be Solicited...........	*
19.	Information if Proxies, Consents, or Authorizations are not to be Solicited, or in an Exchange Offer...........................	The Exchange Offer; Incorporation by Reference; Information About Concho

</TABLE>

---

* Not applicable.

> Information contained herein is subject to completion or amendment. A registration statement relating to these securities has been filed with the Securities and Exchange Commission. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This Prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any State.

SUBJECT TO COMPLETION, DATED JANUARY 10, 1994

OFFERING CIRCULAR/
PROSPECTUS

OFFER TO EXCHANGE
ALL OUTSTANDING
SHARES OF COMMON STOCK OF
CONCHO BANCSHARES, INC.
FOR
SHARES OF COMMON STOCK OF

FIRST FINANCIAL
BANKSHARES, INC.

THE EXCHANGE OFFER
WILL EXPIRE AT 5:00 P.M., TEXAS TIME,
ON _________, 1994

First Financial Bankshares, Inc., a Texas corporation ("First Financial" or the "Company"), hereby offers, upon the terms and subject to the conditions set forth in this Prospectus and the accompanying letter of transmittal (the "Letter of Transmittal," and together with this Prospectus, the "Exchange Offer"), to exchange shares of its voting common stock, par value $10.00 per share ("First Financial Common Stock"), which have been registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to a Registration Statement (as defined herein) of which this Prospectus is a part, for all of the issued and outstanding shares of stock of Concho Bancshares, Inc., a Texas corporation ("Concho"), par value $0.50 per share ("Concho Common Stock"). Upon consummation of the Exchange Offer, each outstanding share of Concho Common Stock tendered in the Exchange Offer will, subject to certain provisions with respect to fractional shares, be exchanged (the "Exchange") for 1.15 shares of First Financial Common Stock, subject to certain adjustments.

Subject to the terms and conditions of the Exchange Offer, First Financial will accept for exchange all shares of Concho Common Stock that are validly tendered on or prior to 5:00 p.m., Texas time, on the date the Exchange Offer expires, which will be ___________, 1994 (the "Expiration Date"), unless the Exchange Offer is extended. Once shares of Concho Common Stock are tendered in the Exchange Offer, they may not be withdrawn. The Exchange Offer is subject to certain conditions, including a condition that at least 90% of the outstanding Concho Common Stock be tendered in the Exchange Offer. See "The Exchange Offer--Conditions to Consummation of the Exchange Offer; Termination."

Upon consummation of the Exchange Offer, it is anticipated that Concho will be merged (the "Merger") with and into a wholly-owned subsidiary of First Financial and that any remaining Concho Shareholders will receive in the Merger the same consideration they would have received had they participated in the Exchange Offer, subject to their rights to dissent to the Merger. This Prospectus also relates to the shares of First Financial Common Stock that may be issued in the Merger.

Prior to the Exchange Offer, there has been no public market for the Concho Common Stock. The First Financial Common Stock is traded in the over-the-counter market and reported on the NASDAQ National Market under the trading symbol "FFIN." On January 6, 1994, the closing price of the First Financial Common Stock, as reported by NASDAQ, was $________.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND

EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is ___________, 1994

THE EXCHANGE OFFER IS NOT BEING MADE TO, NOR WILL FIRST FINANCIAL ACCEPT SURRENDERS FOR EXCHANGE FROM, HOLDERS OF CONCHO COMMON STOCK IN ANY JURISDICTION IN WHICH THE EXCHANGE OFFER OR THE ACCEPTANCE THEREOF WOULD NOT BE IN COMPLIANCE WITH THE SECURITIES OR BLUE SKY LAWS OF SUCH JURISDICTION.

AVAILABLE INFORMATION

First Financial Bankshares, Inc. (which until October 26, 1993 was named "First Abilene Bankshares, Inc.") is subject to the informational requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). The reports and other information filed by the Company with the Commission can be inspected and copied at the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 10549, and at the following regional offices of the Commission: 7 World Trade Center, New York, New York 10048; and Northwestern Atrium Center, 500 West Madison Street, Room 1400, Chicago, Illinois 60661-2511. Copies of such information can be obtained from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 10549, at prescribed rates.

This Prospectus constitutes a part of a registration statement (the "Registration Statement") filed by the Company with the Commission under the Securities Act. As permitted by the rules and regulations of the Commission, this Prospectus does not contain all of the information contained in the Registration Statement and the exhibits and schedules thereto, and reference is hereby made to the Registration Statement and the exhibits and schedules thereto for further information with respect to the Company and the securities offered hereby. Statements contained herein concerning the provisions of any documents filed as an exhibit to the Registration Statement or otherwise filed with the Commission are not necessarily complete, and in each instance reference is made to the copy of such document so filed. Each such statement is qualified in its entirety by such reference.

INCORPORATION BY REFERENCE

THIS PROSPECTUS INCORPORATES DOCUMENTS BY REFERENCE THAT ARE NOT PRESENTED HEREIN OR DELIVERED HEREWITH. COPIES OF ANY SUCH DOCUMENTS, OTHER THAN EXHIBITS TO SUCH DOCUMENTS THAT ARE NOT SPECIFICALLY INCORPORATED BY REFERENCE THEREIN, ARE AVAILABLE WITHOUT CHARGE TO ANY PERSON, INCLUDING ANY SHAREHOLDER OF CONCHO TO WHOM THIS PROSPECTUS IS DELIVERED, UPON ORAL OR WRITTEN REQUEST TO CURTIS R. HARVEY, EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER, FIRST FINANCIAL BANKSHARES, INC., P.O. BOX 701, ABILENE, TEXAS 79604, TELEPHONE NUMBER (915) 675-7155. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, ANY REQUEST SHOULD BE MADE BY _______________, 1994.

First Financial's Annual Report on Form 10-K for the fiscal year ended December 31, 1992, First Financial's Quarterly Reports on Form 10-Q for the quarters ended March 31, 1993, June 30, 1993 and September 30, 1993 and First Financial's Current Reports on Form 8-K dated April 23, 1993, September 23, 1993, October 26, 1993, and December 7, 1993, in each case filed with the Commission pursuant to Section 13 of the Exchange Act, and the description of First Financial Common Stock which is contained in First Financial's Registration Statement on Form 8-A dated March 29, 1974, filed under Section 12 of the Exchange Act, as amended by Amendment No. 1 to Form 8-A on Form 8-A/A No. 1 dated January 7, 1994, are incorporated into this Prospectus by reference.

All documents filed by First Financial pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this Prospectus shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof from the respective dates of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded

for purposes of this Prospectus to the extent that such statement is modified or superseded by a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

No person is authorized to give any information or to make any representations other than those contained in this Prospectus, and, if given or made, such information or representation must not be relied upon as having been authorized by First Financial or Concho. This Prospectus does not constitute an offering within any jurisdiction to any person to whom it is unlawful to make such offer within such jurisdiction.

The information herein concerning First Financial has been obtained from various fillings by First Financial under the Exchange Act and from management. The information herein concerning Concho has been obtained from the management of Concho.

TABLE OF CONTENTS

<TABLE>
<CAPTION>

PAGE

<S> <C>

</TABLE>

<TABLE>
<CAPTION>

PAGE

<S> <C>

</TABLE>

PROSPECTUS SUMMARY

The following is a summary of certain information contained elsewhere in this Prospectus. As this summary is necessarily incomplete, reference is made to, and this summary is qualified in its entirety by, the more detailed information contained or incorporated by reference in this Prospectus and the Annexes hereto. Shareholders of Concho are urged to read the Prospectus and the Annexes hereto in their entirety.

THE PARTIES

The Company is a Texas corporation and a multi-bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). On October 28, 1993, the Company changed its name from "First Abilene Bankshares, Inc." to "First Financial Bankshares, Inc." First Financial owns, through its wholly-owned Delaware subsidiary, First Financial Bankshares of Delaware, Inc., all of the capital stock of six banks organized and located in Texas: First National Bank of Abilene, Abilene, Texas; Hereford State Bank, Hereford, Texas; First National Bank, Sweetwater, Texas; Eastland National Bank, Eastland, Texas; The First National Bank in Cleburne, Cleburne, Texas; and Stephenville Bank and Trust Co., Stephenville, Texas (collectively, the "First Financial Banks"). First Financial operates principally in order to give the First Financial Banks access to additional management and technical resources which enable them to provide expanded banking services while continuing their local activity and autonomy. The First Financial Banks are engaged in the general commercial banking business consisting of the acceptance of checking, savings and time deposits, the making of loans, including bank credit card services, transmitting funds and performing such other banking services as are usual and customary for commercial banks. While all First Financial Banks, with the exception of Eastland National Bank, have trust powers, only First National Bank of Abilene, First National Bank, Sweetwater and Stephenville Bank and Trust Co. have active trust departments. As of September 30, 1993, First Financial and its consolidated subsidiaries had total assets of approximately $906.8 million, total deposits of approximately $809.1 million, total loans (net of allowance for loan losses) of approximately $359.1 million and total shareholders' equity of approximately $88.7 million. First Financial's principal executive offices are located at 400 Pine Street, Abilene, Texas 79601, and its telephone number is (915) 675-7155. See "Information About First Financial."

Concho Bancshares, Inc. ("Concho") is a one bank holding company formed in 1979 and incorporated in the State of Texas. Concho owns 99.8% of Southwest Bank of San Angelo, Texas ("Southwest Bank" or "SWB"). Southwest Bank is chartered in the State of Texas, began operations in 1975, and its deposits are insured by the Federal Deposit Insurance Corporation. Southwest Bank's wholly owned subsidiary, SWB Investment Centre, Inc. ("SWB Investment"), operates as a registered investment advisor. Southwest Bank conducts business principally in Tom Green County through its location in San Angelo, Texas. The market area of SWB Investment is also Tom Green County, with a small amount derived from other area counties. Southwest Bank provides a full range of both commercial and consumer banking services including loans, checking accounts, savings programs, safe deposit facilities, access to automated teller machines, and credit card programs. The bank does not offer trust services. SWB Investment offers investment advice to customers who may execute trades with the bank through its discount brokerage operation or through its affiliation with Stephens, Inc. of Little Rock, Arkansas. As of September 30, 1993, as adjusted for a November 1993 stock issuance by Concho, Concho and its consolidated subsidiaries had total assets of approximately $89.5 million, total deposits of approximately $80.9 million, total loans (net of allowance for loan losses) of approximately $43.4 million and total shareholders' equity of approximately $6.2 million. Concho's principal executive offices are located at 3471 Knickerbocker, San Angelo, Texas 76906-0410 and its telephone number is (915) 944-2502. See "Information about Concho".

SUMMARY OF THE TRANSACTION

THE EXCHANGE OFFER

Pursuant to a Stock Exchange Agreement and Plan of Reorganization dated as of December 7, 1993 by and among First Financial, Concho and Southwest Bank (the "Exchange Agreement"), First Financial is offering to acquire from the shareholders of Concho (the "Concho Shareholders") all outstanding shares of Concho Common Stock in exchange for shares of First Financial Common Stock at the exchange rate specified below. THE CONCHO BOARD OF DIRECTORS HAS DETERMINED THAT THE EXCHANGE OFFER IS FAIR TO THE CONCHO SHAREHOLDERS. See "The Exchange Offer."

THE EXCHANGE RATE

First Financial will issue and exchange 1.15 shares of First Financial Common Stock for each share of Concho Common Stock tendered by the Concho Shareholders who accept the Exchange Offer during the time period the Exchange Offer is in effect; provided, however, that the rate of exchange (the "Exchange Rate") shall be subject to adjustment under certain conditions discussed herein. See "The Exchange Offer -- The Exchange Rate." First Financial will not issue any fractional shares of First Financial Common Stock. Concho Shareholders who would otherwise be entitled to receive fractional shares of First Financial Common Stock will be paid in cash for such fractional shares based upon the Market Value (as defined herein) per share of First Financial Common Stock as of the date which is ten days prior to the later of (i) the date First Financial receives written notice that the Board of Governors of the Federal Reserve System has given final approval of the application filed by First Financial to acquire all of the Concho Common Stock and (ii) the date upon which the Registration Statement of which this Prospectus is a part becomes effective.

THE EXPIRATION DATE

Unless otherwise extended by First Financial, the offer by First Financial to exchange First Financial Common Stock for Concho Common Stock shall terminate at 5:00 p.m., Texas time on ______________, 1994 (the "Expiration Date").

CONDITIONS TO CONSUMMATION OF THE EXCHANGE OFFER; TERMINATION

Consummation of the Exchange Offer is subject to certain conditions, including without limitation, the valid tender by Concho Shareholders of at least ninety percent (90%) of Concho Common Stock; the receipt of all required regulatory approvals and the lapse of certain waiting periods with respect to such approvals; the receipt by First Financial of an opinion from its independent accountants that the transaction will be accounted for as a "pooling of interests"; the receipt by Concho of an opinion from its independent public accountants and/or tax counsel that the Exchange will not be considered a taxable event for federal income tax purposes; the receipt by Concho of written agreement of the holders of thirteen promissory notes issued by Concho of such holders' willingness to consent to the transfer of such obligations and certain collateral securing them to Southwest Bank; the receipt of opinion of counsel as to certain corporate matters; the absence of material changes in the financial condition of either Concho or Southwest Bank; and the absence of legal or governmental action with respect to the Exchange Offer.

The Exchange Offer may be terminated at any time (a) by mutual consent of First Financial and Concho, (b) by either party if the other party shall have breached a representation or warranty which constitutes a material adverse change from that represented in the Exchange Agreement or if any of the conditions to consummating the Exchange Offer are not satisfied or waived, or (c) by either party if a court or governmental body shall have taken any action restraining, enjoining or otherwise prohibiting the Exchange or the Merger (as defined herein) and such action shall be final and nonappealable. If the Exchange Offer is terminated without the acceptance by First Financial of any shares of Concho Common Stock tendered, all shares so tendered will be promptly returned to the tendering Concho Shareholders. See "The Exchange Offer - -Conditions to Consummation of the Exchange; Termination."

EXCHANGE OF SHARES AND CERTIFICATES

The Concho Shareholders are receiving with this Prospectus a letter of transmittal for acceptance of the Exchange Offer (the "Letter of Transmittal"). Each Concho Shareholder wishing to accept the Exchange Offer must complete, sign and date the Letter of Transmittal, or a facsimile thereof, in accordance with the instructions contained herein and therein, and mail or otherwise deliver the Letter of Transmittal, or such facsimile, together with the certificates reflecting ownership of Concho Common Stock (the "Concho Common Stock Certificates") to be exchanged and any other required documentation to the Exchange Agent at the address set forth herein and therein. The delivery of the Letter of Transmittal with the Concho Common Stock Certificates shall be deemed to constitute an acceptance of the Exchange Offer to the extent of the number of shares of Concho Common Stock reflected on the Concho Common Stock Certificates accompanying the Letter of Transmittal.

Upon expiration of the Exchange Offer and satisfaction of certain conditions to the consummation of the Exchange Offer, if First Financial receives written notice from the Exchange Agent that at least ninety percent (90%) of the outstanding shares of Concho Common Stock have been validly tendered to First Financial, then First Financial will promptly cause to be issued and mailed to Concho Shareholders who have tendered shares of Concho Common Stock, by registered mail, certificates of First Financial Common Stock ("First Financial Common Stock Certificates") representing 1.15 shares of First Financial Common Stock for each share of Concho Common Stock received by the Exchange Agent. Any cash payment to which a Concho Shareholder may be entitled in place of fractional shares of First Financial Common Stock will be included with the First Financial Common Stock Certificates mailed to the Concho Shareholders.

Any beneficial holder whose shares of Concho Common Stock are registered in the name of such holder's broker, dealer, commercial bank, trust company or other nominee and who wishes to tender in the Exchange Offer should contact the registered holder promptly and instruct such registered holder to tender on his or her behalf. If such beneficial holder wishes to tender on his or her own behalf, such beneficial holder must, prior to completing and executing the Letter of Transmittal and delivering the Concho Common Stock Certificates, either make appropriate arrangements to register ownership of the shares of Concho Common Stock in such holder's name or obtain a properly completed stock power from the registered holder. The transfer of record ownership may take considerable time. See "The Exchange Offer - Exchange of Shares and Certificates."

GUARANTEED DELIVERY PROCEDURES

Concho Shareholders who wish to tender their shares of Concho Common Stock and whose Concho Common Stock Certificates are not immediately available or who cannot deliver their Concho Common Stock Certificates and a properly completed Letter of Transmittal or any other documents required by the Letter of Transmittal to the Exchange Agent prior to the Expiration Date may tender their shares of Concho Common Stock according to the guaranteed delivery procedures set forth in "The Exchange Offer -- Guaranteed Delivery Procedures."

NO WITHDRAWAL RIGHTS

Shares tendered pursuant to the Exchange Offer may not be withdrawn.

THE EXCHANGE AGENT

The Exchange Agent for purposes of the Exchange Offer discussed herein shall be the Trust Department of First National Bank of Abilene, Third Floor, 400 Pine Street, Abilene, Texas 79601.

FEDERAL INCOME TAX CONSEQUENCES

Consummation of the Exchange Offer is conditioned on receipt by Concho of a written opinion from its independent accountants and/or tax counsel that the exchange of shares of Concho Common Stock will not be considered a taxable event for federal income tax purposes. Concho has received an opinion to such effect from its independent accountants, Armstrong, Backus & Co., L.L.P. A copy of their opinion, which is subject to certain qualifications and assumptions, is attached hereto as Annex A. See "The Exchange Offer -- Federal Income Tax Consequences."

ANTICIPATED MERGER AND DISSENTING SHAREHOLDERS' RIGHTS

First Financial anticipates that, upon consummation of the Exchange Offer, Concho will be merged (the "Merger") with and into a wholly-owned Delaware subsidiary of the Company with any remaining Concho Shareholders receiving in the Merger the same consideration they would have received had they participated in the Exchange Offer, subject to their rights to dissent from the Merger. See "The Exchange Offer --Anticipated Merger and Dissenting Shareholders' Rights."

REGULATORY APPROVALS

The Exchange Offer and Merger are subject to prior approval by the Federal Reserve Board. The approval of the Federal Reserve Board has been obtained. See "The Exchange Offer--Regulatory Approvals Required."

INTERESTS OF CERTAIN PERSONS IN THE EXCHANGE

As of December 15, 1993, the directors and executive officers of Concho beneficially owned 49,465 shares of Concho Common Stock, representing approximately 25% of Concho Common Stock outstanding. See "Information about Concho--Security Ownership of Management."

SUMMARY FINANCIAL DATA

The following tables present on a historical basis selected consolidated financial data for (i) First Financial, (ii) Concho, and (iii) combined pro forma data for First Financial and Concho. The financial data are based on the consolidated financial statements of First Financial and Concho, respectively, incorporated herein by reference or contained elsewhere in this Prospectus and should be read in conjunction with the applicable financial statements, including the notes thereto. As noted in the tables, certain historical financial data for Concho for the nine months ended September 30, 1993 have been adjusted to reflect the rescission in November 1993 of an earlier treasury stock purchase by Concho of 16,267 shares of Concho Common Stock. The pro forma data give effect to the Exchange and the Merger, in each case accounted for as a pooling of interests and based upon a conversion of each share of Concho Common Stock into 1.15 shares of First Financial Common Stock. All per share data of First Financial have been adjusted to reflect the ten percent (10%) stock dividend paid to First Financial shareholders in the second quarter of 1993.

The unaudited pro forma financial information presented is for informational purposes only and is not necessarily indicative of results of operations or financial position that would have been reported had the Exchange or the Merger, as the case may be, been completed at the beginning of the period or as of the date for which such unaudited pro forma information is presented, nor is such information indicative of future results of operations or financial position.

FIRST FINANCIAL AND SUBSIDIARIES
SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1988	1989	1990	1991	1992	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED SUMMARY OF INCOME STATEMENT DATA:							
Interest income..............	$ 55,329	$ 58,062	$ 57,804	$ 61,822	$ 55,574	$ 42,126	$ 40,789
Interest expense.............	31,168	32,233	31,443	32,238	21,415	16,828	13,494
Net interest income..........	24,161	25,829	26,361	29,584	34,159	25,298	27,295
Provision for loan losses.....	3,743	3,767	2,695	1,120	940	623	352
Noninterest income...........	6,052	6,669	7,953	8,371	8,649	6,418	7,095
Noninterest expense..........	20,189	20,587	21,280	24,413	25,881	19,101	20,607
Income before income taxes....	6,281	8,144	10,339	12,422	15,987	11,992	13,431
Provision (benefit) for income taxes	1,011	1,824	2,756	3,777	4,998	3,728	4,340
Net income before cumulative effect of accounting change .	5,270	6,320	7,583	8,645	10,989	8,264	9,091
Cumulative effect of accounting change(1)	--	--	--	--	--	--	1,255
Net income...................	$ 5,270	$ 6,320	$ 7,583	$ 8,645	$ 10,989	$ 8,264	$ 10,346
Net income per First Financial Common Share before cumulative effect of accounting change	$ 1.35	$ 1.67	$ 2.06	$ 2.35	$ 2.95	$ 2.22	$ 2.43
Net income per First Financial Common Share......	$ 1.35	$ 1.67	$ 2.06	$ 2.35	$ 2.95	$ 2.22	$ 2.76
CONSOLIDATED PER SHARE DATA APPLICABLE TO FIRST FINANCIAL							

COMMON STOCK:							
Net income....................	$ 1.35	$ 1.67	$ 2.06	$ 2.35	$ 2.95	$ 2.22	$ 2.76
Cash dividends declared.......	0.55	0.60	0.70	0.82	0.95	0.70	0.88
Book value at period end......	15.83	17.06	18.44	19.94	21.87	21.38	23.70
CONSOLIDATED BALANCE SHEET DATA AT PERIOD END:							
Investment securities.........	$256,210	$263,067	$287,533	$356,222	$370,633	$359,182	$407,261
Loans, net of allowance for loan losses	277,630	271,213	312,060	303,461	323,591	307,291	359,095
Total assets.................	672,025	688,588	794,863	834,500	839,474	798,546	906,788
Deposits......................	601,857	609,443	709,007	751,172	750,445	709,594	809,126
Total liabilities............	611,386	625,654	727,037	760,972	758,041	718,983	818,098
Total shareholders' equity....	60,638	62,935	67,826	73,528	81,433	79,563	88,690

- ----------------------------

</TABLE>

(1) As of January 1, 1993, First Financial recorded the cumulative effect of the change in accounting for income taxes to comply with Statement of Financial Accounting Standards No. 109.

CONCHO AND SUBSIDIARIES
SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,					NINE MONTHS ENDED SEPTEMBER 30,	
	1988	1989	1990	1991	1992	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED SUMMARY OF INCOME STATEMENT DATA:							
Interest income............	$ 5,714	$ 6,118	$ 6,437	$ 6,305	$ 5,867	$ 4,514	$ 4,479
Interest expense...........	3,585	4,050	4,028	3,674	2,788	2,172	1,758
Net interest income.........	2,129	2,068	2,409	2,631	3,079	2,342	2,721
Provision for loan losses...	590	247	195	120	205	67	105
Noninterest income..........	634	405	714	861	1,116	835	857
Noninterest expense.........	2,079	2,235	2,609	2,894	3,054	2,310	2,519
Income (loss) before income taxes	94	(9)	319	478	936	800	954
Provision (benefit) for income taxes	--	--	--	47	191	225	348
Net income before cumulative effect of accounting change	94	(9)	319	431	745	575	606
Cumulative effect of accounting change(1)	--	--	--	--	--	--	(231)
Net income (loss)...........	$ 94	$ (9)	$ 319	$ 431	$ 745	$ 575	$ 375
Net income (loss) per Concho Common Share before cumulative effect of accounting change	$ 0.45	$ (0.04)	$ 1.52	$ 2.05	$ 3.70	$ 2.84	$ 3.01(2)
Net income (loss) per Concho Common Share.....	$ 0.45	$ (0.04)	$ 1.52	$ 2.05	$ 3.70	$ 2.84	$ 1.86(2)
CONSOLIDATED PER SHARE DATA APPLICABLE TO CONCHO COMMON STOCK:							
Net income (loss)...........	$ 0.45	$ (0.04)	$ 1.52	$ 2.05	$ 3.70	$ 2.84	$ 1.86(2)
Cash dividends declared.....	--	0.25	0.25	0.25	0.25	--	--
Book value at period end....	19.14	20.58	21.79	24.21	28.30	27.70	30.55(2)
CONSOLIDATED BALANCE SHEET DATA AT PERIOD END:							
Investment securities.......	$ 20,006	$ 18,220	$ 21,813	$ 28,697	$ 33,807	$ 32,018	$34,798
Loans, net of allowance for							

loan losses	33,518	33,734	34,627	39,158	42,597	43,458	43,364
Total assets...............	66,360	71,396	72,089	80,808	88,864	84,447	89,455(2)
Deposits...................	58,953	65,082	65,535	73,665	81,097	76,867	80,903
Short-term borrowings.......							
Long-term debt.............							
Total liabilities..........	62,354	67,071	67,506	75,720	83,158	78,861	83,294
Total shareholders' equity..	4,006	4,325	4,583	5,088	5,706	5,586	6,161(2)

</TABLE>

---

(1) As of January 1, 1993, Concho recorded the cumulative effect of the change in accounting for income taxes to comply with Statement of Financial Accounting Standards No. 109.

(2) As adjusted to reflect the rescission in November 1993 of an earlier treasury stock purchase by Concho of 16,267 shares of Concho Common Stock for $344,860.

FIRST FINANCIAL AND SUBSIDIARIES AND
CONCHO AND SUBSIDIARIES

PRO FORMA COMBINED SELECTED FINANCIAL DATA
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<TABLE>
<CAPTION>

	YEAR ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1990	1991	1992	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>
CONSOLIDATED SUMMARY OF INCOME STATEMENT DATA:					
Interest income..............................	$ 64,241	$ 68,127	$ 61,441	$ 46,640	$ 45,268
Interest expense.............................	35,471	35,912	24,203	19,000	15,252
Net interest income..........................	28,770	32,215	37,238	27,640	30,016
Provision for loan losses....................	2,890	1,240	1,145	690	457
Noninterest income...........................	8,667	9,232	9,765	7,253	7,952
Noninterest expense..........................	23,889	27,307	28,935	21,411	23,126
Income before income taxes...................	10,658	12,900	16,923	12,792	14,385
Provision for income taxes...................	2,756	3,824	5,189	3,953	4,688
Net income before cumulative effect of accounting change	7,902	9,076	11,734	8,839	9,697
Cumulative effect of accounting change(1)....	--	--	--	--	1,024
Net income...................................	$ 7,902	$ 9,076	$ 11,734	$ 8,839	$ 10,721
Net income per First Financial Common Share before cumulative effect of accounting change	$ 2.03	$ 2.31	$ 2.96	$ 2.24	$ 2.44(2)
Net income per First Financial Common Share..	$ 2.03	$ 2.31	$ 2.96	$ 2.24	$ 2.70(2)
CONSOLIDATED PER SHARE DATA APPLICABLE TO FIRST FINANCIAL COMMON SHARES:					
Net income...................................	$ 2.03	$ 2.31	$ 2.97	$ 2.24	$ 2.70(2)
Cash dividends declared......................	0.70	0.82	0.95	0.70	0.88
Book value at period end.....................	18.42	19.95	21.98	21.54	23.87(2)
CONSOLIDATED BALANCE SHEET DATA AT PERIOD END:					
Investment securities........................	$309,346	$384,919	$404,440	$391,200	$442,059
Loans, net of allowance for loan losses......	346,687	342,619	366,188	350,749	402,459
Total assets.................................	866,952	915,308	928,338	882,993	996,243(2)
Deposits.....................................	774,542	824,837	831,542	786,461	890,029
Short-term borrowings........................	1,314	2,272	173	450	130
Long-term debt...............................	9,364	--	1,151	1,260	1,174
Total shareholders' equity	72,409	78,615	87,139	85,149	94,851(2)

</TABLE>

---

(1) As of January 1, 1993, First Financial and Concho recorded the cumulative effect of the change in accounting for income taxes to comply with Statement of Financial Accounting Standards No. 109.

(2) As adjusted to reflect the rescission in November 1993 of an earlier treasury stock purchase by Concho of 16,267 shares of Concho Common Stock for $344,860.

COMPARATIVE PER SHARE DATA

(UNAUDITED)

The following table sets forth for the First Financial Common Stock and the Concho Common Stock certain historical, pro forma and pro forma equivalent per share financial information. The pro forma data give effect to the Exchange and the Merger, in each case accounted for as a pooling of interests and based upon a conversion of each share of Concho Common Stock into 1.15 shares of First Financial Common Stock. The pro forma financial data have been included as required by the rules of the Commission and are provided for comparative purposes only. The information presented below should be read in conjunction with the separate financial statements of First Financial and Concho, including the applicable notes, included or incorporated by reference elsewhere herein. All per share data of First Financial have been adjusted to reflect the ten percent (10%) stock dividend paid to First Financial shareholders in the second quarter of 1993. Historical Concho financial data for the nine months ended September 30, 1993 have been adjusted to reflect the rescission in November 1993 of an earlier treasury stock purchase by Concho of 16,267 shares of Concho Common Stock for $344,860.

The unaudited pro forma financial information presented is for informational purposes only and is not necessarily indicative of results of operations or financial position that would have been reported had the Exchange or the Merger, as the case may be, been completed at the beginning of the period or as of the date for which such unaudited pro forma information is presented, nor is such information indicative of future results of operations or financial position.

<TABLE>
<CAPTION>

	FIRST FINANCIAL		CONCHO	
	HISTORICAL	PRO FORMA COMBINED	HISTORICAL(2)	EQUIVALENT PRO FORMA(3)
<S>	<C>	<C>	<C>	<C>
Common Shareholders' Equity:				
December 31, 1992	$19.94	$21.98	$28.30	$25.34
September 30, 1993	23.70	23.87	30.55	27.45
Cash Dividends Declared:(1)				
Year ended December 31:				
1990	$ 0.70	$ 0.70	$ 0.25	$ 0.81
1991	0.82	0.82	0.25	0.94
1992	0.95	0.95	0.25	1.09
Nine Months ended September 30, 1993	0.88	0.88	--	1.01
Net Income:				
Year ended December 31, 1990:				
Primary	$ 2.06	$ 2.02	$ 1.52	$ 2.32
Fully diluted	2.06	2.02	1.52	2.32
Year ended December 31, 1991:				
Primary	2.35	2.32	2.05	2.67
Fully diluted	2.35	2.32	2.05	2.67
Year ended December 31, 1992:				
Primary	2.95	2.97	3.70	3.41
Fully diluted	2.95	2.97	3.70	3.41
Nine Months ended September 30, 1993:(4)				
Primary	2.43	2.44	3.01	2.81
Fully diluted	2.43	2.44	3.01	2.81

</TABLE>

---

(1) The First Financial pro forma combined dividends per share amounts represent historical dividends declared per share only on First Financial Common Stock.

(2) Historical Concho financial data for the nine months ended September 30, 1993 have been adjusted to reflect the rescission in November 1993 of an earlier treasury stock purchase by Concho of 16,267 shares of Concho Common Stock for $344,860.

(3) The Concho pro forma equivalent per share amounts are calculated by multiplying the First Financial pro forma per share amounts by the Exchange Rate of 1.15. See "The Exchange Offer."

(4) For the nine months ended September 30, 1993, per share data is based on continuing operations before cumulative effect of the change in accounting for income taxes.

THE EXCHANGE OFFER

The information in this Prospectus concerning the terms of the Exchange Offer is a summary only and is qualified in its entirety by reference to the Exchange Agreement which is incorporated herein by reference.

GENERAL

Pursuant to the Exchange Agreement, First Financial is offering to acquire from the Concho Shareholders all of the issued and outstanding Concho Common Stock. In exchange for each share of Concho Common Stock, the Concho Shareholders shall receive 1.15 shares of First Financial Common Stock, unless certain conditions require adjustments to the Exchange Rate. See "-- The Exchange Rate."

At least ninety percent (90%) of the Concho Common Stock must be tendered by the Concho Shareholders in order for the Exchange to occur. The Exchange Offer is also subject to certain other conditions. See "-- Conditions to Consummation of the Exchange Offer."

BACKGROUND OF THE EXCHANGE OFFER

Southwest Bank is a correspondent bank customer of First National Bank of Abilene. Through that relationship, Mr. Kenneth Murphy, the Chairman, President and Chief Executive Officer of First Financial, visited with Mr. David Drake, the Chairman and Chief Executive Officer of Concho, in December 1992 to obtain information about the brokerage operation at Southwest Bank. Southwest Bank provided brokerage services through an arrangement with the Stephens Co., and First Financial was considering establishing a similar operation. Over the next several months there were additional discussions about brokerage services. First Financial had been interested in the San Angelo market for several years and during a visit on April 30, 1993, Mr. Murphy asked Mr. Drake if Concho would have any interest in discussing the possibility of becoming associated with First Financial.

Following several telephone discussions, Mr. Murphy and Curtis Harvey, Executive Vice President and Chief Financial Officer of First Financial, met with Concho's Executive Committee on June 1, 1993. During the meeting Mr. Murphy stated that First Financial considered Southwest Bank an attractive acquisition candidate and inquired as to whether Concho would be interested in entertaining an offer. Prior to the approach by First Financial, the Board of Directors of Concho had adopted and was following a strategic business plan that called for growth primarily through internal means. The plan included the possibility of Concho acquiring other banks, but did not contemplate Concho being acquired. In light of First Financial's indication of interest, Concho's Executive Committee decided to proceed with further discussions.

Messrs. Murphy and Harvey met with the Concho Executive Committee again on June 22, 1993. During the meeting Mr. Murphy presented various alternative initial proposals for structuring an acquisition of Concho by First Financial, including a one-for-one stock exchange. Subsequent to the meeting, Mr. Drake contacted Mr. Murphy and informed him that Concho would entertain an offer which included a stock exchange valued at 1.5 times Concho book value. Messrs. Murphy and Harvey met with Mr. Drake in San Angelo on July 12, 1993, to discuss further the possible offer by First Financial.

The Concho Board of Directors held several meetings in late July and early August to discuss the possible transaction and ultimately concluded, with the assistance of its outside advisors, that an exchange offer valued at 1.5 times Concho's book value was fair. In reaching its conclusion, the Concho Board of Directors relied in part on the advice of its financial consulting firm, FinSer Corporation, which evaluated the financial condition of First Financial and the relative benefits of the offer to Concho Shareholders. FinSer Corporation informally advised the Concho Board that, in its opinion, the offer was fair and reasonable in light of current market conditions.

On August 17, 1993, First Financial and Concho executed a Letter of Intent which contemplated a stock exchange ratio of 1.2 shares of First Financial stock for each share of Concho stock. During the period August 19, 1993, through September 24, 1993, First Financial performed a due diligence review at Southwest Bank and the parties began negotiating a definitive agreement.

Following execution of the Letter of Intent, Concho informed First Financial that a former stockholder of Concho had asserted a claim against Concho with respect to Concho's purchase in May 1993 of 16,267 shares of Concho Common Stock from such former stockholder. On November 29, 1993, Concho and the former stockholder resolved the matter by rescinding the May 1993 stock purchase. As a result of the additional shares outstanding following the rescission, First Financial and Concho agreed to adjust the exchange ratio from 1.2 to 1.15, and First Financial and Concho executed the Stock Exchange Agreement on December 7, 1993. In agreeing to the adjustment in the exchange ratio, the Concho Board of Directors noted that since the date of execution of the Letter of Intent, the market value of First Financial Common Stock had increased approximately $2.00 per share based on the NASDAQ quoted bid price. The Concho Board considered this increase and the fact that the exchange ratio is 1.5 times the book value of Concho in approving the Stock Exchange Agreement. For these and other reasons described below, the Concho Board believed it was in the best interest of the Concho Shareholders to approve the Stock Exchange Agreement so that Concho Shareholders would have the opportunity to accept or reject the Exchange Offer.

FIRST FINANCIAL REASONS FOR THE EXCHANGE OFFER

It is part of First Financial's current business strategy to expand its activities to areas in Texas where management believes there are long-term opportunities that will benefit First Financial and its shareholders. First Financial recently acquired two other community banks which has enabled First Financial to increase its penetration of the Texas banking markets. The acquisition of Concho will allow First Financial to continue its expansion and enter the San Angelo market which is larger than those served by recent acquisitions, thereby providing even greater asset and earnings growth opportunities.

First Financial also views favorably the perceived compatibility of the Concho management team with management of First Financial and its demonstrated success in providing quality banking services.

In addition, First Financial believes that in light of the acceleration in the number and size of combinations currently occurring within the financial and banking industries and the likelihood that future changes in banking laws will provide further impetus to consolidation of banking entities, it is desirable for First Financial to continue to grow through acquisition of quality community banks in favorable markets.

CONCHO REASONS FOR THE EXCHANGE OFFER

The terms of the Exchange Offer, including the Exchange Rate, were the result of arms' length negotiations between First Financial and Concho and their respective representatives. Concho consulted with its own legal counsel and financial advisors during the course of negotiations. The Concho Board of Directors believes that the Exchange Offer is fair to the shareholders of Concho. In reaching a conclusion to approve the Exchange Offer, Concho's Board of Directors considered a number of factors. Concho's Board of Directors did not assign any relative or specific weights to the factors considered. Among other things, the Concho Board of Directors considered:

1. *The financial terms of the Exchange Offer.* In this regard, Concho's Board of Directors took into account the premium represented by the consideration offered to Concho Shareholders in relation to the book value per share of Concho's Common Stock. Concho's Board of Directors was of the view that the Exchange Rate represented a fair multiple of Concho's per share book value and historical and projected earnings. Concho's Board of Directors also considered the financial terms of other recent business combinations

in the banking industry and determined that the financial terms of the Exchange Offer compared favorably to such other transactions;

2. *Certain financial and other information concerning First Financial.* Such information included, but was not limited to, the financial condition, asset quality, historical earnings and historical operations of First Financial Common Stock and the dividend yield of First Financial Common Stock;

3. *The terms, other than the financial terms, and structure of the Exchange Offer.* In particular, the Concho Board of Directors considered the anticipated tax-free nature of the Exchange Offer to Concho Shareholders

receiving First Financial Common Stock in exchange for the shares of Concho Common Stock.

In addition to the above factors, the proposed Exchange Offer and Merger reflect the judgment of the Board of Directors of Concho that Concho's business can be benefitted by the resources and experience of First Financial, that the Exchange Offer and Merger may produce an entity better able to meet competitive challenges inherent in the banking industry, and that the affiliation of First Financial and Concho could provide operational benefits and efficiencies. The Concho Board of Directors believes that the Exchange Offer would allow shareholders of Concho to exchange their shares for a security in a company which has a broader market appeal and thus a more liquid investment. In addition, while Concho has been in the position to pay cash dividends to Concho Shareholders during the past several years at the rate of $.25 per annum, First Financial has declared cash dividends per share of $1.20, $.96 and $.82 during the years ended December 31, 1993, 1992 and 1991, respectively. Shareholders of Concho would hold shares in a larger banking organization which would tend to lessen the risk that local market factors in San Angelo would affect the value of their investment. In addition, the resources of a larger banking organization would tend to benefit Concho Shareholders as a result of its ability to compete in the larger marketplace.

The Concho Board of Directors also believes that, if the exchange is consummated, its subsidiary, Southwest Bank, will continue to retain its community bank character even though it will be a subsidiary of a substantially larger bank holding company. First Financial has grown through acquisition of community banks, and its acquisition strategy is to allow these independent community banks to continue to operate as such even though they are part of a larger holding company. In this regard, it is anticipated that the existing Board of Directors of Southwest Bank would remain essentially the same and that the officers and staff would continue to be employed and to manage Southwest Bank. This should enable the continuation of local control, decision making and a presence in the community which Southwest Bank serves.

Finally, in addition to the strategic location of Southwest Bank in the San Angelo market being a major contribution to First Financial, Southwest Bank's subsidiary, SWB Investment Company, would be provided with an attractive opportunity to expand its business to the customer base of First Financial and its other subsidiary banks. This should provide an attractive growth opportunity for Concho Shareholders.

THE EXCHANGE RATE

First Financial will issue and exchange 1.15 shares of First Financial Common Stock for each share of Concho Common Stock tendered by the Concho Shareholders who accept the Exchange Offer during the time period the Exchange Offer is in effect; provided, however, that if First Financial, prior to the consummation of the proposed Exchange Offer, shall issue any additional shares of First Financial Common Stock pursuant to any stock dividend or stock split approved by the Board of Directors of First Financial, the Exchange Rate shall be appropriately adjusted to reflect such stock dividend or split; and further provided, that the Exchange Rate shall be adjusted if, as of December 31, 1993, the Book Value of Concho Common Stock (as defined below) shall be less than $31.25 or if the Market Value of First Financial Common Stock (as defined below) shall be less than $40.00 per share as of the date which is ten (10) days prior to the later of (i) the date First Financial receives written notice that the Board of Governors of the Federal Reserve System has given final

approval of the application filed by First Financial to acquire all of the Concho Common Stock or (ii) the date upon which the Registration Statement of which this Prospectus is a part becomes effective.

If, as of the date specified above, the Market Value of First Financial Stock shall be less than $40.00 per share, then the Exchange Rate shall be adjusted by multiplying the Exchange Rate by a fraction, the numerator of which is $40.00 and the denominator of which is the Market Value of First Financial Common Stock. If, as of December 31, 1993, the Book Value of Concho Common Stock shall be less than $31.25 per share, then the Exchange Rate shall be adjusted by multiplying the Exchange Rate by a fraction, the denominator of which is $31.25 and the numerator of which is the Book Value of Concho Common Stock. If, as of December 31, 1993, the Book Value of Concho Common Stock is less than $31.25 *and* if, as of the date specified above, the Market Value of First Financial Stock shall be less than $40.00, the Exchange Rate shall be adjusted by multiplying the Exchange Rate of 1.15 by each of the fractions defined above.

For purposes hereof, the "MARKET VALUE" of First Financial Common Stock means the per share closing bid price of the First Financial Common Stock in the over-the-counter market in accordance with quotations supplied by The Principal - -- Eppler Guerin & Turner or other authoritative source. For purpose hereof, the "BOOK VALUE" of Concho Common Stock means the consolidated shareholders' equity of Concho determined in accordance with generally accepted accounting principles divided by the number of issued and outstanding shares of Concho Common Stock; provided, that for purposes of determining the Book Value of Concho Common Stock as of December 31, 1993, as required above, the number of issued and outstanding shares of Concho Common Stock shall be deemed to include 564 new shares of Concho Common Stock that are expected to be issued prior to consummation of the Exchange Offer, and also the consideration paid or to be paid for such shares, irrespective of whether such shares are, in fact, issued and the consideration therefor paid prior to December 31, 1993.

First Financial will not issue any fractional shares of First Financial Common Stock. Concho Shareholders who would otherwise be entitled to receive fractional shares of First Financial Common Stock will be paid in cash for such fractional shares based upon the Market Value per share of First Financial Common Stock as of the date which is ten days prior to the later of (i) the date First Financial receives written notice that the Board of Governors of the Federal Reserve System has given final approval of the application filed by First Financial to acquire all of the Concho Common Stock and (ii) the date upon which the Registration Statement of which this Prospectus is a part becomes effective.

THE EXPIRATION DATE

Unless otherwise extended by First Financial, the Exchange Offer shall terminate at 5:00 p.m., Texas time on ______________, 1994 (the "Expiration Date").

CONDITIONS TO CONSUMMATION OF THE EXCHANGE OFFER; TERMINATION

Consummation of the Exchange Offer is subject to the satisfaction of a number of conditions, including:

(1) the expiration of all mandatory waiting periods and the existence in full force and effect of all regulatory approvals, filings, registrations and notifications;

(2) the receipt by First Financial of an opinion from its independent accountants that the transaction contemplated by the Exchange Agreement may be properly accounted for as a pooling-of-interests, and the receipt by Concho from its independent accountants and/or tax counsel that the Exchange by the Concho Shareholders will not be considered a taxable event for federal income tax purposes;

(3) the accuracy of all the respective representations and warranties of Concho, Southwest Bank and First Financial in the Exchange Agreement as of the date of consummation of the Exchange Offer (the "Consummation Date");

(4) the performance of all of the respective obligations and agreements and compliance with all covenants and conditions by Concho, Southwest Bank and First Financial contemplated by the Exchange Agreement prior to or on the Consummation Date;

(5) the absence of any proceeding or litigation by any court, governmental body or regulatory authority pertaining to the Exchange Offer;

(6) the declaration by the Commission that the Registration Statement filed by First Financial pursuant to the Securities Act covering the shares of First Financial Common Stock to be issued in the Exchange is effective and that no stop orders have been granted and that First Financial, Concho and Southwest Bank shall have complied with all applicable state and federal securities laws relating to the Exchange Offer;

(7) the absence of any material adverse change in the financial conditions of Concho, Southwest Bank or SWB Investment between July 31, 1993 and the Consummation Date;

(8) receipt by First Financial and Concho of certain legal opinions in form and substance satisfactory to the respective parties;

(9) the valid tender of ninety percent (90%) of the issued and outstanding shares of Concho Common Stock to First Financial; and

(10) the written agreement of certain noteholders to consent to the transfer of certain property by Concho to Southwest Bank, the assumption by Southwest Bank of certain debt owed by Concho and the release and removal of various liens, security interests and pledges of common stock of Southwest Bank pursuant to the terms of the Exchange Agreement.

The Exchange Agreement and the Exchange Offer may be terminated at any time prior to the Consummation Date:

(a) by mutual written consent of First Financial and Concho;

(b) by First Financial if there is a breach of a representation or warranty made by Concho which constitutes a material adverse change from that represented in the Exchange Agreement or if any of the conditions to closing are not satisfied or waived by First Financial;

(c) by Concho if there is a breach of a representation or warranty made by First Financial which constitutes a material adverse change from that represented in the Exchange Agreement or if any of the conditions to closing are not satisfied or waived by Concho;

(d) by First Financial or Concho if the Exchange Offer shall not have commenced by April 30, 1994 or such later date agreed to in writing by First Financial or Concho; or

(e) by First Financial or Concho if any court of competent jurisdiction or other governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the Exchange or the Merger, and such order, decree, ruling or other action shall have been final and nonappealable.

Whether or not the transactions contemplated by the Exchange Agreement are consummated, each of the parties to the Exchange Agreement shall be responsible for their respective fees and expenses incident to the negotiation, preparation, execution and consummation of the transactions contemplated by the Exchange Agreement, including attorneys' and accountants' fees and expenses.

EXCHANGE OF SHARES AND CERTIFICATES

A Concho Shareholder's delivery of a properly completed and executed Letter of Transmittal and Concho Common Stock Certificates, prior to the Expiration Date, to the Exchange Agent at the address provided herein shall be deemed to constitute an acceptance of the Exchange Offer described in the Prospectus as to the number of shares registered on the Concho Common Stock Certificates surrendered.

Except as otherwise provided below, all signatures on a Letter of Transmittal must be guaranteed by a firm which is a member of a registered national securities exchange or the National Association of Securities Dealers, Inc., or by a commercial bank or trust company having an office or correspondent in the United States (an "Eligible Institution"). Signatures on a Letter of Transmittal need not be guaranteed (a) if the Letter of Transmittal is signed by the registered holder of the shares of Concho Common Stock tendered therewith and such holder has not completed the box entitled "Special Exchange Instructions" on the Letter of Transmittal or (b) if such shares of Concho Common Stock are tendered for the account of an Eligible Institution. See Instructions 1 and 3 of the Letter of Transmittal.

THE METHOD OF DELIVERY OF CONCHO COMMON STOCK CERTIFICATES AND THE LETTER OF TRANSMITTAL AND ALL OTHER REQUIRED DOCUMENTS TO THE EXCHANGE AGENT IS AT THE ELECTION AND RISK OF THE CONCHO SHAREHOLDERS. INSTEAD OF DELIVERY BY MAIL, IT IS RECOMMENDED THAT CONCHO SHAREHOLDERS USE AN OVERNIGHT OR HAND DELIVERY SERVICE. IN ALL CASES, SUFFICIENT TIME SHOULD BE ALLOWED TO ASSURE TIMELY DELIVERY. CONCHO COMMON STOCK CERTIFICATES AND LETTERS OF TRANSMITTAL SHOULD BE SENT TO THE EXCHANGE AGENT, WHICH IS THE TRUST DEPARTMENT OF FIRST NATIONAL BANK OF ABILENE.

If any First Financial Common Stock Certificate is to be issued in a name other than that in which the Concho Common Stock Certificate surrendered for exchange is registered, the certificate so surrendered must be properly endorsed or otherwise be in proper form for transfer, and the person requesting such exchange must pay to First Financial or the Exchange Agent any applicable transfer or other taxes required by reason of the issuance of the certificate. Any beneficial holder whose shares of Concho Common Stock are registered in the name of his or her broker, dealer, commercial bank, trust company or other nominee and who wishes to tender should contact such registered holder promptly and instruct such registered holder to tender on his or her own behalf. If such beneficial holder wishes to tender on his or her own behalf, such beneficial holder must, prior to completing and executing the Letter of Transmittal and delivering the Concho Common Stock Certificates, either make appropriate arrangements to register ownership of the Concho Common Stock to be tendered in such holder's name or obtain a properly completed stock power from the registered holder.

If the Letter of Transmittal is signed by a person other than the registered holder of any Concho Common Stock listed therein, the Concho Common Stock Certificates reflecting ownership of Concho Common Stock must be endorsed or accompanied by appropriate stock powers which authorize such person to tender the Concho Common Stock on behalf of the registered holder, in either case signed as the name of the registered holder or holders appears on the Concho

Common Stock Certificates.

If the Letter of Transmittal or any Concho Common Stock Certificates or stock powers are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of a corporation or others acting in a fiduciary or representative capacity, such persons should indicate when signing and, unless waived by First Financial, evidence satisfactory to First Financial of their authority to so act must be submitted with the Letter of Transmittal.

Upon expiration of the Exchange Offer and satisfaction of certain conditions set forth in the Exchange Agreement, promptly after First Financial receives written notice from the Exchange Agent indicating that at least ninety percent (90%) of the outstanding shares of Concho Common Stock have been validly tendered, each outstanding share of Concho Common Stock tendered to First Financial will be exchanged for shares of First Financial Common Stock at the Exchange Rate calculated as described under the caption "-- The Exchange Rate," and First Financial Common Stock Certificates reflecting the Exchange shall be delivered to the Concho Shareholders by registered mail.

All questions as to the validity, form, eligibility (including time of receipt), acceptance and withdrawal of the tendered shares of Concho Common Stock will be determined by First Financial in its sole discretion, which determination will be final and binding. First Financial reserves the absolute right to reject any and all shares of Concho Common Stock not properly tendered or any shares of Concho Common Stock First Financial's acceptance of which would, in the opinion of counsel for First Financial, be unlawful. First Financial reserves the absolute right to waive any irregularities or conditions of tenders as to particular shares of Concho Common Stock. Unless waived, any defects or irregularities in connection with tenders of shares of Concho Common Stock must be cured within such time as First Financial shall determine. Neither First Financial nor the Exchange Agent nor any other person shall be under any duty to give notification of defects or irregularities with respect to tenders of shares of Concho Common Stock nor shall any of them incur any liability for failure to give such notification. Tenders of shares of Concho Common Stock will not be deemed to have been made until such irregularities have been cured or waived. Any Concho Common Stock Certificates received by the Exchange Agent that are not properly tendered and as to which the defects or irregularities have not been cured or waived will be returned without cost by the Exchange Agent to the tendering holder of such Concho Common Stock Certificates unless otherwise provided in the Letter of Transmittal, as soon as practicable following the Expiration Date.

GUARANTEED DELIVERY PROCEDURES

Concho Shareholders who wish to tender their shares of Concho Common Stock and (i) whose Concho Common Stock Certificates are not immediately available, or (ii) who cannot deliver their Concho Common Stock Certificates, the Letter of Transmittal or any other required documents to the Exchange Agent prior to the Expiration Date, may effect a tender if:

(1) the tender is made through an Eligible Institution;

(2) prior to the Expiration Date, the Exchange Agent receives from such Eligible Institution a properly completed and duly executed Notice of Guaranteed Delivery (by facsimile transmission, mail or hand delivery) setting forth the name and address of the holder of Concho Common Stock, the certificate number or numbers of such Concho Common Stock and the amount of Concho Common Stock tendered, stating that the tender is being made thereby, and guaranteeing that, within five (5) business days after the Expiration Date, the Letter of Transmittal, together with the Concho Common Stock Certificates registering the Concho Common Stock to be tendered in proper form for transfer and any other documents required by the Letter of Transmittal, will be deposited by the Eligible Institution with the Exchange Agent; and

(3) such properly completed and executed Letter of Transmittal, together with the certificates representing all tendered Concho Common Stock in proper form for transfer and all other documents required by the Letter of Transmittal are received by the Exchange Agent within five (5) business days after the Expiration Date.

FRACTIONAL SHARES

No fractional shares of First Financial Common Stock will be exchanged for shares of Concho Common Stock. In lieu thereof, each Concho Shareholder having a fractional interest resulting from the exchange of Concho Common Stock for First Financial Common Stock will be paid by First Financial an amount in cash

for such fractional share based upon the Market Value (as defined) per share of

First Financial Common Stock as of the date which is ten days prior to the later of (i) the date First Financial receives written notice that the Board of Governors of the Federal Reserve System has given final approval of the application filed by First Financial to acquire all of the Concho Common Stock and (ii) the date upon which the Registration Statement of which this Prospectus is a part becomes effective. Any cash payment to which a Concho Shareholder may be entitled will be included with such Concho Shareholder's First Financial Common Stock Certificates when such certificates are mailed to the Concho Shareholder.

NO WITHDRAWAL RIGHTS

Tenders of shares of Concho Common Stock pursuant to the Exchange Offer are irrevocable, and once such shares are tendered, they may not be withdrawn.

REGULATORY APPROVALS REQUIRED

The Board of Governors of the Federal Reserve System (the "Federal Reserve Board") must approve First Financial's acquisition of Concho and Southwest Bank under Section 3 of the Bank Holding Company Act of 1956, as amended. The Federal Reserve Board has approved the acquisition.

FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of certain material U.S. Federal income tax consequences of the Exchange, including certain consequences to holders of Concho Common Stock who are citizens or residents of the United States and who hold their shares as capital assets. It does not discuss all tax consequences that may be relevant to the Concho Shareholders subject to special Federal income tax treatment (such as insurance companies, dealers in securities, certain retirement plans, financial institutions, tax exempt organizations or foreign persons), or to Concho Shareholders who acquired their shares of Concho Common Stock pursuant to the exercise of employee stock options or otherwise as compensation. The summary does not address the state, local or foreign tax consequences of the Exchange Offer, if any.

Concho has received an opinion from its independent public accountants, Armstrong, Backus & Co., L.L.P., with respect to certain Federal income tax consequences of the Exchange Offer. A copy of their opinion, which is subject to certain qualifications and assumptions, is attached hereto as Annex A, and the following summary of their opinion is qualified in its entirety by reference thereto. Subject to the qualifications and assumptions set forth in their opinion, Armstrong, Backus & Co., L.L.P. are of the opinion that, for Federal income tax purposes:

1. The Exchange and Merger will be treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code (the "Code"), and First Financial, Concho and First Financial Bankshares of Delaware, Inc. each will be a party to the reorganization within the meaning of Section 368(b) of the Code.

2. No gain or loss will be recognized by the Concho Shareholders upon receipt of First Financial Common Stock in exchange for their Concho Common Stock, except for any gain or loss recognized with respect to Concho Shareholders who receive cash in lieu of fractional share interests in First Financial Common Stock or pursuant to the exercise of statutory dissenter rights.

3. The aggregate Federal income tax basis of the shares of First Financial Common Stock received by the Concho Shareholders in exchange for their shares of Concho Common Stock will be the same as the aggregate adjusted tax basis of their Concho Common Stock exchanged therefor, less the tax basis, if any, allocated to fractional share interests.

4. The holding period of the First Financial Common Stock received by the Concho Shareholders in exchange for their shares of Concho Common Stock in the hands of the Concho Shareholders will include the holding period of their Concho Common Stock exchanged therefor.

A Concho Shareholder who receives cash in lieu of a fractional share interest in First Financial Common Stock will be treated as having received the cash in redemption of the fractional share interest. The receipt of cash in lieu of a fractional share interest should generally result in capital gain or loss to the holder equal to the difference between the amount of cash received and the portion of the holder's Federal income tax basis in the Concho Common Stock allocable to the fractional share interest. Such capital gain or loss will be long-term capital gain or loss if the holder's holding period for the First Financial Common Stock received, determined as set forth above, is longer than one year.

A Concho Shareholder who dissents from the Merger and receives cash in exchange for shares of Concho Common Stock will recognize capital gain or loss equal to the difference between the amount of cash received and the holder's Federal income tax basis in the shares. Such capital gain or loss will be long-term capital gain or loss if the holder has held the shares for more than one year as of the effective time of the merger.

THE INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND IS BASED ON THE INTERNAL REVENUE CODE (AND AUTHORITIES THEREUNDER) AS IN EFFECT ON THE DATE OF THIS PROSPECTUS, WITHOUT CONSIDERATION OF THE PARTICULAR FACTS OR CIRCUMSTANCES OF ANY SHAREHOLDER. CONCHO SHAREHOLDERS ARE URGED TO CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE FEDERAL INCOME TAX CONSEQUENCES OF THE EXCHANGE IN THEIR PARTICULAR SITUATIONS, AS WELL AS CONSEQUENCES UNDER ANY APPLICABLE STATE, LOCAL OR FOREIGN TAX LAWS.

EXCHANGE AGENT

The Trust Department of First National Bank of Abilene has been appointed as the Exchange Agent for the Exchange. Questions and requests for additional copies of this Prospectus should be directed to the Exchange Agent addressed as follows:

By mail, overnight, courier or hand delivery:	Trust Department First National Bank of Abilene Third Floor 400 Pine Street Abilene, Texas 79601

By facsimile transmission: (915) 675-7342

For confirmation by telephone: (915) 675-7100

RESALE BY CONCHO AFFILIATES

The shares of First Financial Common Stock issuable to Concho Shareholders upon consummation of the Exchange Offer have been registered under the Securities Act, but such registration does not cover the resales by affiliates of Concho ("Concho Affiliates"). First Financial Common Stock received and beneficially owned by those Concho Shareholders who are deemed to be Concho Affiliates may be resold without registration as provided for by Rule 145 under the Securities Act, or as otherwise permitted. The term Concho Affiliate is defined to include any person who, directly or indirectly, controls, or is controlled by, or is under common control with Concho at or during the time period covered by the Exchange Agreement. Each Concho Affiliate who desires to resell the First Financial Common Stock must sell such First Financial Common Stock either

(i) pursuant to an effective registration statement under the Securities Act; (ii) in accordance with the applicable provisions of Rule 145 under the Securities Act; or (iii) in a transaction which, in the opinion of counsel for the Concho Affiliate or as described in a "no-action" or interpretive letter from the Commission, in each case reasonably satisfactory in form and substance to First Financial, is exempt from the registration requirements of the Securities Act. Rule 145(d) requires that persons deemed to be Concho Affiliates resell their First Financial Common Stock pursuant to certain of the requirements of Rule 144 under the Securities Act if such First Financial Common Stock is sold within the first two (2) years after the receipt thereof. After two (2) years if such person is not an affiliate of First Financial and First Financial is current in the filing of its periodic securities law reports, a former Concho Affiliate may freely resell the First Financial Common Stock received in the Exchange Offer without limitation. After three (3) years from the issuance of the First Financial Common Stock, if such person is not an affiliate of First Financial at the time of sale and has not been so for at least three (3) months prior to such sale, such person may freely resell such First Financial Common Stock, without limitation, regardless of the status of First Financial's periodic securities law reports.

Each Concho Affiliate will deliver to First Financial a written agreement to the effect that no sale will be made of any shares of First Financial Common Stock received in the Exchange Offer by a Concho Affiliate except (i) in accordance with the Securities Act; and (ii) if, as it expects to do, First Financial utilizes pooling-of-interests accounting in accounting for the Exchange Offer, until such time as First Financial shall publish the financial results of at least thirty (30) days of post-Exchange operations of First Financial. The First Financial Common Stock Certificates issued to Concho Affiliates in the Exchange Offer may contain an appropriate restrictive legend, and appropriate stop transfer orders may be given to the Exchange Agent for such certificates.

ANTICIPATED MERGER AND DISSENTING SHAREHOLDERS' RIGHTS

First Financial anticipates that upon consummation of the Exchange Offer, First Financial will contribute the shares of Concho Common Stock acquired in the Exchange Offer to First Financial Bankshares of Delaware, Inc., a wholly-owned subsidiary of First Financial ("FFB Delaware"), and Concho will then be merged (the "Merger") with and into FFB Delaware pursuant to Article 5.16 of the Texas Business Corporation Act (the "TBCA"). In the event that not all of the outstanding Concho Common Stock is tendered for exchange in the Exchange Offer, within ten (10) days after the effective date of the Merger, FFB Delaware shall provide notice of the Merger to the Concho Shareholders who did not elect to participate in the Exchange Offer. The consideration to be issued in the Merger shall be the same as that in the Exchange Offer. A Concho Shareholder who elects to dissent from the Merger (a "Dissenting Shareholder") must follow specific procedures in order to perfect its dissenter's rights.

Within twenty (20) days of mailing of the notice of the Merger, the Dissenting Shareholders must make a written demand on FFB Delaware for the fair value of their shares of Concho Common Stock. The fair value of such shares shall be the value thereof as of the day before the effective date of the Merger, excluding any appreciation or depreciation in anticipation of the Merger. The Dissenting Shareholders must include in their demands information as to the number and estimated fair value of shares owned by such shareholders. Any Dissenting Shareholder who fails to make a demand within the twenty (20) day period shall be bound by the terms and the consideration provided in the Merger.

Within ten (10) days of receipt of a Dissenting Shareholder's written demand, FFB Delaware shall either accept such demand or reject it and make a counter-offer as to the fair value of the Concho Common Stock. Upon the agreement between FFB Delaware and the Dissenting Shareholder as to the fair value of the Concho Common Stock, FFB Delaware shall pay the agreed fair value of the shares of Concho Common Stock owned by such Dissenting Shareholder in exchange for endorsed Concho Common Stock Certificates representing such shares. The Dissenting Shareholder shall, at that time, cease to have any interest in FFB Delaware. If a Dissenting Shareholder is unable to reach an agreement with FFB Delaware as to the fair value of the Concho Common Stock, the specific remedies provided in Article 5.16 of the TBCA for determination of fair

value by a court of law shall be available to such shareholder. Article 5.16 of the TBCA is attached to this Prospectus as Annex B.

ACCOUNTING TREATMENT

First Financial expects to account for the Exchange as a pooling-of-interests and expects to receive the written opinion of Arthur Andersen & Co. that it is appropriate to do so.

CERTAIN REGULATORY CONSIDERATIONS

GENERAL

Bank holding companies and banks are extensively regulated under both federal and state law. To the extent that the following information describes statutory and regulatory provisions, it is qualified in its entirety by reference to the particular statutory and regulatory provisions. A change in applicable law or regulation may have a material effect on the business of First Financial.

As a bank holding company, First Financial is subject to regulation under the BHCA and its examination and reporting requirements. Under the BHCA, bank holding companies may not (subject to certain limited exceptions) directly or indirectly acquire the ownership or control of more than five percent (5%) of any class of voting shares or substantially all of the assets of any company, including a bank, without the prior written approval of the Federal Reserve Board. In addition, bank holding companies are generally prohibited under the BHCA from engaging in nonbanking activities, subject to certain exceptions.

PAYMENT OF DIVIDENDS

First Financial is a legal entity separate and distinct from its banking and other subsidiaries. Most of First Financial's revenues result from dividends paid to it by its bank subsidiaries. There are statutory and regulatory requirements applicable to the payment of dividends by subsidiary banks as well as by First Financial to its shareholders.

Each state bank subsidiary that is a member of the Federal Reserve System and each national banking association is required by federal law to obtain the prior approval of the Federal Reserve Board or the Office of the Comptroller of the Currency (the "OCC"), as the case may be, for the declaration and payment of dividends if the total of all dividends declared by the board of directors of such bank in any year will exceed the total of (i) such bank's net profits (as defined and interpreted by regulation) for that year plus (ii) the retained net profits (as defined and interpreted by regulation) for the preceding two (2) years, less any required transfers to surplus. In addition, these banks may only pay dividends to the extent that retained net profits (including the portion transferred to surplus) exceed bad debts (as defined by regulation). Under the Texas Banking Code of 1943, as amended, before any dividend may be paid to First Financial by an affiliated state bank, the state bank must transfer to "certified surplus" an amount which is not less than ten percent (10%) of the net profits of such bank earned since the last dividend was declared; provided, however, that a transfer is not required to certified surplus of a sum which would increase the certified surplus to more than the capital of the bank.

Under the foregoing dividend restrictions, in 1993 the First Financial Banks, without obtaining governmental approvals, could have declared aggregate dividends of approximately $18.5 million from retained net profits. During 1993, the First Financial Banks paid $8.9 million in dividends.

The payment of dividends by First Financial and its subsidiaries is also affected by various regulatory requirements and policies, such as the requirement to maintain adequate capital above regulatory guidelines.

In addition, if, in the opinion of the applicable regulatory authority, 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), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The Federal Reserve Board 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 Board, the OCC and the Federal Deposit Insurance Corporation (the "FDIC") have issued policy statements which provide that bank holding companies and insured banks should generally only pay dividends out of current operating earnings.

CERTAIN TRANSACTIONS BY FIRST FINANCIAL WITH ITS AFFILIATES

There are also various legal restrictions on the extent to which First Financial can borrow or otherwise obtain credit from, or engage in certain other transactions with, its depository subsidiaries. The "covered transactions" that an insured depository institution and its subsidiaries are permitted to engage in with their nondepository affiliates are limited to the following amounts: (i) in the case of any one such affiliate, the aggregate amount of "covered transactions" of the insured depository institution and its subsidiaries cannot exceed ten percent (10%) of the capital stock and the surplus of the insured depository institution; and (ii) in the case of all affiliates, the aggregate amount of "covered transactions" of the insured depository institution and its subsidiaries cannot exceed twenty percent (20%) of the capital stock and surplus of the insured depository institution. In addition, extensions of credit that constitute "covered transactions" must be collateralized in prescribed amounts. "Covered transactions" are defined by statute to include a loan or extension of credit to the affiliate, a purchase of securities issued by an affiliate, a purchase of assets from the affiliate (unless otherwise exempted by the Federal Reserve Board), the acceptance of securities issued by the affiliate as collateral for a loan and the issuance of a guarantee, acceptance, or letter of credit for the benefit of an affiliate. Further, a bank holding company and its subsidiaries are prohibited from engaging in certain tie-in arrangements in connection with any extension of credit, lease or sale of property or furnishing of services.

CAPITAL

The Federal Reserve Board has adopted risk based capital guidelines for bank holding companies. The minimum guidelines for the ratio of total capital ("Total Capital") to risk weighted assets (including certain off-balance-sheet activities, such as standby letters of credit) is eight percent (8%). From year-end 1991 until year-end 1992, the minimum ratio was 7.25%. At least half of the Total Capital is to be composed of common shareholders' equity, minority interests in the equity accounts of consolidated subsidiaries and a limited amount of perpetual preferred stock, less goodwill ("Tier 1 Capital"). The remainder may consist of subordinated debt, other preferred stock and a limited amount of loan loss reserves.

In addition, the Federal Reserve Board has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum Tier 1 Capital leverage ratio (Tier 1 Capital to total assets, less goodwill) of three percent (3%) for bank holding companies that meet certain specified criteria, including having the highest regulatory rating. All other bank holding companies will generally be required to maintain a minimum Tier 1 Capital leverage ratio of three percent (3%) plus an additional cushion of 100 to 200 basis points. The Federal Reserve Board has not advised First Financial of any specific minimum Tier 1 Capital leverage ratio applicable to it. The guidelines also provide that bank holding companies experiencing internal growth or making acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets (e.g., goodwill, core deposit intangibles and purchased mortgage servicing rights). Furthermore, the guidelines indicate that the Federal Reserve Board has indicated that it will continue to consider a "tangible Tier 1 Capital leverage ratio" (deducting all intangibles) in evaluating proposals for expansion or new activities. As of September 30, 1993, the "tangible Tier 1 Capital leverage ratios" of First Financial, Concho and pro

forma (giving effect to the Exchange and the Merger) for First Financial and Concho combined were 9.63%, 6.89% and 9.38% respectively.

The following tables set forth the Tier 1 Capital to risk-weighted assets ratios, the total capital to risk-weighted assets ratios and the Tier 1 leverage ratios for First Financial and Concho individually and on a pro forma combined basis as of certain dates and periods. Such pro forma combined data is derived from the financial information of First Financial and Concho at September 30 or December 31 for each of the periods presented below and gives effect to the Exchange and the Merger.

Tier 1 Capital to Risk-Weighted Assets Ratio
(in each case calculated pursuant to the
risk-based capital guidelines)

<TABLE>
<CAPTION>

As of:	First Financial	Concho	Pro Forma Combined
September 30, 1993...	17.14%	12.17%	16.69%
December 31, 1992....	17.22	13.39	16.90
December 31, 1991....	15.73	11.64	15.38

</TABLE>

Total Capital To Risk-Weighted Assets Ratio
(in each case calculated pursuant to the
risk-based capital guidelines)

<TABLE>
<CAPTION>

As of:	First Financial	Concho	Pro Forma Combined
September 30, 1993...	18.39%	13.35%	17.93%
December 31, 1992....	18.72	14.75	18.38
December 31, 1991....	17.23	12.90	16.86

</TABLE>

Tier 1 Leverage Ratio

<TABLE>
<CAPTION>

As of:	First Financial	Concho	Pro Forma Combined
September 30, 1993...	9.63%	6.89%	9.38%
December 31, 1992....	9.59	6.89	9.28
December 31, 1991....	8.69	6.30	8.48

</TABLE>

In addition to the Federal Reserve Board capital standards, Texas-chartered banks must comply with the capital requirements imposed by the Texas Banking Department. Although neither the Texas Banking Code nor the regulations promulgated thereunder specify any minimum capital-to-assets ratio that must be maintained by a Texas-chartered bank, the Texas Banking Department has a policy that generally requires Texas-chartered banks to maintain a minimum 6% ratio of stockholders equity (stated capital, surplus capital, surplus and undivided profits or retained earnings) to total assets. As of September 30, 1993, all Texas-chartered banks owned by First Financial, as well as Concho, exceeded the minimum ratio.

Failure to meet capital guidelines could subject an insured bank to a variety of enforcement remedies, including the termination of deposit insurance by the FDIC and a prohibition on the taking of brokered deposits. See "FDICIA" below.

Bank regulators continue to indicate their desire to raise capital requirements applicable to banking organizations beyond their current levels.

However, the management of First Financial is unable to predict whether and when higher capital requirements might be imposed and, if they are imposed, at what levels and on what schedule.

FIRST FINANCIAL SUPPORT OF THE FIRST FINANCIAL BANKS

Under Federal Reserve Board policy, First Financial is expected to act as a source of financial strength to each of its subsidiary banks and to commit resources to support each of such subsidiaries. This support may be required at times when, absent such Federal Reserve Board policy, First Financial would not otherwise be required to provide it.

Under the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 ("FIRREA"), a depository institution insured by the FDIC can be held liable for any loss incurred by, or reasonably expected to be incurred by, the FDIC after August 9, 1989 in connection with (i) the default of a commonly controlled FDIC-insured depository institution, or (ii) any assistance provided by the FDIC to any commonly controlled FDIC-insured depository institution "in danger of default." "Default" is defined generally as the appointment of a conservator or receiver and "in danger of default" is defined generally as the existence of certain conditions indicating that a default is likely to occur in the absence of regulatory assistance.

Under the National Bank Act, if the capital stock of a national bank is impaired by losses or otherwise, the OCC is authorized to require payment of the deficiency by assessment upon the bank's shareholders, pro rata, and to the extent necessary, if any such assessment is not paid by any shareholder after three (3) months' notice, to sell the stock of such shareholder to make good the deficiency.

FDIC INSURANCE ASSESSMENTS

The First Financial Banks are subject to FDIC deposit insurance assessments. The FDIC set an assessment rate for the Bank Insurance Fund ("BIF") of 0.195 percent for periods prior to June 30, 1991, and an assessment rate of 0.23 percent effective on June 30, 1991. On September 15, 1992 the FDIC approved the implementation of a transition risk-based deposit premium assessment system under which each depositary institution will be placed in one of nine assessment categories based on certain capital and supervisory measures. The assessment rates under the new system will range from 0.23 percent to 0.31 percent depending upon the assessment category into which the insured institution is placed. The new assessment system became effective January 1, 1993. The First Financial Banks were assessed a weighted average rate of 0.115 percent for the first six-month assessment period. It is possible that BIF assessments will be further increased and it is possible that there may be special additional assessments in the future. A significant increase in the assessment rate or a special additional assessment could have an adverse impact on First Financial's results of operations.

FDICIA

Among other things, the Federal Deposit Insurance Corporation Improvement Act of 1992 ("FDICIA") requires the federal banking agencies to take "prompt corrective action" in respect of depository institutions that do not meet minimum capital requirements. FDICIA establishes five capital tiers: "well capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized." A depository institution's capital tier will depend upon where its capital levels are in relation to various

relevant capital measures, which will include a risk-based capital measure, a leverage ratio capital measure and certain other factors.

Regulations establishing the specific capital tiers have been recently enacted. Under these regulations, for an institution to be well capitalized it must have a total risk-based capital ratio of at least ten percent (10%), a Tier 1 risk-based capital ratio of at least six percent (6%), and a Tier 1 leverage ratio of at least five percent (5%), and not be subject to any specific capital order or directive. For an institution to be adequately capitalized it must have a total risk-based capital ratio of at least eight percent (8%), a Tier 1 risk-based capital ratio of at least four percent (4%), and a leverage ratio of at least four percent (4%) (in some cases three percent (3%)). Under these new regulations, the First Financial Banks would be considered to be well capitalized as of December 31, 1992.

FDICIA generally prohibits a depository institution from making any capital distribution (including payment of a dividend) or paying any management fee to its holding company if the depository institution would thereafter be undercapitalized. Undercapitalized depository institutions are subject to growth limitations and are required to submit a capital restoration plan. The federal banking agencies may not accept a capital plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce the total assets and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

DESCRIPTION OF FIRST FINANCIAL CAPITAL STOCK

The following description contains a summary of all of the material features of the capital stock of First Financial but does not purport to be complete and is subject to and qualified in its entirety by reference to the First Financial Articles of Incorporation, which are filed as exhibits to documents incorporated by reference herein and by reference to the applicable provisions of the Texas Business Corporation Act. See also "COMPARISON OF SHAREHOLDER RIGHTS" below. The following description should be read carefully by the Concho Shareholders.

First Financial's total authorized capital stock consists of 5,000,000 shares of First Financial Common Stock with a par value of $10.00 per share. There is no authorized preferred stock. As of December 31, 1993, there were issued and outstanding 3,746,687 shares of First Financial Common Stock.

The holders of First Financial Common Stock ("First Financial Shareholders") are entitled to receive such dividends as may from time to time be declared by the First Financial Board of Directors. Shareholders are entitled to one vote per share of First Financial Common Stock on every issue submitted to them as First Financial Shareholders at a meeting of shareholders or otherwise. In the event of liquidation, First Financial Shareholders are entitled to share ratably, after satisfaction in full of the prior rights of creditors, in all assets of First Financial available for distribution to First Financial Shareholders. First Financial Shareholders do not have preemptive or cumulative voting rights. All shares of First Financial Common Stock now issued and outstanding are fully paid and nonassessable.

COMPARISON OF SHAREHOLDER RIGHTS

In the event that the Exchange is consummated, Concho Shareholders whose shares of Concho Common Stock are tendered in the Exchange Offer will become First Financial Shareholders. Their rights will be governed by Texas law, the First Financial Articles of Incorporation (the "First Financial Charter") and the Bylaws of First Financial (the "First Financial Bylaws").

Certain differences between the rights of Concho Shareholders and First Financial Shareholders are set forth below. As both Concho and First Financial are organized under the laws of Texas, these differences primarily arise from various provisions of the First Financial Charter, the First Financial Bylaws, the Concho Articles of Incorporation (the "Concho Charter") and the Bylaws of Concho (the "Concho Bylaws"). This summary contains a description of the material differences in shareholder rights, but is not meant to be relied upon as an exhaustive list or detailed description of the provisions discussed herein and is qualified in its entirety by reference to the TBCA, the First Financial Charter, the First Financial Bylaws, the Concho Charter and the Concho Bylaws.

BOARD OF DIRECTORS

The First Financial Bylaws provide that the number of directors constituting the First Financial Board of Directors shall be not less than three and not more than thirty. Persons eligible for election to the First Financial Board of Directors are First Financial Shareholders who, at the date of the annual meeting of shareholders at which the Board is elected, (i) have not attained the age of 72 years, or (ii) have not attained the age of 75 years and own one percent (1%) or more of the outstanding shares of First Financial Common Stock. Any director of First Financial may be removed, with or without cause, by the holders of a majority of the shares outstanding.

The Concho Bylaws provide that the number of directors constituting the Concho Board of Directors shall be four, but the number of Directors may be increased or decreased (provided such decrease does not shorten the time of service of any incumbent director) from time to time by amendment to the Concho Bylaws; provided, however, that the number of directors shall never be less than one. At any meeting of Concho Shareholders called expressly for the purpose of removing a director, any director or the entire Concho Board of Directors may be removed, with or without cause, by a vote of the holders of a majority of the shares then entitled to vote at any election of directors.

INDEMNIFICATION AND LIMITATION OF LIABILITY OF DIRECTORS AND OFFICERS

The First Financial Charter provides that, to the fullest extent permitted by applicable law, no First Financial director shall be liable to First Financial or the First Financial Shareholders for monetary damages for or with respect to any acts or omissions in his or her capacity as a director, except in the case of liability for (i) a breach of a duty of loyalty to First Financial or its shareholders, (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (iii) a transaction from which a director received an improper benefit, (iv) an act or omission for which the liability of a director is expressly provided by statute, or (v) an act related to an unlawful stock repurchase or payment of a dividend.

The First Financial Charter also provides that each director, officer, employee and agent of First Financial shall be indemnified for all expenses incurred in connection with any action, suit, proceeding or claim to which he or she is named a party or otherwise by virtue of holding such position; provided, however, that no indemnification of employees or agents (other than directors or officers) will be made without express authorization of the Board of Directors. The First Financial Charter provides that such indemnification shall be provided to the fullest extent permitted by applicable law.

The Concho Bylaws provide that Concho shall indemnify its directors and officers against expenses actually and necessarily incurred by such person in connection with the defense of any action, suit, or proceeding, whether civil or criminal, in which he or she is made a party by reason of being or having been such director or officer, except in relation to matters as to which he or she shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in performance of duty. Neither the Concho Charter nor the Concho Bylaws contain a limitation of liability provision.

Special Meetings of Shareholders

The First Financial Bylaws provide that a special meeting of shareholders may be called by (i) a majority of the Board of Directors, or (ii) by the Chief Executive Officer joined by at least three members of the Board of Directors, or (iii) by shareholders holding voting rights of not less than 20% of the stock of the corporation.

The Concho Bylaws provide that a special meeting of the shareholders may be called by the President, and shall be called by the President or Secretary at the request in writing of a majority of the Board of Directors, or at the request in writing of shareholders owning not less than 10% of all the shares entitled to vote at the meetings.

INFORMATION ABOUT FIRST FINANCIAL

GENERAL

First Financial is a Texas corporation and a multi-bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). First Financial owns, through its wholly-owned Delaware subsidiary, First Financial Bankshares of Delaware, Inc., all of the capital stock of six banks organized and located in Texas: First National Bank of Abilene, Abilene, Texas; Hereford State Bank, Hereford, Texas; First National Bank, Sweetwater, Texas; Eastland National Bank, Eastland, Texas; The First National Bank in Cleburne, Cleburne, Texas; and Stephenville Bank and Trust Co., Stephenville, Texas (collectively, the "First Financial Banks"). As of September 30, 1993, First Financial and its consolidated subsidiaries had total assets of approximately $906.8 million, total deposits of approximately $809.1 million, total loans (net of allowance for loan losses) of approximately $359.1 million and total shareholders' equity of approximately $88.7 million.

First Financial operates principally in order to give the First Financial Banks access to additional management and technical resources which help them to improve or expand their banking and other services while continuing their local activity and autonomy. Each of the First Financial Banks operates under the day-to-day management of its Board of Directors and officers, with substantial authority in making decisions concerning its own investments, loan policies, interest rates and service charges. First Financial provides assistance to the First Financial Banks, especially with respect to decisions concerning major capital expenditures, employee fringe benefits, including pension plans and group insurance, dividend policies, appointment of officers and directors of First Financial Banks and compensation. First Financial provides advice to and specialized services for the First Financial Banks in such areas as taxation, lending techniques, investments, purchasing, advertising, public relations, automation procedures and computer services. In addition, First Financial coordinates various transactions among the First Financial Banks, including loan participations. First Financial makes the services of the Trust Department of First National Bank of Abilene available to customers of the other First Financial Banks, as well as investment and computer services.

Each First Financial Bank is engaged in the general commercial banking business consisting of the acceptance of checking, savings and time deposits, the making of loans, including bank credit card services, transmitting funds and performing such other banking services as are usual and customary for commercial banks.

In addition to First National Bank of Abilene, First National Bank, Sweetwater and Stephenville Bank and Trust Co. have active trust departments. The trust departments offer a complete range of services to individuals, associations and corporations, including the administration of estates, testamentary trusts and various types of living trusts and agency accounts. Other sources of revenue are services for businesses, including administering pension, profit sharing, and other employee benefit plans, acting as stock transfer agent or stock registrar, and providing paying agent services.

Commercial banking in Texas is very competitive. As of December 31, 1992, the latest date of compilation by the Federal Reserve Bank in Dallas, Texas, there were 85 multi-bank holding companies existing or operating in the State of Texas. Representing .64% of the market, First Financial was ranked seventh on the basis of total deposits. The competition from holding companies is largely centered in efforts to obtain larger deposits and procure outlets for funds for available lending. Success is dependent upon being able to compete in these areas, as well as in the areas of interest rates paid or charged and scope of services offered and prices charged therefor.

In addition to competition from other banks, the First Financial Banks will also continue to be subject to substantial competition from other financial institutions, such as savings and loan associations, small loan companies, credit unions and brokerage firms, all of which are engaged in providing financial products and services.

First Financial's principal executive offices are located at 400 Pine Street, Abilene, Texas 79601, and its telephone number is (915) 675-7155.

For further information concerning First Financial which is incorporated herein by reference from certain publicly-filed documents, see "Incorporation by Reference."

MARKET PRICES OF AND DIVIDENDS PAID ON FIRST FINANCIAL COMMON STOCK

First Financial Common Stock is traded in the over-the-counter market. Since November 1, 1993, the First Financial Common Stock has been reported on the NASDAQ National Market under the trading symbol "FFIN." The following table sets forth, for the periods indicated, the high and low bid prices and cash dividends declared per share of First Financial Common Stock. The information with respect to price quotations was obtained from The Principal/Eppler, Guerin & Turner, Inc. of Abilene, Texas, a securities brokerage firm ("Eppler Guerin"), and have been adjusted to reflect a three for two stock split effective June 1, 1992 and a ten percent (10%) stock dividend paid to First Financial shareholders in the second quarter of 1993.

<TABLE>
<CAPTION>

	HIGH	LOW	DIVIDENDS DECLARED
<S>	<C>	<C>	<C>
1991:			
First Quarter..........	$16.00	$15.50	$0.19
Second Quarter.........	16.50	16.00	0.21
Third Quarter..........	17.50	16.50	0.21
Fourth Quarter.........	18.00	17.50	0.21
1992:			
First Quarter..........	20.00	18.00	.21
Second Quarter.........	23.00	20.00	.25
Third Quarter..........	31.00	23.00	.25
Fourth Quarter.........	35.50	31.00	.25

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
1993:			

First Quarter..........	37.00	35.50	0.25
Second Quarter.........	39.00	37.00	0.32
Third Quarter..........	40.00	39.00	0.32
Fourth Quarter.........	45.00	40.00	0.32
1994:			
First Quarter (through January 6, 1994).......	41.50	41.50	--

</TABLE>

On December 6, 1993 (the last trading day preceding the execution of the Exchange Agreement), the last sales price of First Financial Common Stock, as reported by NASDAQ, was $43.50 per share. On __________, 1994 (the last practicable date prior to the mailing of this Prospectus), the last sales price of First Financial Common Stock, as reported by NASDAQ, was $____________ per share.

CONCHO SHAREHOLDERS ARE ADVISED TO OBTAIN CURRENT MARKET QUOTATIONS FOR FIRST FINANCIAL COMMON STOCK. NO ASSURANCE CAN BE GIVEN CONCERNING THE MARKET PRICE OF FIRST FINANCIAL COMMON STOCK BEFORE OR AFTER THE DATE ON WHICH THE EXCHANGE IS CONSUMMATED. THE MARKET PRICE OF FIRST FINANCIAL COMMON STOCK WILL FLUCTUATE BETWEEN THE DATE OF THIS PROSPECTUS AND THE DATE ON WHICH THE EXCHANGE IS CONSUMMATED AND THEREAFTER.

The timing and amount of future dividends on First Financial Common Stock will depend upon earnings, cash requirements, the financial condition of First Financial and its subsidiaries, applicable government regulations and other factors deemed relevant by the Board of Directors of First Financial. [ANY DEBT INSTRUMENT RESTRICTIONS ON DIVIDENDS?] As described under "Certain Regulatory Considerations," various state and federal laws limit the ability of the First Financial Banks to pay dividends to First Financial.

On December 31, 1993, there were 1,204 holders of record of First Financial Common Stock.

INFORMATION ABOUT CONCHO

GENERAL

Concho is a one bank holding company formed in 1979 and incorporated in the State of Texas. Concho owns 99.8% of Southwest Bank. Southwest Bank is chartered in the State of Texas, began operations in 1975, and its deposits are insured by the Federal Deposit Insurance Corporation. SWB's wholly owned subsidiary, SWB Investment, operates as a registered investment advisor.

MARKET AREA

Southwest Bank conducts business principally in Tom Green County through its location in San Angelo, Texas. The market area of SWB Investment is also Tom Green County, with a small amount derived from other area counties.

SERVICES

Southwest Bank provides a full range of both commercial and consumer banking services including loans, checking accounts, savings programs, safe deposit facilities, access to automated teller machines, and credit card programs. The bank does not offer trust services. SWB Investment offers investment advice to customers

who may execute trades with the bank through its discount brokerage operation or through its affiliation with Stephens, Inc. of Little Rock, Arkansas.

COMPETITION

The business of banking in Concho's market area is highly competitive. In San Angelo seven other banks operate with eleven locations. Competition is also high from credit unions, saving and loan associations, investment brokers, insurance companies, and mortgage companies.

EMPLOYEES

As of September 30, 1993, Concho and its subsidiaries employed 46 full time and 12 part time people.

PROPERTIES

Southwest Bank's only location is in a five story office tower in San Angelo, Texas. The bank occupies the basement and first and second floors. The third, fourth, and fifth floors, owned by Concho, are leased to non-affiliated tenants.

MARKET FOR AND DIVIDENDS PAID ON CONCHO COMMON STOCK

There is no established public trading market for Concho Common Stock. Concho Common Stock is not listed on a national securities exchange and is not authorized for quotation on an interdealer quotation system. As of December 15, 1993, there were 239 holders of record of Concho Common Stock. Concho has paid dividends on Concho Common Stock in prior years, but payment of future dividends is not assured.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

As of December 15, 1993, the management of Concho knew of no person, other than those listed below, owning beneficially more than 5% of the Concho Common Stock.

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner	Shares of Concho Common Stock Beneficially Owned(1)	Percentage of Outstanding Concho Common Stock
Wilbur Carr Brown 1974 Overhill Drive San Angelo, Texas 76904	17,830	8.84%
First National Bank of West Texas P.O. Box 1241 Lubbock, Texas 79408	16,267	8.07%
Jack Drake & Sons P. O. Box 60410 San Angelo, Texas 76906	12,250(2)	6.07%
H.D. Eakman 1686 La Villa Circle San Angelo, Texas 76904	9,942	4.93%
O.L. Schuch 3714 Vista del Arroyo San Angelo, Texas 76904	11,047(3)	5.48%
John W. West P. O. Box 1329 San Angelo, Texas 76902	17,876	8.86%

</TABLE>

---

(1) As determined in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

(2) 358 shares are in the name of David B. Drake while 11,892 are held by Jack Drake & Sons, a partnership 50% owned by David Drake.

(3) 10,333 shares are in the name of O. L. Schuch while 714 shares are held by his wife Dorothy Schuch.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information as to the shares of Concho Common Stock beneficially owned by each director and executive officer and for all directors and executive officers as a group as of December 15, 1993.

<TABLE>
<CAPTION>

Name	Shares of Concho Common Stock Beneficially Owned(1)	Percentage of Concho Common Stock Outstanding

- ----   ---------------------   ------------------------

<S>   <C>   <C>

Michael L. Boyd	845	*
David B. Drake	12,250 (2)	6.07%
H.D. Eakman	9,942 (3)	4.93%
Dan Cravy M.D.	6,368	3.16%
Ingram Hartje, III	833	*
Joe Mertz	1,400	*
William Pfluger	3,572	1.77%
Craig Porter	1,727	*
O.L. Schuch	11,047 (4)	5.48%
Tim Turner, D.V.M.	232	*
David Lupton	424	*
Doug Eakman	825	*
All directors and executive officers as a group:	49,465	24.53%

</TABLE>

---

* Indicates beneficial ownership is less than one percent.

(1) Each director and executive of Concho has sole voting and investment powers with respect to all shares of Concho Common Stock shown as beneficially owned by such director or executive officer except as

otherwise indicated in the following footnotes. Beneficial ownership is determined in accordance with Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended.

(2) 358 shares are in the name of David B. Drake while 11,892 are held by Jack Drake & Sons, a partnership 50% owned by David Drake.

(3) 7,617 shares are in the name of H. D. Eakman while 2,325 shares are held by Pecos Street Pharmacy, an entity owned by Mr. Eakman.

(4) 10,333 shares are in the name of O. L. Schuch while 714 shares are held by his wife Dorothy Schuch.

After giving effect to the First Financial Common Stock to be issued in the Exchange and the Merger, and based on the number of shares of First Financial Common Stock outstanding as of December 31, 1993, no director or executive officer of Concho will beneficially own more than one percent (1%) of the outstanding First Financial Common Stock immediately after the Exchange and the Merger.

There are no commitments at this time for the issuance of shares to any officer, director or other major stockholders.

SELECTED CONSOLIDATED FINANCIAL DATA OF CONCHO

The following tables present selected historical consolidated financial data of Concho, as of the dates and for the periods indicated. As noted in the tables, certain data for the nine months ended September 30, 1993 have been adjusted to reflect the rescission in November 1993 of an earlier treasury stock purchase by Concho of 16,267 shares of Concho Common Stock for $344,860. Results of operations for the nine months ended September 30, 1993 are not necessarily indicative of results for a full fiscal year. The financial data should be read in conjunction with the historical consolidated financial statements of Concho and related notes included elsewhere herein.

<TABLE>
<CAPTION>

(dollars in thousands, except per share data)

	Years Ended December 31,					Nine Months Ended September 30,
	1988	1989	1990	1991	1992	1993
<S>	<C>	<C>	<C>	<C>	<C>	<C>
OPERATING RESULTS:						
Net interest income...................	$ 2,129	$ 2,068	$ 2,409	$ 2,631	$ 3,079	$ 2,721
Provision for loan losses............	590	247	195	120	205	105

Noninterest income....................	634	405	714	861	1,116	857
Noninterest expense...................	2,079	2,235	2,609	2,894	3,054	2,519
Income before income taxes............	94	(9)	319	478	936	954
Provisions (benefit) for income taxes	-	-	-	47	191	348
Net income before cumulative effect of accounting change	94	(9)	319	431	745	606
Cumulative effect of accounting change	-	-	-	-	-	(231)
Net income............................	$ 94	$ (9)	$ 319	$ 431	$ 745	$ 375
Net income per Concho Common Share before cumulative effect of accounting change	$ 0.45	$(0.04A)	$ 1.52	$ 2.05	$ 3.70	$ 3.01(2)
Net income per Concho Common Share..........................	$ 0.45	$(0.04A)	$ 1.52	$ 2.05	$ 3.70	$ 1.86(2)
FINANCIAL POSITION:						
Assets................................	$66,360	$71,396	$72,089	$80,808	$88,864	$ 89,455(2)
Loans.................................	33,518	33,734	34,627	39,158	42,597	43,364
Investment Securities.................	20,006	18,220	21,813	28,697	33,807	34,798
Deposits..............................	58,953	65,082	65,535	73,665	81,097	80,903
Stockholders' equity..................	4,006	4,325	4,583	5,088	5,706	6,161(2)
SIGNIFICANT RATIOS:						
Return on assets......................	0.14%	-0.01%	0.46%	0.57%	0.89%	0.42%
Return on equity......................	2.18	-0.21	6.88	9.52	15.93	16.24
Net interest margin...................	3.64	3.48	3.93	3.95	4.15	4.45
Earning assets to assets..............	89.16	86.93	87.71	88.04	89.08	91.66
Book value per share(1)...............	$ 19.14	$ 20.58	$ 21.79	$ 24.21	$ 28.30	$30.55(2)

</TABLE>

(Footnotes appear on following page)

---

(1) At period end

(2) As adjusted to reflect the rescission in November 1993 of an earlier treasury stock purchase by Concho of 16,267 shares of Concho Common Stock for $344,860. Without such adjustment, net income per Concho Common Share before cumulative effect of accounting change was $3.12, net income per Concho Common Share was $1.93, assets were $89,110, stockholders' equity was $5,817 and book value per share was $31.38.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CONCHO

INTRODUCTION

Included in this review are the following sections:

I. Overview of Operations

II. Net Interest Income

III. Asset Quality

IV. Deposits

V. Return on Equity and Assets

VI. Liquidity and Interest Rate Sensitivity

VII. Capital

VIII. Discussion of First Nine Months of 1993 versus First Nine Months of 1992

This discussion should be read in conjunction with the financial statements, notes and tables included elsewhere in this Prospectus. Definitions of terms used in this discussion include:

Average Balances

All average balances are calculated on the basis of daily averages. Interim period annualizations are based on actual days in the relevant period.

Fully Taxable Equivalent Basis (FTE):

Income on earning assets which is subject to either a reduced rate or zero rate of income tax has been adjusted to give effect to the statutory federal income tax rate of 34%. Where appropriate, yield calculations include these adjustments.

Net Interest Income:

Interest and related fee income on earning assets (FTE basis where appropriate) reduced by total interest expense on interest bearing liabilities.

Net Interest Margin:

Net interest income on an FTE basis expressed as a percent of average earning assets.

I. OVERVIEW OF OPERATIONS

General

Concho Bancshares, Inc. is a one bank holding company formed in 1979 and owns a majority interest in the Southwest Bank of San Angelo, Texas. Southwest Bank has a wholly owned subsidiary, SWB Investment Centre, Inc., a registered investment advisor.

Results of Operations

Concho's earnings increased 35.1%, and 72.9%, in the years ended 1991 and 1992, respectively. 1990's net income of $319,114 was a significant increase over the net loss of $9,399 experienced in 1989. The improved earnings trend is attributable to higher net interest income and increases in noninterest income. Net interest income in 1991 was 9.2% over 1990 and 1992 was 17% over 1991. Concho's net interest margins for 1990, 1991 and 1992 were 4.32%, 4.25% and 4.43%, respectively.

Asset and Liability Review

Total assets at December 31, 1992 amounted to $88,864,346, representing a 10% increase over the year end total of $80,808,176 in 1991. Total investment securities including federal funds sold were $36,356,858 at year end 1992, reflecting a 15% growth over 1991. Investments as a percent of total assets at year's end were 39.1% and 40.9% as of 1991 and 1992. Loans net of reserves and unearned interest grew by 8.8% in 1992 to $42,596,605. The growth was concentrated in commercial real estate loans. Total deposits increased by $7,430,444 to end 1992 at $81,245,690. Transaction account balances grew by $7,718,459 while time deposits declined by $308,015.

Nonperforming assets totaled $1,497,305 at December 31, 1992, a total that was $198,821 below the previous year-end balance.

Table 1 - Average Daily Balance Sheets -- Concho

The following table shows Concho's consolidated balances of assets, liabilities, and capital computed principally on an average daily basis for the three years ended December 31, 1992 (000's omitted):

<TABLE>
<CAPTION>

	Year Ended December 31,		
ASSETS	1990	1991	1992
<S>	<C>	<C>	<C>
Cash and due from banks	$ 3,041	$ 3,407	$ 3,801
Interest-bearing deposits in banks	2,089	41	--
Federal funds sold	2,090	2,883	2,767
Taxable investment securities	21,538	25,952	29,701

Tax-exempt investment securities	--	--	--
Net loans	35,558	37,682	41,717
Bank premises and equipment	3,277	3,168	3,167
Other assets	2,270	2,463	2,124
Total Assets	$69,863	$75,596	$83,277
LIABILITIES AND SHAREHOLDERS' EQUITY			
Non-interest-bearing demand deposits	$ 8,095	$ 8,284	$11,168
Interest-bearing demand deposits	24,769	26,283	30,007
Time deposits	30,516	34,127	35,982
Total deposits	63,380	68,694	77,157
Federal funds purchased and other short-term borrowings	125	1,258	277
Dividends payable	5	5	5
Long-term debt	1,280	--	723
Other liabilities	434	616	411
Shareholders' equity	4,639	5,023	5,397
Total Liabilities and Equity	$69,863	$75,596	$83,277

</TABLE>

[II. NET INTEREST INCOME

TABLE 2 - INCOME AVERAGE AND YIELD ON INTEREST-EARNING ASSETS AND EXPENSE AND AVERAGE RATE ON INTEREST-BEARING LIABILITIES -- CONCHO

The following table shows the interest income and average yield on interest-earning assets and interest expense and average rate on interest-bearing liabilities for the three years ended December 31, 1992, (000's omitted). The calculations of average yields and rates are based upon the average daily balances in Table 1. Non-accrual loans are included in the average daily balance of loans and any interest income recognized on a cash basis is included in interest income on loans:

<TABLE>
<CAPTION>

	1990		1991		1992	
	INCOME (EXPENSE)	YIELD (RATE)	INCOME (EXPENSE)	YIELD (RATE)	INCOME (EXPENSE)	YIELD (RATE)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal funds sold	$ 187	8.95%	$ 221	7.67%	$ 120	4.34%
Interest-earning deposits	197	9.43	6	8.98	--	--
Taxable investment securities	1,924	8.93	2,158	8.32	1,929	6.49
Tax-exempt investment securities (1)	--	--	--	--	--	--
Net loans (1)	4,129	11.61	3,921	10.41	3,818	9.15
Interest income	6,437	10.51	6,306	9.47	5,867	7.91
Interest-bearing deposits	3,869	7.00	3,553	5.88	2,665	4.04
Federal funds purchased and other short-term borrowings	11	8.8	121	9.62	14	5.05

Long-term debt	148	11.56	--	--	109	9.50
Interest expense	4,028	7.11	3,674	5.96	2,788	4.14
Net interest income and spread	$2,409	3.40%	$2,632	3.51%	$3,079	3.77%
Net interest yield (2)		3.93%		3.95%		4.15%

</TABLE>

---

(1) Income and yield on tax-exempt investment securities and tax-exempt loans have been adjusted to a tax-equivalent basis based upon the Federal income tax rate of 34%, adjusted for disallowed interest deductions in accordance with Federal income tax regulations.

(2) The net yield on interest-earning assets is computed by dividing net interest income by total interest-earning assets.

TABLE 3 - ANALYSIS OF CHANGES IN INTEREST INCOME AND INTEREST EXPENSE -- CONCHO

The following table sets forth the dollar amount of increase (decrease) in interest income resulting from changes in the volume of interest-earning assets and interest-bearing liabilities and from changes in yields and rates (000's omitted):

<TABLE>
<CAPTION>

	1991 Compared to 1990			1992 Compared to 1991		
	Volume	Rate	Total	Volume	Rate	Total
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Federal funds sold and interest- earning deposits	$ (120)	$ (37)	$ (157)	$ (12)	$ (95)	$ (107)
Taxable investment securities	394	(160)	234	312	(541)	(229)
Tax-exempt investment securities(1)	--	--	--	--	--	--
Loans(1).................	244	(452)	(208)	420	(523)	(103)
Interest income..........	518	(649)	(131)	720	(1,159)	(439)
Time deposits............	361	(677)	(316)	326	(1,214)	(888)
Federal funds purchased and other short-term borrowings	100	10	110	(94)	(13)	(107)
Long-term debt...........	(148)	--	(148)	109	--	109
Interest expense.........	313	(667)	(354)	341	(1,227)	(886)
Net interest income	$205	$ 18	$ 223	$379	$ 68	$ 447

</TABLE>

---

(1) Income on tax-exempt investment securities and tax-exempt loans has been adjusted to a tax-equivalent basis based upon the Federal income tax rate of 34%, adjusted for disallowed interest deductions in accordance with Federal income tax regulations.

Note: Volume/rate variances (changes in volume times changes in rate) have been allocated to amounts attributable to changes in volume and to changes in rates in proportion to the amounts directly attributable to those changes.

TABLE 4 - COMPOSITION OF INVESTMENT SECURITIES -- CONCHO

The table below sets forth the composition of investment securities at the dates indicated:

<TABLE>
<CAPTION>

	DECEMBER 31,		
	1990	1991	1992
<S>	<C>	<C>	<C>
U.S. Treasury.............	$ 3,029,425	$ 5,100,869	$17,511,071
U.S. Government agencies...	11,764,443	13,320,280	12,211,810
Other.....................	7,019,625	10,275,665	4,083,940
	$21,813,493	$28,696,814	$33,806,821

</TABLE>

TABLE 5 - MATURITY AND YIELD ON SECURITIES -- CONCHO

The following table shows the maturities of investment securities at December 31, 1992 and the weighted average yields (for tax exempt obligations on a fully taxable basis assuming a 34% tax rate adjusted for disallowed interest deductions in accordance with Federal income tax regulation) of such securities:

<TABLE>
<CAPTION>

	MATURING							
	WITHIN ONE YEAR		AFTER ONE BUT WITHIN FIVE YEARS		AFTER FIVE BUT WITHIN TEN YEARS		AFTER TEN YEARS	
	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD	AMOUNT	YIELD
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Treasury	$2,545,219	5.08%	14,965,852	5.53%	$ --	--	$ --	--%
U.S. Government agencies	6,236	11.42	893,425	2.96	325,741	6.92	10,986,409	6.75
Other	1,145,216	4.60	--	--	--	--	2,938,724	6.74
	$3,696,671	4.94%	$15,859,277	5.39%	$ 325,741	6.92%	$ 13,925,133	6.75%

</TABLE>

TABLE 6 - COMPOSITION OF LOANS -- CONCHO

The table below sets forth the amount of loans outstanding at the end of the years indicated, according to type of loan (000's omitted):

<TABLE>
<CAPTION>

	1988	1989	1990	1991	1992
<S>	<C>	<C>	<C>	<C>	<C>
Real estate loans:					
Construction....................	$ 2,264	$ 1,400	$ 1,827	$ 1,250	$ 1,659
Mortgage........................	7,834	8,928	8,471	8,307	7,886
Commercial, financial and agricultural.....................	17,213	18,447	15,650	20,380	22,333
Installment loans to individuals..	6,820	8,231	8,943	9,574	11,343
Total loans..................	$34,131	$37,006	$34,891	$39,511	$43,221

</TABLE>

TABLE 7 - LOAN MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES -- CONCHO

The amounts of total loans (excluding real estate mortgages and installment consumer loans) outstanding as of December 31, 1992, which, based on remaining scheduled repayments of principal, are due in (i) one year or less, (ii) more than one year but less than five years, and (iii) more than five years, are shown in the following table. The amounts due after one year are classified according to the sensitivity to changes in interest rates. Aggregate maturities of loan balances which are due:

<TABLE>
<CAPTION>

	In one year or less	After one year but within five years	After five years
<S>	<C>	<C>	<C>
Real estate construction..........................	$ 1,275,172	$ 383,519	$ --
Commercial, financial and agricultural loans......	12,598,033	6,632,548	3,102,007

Loans with maturities after one year for which:

Interest rates are fixed or predetermined.......	$15,293,010
Interest rates are floating or adjustable.......	18,222
	$15,311,232

</TABLE>

III. ASSET QUALITY

TABLE 8 - RISK ELEMENTS -- CONCHO

<TABLE>
<CAPTION>

PAST DUE AND NON-ACCRUAL LOANS:	1988	1989	1990	1991	1992
<S>	<C>	<C>	<C>	<C>	<C>
Non-accrual loans................................	$445,834	$237,829	$643,157	$864,345	$638,371
Loans 90+ days past due...........................	153,343	951,318	240,321	454,111	145,105
Restructured loans................................	753,233	821,122	1,073,088	--	--
Interest accrued and lost on non-accrual loans ...	60,411	28,988	101,317	72,867	96,044
Interest actually received on non-accrual loans ..	--	--	--	--	--

</TABLE>

Loans in serious doubt to be repaid as of December 31, 1993 - $ 317,931
==========

Outstanding loan & farm & agricultural loans: 3.80% Percentage of total loans
=====

At December 31, 1988, 1989, 1990, 1991, and 1992, the allowance for loan losses has been allocated within the categories of loans set forth below, according to the amount deemed to be reasonably necessary to provide for the possibility of losses being incurred. The amount of such components and the ratio of the corresponding loan amounts to total loans outstanding are as follows:

<TABLE>
<CAPTION>

DECEMBER 31, 1992	ALLOWANCE AMOUNT	RATIO OF LOAN AMOUNT TO TOTAL LOANS OUTSTANDING
<S>	<C>	<C>
Constructions loans	$ 17,101	3.84%
Mortgage loans	85,592	18.25
Commercial, financial and agricultural loans	332,483	51.67
Installment loans to individuals	163,558	26.24
	$598,734	100.00%
December 31, 1991		
Construction loans	$ 14,677	3.16%
Mortgage loans	100,902	21.03
Commercial, financial and agricultural loans	304,631	51.58

</TABLE>

<TABLE>

<S>	<C>	<C>
Installment loans to individuals	126,929	24.23
	$547,139	100.00%
December 31, 1990		
Construction loans	$ 16,396	5.24%
Mortgage loans	88,359	24.28
Commercial, financial and agricultural loans	312,281	44.85
Installment loans to individuals	92,981	25.63
	$510,017	100.00%
December 31, 1989		
Construction loans	$ 8,285	3.78%
Mortgage loans	38,663	24.12
Commercial, financial and agricultural loans	423,529	49.86
Installment loans to individuals	41,654	22.24
	$512,131	100.00%
December 31, 1988		
Construction loans	$ 8,572	6.63%
Mortgage loans	43,367	22.95
Commercial, financial and agricultural loans	497,693	50.44
Installment loans to individuals	62,761	19.98
	$612,393	100.00%

</TABLE>

TABLE 9 - LOAN LOSS EXPERIENCE AND ALLOWANCE FOR LOAN LOSSES -- CONCHO

The following table summarizes the daily average amount of net loans outstanding; changes in the allowance for loan losses arising from loans charged off, and recoveries on loans previously charged off, by loan category; additions to the allowance which have been charged to operating expense; and the ratio of net loans charged off to average loans outstanding:

<TABLE>
<CAPTION>

	1988	1989	1990	1991	1992
<S>	<C>	<C>	<C>	<C>	<C>
Daily average amount of net loans outstanding	$33,185,480	$33,543,512	$35,557,501	$37,682,141	$41,716,845
Balance of allowance for loan losses at beginning of period	$ 505,264	$ 612,393	$ 512,131	$ 510,016	$ 547,139
Loans charged off					
Commercial, financial and agricultural...................	463,593	364,648	267,039	72,000	127,696
Loans to individuals....................................	39,625	10,905	14,365	17,620	53,260
All other loans...	13,694	--	12,387	3,225	--
Total loans charged off.................................	516,912	375,553	293,791	92,845	180,956
Recoveries of loans previously charged off					
Commercial, financial and agricultural...................	32,263	24,058	95,095	6,946	26,117
Loans to individuals....................................	1,778	4,723	1,581	3,022	1,434

All other loans	--	--	--	--	--
Total recoveries	34,041	28,791	96,676	9,968	27,551
Net loans charged off	482,871	346,762	197,115	82,877	153,405
Additions to allowance charged to operating expense (1)	590,000	246,500	195,000	120,000	205,000
Balance at end of period	$ 612,393	$ 512,131	$ 510,016	$ 547,139	$ 598,734
Ratio of net charge offs to the daily average amount of loans outstanding	1.46%	1.03%	0.55%	0.22%	0.37%

</TABLE>

---

(1) Additions to the allowance were based primarily on historical experience, current economic conditions, and the condition of the loan portfolio at year-end.

IV. DEPOSITS

TABLE 10 - COMPOSITION OF DEPOSITS -- CONCHO

The following table presents the average daily amount and the average rate paid on deposits (000's omitted):

<TABLE>
<CAPTION>

	1990		1991		1992	
	AMOUNT	RATE	AMOUNT	RATE	AMOUNT	RATE
Noninterest bearing demand deposits	$ 8,095		$ 8,284		$ 9,568	
Interest bearing demand deposits	20,359	6.61%	21,708	5.06%	23,170	3.27%
Savings and money market accounts	4,410	4.97	4,575	5.01	6,837	3.33
Time deposits						
Less than $100,000	17,850		21,590		23,118	
$100,000 or more	12,666		12,537		12,864	
Total time deposits	30,516	7.55	34,127	6.52	35,982	4.67
Total deposits	$63,380		$68,694		$75,557	

</TABLE>

TABLE 11 - MATURITY DISTRIBUTION OF TIME CERTIFICATES OF $100,000 OR MORE -- CONCHO

Time certificates of $100,000 or more outstanding at December 31, 1992 will mature as follows (000's omitted):

<TABLE>

Under 3 months	$ 5,910
3 to 6 months	3,157
6 to 12 months	2,841
Over 12 months	1,100
	$13,008

</TABLE>

V. RETURN ON EQUITY AND ASSETS

TABLE 12 - RETURN ON EQUITY AND ASSETS -- CONCHO

The ratio of net earnings to average shareholders' equity and daily average total assets and certain other ratios are presented below:

<TABLE>
<CAPTION>

<S>	Year ended December 31, 1990 <C>	1991 <C>	1992 <C>
Percentage of net earnings to:			
Average total assets	0.46%	0.57%	0.90%
Average shareholders' equity	6.92	8.62	12.73
Percentage of dividends declared per common share to earnings per common share	16.39	12.12	7.02
Percentage of average shareholders' equity to daily average total assets	6.64	6.64	7.06

</TABLE>

VI. NONINTEREST INCOME AND EXPENSE AND INCOME TAXES

Noninterest income in 1992 was $1,118,654, representing a 29.8% improvement over 1991. The consistent rise in noninterest income is due primarily to increases in service charge revenues and from improved volumes in the subsidiary bank's investment center. Service charge income increased from $448,156 in 1990 to $517,572 in 1991 and $630,855 in 1992 and resulted from volume and pricing increases.

The reserve for loan losses is reviewed by management and the board of directors on a monthly basis and maintained at levels determined by analyzing the risk of losses in the loan portfolio. This risk is calculated by rating individual loans and applying quantitative and subjective considerations to arrive at an adequate level of reserves. As the quality of the loan portfolio improved, the provision dropped from $195,000 in 1990 to $120,000 in 1991. The provision rose to $205,000 in 1992 due to an increase in consumer loan losses. The reserve balance at year end 1992 totalling $598,734 represents 1.41% of net loans as compared to 1.40% in 1991 and 1.47% in 1990.

Noninterest expenses totalled $3,053,852 in 1992 for a 5.5% increase over the $2,893,116 incurred in 1991. The increase reflects a $152,107 increase in salaries and a $50,413 increase in employee benefits. Employee benefits rose principally due to a $8,187 increase in matching of the 401(k) pension plan and a $25,000 contribution to the profit sharing plan. FDIC deposit insurance expense in 1992 amounted to $165,847 as compared to $135,700 in 1991 and $73,877 in 1990. These increases reflect the higher rates assessed by the FDIC. In 1991, a non-recurring expense of $50,000 was incurred from a settlement of a disputed claim by the Internal Revenue Service resulting from the failure by a bank customer to pay federal withholding taxes. A consulting firm, employed in 1990 to make recommendations regarding profit improvement opportunities, completed its work in 1992 resulting in a one-time expense of $69,975. There was a non-recurring gain of $67,500 in 1992 due to the resignation of a director and the corresponding cancellation of the director's deferred compensation plan. Concho has benefited from a tax loss carryforward in each of the years discussed. The benefits, which amounted to $108,477, $164,469, and $67,727 in 1990, 1991 and 1992, respectively, were fully exhausted in 1992.

NONINTEREST INCOME AND NONINTEREST EXPENSE -- CONCHO

<TABLE>
<CAPTION>

<S>	1990 <C>	1991 <C>	1992 <C>
Noninterest income			
Service charges on deposit accounts.	$ 448	$ 518	$ 631
Securities gains (losses)..........	(48)	(5)	(85)
Other..............................	316	349	573
Total noninterest income.........	716	862	1,119

Noninterest expense			
Salaries and related costs..........	1,195	1,198	1,401
Net occupancy.......................	282	303	318
Equipment expense...................	113	114	125
Professional services..............	110	249	218
Data processing.....................	105	115	118
Stationery and supplies............	65	62	66
Business development...............	89	91	62
Foreclosed asset expense...........	170	249	181
Other expense.......................	480	512	565
Total noninterest expense.........	2,609	2,893	3,054
Net noninterest expense...........	1,893	2,031	1,935
Net noninterest expense as percent of average assets	2.71%	2.69%	2.32%

</TABLE>

VII. LIQUIDITY AND INTEREST RATE SENSITIVITY

The cash flow requirements of Concho are satisfied through lease income and dividends from the bank subsidiary. The bank subsidiary maintains a high level of liquidity within its asset mix by continually monitoring maturing investment securities and loans. The bank also has a $1,000,000 unfunded line of credit for short term liquidity needs.

Through active asset/liability management, interest rate risk is controlled to minimize the impact of fluctuating interest rates on earnings and the market values of assets. Although interest rates changed significantly from 1990 to the end of 1992, Concho's net interest margin remained very stable. This stability is attributable to successfully matching volumes of assets and liabilities in similar maturities.

ASSET AND LIABILITY MATURITY REPRICING SCHEDULE
<TABLE>
<CAPTION>

$(thousands)

	DECEMBER 31, 1992								
	RATE-SENSITIVE WITHIN								
	FLOATING RATE	1-30 DAYS	31-60 DAYS	61-90 DAYS	91-180 DAYS	181-365 DAYS	1-5 YEARS	OVER 5 YEARS	TOTAL
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS									
Short-term investments.	$ 2,550	$	$	$	$	$	$	$	$ 2,550
Investment securities..	9,117	1,378	222	212	576	1,302	15,866	5,134	33,807
Loans:									
Commercial...........	14,210	2,632	1,127	1,451	2,871	2,679	6,542		31,512
R/E Construction.....	1,035	35	113	141	297	628	475	1,357	4,081
Consumer............	4,102	145	127	125	367	671	914	1,151	7,602
Total loans........	19,347	2,812	1,367	1,717	3,535	3,978	7,931	2,508	43,195
Total earning assets............	31,014	4,190	1,589	1,929	4,111	5,280	23,797	7,642	79,552
Loan loss reserve....								(599)	(599)
Cash & due from banks	4,747								4,747
Other assets.......								5,164	5,164
Total assets.......	$35,761	$ 4,190	$ 1,589	$ 1,929	$ 4,111	$ 5,280	$23,797	$12,207	$88,864
LIABILITIES & EQUITY									
Deposits:									
Demand deposits......	$13,002	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$13,002
NOW, Savings & MMDA..	32,187	--	--	--	--	--	--	--	32,187
CD's less-than $100,000...........	--	2,891	1,831	3,004	6,630	5,667	2,891	--	22,914
CD's greater-than $100,000...........	101	2,445	1,632	1,732	3,750	2,232	1,100	--	12,992
Total deposits.....	45,290	5,336	3,463	4,736	10,380	7,899	3,991	--	81,095
Other borrowings.......	85	--	--	--	--	--	1,154	--	1,239
Other liabilities......	--	--	--	--	--	--	--	824	824
Equity.................	--	--	--	--	--	--	--	5,706	5,706
Total liab. & equity...........	$45,375	$ 5,336	$ 3,463	$ 4,736	$ 10,380	$ 7,899	$ 5,145	$ 6,530	$88,864

Interest sensitivity gap.	(9,614)	$ (1,146)	(1,874)	$(2,807)	$ (6,269)		$(2,619)	$18,652	$ 5,677
Cumulative gap..........	(9,614)	(10,760)	(12,634)	(15,441)	(21,710)		(24,329)	(5,677)	
Cumulative gap to total assets..................	-10.82%	-12.11%	-14.22%	-17.38%		-24.43%	-27.38%		-6.39%
December 31, 1991:									
Cumulative gap..........	(2,493)	$(10,691)	$(12,288)	$(15,350)	$(19,278)	$(21,827)	$(12,897)		
Cumulative gap to total assets..................	-3.09%	-13.23%	-15.21%	-19.00%	-23.86%	-27.01%	-15.96%		

</TABLE>

VIII. CAPITAL

At year end 1992, total shareholders' equity was $5,706,199, an increase of $618,544 over December 31, 1991. Concho's risk based capital ratio has risen from 12.79% in 1990 to 14.30% at year end 1992. This ratio is well above the minimum 8.00% required by federal regulations. Book value of Concho's stock at year-end 1992 was $28.30 per share, or a 16.9% increase over 1991's $24.21 per share. Concho has declared an annual cash dividend of $.25 per share each of the past three years.

IX. DISCUSSION OF NINE MONTHS ENDED SEPTEMBER 30, 1993 VERSUS NINE MONTHS ENDED SEPTEMBER 30, 1992

GENERAL

Net interest income for the first nine months of 1993 was $2,720,676, which represents a 16.2% increase over the same period in 1992 due primarily to an improving net interest margin. Net earnings were reduced by $231,213 as a result of an accounting change conforming with the requirements of FAS No. 109. This one-time adjustment reduced net earnings to $375,026 for the nine months, down 35% from the $574,673 for the same period in 1992. Total assets were $89,110,076, up 5.5%, and total deposits showed a similar increase to $80,902,873. While total outstanding loans have declined less than one percent, investment securities have increased almost 9% to $34,795,540. Nonperforming assets have declined during 1993 by $367,351 to $1,129,954. Shareholders' equity has increased to $5,816,604, up 4.1% from 1992's $5,586,083. This increase in equity is after a purchase into treasury of 16,267 shares at a cost of $344,860. In November 1993, the purchase of these shares was rescinded, resulting in the shares being reissued and $344,860 being refunded to Concho. As adjusted to reflect such rescission, shareholders' equity at September 30, 1993 would have been $6,161,464.

AVERAGE BALANCES, INCOME AND EXPENSES, YIELDS AND RATES (1)

$(thousands)
<TABLE>
<CAPTION>

	NINE MONTHS ENDED SEPTEMBER 30,					
	1992			1993		
	Average Balance	Income/ Expense	Yield/ Rate	Average Balance	Income/ Expense	Yield/ Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
ASSETS						
Short-term investments...............	$ 2,717	$ 97	4.77%	$ 2,838	$ 74	3.49%
Investment securities:						
Taxable............................	28,667	1,459	6.80	34,077	1,444	5.67
Tax exempt.........................	--	--	--	--	--	--
Total securities..................	28,667	1,459	6.80	34,077	1,444	5.67
Loans: (2)						
Commercial.........................	27,856	2,027	9.73	31,149	2,052	8.81
R/E construction...................	1,978	125	8.45	2,160	136	8.42
R/E mortgage.......................	4,868	307	8.4	3,871	266	9.19
Consumer...........................	7,016	499	9.51	6,624	508	10.25
Total loans.......................	41,718	2,958	9.48	43,804	2,962	9.04
Total earning assets..............	73,102	4,514	8.26	80,719	4,480	7.42
Other assets.........................	9,164			8,497		
Total assets......................	82,266			89,216		

LIABILITIES AND EQUITY						
Deposits:						
Noninterest-bearing deposits	8,932			12,636		
Interest checking	23,412	593	3.39	25,521	506	2.65
Savings	2,775	67	3.23	3,182	59	2.48
Money market accounts	3,850	108	3.75	5,293	115	2.90
Time deposits:						
CD's less-than $100,000	23,318	864	4.95	22,944	652	3.80
CD's greater-than $100,000:	12,634	450	4.76	11,652	339	3.89
Total deposits	74,921	2,082	3.72	81,228	1,671	2.75
Other borrowings	1,263	90	9.53	1,272	88	9.25
Total interest-bearing liabilities	67,252	2,172	4.32	69,864	1,759	3.37
Other liabilities	685			955		
Total liabilities	76,869			83,455		
Stockholders' equity	5,397			5,761		
Total liabilities and equity	$82,266			$89,216		
Net interest income		2,342	4.28		2,721	4.51
Provision for loan losses		(67)	-0.12		(105)	-0.17
Net funds function		$2,275	4.16		$2,616	4.34

</TABLE>

---

(1) Fully taxable equivalent basis
(2) Nonaccrual loans are included in loan balances

RATE VOLUME ANALYSIS (1)(2)

<TABLE>
<CAPTION>
$(thousands)

	CHANGE IN INCOME/EXPENSE	RATE EFFECT	VOLUME EFFECT
<S>	<C>	<C>	<C>
Earning assets:			
Short-term investments	(23)	(26)	$ 3
Investment securities:			
Taxable	(15)	(244)	229
Tax exempt	--		
Total investments	(15)	(244)	229
Loans:			
Commercial	25	(192)	217
R/E construction	11	(0)	11
R/E mortgage	(41)	28	(69)
Consumer	9	39	(30)
Total loans	4	(137)	141
Total interest income	(34)	(457)	423
Interest bearing liabilities:			
Interest checking	(87)	(129)	42
Savings	(8)	(16)	8
Money market accounts	7	(24)	31
Time deposits			
CD's less-than $100,000	(212)	(201)	(11)
CD's greater-than $100,000:	(111)	(82)	(29)
Total deposits	(411)	(541)	130
Other borrowings	(2)	(3)	1
Total interest expense	(413)	(479)	66
Net interest income	$379	$22	$357

</TABLE>

---

(1) Fully taxable equivalent basis
(2) The unallocated portion of the total change has been prorated into rate and volume components

Noninterest Income and Expense
<TABLE>
<CAPTION>

$(thousands)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30		CHANGE	
	1992	1993	$	%
<S>	<C>	<C>	<C>	<C>
Noninterest Income.............				
Service charges on deposits..	$ 425	$ 474	$ 49	11.53%
Trust fees..................				
Securities gains (losses)....				
Other........................	409	383	(26)	-6.36
Total noninterest income...	834	857	23	2.76
Noninterest Expense				
Salaries and related costs...	1,061	1,155	94	8.86
Net occupancy................	234	267	33	14.10
Equipment expense............	182	176	(6)	-3.30
Professional services........	121	211	90	74.38
Data processing..............	94	82	(12)	-12.77
Stationery and supplies......	52	76	24	46.15
Business development.........	48	59	11	22.92
Foreclosed asset expense.....	139	120	(19)	-13.67
Other expense................	379	373	(6)	-1.58
Total noninterest expense..	2,310	2,519	209	9.05
Net noninterest expense..	$1,476	$1,662	$186	12.60%
Net noninterest expense as a percent of average assets	1.78%	1.86%		

</TABLE>

LEGAL MATTERS

The legality of the First Financial Common Stock to be issued in connection with the Exchange Offer and Merger will be passed upon by McMahon, Surovik, Suttle, Buhrmann, Cobb & Hicks, P.C.

EXPERTS

The consolidated financial statements of First Financial as of December 31, 1992 and 1991 and for each of the years in the three-year period ended December 31, 1992, incorporated by reference in this prospectus and elsewhere in the registration statement have been audited by Arthur Andersen & Co., independent public accountants, as indicated in their report dated January 13, 1993, with respect thereto, and are incorporated by reference herein in reliance upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Concho as of December 31, 1992 and 1991 and for each of the years in the three-year period ended December 31, 1992, included in this prospectus and elsewhere in the registration statement have been audited by Armstrong, Backus & Co., L.L.P., independent public accountants, as indicated in their report dated February 12, 1993, with respect thereto, and are included herein in reliance upon the authority of said firm as experts in accounting and auditing.

INDEX TO CONCHO BANCSHARES, INC.'S FINANCIAL STATEMENTS

<TABLE>
<CAPTION>

</TABLE>

Board of Directors
Concho Bancshares, Inc.

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying consolidated balance sheets of Concho Bancshares, Inc. (a Texas corporation) and subsidiary as of December 31, 1992 and 1991 and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 1992. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Concho Bancshares, Inc. and subsidiary as of December 31, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1992, in conformity with generally accepted accounting principles.

Armstrong, Backus & Co., L.L.P.

February 12, 1993

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1992 AND 1991

ASSETS

<TABLE>
<CAPTION>

		1992	1991
<S>	<C>	<C>	<C>
Cash and due from banks	(Note 1)	$ 4,747,085	$ 4,957,032
Federal funds sold	(Note 1)	2,550,000	2,900,000
Investment securities:	(Notes 1 & 2)		

United States government		17,511,071	5,100,869
United States agencies		12,211,810	13,320,280
Collateralized mortgage obligations		2,938,724	8,249,479
Corporate bonds		-0-	300,215
Stock in Federal Home Loan Bank		303,337	-0-
Mutual funds (net of unrealized loss of $ 122,927 and $ 171,297)		841,916	1,725,972
Loans (net of unearned income of $ 373,174 and $ 383,588 and allowance for loan losses of $ 598,734 and $ 547,354)	(Notes 1, 4 & 9)	42,596,605	39,157,619
Land, building and equipment, net	(Notes 1, 5 & 9)	2,967,864	2,956,751
Other real estate		853,229	686,225
Accrued interest		844,681	766,894
Other assets	(Note 8)	498,024	686,840
Other assets	(Note 8)	498,024	686,840
TOTAL ASSETS		$88,864,346	$80,808,176

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1992 AND 1991

LIABILITIES AND SHAREHOLDERS' EQUITY

LIABILITIES

<TABLE>
<CAPTION>

		1992	1991
<S>	<C>	<C>	<C>
Deposits:	(Note 1)		
Demand		$13,002,139	$ 8,861,389
NOW		29,225,118	25,627,409
Savings		2,961,858	2,342,693
Time, $ 100,000 and over		12,992,397	13,775,576
Other time		22,913,661	23,057,662
Federal funds purchased	(Note 1)	85,000	170,000
Accrued interest		210,548	305,496
Federal income tax payable		181,858	47,000
Mortgage payable	(Note 10)	1,239,164	1,167,622
Other liabilities	(Note 8)	325,782	345,700
Minority interests		20,622	19,974
TOTAL LIABILITIES		$83,158,147	$75,720,521

</TABLE>

Commitments and Contingencies (Notes 7 & 12)

SHAREHOLDERS' EQUITY

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>
Common stock, par value $ .50, 500,000 shares authorized, 210,270 shares issued, 201,653 and 210,168 shares outstanding, respectively		$ 105,135	$ 105,135
Additional paid-in capital		4,660,218	4,660,218
Retained earnings	(Note 11)	1,189,750	496,807
Treasury stock		(126,356)	(3,825)

Unrealized loss on investment in mutual funds	(Note 2)	(122,548)	(170,680)
TOTAL SHAREHOLDERS' EQUITY		$ 5,706,199	$ 5,087,655
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$88,864,346	$80,808,176

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

<TABLE>
<CAPTION>

		1992	1991	1990
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME	(Notes 1, 4 & 9)			
Interest and fees on loans		$3,818,426	$3,921,071	$4,129,104
Interest on Federal funds		119,555	215,081	187,083
Interest on deposits with banks		-0-	6,136	197,262
Interest on investment securities:				
United States government		618,308	264,546	212,494
United States agencies		928,353	1,092,400	978,479
Corporate bonds		23,556	46,935	121,670
Mutual funds		78,716	193,403	307,234
Collateralized mortgage obligations		280,111	566,257	303,858
		$5,867,025	$6,305,829	$6,437,184
INTEREST EXPENSE				
Interest on deposits		$2,665,097	$3,553,188	$3,868,666
Interest on Federal funds		2,933	5,081	10,417
Interest on mortgage payable	(Note 10)	119,512	115,766	148,660
		$2,787,542	$3,674,035	$4,027,743
Net interest income		$3,079,483	$2,631,794	$2,409,441
Provision for loan losses	(Notes 1 & 4)	205,000	120,000	195,000
Net Interest Income After Provision for Loan Losses		$2,874,483	$2,511,794	$2,214,441
OTHER OPERATING INCOME				
Pension administration fees		$ 7,700	$ 20,000	$ 24,000
Gain (loss) on sale of assets		(9,939)	(57,072)	6,578
Securities gains (losses)		(85,405)	(4,495)	(48,738)

Service charges	630,855	517,572	448,156
Rents	88,717	96,162	61,956
FHLB dividends	3,587	-0-	-0-
Other	483,139	289,513	223,593
	$1,118,654	$ 861,680	$ 715,545
Total Interest and Other Operating Income	$3,993,137	$3,373,474	$2,929,986

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

(Continued)

<TABLE>
<CAPTION>

		1992	1991	1990
<S>	<C>	<C>	<C>	<C>
OTHER OPERATING EXPENSES				
Salaries		$1,227,319	$1,075,212	$1,055,743
Employee benefits	(Note 3)	173,193	122,780	139,511
Occupancy expense	(Notes 1, 5 & 9)	318,013	303,254	281,834
Other expenses	(Notes 1, 8 & 12)	1,490,746	1,526,134	1,271,694
Capitalized loan costs	(Note 4)	(155,419)	(134,264)	(139,891)
		$3,053,852	$2,893,116	$2,608,891
NET INCOME BEFORE INCOME TAXES		$ 939,285	$ 480,358	$ 321,095
FEDERAL INCOME TAX	(Note 6)			
Current		$ 191,000	$ 47,000	$ -0-
Deferred		-0-	-0-	-0-
Total Federal Income Tax		$ 191,000	$ 47,000	$ -0-
NET INCOME BEFORE MINORITY INTEREST		$ 748,285	$ 433,358	$ 321,095
NET INCOME ATTRIBUTABLE TO MINORITY INTEREST		$ 2,809	$ 2,100	$ 1,981
NET INCOME (LOSS)		$ 745,476	$ 431,258	$ 319,114
EARNINGS PER SHARE	(Note 1)	$ 3.68	$ 2.05	$ 1.52

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

<TABLE>
<CAPTION>

<S>	COMMON STOCK <C>	SURPLUS <C>	TREASURY STOCK <C>	RETAINED EARNINGS (DEFICIT) <C>	UNREALIZED LOSS ON INVESTMENTS IN MUTUAL FUNDS <C>	TOTAL <C>
BALANCE, 12-31-89	$ 105,135	$4,660,218	$ (3,825)	$(148,455)	(288,005)	$4,325,068
Dividends $ .25/share			(52,568)			(52,568)
Unrealized appreciation on investment in mutual funds (Note 2)			(55,453)		(55,453)	
Loss realized on sale of mutual funds					46,639	46,639
Net income				319,114		319,114
BALANCE, 12-31-90	$ 105,135	$4,660,218	$(3,825)	$ 118,091	$(296,819)	$4,582,800
Dividends $ .25/share				(52,542)		(52,542)
Unrealized appreciation on investment in mutual funds (Note 2)				4,297		4,297
Loss realized on sale of mutual funds					121,842	121,842
Net income				431,258		431,258
BALANCE, 12-31-91	$ 105,135	$4,660,218	$(3,825)	$ 496,807	$(170,680)	$5,087,655
Dividends $. 25/share				(52,533)		(52,533)
Unrealized depreciation on investment in mutual funds (Note 2)				(37,009)		(37,009)
Loss realized on sale of mutual funds				85,141		85,141
Purchase of 8,515 shares of stock for the treasury			(122,531)			(122,531)
Net income				745,476		745,476
BALANCE, 12-31-92	$ 105,135	$4,660,218	$ (126,356)	$ 1,189,750	$ (122,548)	$5,706,199

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

<TABLE>

<CAPTION>

	1992	1991	1990
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from:			
Loans	$ 3,972,863	$ 4,010,129	$ 4,270,969
Investment securities	2,041,812	2,255,816	2,133,031
Federal funds sold	119,555	215,081	187,083
Rental income	88,717	96,162	61,956
Service fees	630,855	552,500	475,356
Other income	434,798	266,693	213,876
Interest paid to depositors	(2,783,267)	(3,539,487)	(3,895,189)
Interest paid on Federal funds purchased	(2,933)	(5,081)	(10,417)
Interest paid on mortgage indebtedness	(100,353)	(117,970)	(149,395)
Cash paid to suppliers and employees	(2,926,346)	(2,662,218)	(2,427,895)
Recoveries of bad debts	27,336	9,968	96,676
Redemption of cash value of life insurance	238,274	-0-	-0-
Federal income tax paid	(56,142)	-0-	-0-
Net cash provided by operating activities	$ 1,685,169	$ 1,081,593	$ 956,051
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sales of investment securities	$1,060,075	$3,995,054	$ 402,072
Proceeds from maturities of investment securities	8,387,673	2,992,816	6,356,985
Purchase of investment securities	(14,851,183)	(12,975,169)	(7,625,944)
Federal funds sold, net	350,000	2,200,000	1,028,000
Federal funds purchased, net	(85,000)	80,000	15,000
Net (increase) in loans made to customers	(4,050,974)	(4,936,416)	(2,079,275)
Purchase of fixed assets	(157,242)	(54,370)	(10,925)
Proceeds from sale of other assets and other real estate owned	252,828	394,749	282,672
Cost incurred on other real estate owned	(128,205)	-0-	-0-
Net cash used in investing activities	$(9,222,028)	$(8,303,336)	$(1,631,415)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net increase in demand deposits, NOW accounts and savings accounts	$ 8,357,623	$ 1,806,699	$ 601,980
Net increase (decrease) in time deposits	(927,180)	6,322,734	(183,386)
Payments on mortgage indebtedness	(60,837)	(132,001)	(70,576)
Dividends paid	(52,542)	(52,568)	(52,568)
Cash received on refinance of note payable	132,379	-0-	-0-
Cash paid for treasury stock	(122,531)	-0-	-0-
Net cash provided by financing activities	$ 7,326,912	$ 7,944,864	$ 295,450
Net increase (decrease) in cash and cash equivalents	$ (209,947)	$ 723,121	$ (379,914)
Cash and cash equivalents, beginning of year	4,957,032	4,233,911	4,613,825
Cash and cash equivalents, end of			

year	$ 4,747,085	$ 4,957,032	$ 4,233,911
	===========	===========	===========

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

<TABLE>
<CAPTION>

	1992	1991	1990
<S>	<C>	<C>	<C>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income	$ 745,476	$ 431,258	$319,114
	----------	----------	--------
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	$ 135,910	$ 127,431	$149,069
Amortization of construction period interest	10,219	10,219	10,219
Amortization of intangibles	4,000	4,000	4,000
Provision for loan losses	205,000	120,000	195,000
Loss on sale of investment securities	85,405	4,495	48,738
Loss on sale of assets	9,939	57,072	(6,578)
Amortization of loan premium	-0-	-0-	3,027
Amortization of capitalized loan fees	131,505	126,083	124,257
Accretion of bond discount	(39,825)	(26,409)	(28,606)
Amortization of bond premium	296,180	44,487	19,328
Recoveries on bad debts	27,336	9,968	96,676
Capitalized net loan costs	(155,419)	(134,263)	(139,891)
Charge-offs - other real estate owned and other assets	113,648	184,290	150,133
Net income attributable to minority interest	2,809	2,100	1,981
(Increase) decrease in interest receivable	(77,787)	31,820	34,608
(Increase) decrease in other assets	170,773	(41,359)	(60,725)
Increase (decrease) in interest payable	(99,012)	11,497	(27,258)
Increase (decrease) in other liabilities	(15,846)	118,904	62,959
Increase in federal income tax payable	134,858	-0-	-0-
	----------	----------	--------
Total adjustments	$ 939,693	$ 650,335	$636,937
	----------	----------	--------
Net cash provided by operating activities	$1,685,169	$1,081,593	$956,051
	==========	==========	========

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1992, 1991 AND 1990

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by Concho Bancshares, Inc., the Company, are summarized below.

Consolidation - The consolidated financial statements include Concho Bancshares, Inc. and its subsidiary, Southwest Bank of San Angelo, after elimination of significant intercompany accounts. A consolidated federal income tax return is filed with Concho Bancshares, Inc.'s subsidiary, Southwest Bank of San Angelo. Concho Bancshares, Inc. owns 99.69% of the outstanding common stock of Southwest Bank of San Angelo.

Cash flows - For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks. Cash flows from loans, demand deposits, NOW accounts, savings accounts, federal funds purchased and sold, and certificates of deposit, are reported net.

Investment securities - Securities held for investment, other than mutual funds, are stated at cost, adjusted for amortization of premiums and accretion of discounts computed on the straight-line method over the period from date of purchase to date of maturity. This method does not result in amounts that are materially different from that required by generally accepted accounting principles. The investment in mutual funds is stated at the lower of aggregate cost or market as of the balance sheet date.

Interest income on loans - Interest on commercial, real estate and student loans is recognized as earned based upon the principal amounts outstanding. Interest on installment loans is recognized as earned based on the rule of seventy-eights method.

Building and equipment - Building and equipment are stated at cost less accumulated depreciation computed by the straight-line and accelerated cost recovery system methods. Accumulated depreciation as of December 31, 1992 and 1991 is $ 2,075,690 and $ 1,930,523, respectively. Maintenance and repairs are charged to expense as incurred while improvements are capitalized and depreciated over the useful life of such improvements.

Allowance for loan losses - The allowance for loan losses is available for losses incurred on loans and is increased by provisions charged to operating expenses and reduced by charge-offs, net of recoveries. The allowance is based on management's evaluation of the adequacy of the reserve. This evaluation encompasses consideration of past loss experience and other factors, including changes in the composition and volume of the portfolio, the relationship of the allowance to the portfolio, and current economic conditions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization - Certain costs associated with the Company's investment services have been capitalized and are being amortized by the straight-line method over a period of 60 months. Total amortization expense for 1992, 1991 and 1990 was $ 4,000 each year.

Per Share Data - Earnings per share are based on the weighted average number of common shares outstanding in 1992, 1991 and 1990 of 202,387, 210,168 and 210,168, respectively.

NOTE 2: INVESTMENT SECURITIES

At December 31, 1992 and 1991 the subsidiary held mutual fund investments with a cost basis of $ 964,843 and $ 1,897,269, respectively. The portfolios of these mutual funds consisted of obligations of the United States government and agencies. As of December 31, 1992 and 1991, the aggregate cost of mutual fund investments exceeded their aggregate market value by $ 122,927 and $ 171,297 respectively.

Investment securities shown in the balance sheet are reflected net of accumulated accretion and amortization.

At December 31, 1992 and 1991, the amortized cost, estimated market values, and the gross unrealized gains and losses of investments in debt securities were as follows:

<TABLE>
<CAPTION>

	December 31, 1992			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
United States government	$17,511,071	$277,758	$(25,073)	$17,763,756
United States agencies	12,211,810	352,867	(58,156)	12,506,521
Collateralized mortgage obligation	2,938,724	84,839	(91,733)	2,931,830
Corporate bonds and notes	-0-	-0-	-0-	-0-
Total debt securities	$32,661,605	$715,464	$ (174,962)	$33,202,107

</TABLE>

Continued

NOTE 2: INVESTMENT SECURITIES (CONTINUED)

The carrying value and approximate market value of debt securities at December 31, 1992, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	Carrying Value	Approximate Market Value
<S>	<C>	<C>
Due in one year or less	$ 2,545,483	$ 2,575,470
Due after one year through five years	18,181,825	18,392,451
Due after five years through ten years	-0-	-0-
Due after ten years	11,934,297	12,234,186
	$32,661,605	$33,202,107

</TABLE>

<TABLE>
<CAPTION>

	December 31, 1991			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
United States government	$ 5,100,869	$ 151,602	$ -0-	$ 5,252,471
United States agencies	13,320,280	540,340	(10,220)	13,850,400
Collateralized mortgage obligation	8,249,479	141,603	(62,403)	8,328,679
Corporate bonds and notes	300,215	8,035	-0-	308,250
Total debt securities	$26,970,843	$ 841,580	$ (72,623)	$27,739,800

</TABLE>

NOTE 2: INVESTMENT SECURITIES (CONTINUED)

The carrying value and approximate market value of debt securities at December 31, 1991, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	Carrying Value	Approximate Market Value
<S>	<C>	<C>
Due in one year or less	$ 300,215	$ 308,250
Due after one year through five years	6,583,200	6,760,060
Due after five years through ten years	504,339	512,538
Due after ten years	19,583,089	20,158,952
	$26,970,843	$27,739,800

</TABLE>

Obligations of the United States government with par values of $ 3,000,000, were pledged to secure various deposits as of December 31, 1992 and 1991.

NOTE 3: PENSION AND PROFIT SHARING PLANS

The subsidiary has a non-contributory profit-sharing plan available to all regular employees who have completed six months of service. Contributions to this plan are at the discretion of the subsidiary's board of directors. The subsidiary also sponsors a defined contribution plan, whereby it matches 100% of employee contributions up to 4% of their compensation and 50% of contributions on the next 2% of compensation. Total expense, relating to the defined contribution plan for the years ended December 31, 1992, 1991 and 1990 was $ 42,154, $ 33,967 and $ 34,824, respectively and are included in employee benefits in the consolidated statements of income. For the year ended December 31, 1992 the subsidiary's board of directors elected to contribute $ 25,000 to the profit sharing plan. Administrative fees of the plans are paid by the subsidiary. Employer contributions of both plans vest according to the following schedule:

<TABLE>
<CAPTION>

LENGTH OF SERVICE	VESTING
<S>	<C>
2 years	20%
3 years	30%
4 years	40%
5 years	60%
6 years	80%
7 years	100%

</TABLE>

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

<TABLE>
<CAPTION>

Major classifications of loans are as follows:

	December 31, 1992	December 31, 1991
<S>	<C>	<C>
Commercial, financial and agricultural	$32,561,474	$26,479,060
Real estate	4,162,896	5,659,592
Installment, net of unearned discount	3,821,648	4,825,862
Student loans	4,101,729	3,314,090
Overdrafts	28,742	26,198
Participations sold	(1,481,150)	(599,829)
Total loans, net of unearned discount	$43,195,339	$39,704,973
Less allowance for loan losses	598,734	547,354
NET LOANS	$42,596,605	$39,157,619

Non-accrual loans are as follows:

Principal balances of loans on non-accrual status	$ 638,371	$ 864,346
Approximate interest foregone related to non-accrual loans	$ 68,000	$ 66,000

</TABLE>

Changes in the allowance for loan losses were as follows:

<TABLE>
<CAPTION>

	December 31, 1992	December 31, 1991	December 31, 1990
<S>	<C>	<C>	<C>
BALANCE, BEGINNING OF YEAR	$ 547,354	$ 510,017	$ 512,131
Provision charged to operations	205,000	120,000	195,000
Loans charged off	(180,956)	(92,631)	(293,790)
Recoveries	27,336	9,968	96,676
BALANCE, END OF YEAR	$ 598,734	$ 547,354	$ 510,017

</TABLE>

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

During the year ended December 31, 1988, the subsidiary changed its method of accounting for nonrefundable fees and costs associated with lending activities to comply with the requirements of Statement of Financial Accounting Standards No. 91. Under the new accounting method, certain lending related costs are capitalized into the loan balance and amortized against interest income over the term of the loan. Total capitalized loan cost and related amortization are as follows:

<TABLE>
<CAPTION>

	Beginning of the Year Unamortized Loan Costs	Capitalized Loan Costs	Amortization	End of the Year Unamortized Loan Costs
<S>	<C>	<C>	<C>	<C>
1992	$ 156,576	$155,419	$ 131,534	$ 180,461

1991	$ 148,396	$134,263	$ 126,083	$ 156,576
1990	$ 132,762	$139,891	$ 124,257	$ 148,396

</TABLE>

Loans, net of participations sold, at variable and fixed interest rates as of December 31, 1992 are as follows:

<TABLE>
<CAPTION>

	Variable	Fixed
<S>	<C>	<C>
Commercial, including overdrafts	$14,807,576	$16,383,126
Real estate	$ 1,445,205	$ 2,636,055
Installment	$ 428,414	$ 3,393,234
Student	$ -0-	$ 4,101,729

</TABLE>

Original maturities for each loan category as of December 31, 1992 are as follows:

Commercial - less than 1 year to 30 years

Real estate - 1 year to 30 years

Installment - less than 1 year to 10 years

Student - 1 to 2 years

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The subsidiary routinely sells its student loans to the Panhandle Plains Higher Education Agency prior to the loans reaching repayment stage. These loans are sold at face value. For 1992, 1991 and 1990, the subsidiary sold approximately $ 2,351,013, $ 2,619,000 and $ 2,038,000, respectively, of these loans under this program.

NOTE 5: LAND, BUILDING AND EQUIPMENT

Major classifications of these assets are as follows:

<TABLE>
<CAPTION>

	December 31, 1992	December 31, 1991	December 31, 1990
<S>	<C>	<C>	<C>
Land	$ 327,000	$ 327,000	$ 327,000
Buildings	3,711,293	3,691,363	3,688,863
Leasehold improvements	145,077	145,077	141,877
Automobiles	58,528	31,895	14,316
Furniture and fixtures	743,263	691,939	675,163
Assets not in service	58,393	-0-	-0-
	$5,043,554	$4,887,274	$4,847,219
Accumulated depreciation and amortization	$2,075,690	$1,930,523	$1,804,829

Land, building and equipment, net	$2,967,864	$2,956,751	$3,042,390
Depreciation and amortization expense	$ 146,129	$ 137,650	$ 159,288

</TABLE>

NOTE 6: FEDERAL INCOME TAXES

Deferred income taxes arise from timing differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. The principal sources of timing differences are different depreciation methods for tax and financial purposes, and differences in tax and financial accounting for deferred compensation arrangements, bad debt losses and bond discount accretion. No deferred federal income taxes have been recorded in these financial statements.

NOTE 6: FEDERAL INCOME TAXES (CONTINUED)

The components of income tax expense are:

<TABLE>
<CAPTION>

	December 31, 1992	December 31, 1991	December 31, 1990
<S>	<C>	<C>	<C>
Current income taxes:			
Federal	$ 251,629	$ 56,357	$ -0-
Minimum tax credit	(12,050)	-0-	-0-
General business credit	(48,579)	(9,357)	-0-
Total current taxes	$ 191,000	$ 47,000	$ -0-
Deferred tax expense (benefit):	$ -0-	$ -0-	$ -0-
Total income tax expense	$ 191,000	$ 47,000	$ -0-

</TABLE>

A reconciliation of income tax expense at the statutory rate to income tax at the bank's effective rate is as follows:

<TABLE>
<CAPTION>

	December 31, 1992	December 31, 1991	December 31, 1990
<S>	<C>	<C>	<C>
Tax at statutory rate	$ 319,356	$ 164,469	$ 108,477
Tax benefit from net operating loss carryforward	(67,727)	(164,469)	(108,477)
Minimum tax credit	(12,050)	-0-	-0-
Tax on limitation of use of net operating loss carryforward for alternative minimum tax purposes	-0-	56,357	-0-
General business credit	(48,579)	(9,357)	-0-
Income tax expense	$ 191,000	$ 47,000	$ -0-

</TABLE>

NOTE 6: FEDERAL INCOME TAXES (CONTINUED)

A consolidated tax return is filed with the Company's subsidiary, Southwest Bank of San Angelo. The above tax computations are based on the incomes and tax attributes of the consolidated entity.

The consolidated entity has available at December 31, 1992, 1991 and 1990, unused net operating loss carryforwards of $ -0-, $ 133,500 and $ 749,908, respectively, which may be applied against future taxable income. These net operating loss carryforwards will expire as follows:

<TABLE>
<CAPTION>

Year of Expiration	December 31, 1992	December 31, 1991	December 31, 1990
<S>	<C>	<C>	<C>
1991	$ -0-	$ -0-	$ 96,107
1999	-0-	-0-	55,649
2000	-0-	-0-	181,303
2001	-0-	-0-	142,707
2002	-0-	-0-	25,175
2004	-0-	133,500	248,967

</TABLE>

Investment tax credit resulting from the purchase of equipment is accounted for using the "flow-through" method, which recognizes the benefit in the period in which the assets which give rise to the credit are placed in service. At December 31, 1992, 1991 and 1990, unused investment tax credits totalling $ -0-, $ 26,032 and $ 37,009, respectively, were available for carryforward which expire as follows:

<TABLE>
<CAPTION>

Year of Expiration	1992	1991	1990
<S>	<C>	<C>	<C>
1991	$ -0-	$ -0-	$ 183
1992	-0-	-0-	277
1993	-0-	-0-	8,116
1994	-0-	-0-	1,591
1995	-0-	2,853	3,663
1996	-0-	8,105	8,105
1997	-0-	8,000	8,000
1998	-0-	5,487	5,487
1999	-0-	745	745
2000	-0-	842	842

</TABLE>

NOTE 6: FEDERAL INCOME TAXES (CONTINUED)

As of December 31, 1992 , 1991 and 1990, the Company has available for carryforward jobs tax credits of $ -0-, $ 20,927 and $ 20,927, respectively, which expire as follows:

<TABLE>
<CAPTION>
Year of

Expiration	1992	1991	1990
<S>	<C>	<C>	<C>
1992	$ -0-	$ 13,474	$ 13,474
1993	-0-	7,453	7,453

</TABLE>

NOTE 7: FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The subsidiary is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the subsidiary has in particular classes of financial instruments.

The subsidiary's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The subsidiary uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

<TABLE>
<CAPTION>

	Contract Amount
<S>	<C>
Financial instruments whose contract amounts represent credit risk:	
Commitments to extend credit	$4,740,485
Letters of Credit	726,980
	$5,467,465

</TABLE>

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. Commitments may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The subsidiary evaluates each customer's creditworthiness on a case by case basis. The amount of collateral obtained if deemed necessary by the subsidiary upon extension of credit is based upon management's credit evaluation.

NOTE 7: FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)

Letters of credit are conditional commitments issued by the bank 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.

NOTE 8: DEFERRED COMPENSATION

The subsidiary maintains a deferred compensation plan for its directors funded by the purchase of life insurance policies on each participant. Other pertinent financial information relating to the subsidiary's deferred compensation plans is as follows:

<TABLE>
<CAPTION>

	December 31, 1992	December 31, 1991	December 31, 1990
<S>	<C>	<C>	<C>
Life insurance premiums paid	$ 5,600	$ 4,400	$ 4,800

Cash surrender value of life insurance policies	$ 244,957	$ 407,863	$ 369,599
Accrued deferred compensation liability	$ 100,548	$ 107,235	$ 78,383
Current year deferred compensation expense	$ 22,744	$ 28,852	$ 25,559

</TABLE>

The deferred compensation plan of a former director was discontinued during 1992. The subsidiary recognized a gain of $ 67,514 from the discontinuance of this director's plan.

NOTE 9: RELATED PARTY TRANSACTIONS

As of December 31, 1992 and 1991, certain officers and directors and companies in which they have a beneficial ownership were indebted to the subsidiary in the aggregate amount of $ 789,332 and $ 1,191,456, respectively. On January 21, 1992, the company issued notes to certain customers and directors that are more fully described in Note 10.

NOTE 10: NOTES PAYABLE

Notes payable at December 31, 1992 represents 13 individual promissory notes issued to certain of the company's customers and directors. Each note was issued for $ 100,000 and all notes bear the same terms, maturity date and collateral. The collateral for these notes is held at Bank of the West, San Angelo, Texas. The terms of these notes are as follows:

<TABLE>

<S>	<C>
Date of notes	January 21, 1992
Maturity date	January 21, 1997
Collateral	Real Estate and 119,504 shares of Southwest Bank common stock
Interest rate	9.50%
Payments	19 quarterly payments of $ 50,702.86, including interest beginning April 21, 1992; balance due at maturity.

</TABLE>

Following are the maturities of this note over the next five years:

<TABLE>

<S>	<C>
1993	$ 88,178
1994	96,857
1995	106,392
1996	116,865
1997	830,872
Total	$1,239,164

</TABLE>

The mortgage payable at December 31, 1991 represents a note payable to a local financial institution. The terms of this note are as follows:

<TABLE>

<S>	<C>
Date of note	June 1, 1989
Maturity date	May 1, 1992
Collateral	Real Estate
Interest rate	CNB prime, not to exceed 12%

Monthly payment	$ 15,414 (principal and interest)

</TABLE>

Following are the maturities of this note over the next five years:

<TABLE>

<S>	<C>
1992	$1,167,622
	==========
Total	$1,167,622
	==========

</TABLE>

NOTE 11: RETAINED EARNINGS

Banking regulations limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agency.

NOTE 12: LEASES

The subsidiary leases computer equipment and an automobile under four agreements determined to be operating leases. The provisions of these lease agreements are described as follows:

<TABLE>
<CAPTION>

<S>	Computer Equipment #1 <C>	Computer Equipment #2 <C>	Automobile <C>	Computer Equipment #3 <C>
Primary lease term	36 mos	36 mos	30 mos	36 mos
Date of lease	12-27-89	08-23-89	10-04-89	01-29-90
Lease renewal option at expiration of primary term	24 mos	24 mos	18 mos	24 mos
Primary term:				
Year one	$ 5,664	$ 1,950	$ 531	$ 345
Year two	6,231	2,145	531	380
Year three	6,854	2,359	531	418
Option period:				
Year one	7,539	2,595	531	459
Year two	8,141	2,846	531	467
Penalty for non-renewal	18,626	6,430	-0-	1,136

</TABLE>

Minimum future rental payments under the primary and optional terms of these lease agreements as of December 31, 1992, 1991 and 1990 for each of the next five years and in the aggregate are as follows:

NOTE 12: LEASES (CONTINUED)

<TABLE>

<CAPTION>

<S>	1992 <C>	1991 <C>	1990 <C>
1991	$ -0-	$ -0-	$ 113,101
1992	-0-	98,478	98,478
1993	122,596	418	418
1994	117,012	-0-	-0-
1995	8,141	-0-	-0-
Total	$ 247,749	$ 98,896	$ 211,997

</TABLE>

Lease expense under all operating leases is as follows:

<TABLE>
<CAPTION>

<S>	1992 <C>	1991 <C>	1990 <C>
Non-cancelable operating leases	$ 98,478	$ 113,101	$ 110,843
Other leases	41,008	24,027	16,667
Total	$ 139,486	$ 137,128	$ 127,510

</TABLE>

The primary terms of the automobile lease expired during 1992. The Subsidiary did not elect to extend the term of the automobile lease. Computer equipment leases #1 and #2 were extended to the optional periods during 1992.

Other leases are agreements under which the subsidiary leases certain equipment. The terms of these agreements do not extend for more than one year from the balance sheet date or they are cancelable at the option of the lessee.

NOTE 13: CHANGE OF ACCOUNTING PRINCIPLE

In February 1992, the Financial Accounting Standards Board adopted Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes*, which supersedes substantially all existing authoritative literature for accounting for income taxes and requires deferred tax balances to be adjusted to reflect the tax rates in effect when those amounts are expected to become payable or refundable. The Statement is required to be applied in the Company's 1993 financial statements (earlier application is permitted), either by restating prior-period financial statements or by recognizing the cumulative effect of the change in the year of adoption. The Company plans to recognize the cumulative effect of the change in 1993 when it adopts the Statement. The Company would have a deferred income tax liability of $ 189,417 under the measurement principles of SFAS No. 109.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", requires all entities to disclose the estimated fair value of its financial instrument assets and liabilities. For the Company, as for most financial institutions, approximately 95% of its assets and 99% of its liabilities are considered financial instruments as defined in Statement No. 107. 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. It is also the Company's general practice and intent to hold its financial instruments to maturity and to not engage in trading or sales activities. Therefore, significant estimations and present value calculations were used by the Company for the purpose of this disclosure.

Estimated fair values have been determined by the Company using the best available data, as generally provided in the Company's Regulatory Reports, and an estimation methodology suitable for each category of financial instruments. For those loans and deposits with floating interest rates, it is presumed that estimated fair values generally approximate the recorded book balances. The estimation methodologies used, the estimated fair values, and recorded book balances at December 31, 1992, were as follows:

*Financial instruments actively traded in a secondary market have been valued using quoted available market prices.

	ESTIMATED FAIR VALUE	RECORDED BOOK BALANCE
Cash and due from banks	$ 4,747,085	$ 4,747,085
Federal funds sold	2,550,000	2,550,000
Investment securities (Note 2)	34,347,360	33,806,858

*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. Financial instrument assets with variable rates and financial instrument liabilities with no stated maturities have an estimated fair value equal to both the amount payable on demand and the recorded book balance.

	ESTIMATED FAIR VALUE	RECORDED BOOK BALANCE
Deposits with stated maturities	$ 36,061,445	$ 35,906,058
Deposits with no stated maturities	45,189,115	45,189,115
Mortgage payable	1,334,415	1,239,164

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	ESTIMATED FAIR VALUE	RECORDED BOOK BALANCE
Net loans	$ 43,125,697	$ 42,596,605

Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

The Company's remaining assets and liabilities which are not considered financial instruments have not been valued differently than has been customary with historical cost accounting. No disclosure of the relationship value of the Company's deposits is required by Statement No. 107 nor has the Company estimated its value. There is no material difference between the notional amount and the estimated fair value of off-balance-sheet unfunded loan commitments which total $ 4,740,485 and are generally priced at market at the time of funding. Letters of credit discussed in Note 7 have an estimated fair value based on fees currently charged for similar agreements. At December 31, 1992, fees related to the unexpired term of the letters of credit are not significant.

Management is concerned that reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates which 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.

Concho Bancshares, Inc.
San Angelo, Texas

COMPILATION REPORT

We have compiled the accompanying consolidated balance sheets of Concho Bancshares, Inc. and Subsidiary, as of September 30, 1993 and 1992, and the related consolidated statements of earnings, changes in stockholders' equity and cash flows for the nine months then ended and the consolidated statements of earnings for the three months ended September 30, 1993 and 1992, in accordance with the standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them. However, we did become aware of a departure from generally accepted accounting principles that is described in the following paragraph.

Statements of cash flows for the three month periods ended September 30, 1993 and 1992 have not been presented. Generally accepted accounting principles require a statement of cash flows to be presented for each period for which results of operations are provided when financial statements report both financial position and results of operations.

The balance sheet as of December 31, 1992 was audited by us as part of an audit of Concho Bancshares, Inc's financial statements, and we expressed an unqualified opinion on those financial statements in our report dated February 12, 1993, but we have not performed any auditing procedures since that date.

Armstrong, Backus & Co., L.L.P.

December 6, 1993

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

	UNAUDITED		AUDITED
	SEPTEMBER 30,		DECEMBER 31,
	1993	1992	1992
<S>	<C>	<C>	<C>
ASSETS:			
Cash and due from banks (Note 1)	$ 3,519,769	$ 3,593,736	$ 4,747,085
Federal funds sold (Note 1)	2,500,000	-0-	2,550,000
Investment securities: (Notes 1 & 2)			
U. S. Treasury and government agencies	28,563,616	26,619,044	29,722,881
Other	6,231,924	5,399,085	4,083,977
Total investment securities	$ 34,795,540	$ 32,018,129	$ 33,806,858
Loans (Notes 1, 4, 7 & 9)	44,219,942	44,399,838	43,568,513
Less: Allowance for loan losses	596,602	559,411	598,734
Unearned discount	259,357	382,651	373,174
Net loans	$ 43,363,983	$ 43,457,776	$ 42,596,605
Bank premises and equipment, net (Notes 1, 5 & 9)	2,837,744	2,921,942	2,967,864
Other assets (Note 8)	2,093,104	2,455,566	2,195,934

TOTAL ASSETS	$ 89,110,140	$ 84,447,149	$ 88,864,346
LIABILITIES:			
Non-interest bearing deposits (Note 1)	$ 12,701,741	$ 11,391,192	$ 13,002,139
Interest bearing deposits - demand (Note 1)	33,933,148	29,808,496	32,186,976
Interest bearing deposits - time (Note 1 & 2)	34,267,984	35,667,049	35,906,058
Total deposits	$ 80,902,873	$ 76,866,737	$ 81,095,173
Short-term borrowings (Note 10)	130,000	-0-	-0-
Mortgage payable (Note 10)	1,173,589	1,259,703	1,239,164
Other liabilities (Note 8)	1,087,074	734,626	823,810
TOTAL LIABILITIES	$ 83,293,536	$ 78,861,066	$ 83,158,147
SHAREHOLDERS' EQUITY:			
Common stock, $ .50 par value; 500,000 shares authorized, 210,270 shares issued, 185,386, 201,690 and 201,653 shares outstanding, respectively	$ 105,135	$ 105,135	$ 105,135
Capital surplus	4,660,218	4,660,218	4,660,218
Retained earnings (Note 11)	1,564,776	1,071,480	1,189,750
Treasury stock, cost	(471,216)	(125,968)	(126,356)
Unrealized loss on securities, net (Note 2)	(42,309)	(124,782)	(122,548)
TOTAL SHAREHOLDERS' EQUITY	$ 5,816,604	$ 5,586,083	$ 5,706,199
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 89,110,140	$ 84,447,149	$ 88,864,346

</TABLE>

See accountants' compilation report.
The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF EARNINGS

<TABLE>
<CAPTION>

	UNAUDITED			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	1993	1992	1993	1992
<S>	<C>	<C>	<C>	<C>
INTEREST INCOME: (Notes 1, 2, 4 & 9)				
Loans, including fees	$ 992,324	$ 993,549	$2,961,602	$2,958,264
Investment income - taxable	464,625	477,927	1,443,962	1,458,478
Interest on federal funds sold and other	36,392	31,183	73,847	97,100
Total interest income	$1,493,341	$1,502,659	$4,479,411	$4,513,842
INTEREST EXPENSE:				
Interest bearing deposits	$ 548,974	$ 644,014	$1,670,440	$2,082,399
Term and other indebtedness (Note 10)	30,512	30,269	88,295	89,733
Total interest expense	$ 579,486	$ 674,283	$1,758,735	$2,172,132
NET INTEREST INCOME	$ 913,855	$ 828,376	$2,720,676	$2,341,710
Provision for loan losses (Notes 1 & 4)	59,000	37,000	105,000	67,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	$ 854,855	$ 791,376	$2,615,676	$2,274,710

OTHER INCOME:					
Service fees on deposit accounts		$ 163,378	$ 144,065	$ 474,432	$ 425,457
Other		135,365	194,442	382,648	409,340
Total other income		$ 298,743	$ 338,507	$ 857,080	$ 834,797
OTHER EXPENSE:					
Salaries and employee benefits	(Note 3)	$ 391,792	$ 370,150	$1,155,421	$1,060,860
Net occupancy and equipment expenses	(Notes 5 & 12)	91,220	79,998	267,186	233,579
Equipment rentals, depreciation and maintenance	(Notes 5 & 12)	55,781	64,317	176,369	182,450
FDIC assessments		45,954	41,869	134,342	123,978
Correspondent bank service charges		16,034	14,720	44,970	42,130
Other	(Notes 1, 4 & 8)	230,232	222,522	740,229	666,837
Total other expense		$ 831,013	$ 793,576	$2,518,517	$2,309,834
EARNINGS BEFORE INCOME TAXES		$ 322,585	$ 336,307	$ 954,239	$ 799,673
Provision for income tax	(Note 6)	119,000	110,000	348,000	225,000

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF EARNINGS

(CONTINUED)

<TABLE>
<CAPTION>

<S>	UNAUDITED			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	1993 <C>	1992 <C>	1993 <C>	1992 <C>
EARNINGS BEFORE CUMULATIVE ADJUSTMENT (Note 13)	$ 203,585	$ 226,307	$ 606,239	$ 574,673
Cumulative adjustment - change in accounting principle	(-0-)	-0-	(231,213)	-0-
NET EARNINGS AFTER CUMULATIVE ADJUSTMENT DUE TO CHANGE IN ACCOUNTING PRINCIPLE	$ 203,585	$ 226,307	$ 375,026	$ 574,673
EARNINGS PER SHARE BEFORE CUMULATIVE ADJUSTMENT*	$ 1.10	$ 1.12	$ 3.12	$ 2.84
NET EARNINGS PER SHARE AFTER CUMULATIVE ADJUSTMENT*	$ 1.10	$ 1.12	$ 1.93	$ 2.84
DIVIDENDS PER SHARE**	$ 0.00	$ 0.00	$ 0.00	$ 0.00

</TABLE>

*Earnings per share are calculated using weighted average shares outstanding for each period presented.

**Dividends per share are calculated using actual number of shares outstanding at the end of each period presented.

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY

<TABLE>
<CAPTION>

UNAUDITED

	CAPITAL STOCK		CAPITAL SURPLUS	RETAINED EARNINGS	TREASURY STOCK		UNREALIZED LOSS ON SECURITIES	TOTAL STOCKHOLDERS' EQUITY
	SHARES	AMOUNT			SHARES	AMOUNT		
BALANCES AT JANUARY 1, 1992	210,270	$ 105,135	$4,660,218	$ 496,807	102	($ 3,825)	($ 170,680)	$ 5,087,655
Net earnings - year to date				574,673				574,673
Purchase treasury stock					8,478	(122,143)		(122,143)
Decrease in unrealized loss (Note 2)							45,898	45,898
BALANCES AT SEPTEMBER 30, 1992	210,270	$ 105,135	$4,660,218	$ 1,071,480	8,580	($ 125,968)	($ 124,782)	$ 5,586,083
BALANCES AT JANUARY 1, 1993	210,270	$ 105,135	$4,660,218	$ 1,189,750	8,617	($ 126,356)	($ 122,548)	$ 5,706,199
Net earnings - year to date				375,026				375,026
Purchase treasury stock					16,267	(344,860)		(344,860)
Deferred FIT benefit on unrealized loss (Note 13)							41,688	41,688
Decrease in unrealized loss (Note 2)							38,551	38,551
BALANCES AT SEPTEMBER 30, 1993	210,270	$ 105,135	$4,660,218	$ 1,564,776	24,884	($ 471,216)	($ 42,309)	$ 5,816,604

</TABLE>

See accountants' compilation report.
The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	UNAUDITED	
	NINE MONTHS ENDED SEPTEMBER 30,	
	1993	1992
<S>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 375,026	$ 574,673
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	125,401	105,597
Provision for loan losses	105,000	67,000
Loss on sale/write down of assets	99,363	164,364
Premium amortization, net of discount accretion	253,177	170,342
Changes in other assets and liabilities:		
Increase (decrease) in other liabilities	367,322	(1,233)
(Increase) decrease in other assets	(327,318)	(243,695)
Net cash provided by operating activities	$ 997,971	$ 837,048
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investment securities	$ 656,621	$ 754,176
Proceeds from maturity of investment securities	4,287,501	6,379,250
Purchase of investment securities	(6,182,353)	(10,651,159)
Net (increase) in loans	(494,288)	(4,653,370)
Purchase of property, plant and equipment	(53,619)	(70,788)
Proceeds from sale of fixed and other assets	46,120	-0-
Net (increase) decrease in Fed Funds sold	50,000	2,900,000
Net cash (used) by investing activities	($ 1,690,018)	($ 5,341,891)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase in demand deposits	$ 1,432,955	$ 3,843,667
Net increase in savings deposits	232,390	524,530
Net (decrease) in time deposits	(1,857,645)	(1,166,190)
Cash received on short-term borrowings	130,000	-0-
Net (decrease) in Fed Funds purchased	(10,000)	(100,000)
Principal paid on long-term debt	(65,576)	(40,297)
Cash received on refinance of long-term debt	-0-	132,379
Dividends paid	(52,533)	(52,542)
Purchase of treasury stock	(344,860)	-0-
Net cash provided (used) by financing activities	($ 535,269)	$ 3,141,547
Net (decrease) in cash and cash equivalents	($ 1,227,316)	($ 1,363,296)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,747,085	4,957,032
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,519,769	$ 3,593,736

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	UNAUDITED NINE MONTHS ENDED SEPTEMBER 30, 1993	UNAUDITED NINE MONTHS ENDED SEPTEMBER 30, 1992
<S>	<C>	<C>
SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Assets acquired through foreclosure	$ 75,319	$ 446,561
Parent purchased 8,478 shares of its stock from subsidiary	$ -0-	$ 122,143
OTHER DISCLOSURES:		
Interest paid	$ 1,772,413	$ 2,268,340
Federal income tax paid	$ 298,257	$ 42,106

</TABLE>

The accompanying notes are an integral part of this statement.

CONCHO BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 (AUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992 (UNAUDITED)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies adopted by Concho Bancshares, Inc., the Company, are summarized below.

Consolidation - The consolidated financial statements include Concho Bancshares, Inc. and its subsidiary, Southwest Bank of San Angelo, after elimination of significant intercompany accounts. A consolidated federal income tax return is filed with Concho Bancshares, Inc.'s subsidiary, Southwest Bank of San Angelo. Concho Bancshares, Inc. owns 99.69% of the outstanding common stock of Southwest Bank of San Angelo.

Cash flows - For purposes of reporting cash flows, cash and cash equivalents include cash on hand and amounts due from banks. Cash flows from loans, demand deposits, NOW accounts, savings accounts, federal funds purchased and sold, and certificates of deposit, are reported net.

Investment securities - Securities held for investment, other than mutual funds, are stated at cost, adjusted for amortization of premiums and accretion of discounts computed on the straight-line method over the period from date of purchase to date of maturity. The investment in mutual funds is stated at the lower of aggregate cost or market as of the balance sheet date.

Interest income on loans - Interest on commercial, real estate and student loans is recognized as earned based upon the principal amounts outstanding. Interest on installment loans is recognized as earned based on the rule of seventy-eights method.

Building and equipment - Building and equipment are stated at cost less accumulated depreciation computed by the straight-line and accelerated cost recovery system methods. Accumulated depreciation as of September 30, 1993 and 1992 is $ 2,117,360 and $ 1,949,468, respectively. Maintenance and repairs are charged to expense as incurred while improvements are capitalized and depreciated over the useful life of such improvements.

Allowance for loan losses - The allowance for loan losses is available for losses incurred on loans and is increased by provisions charged to operating expenses and reduced by charge-offs, net of recoveries. The allowance is based on management's evaluation of the adequacy of the reserve. This evaluation encompasses consideration of past loss experience and other factors, including changes in the composition and volume of the portfolio, the relationship of the allowance to the portfolio, and current economic conditions.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortization - Certain costs associated with the Company's investment services have been capitalized and are being amortized by the straight-line method over a period of 60 months. Total amortization expense for the nine months ended September 30, 1993 and 1992 was $ 3,000 each period.

NOTE 2: INVESTMENT SECURITIES

At December 31, 1992 and September 30, 1993 and 1992 the subsidiary held mutual fund investments with a cost basis of $ 964,843, $ 715,122 and $ 1,070,889, respectively. The portfolios of these mutual funds consisted of obligations of the United States government and agencies. As of December 31, 1992 and September 30, 1993 and 1992, the aggregate cost of mutual fund investments exceeded their aggregate market value by $ 122,927, $ 84,213 and $ 125,168 respectively.

Investment securities shown in the balance sheet are reflected net of accumulated accretion and amortization.

At December 31, 1992 and September 30, 1993 and 1992, the amortized cost, estimated market values, and the gross unrealized gains and losses of investments in debt securities were as follows:

<TABLE>
<CAPTION>

	DECEMBER 31, 1992			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
<S>	<C>	<C>	<C>	<C>
United States government	$ 17,511,071	$ 277,758	($ 25,073)	$ 17,763,756
United States agencies	12,211,810	352,867	(58,156)	12,506,521
Collateralized mortgage obligation	2,938,724	84,839	(91,733)	2,931,830
Corporate bonds and notes	-0-	-0-	-0-	-0-
Subtotal	$ 32,661,605	$ 715,464	($ 174,962)	$ 33,202,107
FHLB stock	303,337	-0-	-0-	303,337
Total	$ 32,964,942	$ 715,464	($ 174,962)	$ 33,505,444

</TABLE>

Continued

NOTE 2: INVESTMENT SECURITIES (Continued)

The carrying value and approximate market value of debt securities at December 31, 1992, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	CARRYING VALUE	APPROXIMATE MARKET VALUE
<S>	<C>	<C>
Due in one year or less	$ 2,545,483	$ 2,575,470
Due after one year through five years	18,181,825	18,392,451
Due after five years through ten years	-0-	-0-
Due after ten years	11,934,297	12,234,186
	$32,661,605	$33,202,107

</TABLE>

<TABLE>
<CAPTION>

	SEPTEMBER 30, 1993			
	AMORTIZED COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	ESTIMATED MARKET VALUE
<S>	<C>	<C>	<C>	<C>
United States government	$ 18,939,208	$ 473,763	$ -0-	$ 19,412,971
United States agencies	9,624,408	277,011	(31,188)	9,870,231
Collateralized mortgage obligation	5,290,015	50,631	(36,385)	5,304,261
Corporate bonds and notes	-0-	-0-	-0-	-0-
Subtotal	$ 33,853,631	$ 801,405	($ 67,573)	$ 34,587,463
FHLB stock	311,000	-0-	-0-	311,000
Total	$ 34,164,631	$ 801,405	($ 67,573)	$ 34,898,463

</TABLE>

Continued

NOTE 2: INVESTMENT SECURITIES (Continued)

The carrying value and approximate market value of debt securities at September 30, 1993, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	Carrying Value	Approximate Market Value
<S>	<C>	<C>
Due in one year or less	$ 8,093,560	$ 8,195,341
Due after one year through five years	13,442,299	13,795,043
Due after five years through ten years	969,024	969,158
Due after ten years	11,348,748	11,627,923
	$33,853,631	$34,587,465

</TABLE>

<TABLE>
<CAPTION>

	September 30, 1993			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
<S>	<C>	<C>	<C>	<C>
United States government	$14,369,400	$ 473,412	$ -0-	$14,842,812
United States agencies	12,249,644	467,437	(24,725)	12,692,356
Collateralized mortgage obligation	3,852,632	72,615	(36,730)	3,888,517
Corporate bonds and notes	300,032	718	-0-	300,750
Subtotal	$30,771,708	$ 1,014,182	($61,455)	$31,724,435
FHLB stock	$ 300,700	-0-	-0-	300,700
Total	$31,072,408	$ 1,014,182	($61,455)	$32,025,135

</TABLE>

Continued

NOTE 2: INVESTMENT SECURITIES (CONTINUED)

The carrying value and approximate market value of debt securities at September 30, 1992, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	CARRYING VALUE	APPROXIMATE MARKET VALUE
<S>	<C>	<C>
Due in one year or less	$ 808,448	$ 825,594
Due after one year through five years	15,989,021	16,461,594
Due after five years through ten years	423,558	430,376
Due after ten years	13,550,681	14,006,871
	$30,771,708	$31,724,435

</TABLE>

Obligations of the United States government with par values of $ 3,000,000, $ 2,500,000 and $ 4,025,728, were pledged to secure various deposits as of December 31, 1992 and September 30, 1993 and 1992, respectively.

NOTE 3: PENSION AND PROFIT SHARING PLANS

The subsidiary has a non-contributory profit-sharing plan available to all regular employees who have completed six months of service. Contributions to this plan are at the discretion of the subsidiary's board of directors. The subsidiary also sponsors a defined contribution plan, whereby it matches 100% of employee contributions up to 4% of their compensation and 50% of contributions on the next 2% of compensation. Total expense, relating to the defined contribution plan for the nine months ended September 30, 1993 and 1992 was $ 33,693, and $ 37,603, respectively and are included in employee benefits in the consolidated statements of income. Administrative fees of the plans are paid by the subsidiary. Employer contributions of both plans vest according to the following schedule:

<TABLE>
<CAPTION>

LENGTH OF SERVICE	VESTING
<S>	<C>
2 years	20%
3 years	30%
4 years	40%
5 years	60%
6 years	80%
7 years	100%

</TABLE>

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES

Major classifications of loans are as follows:

<TABLE>
<CAPTION>

	SEPTEMBER 30,		SEPTEMBER 31,
	1993	1992	1992
<S>	<C>	<C>	<C>
Commercial	$33,191,260	$32,075,609	$32,561,474
Real estate	4,063,054	4,459,462	4,162,896
Installment, net of unearned discount	2,828,785	3,934,979	3,821,648
Student loans	4,791,072	4,304,375	4,101,729
Overdrafts	33,714	22,093	28,742
Participations sold	(947,300)	(779,331)	(1,481,150)

Total loans, net of unearned discount	$43,960,585	$44,017,187	$43,195,339
Less allowance for loan losses	596,602	559,411	598,734
NET LOANS	$43,363,983	$43,457,776	$42,596,605

Non-accrual loans are as follows:

Principal balances of loans on non-accrual status	$ 701,469	$ 795,417	$ 638,371
Approximate interest foregone related to non-accrual loans	$ 42,000	$ 53,000	$ 68,000

Changes in the allowance for loan losses were as follows:

BALANCE, BEGINNING OF PERIOD	$ 598,734	$ 547,354	$ 547,354
Provision charged to operations	105,000	67,000	205,000
Loans charged off	(156,246)	(80,889)	(180,956)
Recoveries	49,114	25,946	27,336
BALANCE, END OF PERIOD	$ 596,602	$ 559,411	$ 598,734

</TABLE>

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES (Continued)

During the year ended December 31, 1988, the subsidiary changed its method of accounting for nonrefundable fees and costs associated with lending activities to comply with the requirements of Statement of Financial Accounting Standards No. 91. Under the new accounting method, certain lending related costs are capitalized into the loan balance and amortized against interest income over the term of the loan. Total capitalized loan cost and related amortization are as follows:

<TABLE>
<CAPTION>

	BEGINNING OF THE PERIOD UNAMORTIZED LOAN COSTS	CAPITALIZED LOAN COSTS	AMORTIZATION	END OF THE PERIOD UNAMORTIZED LOAN COSTS
<S>	<C>	<C>	<C>	<C>
December 31, 1992	$156,576	$155,419	$131,534	$180,461
September 30, 1993	$180,461	$115,569	$115,635	$180,395
September 30, 1992	$156,576	$119,000	$ 95,115	$180,461

</TABLE>

Loans at variable and fixed interest rates as of September 30, 1993 and 1992 are as follows:

<TABLE>
<CAPTION>

	December 31, 1992		September 30, 1993		September 30, 1992	
	Variable	Fixed	Variable	Fixed	Variable	Fixed
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial, including overdrafts	$14,807,576	$16,383,126	$12,604,611	$19,748,620	$16,317,339	$15,084,251
Real estate	$ 1,445,205	$ 2,636,055	$ 837,375	$ 3,150,122	$ 1,006,537	$ 3,369,706
Installment	$ 428,414	$ 3,393,234	$ 113,325	$ 2,715,460	$ 432,848	$ 3,502,131
Student	$ -0-	$ 4,101,729	$ -0-	$ 4,791,072	$ -0-	$ 4,304,375

</TABLE>

Original maturities for each loan category as of December 31, 1992 and September 30, 1993 and 1992 are as follows:

Commercial - less than 1 year to 30 years

Real estate - 1 year to 30 years

Installment - less than 1 year to 10 years

Student - 1 to 2 years

CONCHO BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 (AUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992 (UNAUDITED)

NOTE 4: LOANS AND ALLOWANCE FOR LOAN LOSSES (CONTINUED)

The subsidiary routinely sells its student loans to the Panhandle Plains Higher Education Agency prior to the loans reaching repayment stage. For the nine months ended September 30, 1993 and 1992, the subsidiary sold approximately $ 2,561,871 and $ 1,619,700, respectively, of these loans under this program.

NOTE 5: LAND, BUILDING AND EQUIPMENT

Major classifications of these assets are as follows:

<TABLE>
<CAPTION>

	September 30, 1993	September 30, 1992	December 31, 1992
<S>	<C>	<C>	<C>
Land	$ 327,000	$ 327,000	$ 327,000
Buildings	3,719,533	3,701,945	3,711,293
Leasehold improvements	147,900	145,077	145,077
Automobiles	58,528	49,271	58,528
Furniture and fixtures	732,702	734,768	743,263
Assets not in service	-0-	-0-	58,393
	$ 4,985,663	$ 4,958,061	$ 5,043,554
Accumulated depreciation and amortization	2,147,919	2,036,119	2,075,690
Land, building and equipment, net	$ 2,837,744	$ 2,921,942	$ 2,967,864

Depreciation and amortization expense	$ 125,401	$ 105,597	$ 146,129

</TABLE>

NOTE 6: FEDERAL INCOME TAXES

Concho Bancshares, Inc. files a consolidated tax return with it's sole subsidiary, Southwest Bank of San Angelo. The provisions for federal income taxes for the nine month periods ended September 30, 1993 and 1992 are based on the incomes and tax attributes of the consolidated entity.

Income tax expense for the nine months ended September 30, 1993 and 1992, is based on the Company's estimate of the effective tax rates expected to be applicable for the full year.

NOTE 7: FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK

The subsidiary is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve elements of credit risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the subsidiary has in particular classes of financial instruments.

The subsidiary's exposure to credit loss in the event of nonperformance by the other party to the financial instruments for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The subsidiary uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The contract amounts of these commitments are as follows:

<TABLE>
<CAPTION>

	September 30, 1993	December 31, 1992
<S>	<C>	<C>
Financial instruments whose contract amounts represent credit risk:		
Commitments to extend credit	$ 6,364,572	$ 4,740,485
Letters of Credit	790,234	726,980
	$ 7,154,806	$ 5,467,465

</TABLE>

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. Commitments may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The subsidiary evaluates each customer's creditworthiness on a case by case basis. The amount of collateral obtained if deemed necessary by the subsidiary upon extension of credit is based upon management's credit evaluation.

NOTE 7: FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK (CONTINUED)

Letters of credit are conditional commitments issued by the bank 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.

NOTE 8: DEFERRED COMPENSATION

The subsidiary maintains a deferred compensation plan for its directors funded by the purchase of life insurance policies on each participant. Other pertinent financial information relating to the subsidiary's deferred compensation plans is as follows:

<TABLE>
<CAPTION>

	September 30, 1993	September 30, 1992	December 31, 1992
<S>	<C>	<C>	<C>
Life insurance premiums paid	$ 3,200	$ 4,480	$ 5,600
Cash surrender value of life insurance policies	$ 265,487	$ 235,967	$ 244,957
Accrued deferred compensation liability	$ 123,174	$ 94,862	$ 100,548
Current year deferred compensation expense	$ 22,626	$ 17,298	$ 22,744

</TABLE>

NOTE 9: RELATED PARTY TRANSACTIONS

As of December 31, 1992 and September 30, 1993 and 1992, certain officers and directors and companies in which they have a beneficial ownership were indebted to the subsidiary in the aggregate amount of $ 789,332, $ 883,813 and $ 884,207, respectively. On January 31, 1992, the company issued notes to certain customers and directors that are more fully described in Note 10.

NOTE 10: NOTES PAYABLE

Notes payable represents one note payable to a local financial institution and 13 individual promissory notes issued to certain of the company's customers and directors. Original principal amount of the note payable to the financial institution was $ 130,000. Each of the 13 individual promissory notes was issued for $ 100,000 and all bear the same terms, maturity date and collateral. The collateral for the 13 promissory notes is held at Bank of the West, San Angelo, Texas. The terms of these notes are as follows:

<TABLE>
<CAPTION>

	LENDER	
	Bank of the West	13-Various
Date of note(s)	June 2, 1993	January 21, 1992
Maturity date	June 2, 1994	January 21, 1997
Collateral	Unsecured	Real estate and 119,504 shares of Southwest Bank common stock
Interest rate	7.00%	9.50%
Payments	Balance due at maturity	19 quarterly payments of $ 50,702.86, including interest, beginning April 21, 1992; balance due at maturity

</TABLE>

Following are the maturities of these notes over the next five years:

1993-94	$ 224,611
1994-95	103,924
1995-96	114,154
1996-97	860,900
1997-98	-0-
Total	$ 1,303,589

NOTE 11: RETAINED EARNINGS

Banking regulations limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agency.

NOTE 12: LEASES

As of December 31, 1992 and September 30, 1992, the subsidiary leased computer equipment under agreements determined to be operating leases. The provisions of these lease agreements are described as follows:

	Computer Equipment Lease #1	Computer Equipment Lease #2	Computer Equipment Lease #3
Primary lease term	36 mos	36 mos	36 mos
Date of lease	12-27-89	08-23-89	01-29-90
Lease renewal option at expiration of primary term	24 mos	24 mos	24 mos
Monthly lease amount Primary term:			
Year one	$ 5,664	$ 1,950	$ 345
Year two	6,231	2,145	380

Year three	6,854	2,359	418
Option period:			
Year one	7,539	2,595	459
Year two	8,141	2,846	467
Penalty for non-renewal	18,626	6,430	1,136

</TABLE>

CONCHO BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 (AUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992 (UNAUDITED)

NOTE 12: LEASES (CONTINUED)

Minimum future rental payments under the primary and optional terms of these lease agreements as of December 31, 1992 and September 30, 1992 for each of the next five years and in the aggregate are as follows:

<TABLE>
<CAPTION>

	September 30, 1992	December 31, 1992
<S>	<C>	<C>
1993	$ 126,125	$ 122,596
1994	130,528	117,012
1995	17,683	8,141
1996	-0-	-0-
1997	-0-	-0-
Total	$ 274,336	$ 247,749

</TABLE>

As of September 30, 1993, the subsidiary leased computer equipment under an agreement determined to be an operating lease. The lease agreements that previously existed were terminated and combined into one lease agreement dated February 23, 1993. The provisions of this agreement are described as follows:

<TABLE>

<S>	<C>
Primary term	36 mos.
Date of lease	2-23-93
Lease renewal option at expiration of primary term	24 mos.
Primary term	$ 6,890/mo.
Option period	$ 6,890/mo.
Penalty for non-renewal	$ 20,150

</TABLE>

Minimum future rental payments under the primary and optional terms of this lease agreement as of September 30, 1993 for each of the next five years and in the aggregate are as follows:

<TABLE>

<S>	<C>
1994	$ 82,680
1995	82,680
1996	82,680
1997	82,680

1998	27,560
Total	$ 358,280

</TABLE>

NOTE 12: LEASES (CONTINUED)

Lease expense under all operating leases is as follows:

<TABLE>
<CAPTION>

<S>	September 30, 1993 <C>	September 30, 1992 <C>
Non-cancelable operating leases	$ 64,987	$ 88,706
Other leases	26,588	21,256
Total	$ 91,575	$ 109,962

</TABLE>

Other leases are agreements under which the subsidiary leases certain equipment. The terms of these agreements do not extend for more than one year from the balance sheet date or they are cancelable at the option of the lessee.

NOTE 13: CHANGE IN ACCOUNTING PRINCIPLE

During the nine month period ended September 30, 1993, the Company changed its method of accounting for federal income taxes to conform with the requirements of Statement of Financial Accounting Standards No. 109. No effect on federal income taxes for the nine months ended September 30, 1993 has been recorded based upon the application of the new accounting principle. Financial statements for periods ended prior to January 1, 1993 have not been restated, and the cumulative effect of the change of $ 231,213 ($ 1.19 per share) is shown as a one-time charge to income in the September 30, 1993 income statement.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments", requires all entities to disclose the estimated fair value of its financial instrument assets and liabilities. For the Company, as for most financial institutions, approximately 95% of its assets and 99% of its liabilities are considered financial instruments as defined in Statement No. 107. 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. It is also the Company's general practice and intent to hold its financial instruments to maturity and to not engage in trading or sales activities. Therefore, significant estimations and present value calculations were used by the Company for the purpose of this disclosure.

Estimated fair values have been determined by the Company using the best available data, as generally provided in the Company's Regulatory Reports, and an estimation methodology suitable for each category of financial instruments. For those loans and deposits with floating interest rates, it is presumed that estimated fair values generally approximate the recorded book balances. The estimation methodologies used, the estimated fair values, and recorded book balances at December 31, 1992, and September 30,1993 were as follows:

CONCHO BANCSHARES, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 1992 (AUDITED)

NINE MONTHS ENDED SEPTEMBER 30, 1993 AND 1992 (UNAUDITED)

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

*Financial instruments actively traded in a secondary market have been valued using quoted available market prices.

<TABLE>
<CAPTION>

	ESTIMATED FAIR VALUE		RECORDED BOOK BALANCE	
	September 30, 1993	December 31, 1992	September 30, 1993	December 31, 1992
<S>	<C>	<C>	<C>	<C>
Cash and due from banks	$ 3,519,769	$ 4,747,085	$ 3,519,769	$ 4,747,085
Federal funds sold	2,500,000	2,550,000	2,500,000	2,550,000
Investment securities (Note 2)	35,529,372	34,347,360	34,795,540	33,806,858

</TABLE>

*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. Financial instrument assets with variable rates and financial instrument liabilities with no stated maturities have an estimated fair value equal to both the amount payable on demand and the recorded book balance.

<TABLE>
<CAPTION>

	ESTIMATED FAIR VALUE		RECORDED BOOK BALANCE	
	September 30, 1993	December 31, 1992	September 30, 1993	December 31, 1992
<S>	<C>	<C>	<C>	<C>
Deposits with stated maturities	$ 34,433,825	$ 36,061,445	$ 34,267,984	$ 35,906,058
Deposits with no stated maturities	46,634,889	45,189,115	46,634,889	45,189,115
Mortgage payable	1,268,920	1,334,415	1,173,589	1,239,164
Net loans	43,393,878	43,125,697	43,363,983	42,596,605

</TABLE>

Changes in assumptions or estimation methodologies may have a material effect on these estimated fair values.

The Company's remaining assets and liabilities which are not considered financial instruments have not been valued differently than has been customary with historical cost accounting. No disclosure of the relationship value of the Company's deposits is required by Statement No. 107 nor has the Company estimated its value. There is no material difference between the notional amount and the estimated fair value of off-balance-sheet unfunded loan commitments which total $ 4,740,485 and $ 6,364,572 at December 31, 1992 and September 30, 1993, respectively, and are generally priced at market at the time of funding. Letters of credit discussed in Note 7 have an estimated fair value based on fees currently charged for similar agreements. At December 31, 1992 and September 30, 1993, fees related to the unexpired term of the letters of credit are not significant.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Management is concerned that reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates which 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.

NOTE 15: SUBSEQUENT EVENT

On November 29, 1993, the Company rescinded the May 1993 purchase of 16,267 shares of stock into the treasury at the original purchase price of $344,860. This agreement was entered into in complete settlement of a claim asserted by the stockholder relating to the possible acquisition of the company by First Financial Bankshares, Inc. The Company agreed to repurchase the shares of stock at the same purchase price in the event that the proposed stock exchange offer by First Financial Bankshares, Inc. is not consummated.

Annex A

January 7, 1994

The Board of Directors
Concho Bancshares, Inc.
P. O. Box 60410
San Angelo, Texas 76906

Dear Sirs

Pursuant to Section 2.2 of the Stock Exchange Agreement and Plan of Reorganization, dated as of December 7, 1993 (the "Agreement") among First Financial Bankshares, Inc. ("First Financial"), Concho Bancshares, Inc. ("Concho") and Southwest Bank of San Angelo ("Southwest Bank"), our opinion has been requested with respect to certain of the Federal income tax consequences of the exchange by the Concho shareholders of their Concho stock for First Financial voting common stock (the "Stock Exchange") and the merger of Concho with and into First Financial Bankshares of Delaware, Inc. ("FFB Delaware"), a wholly-owned subsidiary of First Financial (the "Merger"). This opinion letter supersedes our opinion letter dated December 17, 1993.

In rendering our opinion, we have reviewed the Agreement and such other documents as we have deemed necessary or appropriate. We have relied upon the accuracy and completeness of the facts, information, covenants and representations contained in the Agreement and such other documents. Furthermore, we have assumed that the Stock Exchange and Merger will be consummated in accordance with the Agreement and that the Merger will qualify as a merger under applicable State law.

In rendering our opinion, we have considered the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, pertinent judicial authorities, interpretive rulings of the Internal Revenue Service and such other authorities as we have considered relevant. It should be noted that statutes, regulations, judicial decisions and administrative interpretations are subject to change at any time and, in some circumstances, with retroactive effect. A material change in the authorities upon which our opinion is based could affect our conclusions. However, we assume no obligation to revise or supplement this opinion if any subsequent change were to occur.

Requisite to a tax-free reorganization under the Code is a continuity of interest in the business enterprise on the part of those persons who were the owners of the enterprise prior to the reorganization. Accordingly, the Concho shareholders, as a group, will be required to satisfy the continuity of interest doctrine through a post-exchange continuing ownership of the First Financial voting common stock received in the Stock Exchange. In this regard, a disposition by the Concho shareholders of a substantial portion (in the aggregate) of their post-exchange First Financial shares which is pursuant to a plan, intention or arrangement existing at the time of the Stock Exchange will result in a failure to satisfy the continuity of interest doctrine. The Internal Revenue Service takes the position that 50 percent (in the aggregate) constitutes a "substantial portion." A failure to satisfy the continuity of interest doctrine will result in the Stock Exchange being a taxable transaction to the Concho shareholders. In rendering our opinion, we have assumed that the continuity of interest doctrine can and will be satisfied.

Also requisite to a tax-free reorganization under the Code is a continuity of the business enterprise under the modified corporate form. The continuity of business enterprise doctrine requires that the acquiring corporation either continue the acquired corporation's historic business or use a significant portion of the acquired corporation's historic business assets in a business. Accordingly, in order to satisfy the continuity of business enterprise doctrine, First Financial and/or one or more of its controlled subsidiaries will be required to either continue the historic business of Concho and Southwest Bank or use a significant portion of the historic business assets of Concho and Southwest Bank in a business. A failure to satisfy the continuity of business enterprise doctrine will result in the Stock Exchange being a taxable transaction to the Concho shareholders. In rendering our opinion, we have assumed that the continuity of business enterprise doctrine will be satisfied.

In addition to the requirements noted in the foregoing for a tax-free reorganization under the Code, there is the requirement that, immediately after a stock-for-stock exchange, the acquiring corporation must have control of the acquired corporation. For purposes of the reorganization provisions of the Code, the term "control" means the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation. Therefore, in order to satisfy the control requirement, First Financial and/or one or more of its controlled subsidiaries will have to own at least 80 percent of the outstanding stock of Concho immediately after the Stock Exchange. If the Stock Exchange is consummated with First Financial acquiring less than 80 percent of the outstanding stock of Concho, the Stock Exchange will be a taxable transaction to the Concho shareholders. In rendering our opinion, we have assumed that the control requirement will be satisfied.

Based solely upon and subject to the foregoing, we are of the opinion that under current law:

1. The Stock Exchange and Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and First Financial, Concho and FFB Delaware each will be a party to the reorganization within the meaning of Section 368(b) of the Code.

2. No gain or loss will be recognized by the Concho shareholders upon receipt of

First Financial voting common stock in exchange for their Concho stock, except for any gain or loss recognized with respect to shareholders who receive cash in lieu of fractional share interests in First Financial voting common stock or pursuant to the exercise of statutory dissenter rights.

3. The aggregate Federal income tax basis of the shares of First Financial voting common stock received by the Concho shareholders in exchange for their shares of Concho stock will be the same as the aggregate adjusted tax basis of their Concho stock exchanged therefor, less the tax basis, if any, allocated to fractional share interests.

4. The holding period of the First Financial voting common stock received by the Concho shareholders in exchange for their shares of Concho stock in the hands of the Concho shareholders will include the holding period of their Concho stock exchanged therefor.

Except as set forth above, we express no opinion as to the tax consequences, whether Federal, State or local, of the Stock Exchange and Merger, or of any transactions related thereto. We are furnishing this opinion to you solely in connection with Section 2.2 of the Agreement. This opinion is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any purpose without our prior consent.

We hereby consent to the references made to us in the Summary and under the heading "The Exchange Offer - Certain Federal Income Tax Consequences" in the Offering Circular/Prospectus of First Financial Relating to the Stock Exchange, and to the inclusion of this opinion as an Annex to the Offering Circular/Prospectus and the filing of this opinion as an exhibit to the Registration Statement on Form S-4 of which such Offering Circular/Prospectus is a part.

Very truly yours

ARMSTRONG, BACKUS & CO., L.L.P.

ANNEX B

ARTICLE 5.16 OF TEXAS BUSINESS CORPORATION ACT

MERGER OF SUBSIDIARY OR SUBSIDIARIES INTO PARENT CORPORATION

QUALIFICATIONS

A. In any case in which at least ninety (90%) percent of the outstanding shares of each class and series of a domestic or foreign corporation or corporations is owned by another domestic or foreign corporation, and at least one of such corporations is a domestic corporation and the other or others are domestic corporations or foreign corporations organized under the laws of a jurisdiction that permit such a merger, the corporation having such share ownership may (1) merger such other domestic or foreign corporation or corporations into itself, (2) merger itself into such other corporation, or (3) merger itself and one or more of such corporations into another of such domestic or foreign corporations:

(a) in the event that the corporation having share ownership will be a surviving corporation in the merger, by executing and filing articles of merger in accordance with Section B of this Article; or

(b) in the event that the corporation having such share ownership will not be a surviving corporation in the merger, by the corporation having such share ownership adopting a plan of merger in the manner required by Article 5.03 of this Act, except that no action under Section 5.03 shall be required to be taken by the corporation or corporations whose shares are so owned, and executing and filing articles of merger in accordance with Section B of this Article.

SIGNATURE OF ARTICLES; CONTENTS

B. The articles of merger shall be signed on behalf of the parent corporation by an officer and shall set forth:

(1) The name of the parent corporation, and the name or names of the subsidiary corporations and the respective jurisdiction under which each such corporation is organized.

(2) The number of outstanding shares of each class of each subsidiary corporation and the number of such shares of each class owned by the parent corporation.

(3) A copy of the resolution adopted by the board of directors of the parent corporation to so merge and the date of the adoption thereof. If the parent corporation does not own all the outstanding shares of each class of each subsidiary corporation that is a party to the merger, the resolution shall state the terms and conditions of the merger, including the cash or other property, including shares, obligations, evidences of ownership, rights to purchase securities, or other securities of any person or entity or any combination of the shares,

obligations, evidences of ownership, rights, or other securities, to be used, paid or delivery by the surviving corporation upon surrender of each share of the subsidiary corporation or corporations not owned by the parent corporation.

(4) If the surviving corporation is a foreign corporation, the address, including street number if any, of its registered or principal office in the jurisdiction under whose laws it is governed. If the surviving corporation is a foreign corporation, on the merger taking effect the surviving foreign corporation is deemed to (a) appoint the Secretary of State of this state as its agent for service of process to enforce an obligation or the rights of dissenting shareholders of each domestic corporation that is a party to the merger, and (b) agree that it will promptly pay to the dissenting shareholders of each domestic corporation that is a party to the merger the amount, if any, to which they are entitled under this Article.

(5) If a plan of merger is required by Section A of this Article to be adopted in the manner required by Article 5.03 of this Act, the information required by Section A of Article 5.04 of this Act.

C. DELIVERY TO SECRETARY OF STATE; DUTIES. The original and a copy of the articles of merger shall be delivered to the Secretary of State. If the Secretary of State finds that such articles conform to law; he shall, when all fees and franchise taxes have been paid as required by law:

(1) Endorse on the original and the copy the word "Filed," and the month, day and year of the filing thereof.

(2) File the original in his office.

(3) Issue a certificate of merger to which he shall affix the copy and deliver them to the surviving corporation or its representative.

D. EFFECTIVE DATE AND EFFECT. The effective date and the effect of such merger shall be the same as provided in Articles 5.05 and 5.06 of this Act if the surviving corporation is a domestic corporation. If the surviving corporation is a foreign corporation, the effective date and the effect of such merger shall be the same as in the case of the merger of domestic corporations except in so far as the laws of such other jurisdiction provide otherwise.

REMEDY OF MINORITY SHAREHOLDERS

E. In the event all of the shares of a subsidiary domestic corporation that is a party to a merger effected under this Article are not owned by the parent corporation immediately prior to the merger, the surviving corporation (foreign or domestic) shall, within ten (10) days after the effective date of the merger, mail to each shareholder of record of each subsidiary domestic corporation a copy of the articles of merger and notify the shareholder that the merger has become effective. Any such shareholder who holds shares of a class or series that would have been entitled to vote on the merger if it had been effected pursuant to Article 5.03 of this Act shall have the right to dissent from the merger and demand payment of the fair value for his shares in lieu of the cash or other property to be used, paid or delivered to such shareholder

upon the surrender of such shareholder's shares pursuant to the terms and conditions of the merger, with the following procedure:

(1) Such shareholder shall within twenty (20) days after the mailing of the notice and copy of the articles of merger make written demand on the surviving corporation, domestic or foreign, for payment of the fair value of his shares. The fair value of the shares shall be the value thereof as of the day before the effective date of the merger, excluding any appreciation or depreciation in anticipation of such act. The demand shall state the number and class of the shares owned by the dissenting shareholder and the fair value of such shares as estimated by him. Any shareholder failing to make demand within the twenty (20) day period shall be bound by the corporate action.

(2) Within ten (10) days after receipt by the surviving corporation of a demand for payment by the dissenting shareholder of the fair value of his shares in accordance with Subsection (1) of this section, the corporation (foreign or domestic) shall deliver or mail to the dissenting shareholder a written notice which shall either set out that the corporation (foreign or domestic) accepts the amount claimed in the demand and agrees to pay such amount within ninety (90) days after the date on which the corporate action was effected and, in the case of shares represented by certificates, upon the surrender of the shares certificates duly endorsed, or shall contain an estimate by the corporation of the fair value of such shares, together with an offer to pay the amount of that estimate within ninety (90) days after the date on which such corporate action was effected, upon receipt of notice within sixty (60) days after that date from the shareholder that the shareholder agrees to accept that amount and, in the case of shares represented by certificates, upon the surrender of the shares certificates duly endorsed.

(3) If, within sixty (60) days after the date on which the corporate action was effected, the value of the shares is agreed upon between the dissenting shareholder and the surviving corporation (foreign or domestic), payment for the shares shall be made within ninety (90) days after the date on which the corporate action was effected and, in the case of shares represented by certificates, upon surrender of his certificate or certificates representing such shares. Upon payment of the agreed value, the dissenting shareholder shall cease to have any interest in such shares or in the corporation.

(4) If, within sixty (60) days after the date on which such corporate action was effected, the shareholder and the surviving corporation (foreign or domestic) do not so agree, then the dissenting shareholder or the corporation (foreign or domestic) may, within sixty (60) days after the expiration of the sixty (60) day period, file a petition in any court of competent jurisdiction in the county in which the principal office of the corporation is located, asking for a finding and determination of the fair value of the shareholder's shares as provided in Section B of Article 5.12 of this Act and thereupon the parties shall have the rights and duties and follow the procedure set forth in Sections B to D inclusive of Article 5.12.

(5) In the absence of fraud in the transaction, the remedy provided by this Article to a shareholder objecting to the corporate action is the exclusive remedy for the recovery of the value of his shares or money damages to the shareholder with respect to the corporate action. If the surviving corporation (foreign or domestic) complies with the requirements of this Article, any such shareholder who fails to comply with the requirements of this Article shall not be

entitled to bring suit for the recovery of the value of his shares or money damages to such shareholder with respect to such corporate action.

DISSENTING SHAREHOLDERS

F. If a plan of merger is required by Section A of this Article to be adopted in the manner required by Article 5.03 of this Act, the provisions of Articles 5.11 and 5.12 of this Act shall apply to the rights of the shareholders of the parent corporation to dissent from such merger. Except as otherwise provided in this Article, the provisions of Articles 5.11 and 5.12 of this Act shall not be applicable to a merger effected under the provisions of this Article. The provisions of Article 5.13 of this Act shall be applicable to any merger effected under the provisions of this Article to the extent provided in Article 5.13 of this Act.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 20. Indemnification of Officers and Directors.

Article 2.02-1 of the Texas Business Corporation Act (the "TBCA") provides that a Texas corporation, such as First Financial Bankshares, Inc. ("First Financial"), may indemnify a director or officer of the corporation against judgments, penalties, fines, settlements and reasonable expenses incurred in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative, any appeal in such an action and any inquiry or investigation that could lead to such an action, because the person is or was a director of officer of the corporation. In order to be entitled to such indemnification, the director of officer must have conducted himself in good faith and reasonably believed (i) in the case of conduct in his official capacity with the corporation, that his conduct was in the corporation's best interest, (ii) in all other cases, that his conduct was at least not opposed to the corporation's best interest, and (iii) in the case of any criminal proceeding, that his conduct was not unlawful. Article 2.02-1 of the TBCA provides that a director or officer may not be indemnified for proceedings in which the person is found liable on the basis that a personal benefit was improperly received or in which the person is found liable to the corporation.

The First Financial Articles of Incorporation provide that, to the fullest extent permitted by applicable law, each director, officer, employee and agent of First Financial shall be indemnified for all expenses incurred in connection with any action, suit, proceeding or claim to which he or she is named a party or otherwise by virtue of holding such position; provided, however, that no indemnification of employees or agents (other than directors or officers) will be made without express authorization of the Board of Directors.

The First Financial Articles of Incorporation also provide that, to the fullest extent permitted by applicable law, no First Financial director shall be liable to First Financial or the First Financial shareholders for monetary damages for or with respect to any acts or omissions in his or her capacity as a director, except in the case of liability for (i) a breach of a duty of loyalty to First Financial or its shareholders, (ii) an act or omission not in good faith or that involves intentional misconduct or a knowing violation of the law, (iii) a transaction from which a director received an improper benefit, (iv) an act or omission for which the liability of a director is expressly provided by statute, or (v) an act related to an unlawful stock repurchase or payment of a dividend.

Item 21. Exhibits and Financial Statement Schedules.

(a) Exhibits. The following exhibits are filed as part of this Registration Statement.

<TABLE>
<CAPTION>

Item 601 Regulation S-K Exhibit Reference Number	Description
<S>	<C>
2	Stock Exchange Agreement and Plan of Organization dated as of December 7, 1993 by and between First Financial Bankshares, Inc., Concho Bancshares, Inc. and Southwest Bank of San Angelo.
3.1	Articles of Incorporation, and all amendments thereto, of the Registrant (incorporated by reference from Exhibit 1 of the Registrant's Amendment No. 1 to Form 8-A filed on Form 8-A/A No. 1 on January 7, 1994).
3.2	Amended and Restated Bylaws of the Registrant, and all amendments thereto (incorporated by reference from Exhibit 2 of the Registrant's Amendment No. 1 to Form 8-A filed on Form 8-A/A No. 1 on January 7, 1994).
4	Specimen certificate for 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).
5.1	Opinion and Consent of McMahon, Surovik, Suttle, Buhrmann, Cobb & Hicks, P.C.
8.1	Opinion and Consent of Armstrong, Backus & Co., L.L.P.
15.1	Letter from Armstrong, Backus & Co., L.L.P. regarding unaudited interim financial information.
23.1	Consent of McMahon, Surovik, Suttle, Buhrmann, Cobb & Hicks, P.C. (included in Exhibit 5.1).
23.2	Consent of Armstrong, Backus & Co., L.L.P. (included in Exhibit 8.1).
23.3	Consent of Arthur Andersen & Co., independent certified public accountants (auditors for First Financial Bankshares, Inc.).

</TABLE>

<TABLE>

<S>	<C>
23.4	Consent of Armstrong, Backus & Co., L.L.P., independent certified public accountants (auditors for Concho Bancshares, Inc.).
24	Powers of Attorney (see the signature pages to this Form S-4 Registration Statement).

</TABLE>

(b) Financial Statement Schedules. Schedules have been omitted because they are not required.

Item 22. Undertakings.

(a) The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this Registration Statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933, as amended (the "Securities Act");

(ii) To reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement; and

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(b) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Exchange Act) that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement related to the securities

offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(c) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this Registration Statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

(d) The undersigned registrant undertakes that every prospectus (i) that is filed pursuant to paragraph (c) immediately preceding, or (ii) that purports to meet the requirements of section 10(a)(3) of the Securities Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the Registration Statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(e) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(f) The undersigned registrant hereby undertakes to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the Registration Statement through the date of responding to the request.

(g) The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the Registration Statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Abilene, State of Texas, on the 10th day of January, 1994.

FIRST FINANCIAL BANKSHARES, INC.

By: /s/ Kenneth T. Murphy
Kenneth T. Murphy, Chairman of the Board,
President and Chief Executive Officer

The undersigned directors and officers of First Financial Bankshares, Inc. hereby constitute and appoint Curtis R. Harvey as our true and lawful attorney-in-fact with full power to execute in our name and behalf in the capacities indicated below any and all amendments (including post-effective amendments and amendments thereto) to this Registration Statement and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission and hereby ratify and confirm that such attorney-in-fact shall lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed on the 10th day of January, 1994, by the following persons in the capacities indicated.

<TABLE>
<CAPTION>

Signature	Title
<S>	<C>
/s/ Curtis R. Harvey Curtis R. Harvey	Executive Vice President and Chief Financial and Accounting Officer
J. Allen Baird	Director
F. Scott Dueser	Director
Patrick N. Gerald	Director
/s/ Robert E. Hitt Robert E. Hitt	Director
/s/ Ralph N. Hooks Ralph N. Hooks	Director

Joe B. Matthews	Director

</TABLE>

<TABLE>

<S>	<C>
/s/ Raymond A. McDaniel, Jr. Raymond A. McDaniel, Jr.	Director
/s/ Bynum Miers Bynum Miers	Director
/s/ Kenneth T. Murphy Kenneth T. Murphy	Chairman of the Board, President, Chief Executive Officer and Director
/s/ Dian Graves Owen Dian Graves Owen	Director
/s/ James Parker James Parker	Director
/s/ W.V. Ramsey, Jr., M.D. W.V. Ramsey, Jr., M.D.	Director
Craig Smith	Director
H.T. Wilson	Director
/s/ Stanley P. Wilson Stanley P. Wilson	Director

</TABLE>

<TABLE>
<CAPTION>

Exhibit Index

Item 601 Regulation S-K Exhibit Reference Number	Description
<S>	<C>
2	Stock Exchange Agreement and Plan of Organization dated as of December 7, 1993 by and between First Financial Bankshares, Inc., Concho Bancshares, Inc. and Southwest Bank of San Angelo.
3.1	Articles of Incorporation, and all amendments thereto, of the Registrant (incorporated by reference from Exhibit 1 of the Registrant's Amendment No. 1 to Form 8-A filed on Form 8-A/A No. 1 on January 7, 1994).
3.2	Amended and Restated Bylaws of the Registrant, and all amendments thereto (incorporated by reference from Exhibit 2 of the Registrant's Amendment No. 1 to Form 8-A filed on Form 8-A/A No. 1 on January 7, 1994).

4	Specimen certificate for 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).
5.1	Opinion and Consent of McMahon, Surovik, Suttle, Buhrmann, Cobb & Hicks, P.C.
8.1	Opinion and Consent of Armstrong, Backus & Co., L.L.P.
15.1	Letter from Armstrong, Backus & Co., L.L.P. regarding unaudited interim financial information.
23.1	Consent of McMahon, Surovik, Suttle, Buhrmann, Cobb & Hicks, P.C. (included in Exhibit 5.1).
23.2	Consent of Armstrong, Backus & Co., L.L.P. (included in Exhibit 8.1).
23.3	Consent of Arthur Andersen & Co., independent certified public accountants (auditors for First Financial Bankshares, Inc.).

</TABLE>

<TABLE>

<S>	<C>
23.4	Consent of Armstrong, Backus & Co., L.L.P., independent certified public accountants (auditors for Concho Bancshares, Inc.).
24	Powers of Attorney (see the signature pages to this Form S-4 Registration Statement).

</TABLE>

Exhibit 2

STOCK EXCHANGE AGREEMENT
AND PLAN OF REORGANIZATION

THIS AGREEMENT is made and effective as of this 7th day of December, 1993, between (1) FIRST FINANCIAL BANKSHARES, INC. (hereinafter referred to as "FIRST FINANCIAL"), a Texas corporation with its principal office in the City of Abilene, Taylor County, Texas; (2) CONCHO BANCSHARES, INC. (hereinafter referred to as "CONCHO"), a Texas corporation and bank holding company with its principal office in the City of San Angelo, Tom Green County, Texas; and (3) SOUTHWEST BANK OF SAN ANGELO (hereinafter referred to as "SOUTHWEST BANK"), a Texas state bank having its principal office in the City of San Angelo, Tom Green County, Texas.

First Financial is a registered bank holding company. First Financial owns all of the issued and outstanding capital stock of First Abilene Bankshares of Delaware, Inc. ("FAB DELAWARE") which, in turn, owns all of the issued and outstanding capital stock of First National Bank of Abilene; First National Bank, Sweetwater, Texas; Eastland National Bank; Hereford State Bank; First National Bank in Cleburne; and Stephenville Bank & Trust Company.

The issued and outstanding stock of Concho, as of the date of this Agreement, consists of 201,653 shares of common stock (the "CONCHO STOCK") having a par value of Fifty Cents ($0.50) each. According to the records of Concho, the Concho Stock is presently held by those individuals, trusts, estates, corporations and other entities identified in the Shareholders' List attached hereto as EXHIBIT A. This Agreement contemplates the issuance by Concho of an additional 564 shares of Concho Stock prior to consummation of the transaction described in this Agreement. As used herein, the term "SHAREHOLDERS" shall mean not only the individuals, trusts, estates, corporations and other entities set forth in EXHIBIT A, but also those persons to whom such additional shares of Concho Stock shall be issued subsequent to the date of this Agreement, as contemplated hereby.

Concho owns 119,629 shares (99.7%) of the issued and outstanding capital stock of Southwest Bank. It is contemplated by this Agreement that, should the transaction described herein be consummated, Concho shall own all of the issued and outstanding capital stock of Southwest Bank. Southwest Bank is the only subsidiary of Concho. Southwest Bank owns all of the issued and outstanding capital stock of SWB Investment Centre, Inc., a Texas corporation (hereinafter referred to as "SWB"). There are no other corporations or other business entities which are considered affiliates of Concho or Southwest Bank.

Pursuant to, and subject to, the provisions hereinafter set forth, First

Financial agrees to acquire from the Shareholders all of the issued and outstanding shares of Concho Stock in exchange for shares of the voting common stock of First Financial ("FIRST FINANCIAL STOCK") which shall be issued and registered by First Financial under the Securities Act of 1933 (the "ACT").

THEREFORE, in consideration of the premises, and in further consideration of the mutual covenants and on the basis of the representations and warranties set forth herein, First Financial, Concho and Southwest Bank have agreed, and by these presents do hereby agree, as follows:

ARTICLE 1

EXCHANGE OF STOCK

1.1 MEANS OF EXCHANGE. The offer to acquire all of the shares of Concho Stock for shares of First Financial Stock shall be made by means of a Prospectus delivered to each of the Shareholders upon or following the effective date of a Registration Statement to be filed by First Financial under the Act covering all of the shares of First Financial Stock to be issued in exchange for the shares of Concho Stock.

1.2 RATIO OF EXCHANGE. Subject to all terms and conditions of this Agreement, First Financial shall be obligated to issue and exchange 1.15 shares of First Financial Stock for each share of Concho Stock tendered by the Shareholders who accept the exchange offer during the time period the exchange offer is in effect; PROVIDED, HOWEVER, that if First Financial, prior to consummation of the proposed exchange offer, shall issue any additional shares of First Financial Stock pursuant to any stock dividend or stock split approved by the Board of Directors of First Financial, the ratio of exchange shall be adjusted so as to prevent dilution of the interest in First Financial to be received by the Shareholders of Concho; FURTHER PROVIDED, the exchange ratio of 1.15 shares of First Financial Stock for each share of Concho Stock shall be adjusted if, as of December 31, 1993, the Book Value of Concho Stock (as herein defined) shall be less than $31.25 or if the Market Value of First Financial Stock (as herein defined) shall be less than $40.00 per share as of the date which is ten (10) days prior to the later of (i) the date First Financial receives written notice that the Board of Governors of the Federal Reserve System has given final approval of the application filed by First Financial to acquire all of the Concho Stock or (ii) the date upon which the registration with the Securities and Exchange Commission of the First Financial Stock to be issued hereunder becomes effective, or if such date be a Saturday, Sunday or holiday, the next succeeding business day.

If, as of the date specified in the preceding paragraph of this Section 1.2, the Market Value of First Financial Stock shall be less than $40.00 per share, then the exchange ratio shall be adjusted by multiplying the exchange ratio by a fraction, the numerator of which is $40.00 and the denominator of which is the Market Value of First Financial Stock. If, as of December 31, 1993, the Book Value of Concho Stock shall be less than $31.25 per share, then the exchange ratio shall be adjusted by multiplying the exchange ratio by a fraction, the denominator of which is $31.25 and the numerator of which is the Book Value of Concho Stock. If, as of December 31, 1993, the Book Value of Concho Stock is less than $31.25 and if, as of

the date specified in the preceding paragraph of this Section 1.2, the Market Value of First Financial Stock shall be less than $40.00, the exchange ratio shall be adjusted by multiplying the exchange ratio of 1.15 by each of the fractions defined above.

As used herein, the "MARKET VALUE" of First Financial Stock shall mean the per share closing bid price of the First Financial Stock in the over-the-counter market in accordance with quotations supplied by The Principal - Eppler Guerin & Turner or other authoritative source. As used herein, the "BOOK VALUE" of Concho Stock shall mean the consolidated shareholders' equity of Concho determined in accordance with generally-accepted accounting principles ("GAAP") divided by the number of issued and outstanding shares of common stock of Concho; provided, that for purposes of determining the Book Value of Concho Stock as of December 31, 1993, as required above, the number of issued and outstanding shares of common stock of Concho shall be deemed to include the 564 new shares of Concho Stock to be issued subsequent to the date of this Agreement, and also the consideration paid or to be paid for such shares, irrespective of whether such shares are, in fact, issued and the consideration therefor paid prior to December 31, 1993.

1.3 MEANS OF ACCEPTANCE OF EXCHANGE OFFER. A form of certificate and acceptance of the exchange offer (the "EXCHANGE FORM") shall accompany the Prospectus delivered to each Shareholder of Concho. Once the Exchange Form has been signed by a Shareholder (which shall certify that such Shareholder's stock is fully paid and non-assessable and is being assigned to First Financial free and clear of all liens, options and encumbrances), and delivered to the Transfer Agent named below, the same shall be deemed to constitute an acceptance of the exchange offer to the extent of the number of shares of Concho Stock accompanying such Exchange Form. Shares of Concho Stock delivered by the Shareholders to the Transfer Agent pursuant to the exchange offer may not be withdrawn. If, for any reason, the exchange offer is terminated and the exchange of Concho Stock for First Financial Stock is not consummated, then all shares tendered by the Shareholders for exchange shall be promptly returned by the Transfer Agent.

1.4 MEANS OF CONSUMMATING THE EXCHANGE. The Transfer Agent, during the pendency of the exchange offer, shall notify First Financial and Concho daily of the number of shares of Concho Stock tendered for exchange under properly executed Exchange Forms. If First Financial receives written notice from the Transfer Agent that the Required Amount of Concho Stock (as herein defined) has been tendered and assigned to First Financial, then, within ten (10) days after the Closing Date, First Financial shall issue and mail to those Shareholders who have tendered their shares of Concho Stock, by registered mail, certificates for the First Financial Stock representing 1.15 shares of First Financial's stock for each share of Concho Stock received by the Transfer Agent, or such other number of shares as may be required under Section 1.2 above. For purposes of this Agreement, the "CLOSING DATE" shall be the later of (i) the date First Financial receives notice from the Transfer Agent that the Required Amount of Concho Stock (as herein defined) has been tendered, (ii) the expiration date of the exchange offer, or (iii) the date when all conditions precedent to consummation of the exchange have been satisfied (or, if not satisfied, have been waived in writing by First Financial).

Notwithstanding the foregoing provisions of this Section and of Section 1.3, First Financial shall not issue any fractional shares of its common stock. Shareholders of Concho who would otherwise be entitled to receive fractional shares of First Financial Stock shall be paid in cash for such fractional shares based upon the Market Value of First Financial Stock (as defined in Section 1.2) as of the date specified in the first paragraph of Section 1.2 for determining such Market Value. Any cash payment to which a Shareholder of Concho may be entitled shall be included with such Shareholder's certificate for First Financial Stock when such certificate is mailed to such Shareholder.

1.5 **TRANSFER AGENT.** The Transfer Agent for purposes of this transaction shall be First National Bank of Abilene - Trust Department, Third Floor, 400 Pine Street, Abilene, Texas 79601.

1.6 **EFFECTIVE DATE OF EXCHANGE OFFER.** The effective date for commencement of the exchange offer (the "EFFECTIVE DATE") contemplated by this Agreement shall be the later of:

(A) The date upon which the Prospectus is mailed by First Financial to the Shareholders of Concho pursuant to the Registration Statement (but on or following the effective date thereof) filed by First Financial with the Securities and Exchange Commission with respect to the First Financial Stock to be issued hereunder; or

(B) Such other date as may be mutually agreed upon by First Financial and Concho.

1.7 **OFFER TERMINATION DATE.** Unless otherwise extended by First Financial,

----
the offer by First Financial to exchange its stock for the Concho Stock shall terminate twenty-one (21) business days after the Effective Date.

1.8 MERGER. If the Required Amount of Concho Stock (as herein defined) is tendered in exchange for First Financial Stock, and if all other conditions precedent to consummation of the exchange are satisfied (or, if not satisfied, are waived by First Financial) and First Financial shall consummate the exchange by delivering to the tendering Shareholders the shares of First Financial Stock (and, with regard to any fractional shares, the cash payments) to which such Shareholders are entitled hereunder, it is the intent of First Financial to immediately thereafter merge Concho with and into FAB Delaware pursuant to applicable law. If the exchange offer is consummated, but less than all of the Concho Stock is tendered in exchange for First Financial Stock, then as part of the proposed merger of Concho into FAB Delaware, those Shareholders of Concho who did not tender their shares pursuant to the exchange offer made under this Agreement will be required to accept First Financial Stock (and

cash for any fractional shares of First Financial Stock) upon the same basis (exchange rate and cash) as the exchange of Concho Stock for First Financial Stock (and cash for fractional shares) will be made under this Agreement, subject only to the rights, if any, afforded by Delaware or Texas law (whichever shall apply) to any Shareholders of Concho who dissent from the merger and refuse to accept First Financial Stock (and cash for fractional shares) in return for their Concho Stock.

ARTICLE 2

CONDITIONS PRECEDENT TO EXCHANGE OFFER AND CONSUMMATION OF TRANSACTION

Unless otherwise agreed in writing by First Financial and Concho, the obligations of First Financial to offer First Financial Stock to the Shareholders pursuant to this Agreement and, thereafter, the obligations of First Financial and Concho to consummate the exchange of stock contemplated by this Agreement shall be expressly subject to the satisfaction of the following conditions:

2.1 REGULATORY APPROVALS. (1) The Board of Governors of the Federal Reserve System shall have approved, in writing, the acquisition by First Financial of all of the issued and outstanding capital stock of Concho; (2) all other approvals and authorizations of, filings and registrations with, and notifications to, all federal, state and local authorities required for the consummation of the transaction contemplated hereby shall have been obtained or made and shall be in full force and effect; and (3) all mandatory waiting periods shall have elapsed.

2.2 TAX RULINGS. (1) Concho shall have received a written opinion from its independent accountants and/or tax counsel stating that the exchange of their Concho Stock by the Shareholders will not be considered a taxable event for federal income tax purposes; and (2) First Financial shall have received a written opinion from its independent accountants, Arthur Andersen & Company, in form and substance satisfactory to First Financial, stating that the acquisition by First Financial of the Concho Stock will be treated for accounting purposes as a "pooling-of-interests". For purposes of this Agreement, the term "REQUIRED AMOUNT OF CONCHO STOCK" shall mean that number of shares of Concho Stock (as determined by First Financial's independent accountants) which must be tendered by the Shareholders in exchange for First Financial Stock in order for the acquisition by First Financial to be treated for accounting purposes as a "pooling-of-interests", and which number of shares, for this purpose of this transaction, shall be at least 90% of the issued and outstanding shares of Concho Stock.

2.3 ACCURACY OF REPRESENTATIONS AND WARRANTIES. Except as otherwise expressly provided herein, all of the representations and warranties of First Financial, Concho and Southwest Bank contained in this Agreement shall be true on and as of both the Effective Date and the Closing Date, with the same force and effect as though made on the Effective Date and Closing Date, respectively, and there shall be delivered on the Effective Date and the Closing Date appropriate certificates of authorized officers of First Financial, Concho and Southwest Bank to such effect.

2.4 PERFORMANCE OF AGREEMENTS. First Financial, Concho and Southwest Bank shall have performed all obligations and agreements, and shall have complied with all covenants and conditions, contained in this Agreement to be performed and complied with by it or them on or prior to the effective date of the exchange offer contemplated hereby.

2.5 NO GOVERNMENTAL PROCEEDING OR LITIGATION. No order, judgment or decree of any competent court, governmental body or regulatory authority shall be outstanding which declares or seeks a declaration that this Agreement is invalid or which restrains, or seeks to restrain, the consummation of the exchange offer contemplated hereby; and no action or proceeding shall be pending which questions the validity or legality of, or seeks to restrain the consummation of, the exchange offer contemplated by this Agreement.

2.6 INDEPENDENT AUDIT. Concho's delivery to First Financial of its consolidated reports audited by its independent accountants covering the length of time and prepared in such manner as will satisfy the requirements and regulations governing the preparation and furnishing of financial statements in connection with an effective registration with the Securities and Exchange Commission under the Act of the shares of First Financial Stock to be issued and exchanged for the Concho Stock.

2.7 SECURITIES LAWS. (1) The declaration by the Securities and Exchange Commission that the Registration Statement filed by First Financial pursuant to the Act covering the shares of First Financial stock to be issued pursuant to this Agreement is effective and the furnishing of a Prospectus to the Shareholders of Concho; (2) all approvals and authorization of, filings and registrations with, and notifications to, all regulatory authorities under state securities or Blue Sky laws required for the offer, sale, exchange or qualification of the First Financial Stock in connection with the exchange offer shall have been obtained or made and shall be in full force and effect; (3) except as reflected in Disclosure Schedule D, First Financial, Concho and Southwest shall have complied with all federal and state securities laws, statutes, rules and regulations applicable to the exchange offer contemplated by this Agreement; and (4) no stop order has been issued or threatened by the SEC or any state securities authority with respect to the offer, sale, issuance or exchange of stock contemplated hereby.

2.8 TENDER OF SHARES. The delivery by Shareholders owning the Required Amount of Concho Stock of duly and properly executed Exchange Forms effectively transferring and assigning their shares of Concho Stock to First Financial free and clear of all liens, options and encumbrances and with all of such stock being fully paid and non-assessable at the time of transfer.

2.9 NO MATERIAL CHANGES. Except as reflected in Disclosure Schedule C, the absence of any material adverse change in the financial conditions of First Financial, Concho, Southwest Bank or SWB between July 31, 1993 and the Closing Date.

2.10 OPINION OF CONCHO'S COUNSEL. First Financial shall have received the written opinion of counsel for Concho and Southwest Bank, dated at or as of the Closing Date and in form and substance satisfactory to First Financial and its counsel, that Concho, Southwest Bank and SWB have good and merchantable title to all of their assets and properties; that all shares of Concho Stock, the capital stock of Southwest Bank and the capital stock of SWB have been validly issued and are non-assessable and fully paid; that, except as reflected in Disclosure Schedules B and D, there are no known material liabilities, claims or lawsuits pending against Concho, Southwest Bank or SWB or any of their respective properties or assets; that there has been no increase in the number of shares of

Concho Stock issued and outstanding; and that Concho owns all of the issued and outstanding shares of Southwest Bank capital stock free and clear of all liens, security interests, transfer restrictions and other encumbrances.

2.11 OPINION OF FIRST FINANCIAL'S COUNSEL. Concho shall have received the written opinion of counsel for First Financial, dated at or as of the Closing Date and in form and substance satisfactory to Concho and its counsel, that First Financial is duly organized, validly existing and in good standing under the laws of the State of Texas; that First Financial has all requisite power and authority to execute and deliver the Agreement and to consummate the transaction contemplated thereby; that the execution and delivery by First Financial of the Agreement does not and the consummation of the transaction contemplated thereby will not contravene or violate any provision of or constitute a default under the (a) articles of incorporation or bylaws of First Financial, or (b) any law, regulation, rule, decree, order or judgment of any court, governmental agency or public body applicable to First Financial or its assets or properties; and that all consents, approvals, authorizations, actions or filings with any court, governmental agency or public body required in connection with the execution, delivery and performance by First Financial of the Agreement have been obtained.

2.12 BUILDING/PREMISES. Concho shall have obtained a written agreement signed by the holders of the thirteen (13) individual promissory notes given by Concho in connection with the purchase by Concho of the third, fourth and fifth floors (the "CONCHO PROPERTY") of the office tower building in the City of San Angelo, Tom Green County, Texas, wherein the banking premises of Southwest Bank are located (Southwest Bank owning the remaining two (2) floors and basement of the office tower and the land upon which the office tower is located), and payment of which promissory notes is secured by a deed of trust covering the Concho Property and further secured by a security interest in, and pledge of, 119,504 shares of Southwest Bank common stock owned by Concho, that the holders of the notes, immediately following (but subject to) consummation of the stock exchange offer to be made by First Financial to the Shareholders under this Agreement, will:

(1) consent to the transfer and conveyance of the Concho Property by Concho to Southwest Bank;

(2) consent to assumption by Southwest Bank of the obligation to pay, in accordance with the terms thereof, the outstanding principal balance, plus accrued unpaid interest, due and owing under each and all of the thirteen (13) promissory notes;

(3) release Concho from any further obligations under or by reason of said notes, deed of trust and any other documents or instruments executed in connection therewith; and

(4) release all liens, security interests and pledges of the Southwest Bank common stock held by the holders of said notes to secure payment thereof.

ARTICLE 3

WARRANTIES AND REPRESENTATIONS OF CONCHO AND SOUTHWEST BANK

Concho and Southwest Bank hereby jointly and severally make the following warranties and representations to First Financial:

3.1 ORGANIZATION AND STANDING OF CONCHO. Concho is a Texas corporation duly organized, validly existing and in good standing under the laws of the State of Texas, with corporate power to own property and carry on its business as it is now being conducted. Concho is also a registered bank holding company under the Bank Holding Company Act of 1956, as amended. The copies of the Articles of Incorporation and Bylaws of Concho, including all amendments thereto, delivered, or to be delivered, to First Financial are, or will be, complete and accurate in all respects.

3.2 ORGANIZATION AND STANDING OF SOUTHWEST BANK. Southwest Bank is a state bank duly organized, validly existing and in good standing under the laws of the State of Texas, with corporate power to own property and carry on its business as it is now being conducted. Southwest Bank is an insured bank under the Federal Deposit Insurance Act. All of the banking business and all of the banking offices and facilities of Southwest Bank are located within the State of Texas. The copies of the Articles of Association and Bylaws of Southwest Bank, including all amendments thereto, delivered, or to be delivered, to First Financial are, or will be, complete and accurate in all respects.

3.3 SUBSIDIARIES AND AFFILIATES. Concho does not have any subsidiaries other than Southwest Bank. Southwest Bank does not have any subsidiary other than SWB. Neither

Concho, Southwest Bank nor SWB holds any interest in any other corporation, firm, joint venture or partnership, except (1) as security for repayment of loans to customers of Southwest Bank, (2) as acquired by Southwest Bank through foreclosure or otherwise by reason of debt previously contracted, or (3) for authorized investment securities purchased by Concho or Southwest Bank for its own account (but, as a result of which investments, neither Concho nor Southwest Bank is considered to be an affiliate of the issuer of such securities or otherwise controls, is controlled by or is under common control with, the issuer of any such investment securities).

3.4 CAPITALIZATION. As of the date of this Agreement and the Closing Date, the authorized capital stock of Concho consists of 500,000 shares of common stock of a par value of $0.50 each, of which 201,653 are presently issued and outstanding. Concho also holds 8,478 shares as treasury stock, having acquired the same in October 1991 in satisfaction of a loan previously contracted by Southwest Bank. The authorized capital stock of Southwest Bank consists of 119,937 shares of common stock of a par value of $10.00, of which 119,937 are presently issued and outstanding; and the authorized capital stock of SWB consists of 5,000 shares of common stock of a par value of $100.00, of which 10 are presently issued and outstanding. Concho now owns all but 308 shares of the issued and outstanding common stock of Southwest Bank, but as of the Closing Date shall own all of the issued and outstanding common stock of Southwest Bank. Southwest Bank owns all of the issued and outstanding common stock of SWB. All rights, privileges, restrictions (if any), terms and provisions governing the shares of common stock of Concho, Southwest Bank and SWB are described in the Articles of Association and Bylaws (as amended) of Concho, Southwest Bank and SWB, respectively; and, except for shares of Southwest Bank pledged to secure the debt of Concho (as described in Section 2.12) or as otherwise reflected in Disclosure Schedule F, there are not (nor shall be on the Closing Date) any outstanding or authorized subscriptions, options, warrants, calls, rights or commitments of any kind restricting the transfer of, requiring the issuance or sale of, or otherwise relating to, any of the capital stock of Concho, Southwest Bank or SWB.

3.5 AUTHORITY OF CONCHO AND SOUTHWEST BANK. This Agreement has been duly executed and delivered by, and has been duly authorized by all necessary corporate action on the part of, Concho and Southwest Bank, respectively, and, subject to the conditions precedent to closing of this transaction set forth herein, is a valid, legally binding and enforceable obligation of Concho and Southwest Bank. Subject to First Financial's obtaining the approval of the Board of Governors of the Federal Reserve System, neither the execution, delivery or performance of this Agreement in its entirety, nor the consummation of all of the transactions contemplated hereby, will violate (with or without the giving of notice or the passage of time), be in conflict with, result in a breach of any provision of, or constitute a default under, any provision in the Articles of Incorporation, Articles of Association or Bylaws of, or any provision of law applicable to, Concho, Southwest Bank or SWB, or any agreement or understanding, order, judgment, award, decree, statute, ordinance, regulation or other restriction of any kind

or character to which Concho, Southwest Bank or SWB is a party or by which any of the respective assets or properties of Concho, Southwest Bank or SWB are subject or bound.

3.6 LICENSES, PERMITS AND CONTRACTS. To their knowledge, none of the assets, licenses, permits, authorizations and contracts of Concho, Southwest Bank or SWB will be terminated or impaired by reason of execution, delivery or performance by Concho or Southwest Bank of this Agreement or consummation of the transactions contemplated hereby.

3.7 CLAIMS, SUITS AND PROCEEDINGS. Except as reflected in Disclosure Schedule D, there are no actions, suits, proceedings or claims pending or, to their knowledge, threatened against Concho, Southwest Bank or SWB, at law or in equity, or before any federal, state, municipal or other governmental court, department, commission, board, bureau, agency, instrumentality or other person which would result in liability to Concho, Southwest Bank or SWB upon consummation of the transaction contemplated hereby or which would prevent or delay such consummation. In particular, and without in any way limiting the foregoing, neither Concho, Southwest Bank nor SWB is subject to, or a party to, any cease-and-desist, supervisory or other agreement with any banking or other regulatory authority which requires the consent or approval of such authority or which is otherwise applicable to the transaction contemplated by this Agreement.

3.8 CONSENTS AND APPROVALS. No consent, approval or authorization of, or declaration, filing or registration with, any person or governmental authority is required in connection with the execution and delivery of this Agreement by Concho or Southwest Bank, and consummation of the transactions contemplated hereby, except for (1) such approvals as may be required for First Financial to acquire the Concho Stock and for such approvals by the Boards of Directors of Concho and Southwest Bank as have been given prior to execution of this Agreement and (2) such approvals and consents as may be required in order to obtain and carry out the agreement described in Section 2.12 relative to the Concho Property and the indebtedness secured thereby.

3.9 REGULATORY REPORTS. To their knowledge, Concho, Southwest Bank and SWB have filed all reports, registrations and statements, together with any amendments required to be made thereto, that are required to be filed with the Federal Reserve Board (the "FRB"), Texas Department of Banking (the "TDB"), the Federal Deposit Insurance Corporation (the "FDIC"), the Securities and Exchange Commission (the "SEC") and any other applicable authorities, and all of such reports, registrations and statements are true, complete and correct in all material respects.

3.10 FINANCIAL STATEMENTS. Concho and Southwest Bank have provided,or caused to be provided, to First Financial the Financial Statements and Reports described in Disclosure Schedule A attached hereto and the notes thereto (collectively, the "FINANCIAL STATEMENTS"), all of which have been prepared in accordance with generally accepted accounting principles

("GAAP") or regulatory accounting principles ("RAP"); and the Financial Statements, as of their respective dates, conformed in all material respects with all applicable material rules and regulations promulgated by the FRB, the TDB and the FDIC.

3.11 UNDISCLOSED LIABILITIES. To their knowledge, and except to the extent reflected in the Financial Statements or as reflected in Disclosure Schedule B, Concho, Southwest Bank and SWB have no material liabilities or obligations (absolute, accrued, contingent or otherwise).

3.12 ABSENCE OF CERTAIN CHANGES. Except as and to the extent reflected in Disclosure Schedule C, neither Concho, Southwest Bank nor SWB has, from July 31, 1993, until the date of this Agreement:

(A) made any amendment to its articles of association or by-laws or changed the character of its business in any material manner;

(B) suffered any material adverse change in its financial condition, assets, liabilities (absolute, accrued, contingent or otherwise) or business;

(C) incurred, assumed or become subject to, whether directly or by way of any guarantee or otherwise, any obligations or liabilities (absolute, accrued, contingent or otherwise) except in the ordinary course of business;

(D) permitted or allowed any of its property or assets to be subject to any mortgage, pledge, lien, security interest, encumbrance, restriction or change of any kind;

(E) cancelled any debts in excess of $25,000, waived any claims or rights of material value, or sold, transferred, or otherwise disposed of any of its properties or assets, except in the ordinary course of business;

(F) other than in the ordinary course of business, disposed of or permitted to lapse any rights to the use of any material trademark, trade name or copyright, or disposed of or disclosed to any person other than its employees any material trade secret not theretofore a matter of public knowledge;

(G) granted any increase in compensation, or paid or agreed to pay or accrue any bonus or like benefit, to or for the credit of any director, officer or employee except in the ordinary course of business, or entered into any employment or consulting contract or other agreement for personal services with any director, officer or employee, or adopted, amended or terminated any Employee Benefit Plan, except as authorized by Section 4.3;

(H) declared, paid or set aside for payment any dividend or other distribution or payment in respect of its capital stock [other than (i) normal, regular dividends or distributions of SWB to Southwest Bank and Southwest Bank to Concho, and (ii) Concho's regular annual cash dividend of $0.25 per share payable to its Shareholders], or directly or indirectly redeemed, purchased or otherwise acquired, or arranged for the redemption, purchase or acquisition of, any shares of its capital stock or other of its securities;

(I) organized or acquired, except through foreclosure, the exercise of creditors remedies or in a fiduciary capacity, any capital stock or other equity securities of any corporation or acquired any equity or ownership interest in any partnership or business enterprise;

(J) issued, reserved for issuance, granted, or authorized the issuance of any shares of its capital stock or subscriptions, options, warrants, calls, rights or commitments of any kind relating to the issuance of or conversion into shares of its capital stock, except for the 564 new shares of Concho Stock to be issued by Concho in order to acquire the remaining shares of Southwest Bank stock not previously owned by Concho;

(K) made any change in any method of accounting or accounting practice, except as required by applicable law, regulation or GAAP;

(L) except for the transactions contemplated by this Agreement, or as otherwise permitted hereunder, entered into any transaction, or entered into, modified or amended any contract or commitment, other than in the ordinary course of business; or

(M) agreed, whether in writing or otherwise, to take any action the performance of which would be prohibited by this Section 3.12.

3.13 TITLE TO PROPERTIES; ENCUMBRANCES. Except for the deed of trust, mortgage, liens and security interests described in Section 2.12 securing the indebtedness described therein, Concho, Southwest Bank and SWB have, or will have upon the Closing Date, unencumbered, good and merchantable title to all their properties and assets, real and personal, including, without limitation, all properties and assets reflected in the Financial Statements, except for (i) easements, reservations, restrictions, rights-of-way, and other encumbrances of record, other than liens and conveyances, and (ii) those properties and assets disposed of in the ordinary course of business consistent with safe and sound banking practices; and, to their knowledge, all uses made of, and activities conducted upon, any real property owned, leased or used by Concho, Southwest Bank and/or SWB comply in all respects with applicable state, local or municipal zoning laws and other laws, rules, regulations and ordinances.

3.14 LITIGATION. Except as reflected in Disclosure Schedule D, there are no actions, suits, proceedings or claims pending or, to their knowledge, threatened against Concho, Southwest Bank or SWB, or involving any of their properties or assets, at law or in equity, or before or by any foreign, federal, state, municipal or other governmental court, department, commission, board, bureau, agency, instrumentality or other person, which may, in the reasonable judgment of Concho, Southwest Bank or SWB, result in any material liability to Concho, Southwest Bank or SWB.

3.15 TAX MATTERS. Concho, Southwest Bank and SWB have each:

(A) duly filed all tax returns (the "FILED RETURNS") required to be filed by it involving a tax liability or other material potential detriment for failure to file, and all of such Filed Returns are true, complete and correct in all material respects;

(B) paid, or established reasonable reserves for the payment of, all federal income taxes and all state and local income taxes and all franchise, property, sales, employment or other taxes required to be paid in respect to the periods covered by the Filed Returns;

(C) with respect to the periods prior to the date of this Agreement and subsequent to the last Filed Return, established reasonable reserves for the payment of all federal income taxes and all material state and local income taxes and all material franchise, property, sales, employment or other taxes; and

(D) properly and timely withheld, remitted and/or paid all withholding taxes, social security taxes, unemployment taxes and other employment-related taxes which Concho, Southwest Bank and SWB are, by law, required to withhold, remit or pay.

In addition to the foregoing, neither Concho, Southwest Bank nor SWB (1) is the subject of, nor is there pending or threatened, any audit with respect to or arising out of any Filed Return; (2) has previously requested, or has filed a request for, any extension of time to file any return or pay any tax; and (3) has agreed or consented to the extension of any statute of limitations respecting the assessment of taxes, additional taxes, penalty or interest in connection with any tax liability or Filed Return. No tax liens have been filed or threatened against Concho, Southwest Bank or SWB or any of their properties.

For the purpose of this Agreement, the term "TAX" shall include all federal, state and local taxes and related governmental charges and any interest or penalties payable in connection with the payment of taxes.

3.16 EMPLOYMENT BENEFIT PLANS. Except as reflected in Disclosure Schedule E, neither Concho, Southwest Bank nor SWB maintains or contributes to, nor is

Bank or SWB required to maintain or contribute to, (1) any "employee welfare benefit plan" [as defined in Section 3(1) of the Employee Retirement Income Security Act ("ERISA")] or (2) any "employee pension benefit plan" [as defined in Section 3(2) of ERISA]. Except as reflected in Disclosure Schedule E, neither Concho, Southwest Bank nor SWB maintains or contributes to, nor has Concho, Southwest Bank or SWB adopted or entered into, any deferred compensation plan, bonus plan, stock option plan, employee stock option plan or any other employee benefit plan, agreement, arrangement or commitment (other than normal policies concerning holidays, vacations, accumulated sick leave, and annual budgeted incentive bonuses previously disclosed to First Financial.)

3.17 LEASES, CONTRACTS AND AGREEMENTS. Disclosure Schedule F reflects all leases, contracts and agreements to which Concho, Southwest Bank or SWB is a party and which obligate or may obligate Concho, Southwest Bank or SWB to pay any amount in excess of $25,000 over the entire term of any such lease, contract or agreement (the "CONTRACTS"), true and correct copies of which have been or shall be made available to First Financial. For the purposes of this Agreement, the Contracts shall not be deemed to include loan commitments of, loans made by, repurchase agreements made by, bankers acceptances of, or deposits taken by Southwest Bank in the ordinary course of its banking business. Each and all of the Contracts are legal, valid, binding and enforceable in accordance with their terms and are in full force and effect. To their knowledge, there are no existing material defaults by any party to the Contracts and no event has occurred which (whether with or without notice, lapse of time or the happening or occurrence of any other event) would constitute such default.

3.18 RELATED COMPANY TRANSACTIONS. Except for transactions described in Disclosure Schedule G, there are no agreements, instruments, commitments, extensions of credit, tax sharing or allocation agreements or other contractual agreements of any kind between Concho, Southwest Bank and/or SWB.

3.19 TRANSACTIONS WITH AFFILIATES. Except as reflected in Disclosure Schedule H, neither Concho, Southwest Bank nor SWB (1) has any loans outstanding to any of its affiliates, executive officers, or directors, or to any shareholder owning ten percent (10%) or more of its outstanding shares or (2) is a party to, or otherwise bound by, any contractual agreement with any of its affiliates, executive officers, or directors, or with any shareholder owning ten percent (10%) or more of its outstanding shares.

3.20 COMPLIANCE WITH LAWS. To their knowledge, and except as otherwise disclosed in Disclosure Schedule I, Concho, Southwest Bank and SWB are in compliance in all material respects with all applicable laws and regulations and no action is pending or threatened against Concho, Southwest Bank or SWB by any federal, state or other regulatory authority.

3.21 ACCURACY OF INFORMATION. The factual information relating to Concho, Southwest Bank and SWB contained in this Agreement and the Disclosure Statements hereto is, to their

knowledge, true, correct and complete in all material respects. The information relating to Concho, Southwest Bank and SWB supplied for inclusion in the application of First Financial to the FRB, the Registration Statement filed by First Financial with the SEC and the Prospectus to be delivered by First Financial to each of the Shareholders of Concho, as of the date supplied by Concho and Southwest Bank, will be true, correct and complete in all material respects.

3.22 INSURANCE. Concho, Southwest Bank and SWB have in effect the insurance coverage described in Disclosure Schedule J. All insurance policies described in Disclosure Schedule J are in full force and effect; no breach or default exists under any such policy; and Concho, Southwest Bank and SWB have timely filed all claims, if any, under any such insurance policy.

3.23 LOANS. To their knowledge, each loan reflected as an asset in the Financial Statements, as well as all other extensions of credit, guarantees, security agreements, deeds of trust and other documents and instruments executed in connection therewith (whether intended as security or otherwise) is the legal, valid and binding obligation of the obligor named therein and is enforceable in accordance with its terms. Concho and Southwest Bank have made available to First Financial all material information in possession of Concho and Southwest Bank concerning all outstanding loans of Concho and Southwest Bank.

3.24 FIDUCIARY RESPONSIBILITIES. To their knowledge, Concho, Southwest Bank and SWB have each performed in all material respects all of its duties as a trustee, executor, grantor, escrow agent or other fiduciary in a manner which complies in all material respects with all applicable laws, regulations, orders, agreements, instruments and common law standards.

3.25 REGULATORY ACTIONS. Except as disclosed in Disclosure Schedule K, there are no actions or proceedings pending or, to their knowledge, threatened against Concho, Southwest Bank or SWB by or before the FRB, the TDB, the FDIC, the SEC or any other governmental agency or authority.

3.26 BROKER'S FEES. No person or entity acting on behalf of Concho, Southwest Bank or SWB is or shall be entitled, directly or indirectly, to any brokerage fee, commission, finder's fee or financial advisory fee in connection with the transaction contemplated by this Agreement.

3.27 ENVIRONMENTAL MATTERS. To their knowledge, and except as disclosed in Disclosure Schedule L, there are no material adverse environmental problems or conditions affecting any of the properties of Concho, Southwest Bank or SWB. In particular, and without in any way limiting the foregoing, Concho, Southwest Bank and SWB, after due inquiry, warrant and represent that all hazardous and toxic chemicals, substances and materials located or used upon any of their respective properties have been and are being stored, used, transported and disposed of in compliance with applicable state and federal environmental laws; that there are no underground storage tanks located upon any of their properties; and that no action or

investigation is pending or threatened by any governmental or regulatory authority, or by any person, firm or corporation, arising out of any failure, or alleged failure, to comply with applicable environmental laws, statutes, rules or regulations.

ARTICLE 4

CONDUCT OF BUSINESS OF CONCHO, SOUTHWEST BANK AND SWB PENDING CLOSING DATE

4.1 AFFIRMATIVE COVENANTS. From and after the date of this Agreement and until the Closing Date, Concho and Southwest Bank shall each, and each of them shall cause SWB to:

(A) operate and conduct its business in the ordinary course and consistent with its prior practices;

(B) preserve intact its corporate existence, business organization, assets, licenses, permits, authorizations, and business opportunities;

(C) maintain its books, accounts and records in accordance with generally accepted accounting principles and/or banking practices, as applicable, and comply with all of its contractual obligations;

(D) maintain all of its properties in good repair, order and condition, reasonable wear and tear excepted, and maintain insurance coverage upon all such properties with reputable insurers which are adequate, in its reasonable judgment, for the business conducted by it;

(E) in good faith and in a timely manner (i) cooperate with First Financial in satisfying the conditions in this Agreement; (ii) diligently assist First Financial, to the extent it may reasonably require, in obtaining as promptly as possible all consents, approvals, authorizations and rulings, whether regulatory or corporate, as are necessary for First Financial to carry out and consummate the transaction contemplated by this Agreement; (iii) furnish, or cause to be furnished, to First Financial such information as First Financial may reasonably require for inclusion in any filings or applications that may be necessary in that regard; and (iv) perform all acts and execute and deliver all documents reasonably necessary to cause the transaction contemplated by this Agreement to be consummated at the earliest possible date;

(F) timely file with the FRB, TDB, FDIC, SEC and other regulatory authorities all financial statements and other reports to be filed by it and promptly

thereafter deliver to First Financial copies of all financial statements and other reports required to be so filed;

(G) comply with all applicable laws and regulations, noncompliance with which would have a material adverse effect upon its financial condition, assets, liabilities (absolute, accrued, contingent or otherwise) or business; and

(H) promptly give written notice to First Financial upon obtaining knowledge of any event or fact that would cause any of the representations or warranties of Concho or Southwest Bank contained in or referred to in this Agreement to be untrue in any material respect, and use its best efforts to prevent or promptly remedy the same.

4.2 NEGATIVE COVENANTS. Except with the written consent of First Financial, neither Concho nor Southwest Bank shall, and neither of them shall permit SWB to, from the date of this Agreement and until the Closing Date,

(A) make or permit any amendment to its Articles of Association or By-laws;

(B) make or permit any changes in allocating or charging costs which in the aggregate would cause a material detriment, except as may be required by applicable regulation or GAAP, and after notice to First Financial;

(C) except for negotiations and discussions between the parties hereto relating to the transactions contemplated by this Agreement, (i) directly or indirectly initiate contact with any person or entity in an effort to solicit an acquisition, merger or consolidation proposal relating to Concho, Southwest Bank or SWB, (ii) enter into negotiation of the terms of an agreement relating to the acquisition, merger or consolidation of Concho, Southwest Bank or SWB, (iii) permit access to the premises of Concho, Southwest Bank or SWB for the review of its business or operations (except as required by law), (iv) except in the ordinary course of business, enter into any oral or written agreement to sell the assets of Concho, Southwest Bank or SWB or to merge, consolidate, liquidate or dissolve Concho, Southwest Bank or SWB, or (v) authorize or engage any officer, employee, agent or representative of Concho, Southwest Bank or SWB (including but not limited to investment bankers and financial advisers) to enter into any such solicitation, negotiation or any such oral or written agreement;

(D) make any change in the number of shares of its capital stock issued and outstanding, or issue, reserve for issuance, grant, or authorize the issuance of any shares of their capital stock or subscriptions, options, warrants, calls, rights or commitments of any kind relating to the issuance or conversion into shares of their capital stock, other than the 564 new shares of Concho Stock to be issued by Concho to acquire the remaining stock of Southwest Bank;

(E) incur, assume or become subject to, whether directly or by way of any guarantee or otherwise, any obligation or liability (absolute, accrued, contingent or otherwise) except in the ordinary course of business;

(F) permit or allow any of its property or assets to become subject to any mortgage, pledge, lien, security interest or encumbrance, restrictions or change of any kind;

(G) cancel any debts in excess of $25,000.00, waive any claims or rights of material value or sell, transfer, or otherwise dispose of any of its properties or assets, except in the ordinary course of business;

(H) other than in the ordinary course of business, dispose of or permit to lapse any of its rights to the use of any material trademark, trade name or copyright, or dispose of or disclose to any person any material trade secret not theretofore a matter of public knowledge;

(I) except in the ordinary course of business, grant or permit any increase in compensation, or pay or agree to pay or accrue any bonus or like benefit, to or for the credit of any its directors, officers or employees, or enter into, or permit, of any employment or consulting agreement or other agreement for personal services with any of its directors, officers or employees, or adopt, amend or terminate any Employee Benefit Plan or change or modify the period of vesting or retirement age for any participant of any such plan (except as required by or to comply with any law or regulation);

(J) declare, pay or set aside for payment any dividend or other distribution or payment in respect of shares of its capital stock except for (i) normal, regular dividends or other distributions of SWB to Southwest Bank and Southwest Bank to Concho, and (ii) Concho's regular annual cash dividend of $0.25 per share payable to its Shareholders;

(K) acquire the capital stock or other equity securities of any corporation or any equity or ownership interest in any partnership or other business enterprise, except through foreclosure, the exercise of creditors' remedies or in a fiduciary capacity;

(L) make aggregate capital expenditures and commitments in excess of $50,000 for additions to its premises or equipment;

(M) except as disclosed in Disclosure Schedule M, modify any outstanding loans, make any new loans or acquire any loan participations, unless such modifications, new loans, or participations are made in the ordinary course of business; or

(N) knowingly do, or cause or permit to be done, or knowingly take, or cause or permit to be taken, any action that would disqualify the acquisition by First Financial of the Concho Stock to be treated for accounting purposes on a pooling-of-interests basis.

4.3 CERTAIN ACTIVITIES IN ORDINARY COURSE. For the purposes of Section 4.2(i), it shall be considered to be in the ordinary course of business for Southwest Bank and SWB to award reasonable bonuses for 1993, to grant reasonable salary increases to officers and employees for 1994, and make its usual and customary matching contribution to contributions made by employees of Concho, Southwest Bank or SWB under its or their 401(k) Plan, but First Financial shall be notified in writing of any such increases, bonuses or contributions to be paid after the date of this Agreement.

4.4 COVENANTS. From and after the date of this Agreement and until consummation or termination of the transaction contemplated by this Agreement, neither Concho nor Southwest Bank shall, nor shall Concho or Southwest Bank cause or permit SWB to, take any action which would cause Concho or Southwest Bank to be in breach of any of the covenants contained in this Article 4; and Concho and Southwest Bank shall, within their ability to do so, cause Concho, Southwest Bank and SWB to keep and perform all of the covenants contained in this Article 4.

ARTICLE 5

WARRANTIES, REPRESENTATIONS

AND COVENANTS OF FIRST FINANCIAL

First Financial warrants and represents to, and covenants and agrees with, Concho and Southwest Bank as follows:

5.1 ORGANIZATION AND STANDING OF FIRST FINANCIAL. First Financial is a corporation duly organized, validly existing, and in good standing under the laws of the State of Texas, with corporate power to own property and carry on its business as it is now being conducted.

5.2 CAPITALIZATION. First Financial has an authorized capitalization of 5,000,000 shares of common stock of the par value of $10.00 per share, of which 3,741,802 shares are issued, outstanding, and fully paid as of the date of this Agreement.

5.3 AUTHORITY OF FIRST FINANCIAL. This Agreement has been duly executed and delivered by First Financial and, subject to the conditions precedent to Closing of the transactions set forth herein, is a valid, legally binding and enforceable obligations of First Financial. Neither the execution, delivery or performance of this Agreement in its entirety, nor the consummation of all of the transactions contemplated hereby, will violate (with or without the giving of notice or the passage of time), be in conflict with, result in a breach of any provision of, or constitute a default under, any provision of law applicable to First Financial, or any agreement or understanding, order, judgement, award, decree, statute, ordinance, regulation or other restriction of any kind or character to which First Financial is a party or by which any of its or their assets or properties is subject or bound. There are no actions, suits, proceedings or claims pending or, to its knowledge, threatened against First Financial, at law or in equity, or before or by any foreign, federal, state, municipal or other government court, department, commission, board, bureau, agency, instrumentality or other person which may result in liability to or of First Financial upon the consummation of the transactions contemplated hereby or which would prevent or delay such consummation.

5.4 NO ADVERSE CHANGE. From the date of this Agreement until the Closing Date, First Financial shall not have suffered any material adverse change in its financial condition, assets, liabilities (absolute, accrued, contingent or otherwise) or business.

5.5 DUE DILIGENCE. The officers, employees or other representatives of First Financial have reviewed and examined the assets, property (real and personal), leases and all other contractual arrangements to which Concho, Southwest Bank or SWB is a party and all business records of Concho, Southwest Bank and SWB, including, but not limited to, committee and directors' minutes, reports of condition, reports of income, tax returns, deposit agreements, loan portfolios, documents pertaining to legal matters, and financial statements, all of which review and examination was conducted upon the premises of Concho, Southwest Bank or SWB and First Financial hereby confirms the acceptability of such due diligence review.

5.6 COVENANTS. First Financial covenants and agrees that it shall:

(A) use its best efforts in good faith and in a timely manner to (i) cooperate with Concho and Southwest Bank in satisfying the conditions in this Agreement, (ii) obtain as promptly as possible all consents, approvals, authorizations and rulings, whether regulatory or corporate, as are necessary for First Financial to carry out and consummate the transactions contemplated by this Agreement, including specifically (but without limitation) the approval called for by Section 5.5, and (iii) furnish information concerning First Financial and its subsidiaries not previously provided to Concho and Southwest Bank required for inclusion in any filing or applications that may be necessary in that regard;

(B) perform all acts and execute and deliver all documents necessary to cause the transactions contemplated by this Agreement to be consummated at the earliest possible date;

(C) promptly give written notice to Concho upon obtaining knowledge of any event or fact that would cause any of the representations or warranties of First Financial contained in or referred to in this Agreement to be untrue in any material respect, and use its best efforts to prevent or promptly remedy the same; and

(D) cause its officers, directors and representatives to treat as confidential any and all information concerning Concho, Southwest Bank or SWB which is furnished to First Financial, its directors, officers, employees, shareholders, agents, representatives or advisors, in connection with this Agreement, or which was furnished prior to the execution of this Agreement for the purpose of First Financial reviewing and evaluating the transaction contemplated by this Agreement, except insofar as disclosure to certain parties is necessary to meet the conditions of this Agreement. In the event this Agreement is terminated pursuant to Section 7.1 prior to the consummation of the transaction, First Financial shall promptly return to Concho, Southwest Bank or SWB all written material containing or reflecting such confidential information, and in such event, the covenants of First Financial with respect to such confidential information contained in this

Section 5.4(d) shall survive such termination.

5.7 FEDERAL RESERVE APPROVAL. Specifically, but without limiting the effect of Section 5.6, promptly upon execution of this Agreement, First Financial shall make application to the Board of Governors of the Federal Reserve System (the "FRB") for prior approval to acquire the Concho Stock in accordance with this Agreement as required by the Bank Holding Company Act of 1956, as amended, and applicable regulations. Promptly upon receipt, First Financial shall furnish Concho and Southwest Bank with a copy of the notice of approval or disapproval of the application made by it to the FRB.

5.8 SEC REGISTRATION. Without limiting the effect of Section 5.6, upon execution of this Agreement, First Financial shall proceed to file a Registration Statement with the Securities and Exchange Commission pursuant to the Act covering the shares of First Financial Stock to be issued pursuant to this Agreement. Promptly upon receipt of such declaration of the effectiveness of such Registration Statement from the Securities and Exchange Commission, First Financial shall furnish Concho and Southwest Bank with a copy of the approval or disapproval of the effectiveness of such Registration Statement.

ARTICLE 6

SURVIVAL OF WARRANTIES, INDEMNIFICATION AND LIABILITY

6.1 NATURE AND SURVIVAL OF REPRESENTATIONS AND WARRANTIES. The covenants, representations and warranties of the parties hereto shall survive the Closing Date.

ARTICLE 7

TERMINATION

7.1 CIRCUMSTANCES AUTHORIZING TERMINATION. Notwithstanding anything herein to the contrary, this Agreement may be terminated and the Exchange Offer contemplated hereby may be abandoned at any time, but prior to the Closing Date:

(A) by mutual written consent duly authorized by the Boards of Directors of First Financial and Concho;

(B) by First Financial (i) if First Financial learns or becomes aware of a state of facts or breach or inaccuracy of any representation or warranty or covenant of Concho contained in Articles 3 or 4 which constitute a material adverse change from that represented in this

Agreement, or (ii) if any of the conditions to Closing contained in Article 2 are not satisfied or waived in writing by First Financial;

(C) by Concho (i) if Concho learns or becomes aware of a state of facts or breach or inaccuracy of any representation or warranty or covenant of First Financial contained in Article 5 which constitutes a material adverse change from that represented in this Agreement, or (ii) if any of the conditions to Closing contained in Article 2 are not satisfied or waived in writing by Concho;

(D) by First Financial or Concho if the Effective Date shall not have occurred on or before April 30, 1994 or such later date agreed to in writing by First Financial or Concho; or

(E) by First Financial or Concho if any court of competent jurisdiction in the United States (federal or state) or other governmental body shall have issued an order, decree or ruling or taken any other action restraining, enjoining or otherwise prohibiting the exchange of shares or the merger, and such order, decree, ruling or other action shall have been final and nonappealable.

ARTICLE 8

MISCELLANEOUS PROVISIONS

8.1 PUBLIC ANNOUNCEMENTS. Prior to the Closing Date, neither Concho, Southwest Bank nor First Financial, nor any person affiliated with any of them, shall, without the prior approval of the other parties, make any written public announcement, make any written statement or release to the press, or make any written statement to a competitor, customer or

other third party (except to their respective counsel or to regulatory authorities in connection with applications for governmental approvals) with respect to this Agreement or the transactions contemplated hereby.

8.2 APPLICABLE LAW. This Agreement and the legal relations between the parties hereto shall be governed by and construed in accordance with the laws of the State of Texas and of the United States of America.

8.3 PARAGRAPH AND OTHER HEADINGS. Article and section headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

8.4 WAIVERS AND AMENDMENTS. This Agreement may be amended, modified or supplemented only by a written instrument executed by the parties hereto. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach.

8.5 EXPENSES.

(A) Whether or not the transactions contemplated by this Agreement are consummated, each of the parties shall be responsible for their respective fees and expenses incident to the negotiation, preparation, execution and consummation of the transactions contemplated by this Agreement, including attorneys' and accountants' fees and expenses.

(B) First Financial consents to payment by Concho, Southwest Bank and SWB of attorneys' and accountants' fees incurred by them incident to the negotiation, preparation and execution of this Agreement and consummation of the transaction contemplated by this Agreement.

8.6 ENTIRE AGREEMENT. This Agreement, including the Exhibits and Disclosure Schedules, embodies the entire agreement and understanding of the parties with respect to the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertaking other than those expressly set forth or referred to herein.

8.7 NOTICES. All notices, requests, demands or other communications which are required or may be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail, return receipt requested, postage prepaid:

(A) In the case of First Financial, to:

Mr. Kenneth T. Murphy
Chairman of the Board, President and Chief Executive Officer
First Financial Bankshares, Inc.
P. O. Box 701
Abilene, Texas 79604

with a copy to:

Mr. David L. Buhrmann
McMahon, Surovik, Suttle, Buhrmann,
Cobb & Hicks
P. O. Box 3679
Abilene, Texas 79604

(B) In the case of Concho and/or Southwest Bank, to:

Mr. David B. Drake
Chairman and Chief Executive Officer
Concho Bancshares, Inc.
P. O. Box 60410
San Angelo, Texas 76906

with a copy to:

Patrick J. Kennedy, Jr.
Kennedy & Baris, L.L.P.
1775 NBC Plaza
112 East Pecan Street
San Antonio, Texas 78205

or to such other addresses as any party shall specify by notice to the others.

8.8 COUNTERPARTS. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same.

8.9 ATTACHMENT OF DISCLOSURE SCHEDULES. Southwest Bank, Concho and First Financial acknowledge that the Disclosure Schedules referenced herein may not be attached hereto at the time of execution of this Agreement. It is the intent of all parties hereto that the form and content of all such Disclosure Schedules will be prepared in a form acceptable to First Financial and that such Disclosure Schedules shall then be attached to this Agreement and that such Disclosure Schedules shall then become a part of this Agreement for all purposes. In the event that such Disclosure Schedules are not prepared in a form acceptable to First Financial, this Agreement may be terminated by First Financial by written notice and be of no further force and effect. Notwithstanding the fact that any such Disclosure Schedule may be attached hereto at the time of execution, the date of this Agreement or date of execution of this Agreement shall for all purposes be the date first written above.

8.10 BINDING EFFECT - ASSIGNMENT. This Agreement is binding upon the undersigned parties, their heirs, personal representatives, successors and assigns; however, the rights of First Financial under this Agreement may not be assigned without the prior written consent of Southwest Bank and Concho except that, at closing, the Subsidiary may acquire the Shares so long as First Financial remains liable for its obligations under this Agreement.

8.11 DEFINITIONS. In addition to other definitions contained elsewhere in this Agreement, as used in this Agreement:

(A) an "AFFILIATE" means any bank, corporation, partnership or other entity which, directly or indirectly, controls, is controlled by, or is under common control with, Concho or Southwest Bank;

(B) "BANKING DAY" means any day, other than a Saturday or Sunday, on which Southwest Bank is open to the public for carrying substantially all of its banking functions;

(C) "KNOWLEDGE" means a current actual awareness of a fact or other information, and "KNOWINGLY" means possessing a current actual awareness of a fact or other information;

(D) references to a particular "ARTICLE" or "SECTION" are to the given article or section of this Agreement; and

(E) unless context otherwise requires, words of the singular number include the plural and of the plural include the singular and words of the masculine gender include the feminine and neuter.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, in multiple originals, as of the day and year first above written.

	FIRST FINANCIAL BANKSHARES, INC.
ATTEST:	
By: /s/ Curtis R. Harvey	By: /s/ Kenneth T. Murphy
Curtis R. Harvey, Executive Vice President and Chief Financial Officer	Kenneth T. Murphy, Chairman of the Board, President and Chief Executive Officer
	CONCHO BANCSHARES, INC.
ATTEST:	
By: /s/ Michael L. Boyd	By: /s/ David B. Drake
Name: Michael L. Boyd Title: Asst. Sec.-Treas.	David B. Drake, Chairman of the Board and Chief Executive Officer

SOUTHWEST BANK OF SAN ANGELO

ATTEST:

By: /s/ Katherine M. Reeves
Name: Katherine M. Reeves
Title: Sr. VP & Cashier

By: /s/ Michael L. Boyd
Michael L. Boyd
President

(LETTERHEAD OF MCMAHON, SUROVIK, SUTTLE, BUHRMANN, COBB & HICKS APPEARS HERE)

EXHIBIT 5.1

January 10, 1994

First Financial Bankshares, Inc.
P.O. Box 701
Abilene, TX 79804

Dear Sirs:

We have acted as counsel to First Financial Bankshares, Inc. (the "Company") in connection with certain matters concerning a Registration Statement on Form S-4 (the "Registration Statement") relating to an aggregate of 232,550 shares (the "Shares") of the Company's Common Stock, par value $10.00 per share, to be issued in connection with the Exchange Offer by the Company to the shareholders of Concho Bancshares, Inc. Capitalized terms used herein that are not otherwise defined have the meaning ascribed to them in the Prospectus which constitutes a part of the Registration Statement.

We have examined such corporate records, documents, instruments and certificates of the Company and have received such representations from the officers and directors of the Company and have reviewed such questions of law as we have deemed necessary, relevant or appropriate to enable us to render the opinion expressed herein. During the course of our examination, we have assumed the genuineness of all signatures and the authenticity of all documents, instruments, records and certificates submitted to us as originals.

Based upon our examination and review and upon the representations made to us by the officers and directors of the Company, we are of the opinion that the Shares have been duly and validly authorized and will, upon issuance and delivery against payment therefor in the manner contemplated by the Exchange Offer and Merger, be validly issued, and upon such issuance, the Shares will be fully paid and nonassessable.

This firm consents to the filing of this opinion as to an exhibit to the Registration Statement and to the reference to the firm in the Prospectus constituting a part thereof under the caption "Legal Matters."

Very truly yours,

McMAHON, SUROVIK, SUTTLE,
BUHRMANN, COBB & HICKS, P.C.

By: /s/ David L. Buhrmann

David L. Buhrmann

DLB/rw

Exhibit 8.1

January 7, 1994

The Board of Directors
Concho Bancshares, Inc.
P. O. Box 60410
San Angelo, Texas 76906

Dear Sirs

Pursuant to Section 2.2 of the Stock Exchange Agreement and Plan of Reorganization, dated as of December 7, 1993 (the "Agreement") among First Financial Bankshares, Inc. ("First Financial"), Concho Bancshares, Inc. ("Concho") and Southwest Bank of San Angelo ("Southwest Bank"), our opinion has been requested with respect to certain of the Federal income tax consequences of the exchange by the Concho shareholders of their Concho stock for First Financial voting common stock (the "Stock Exchange") and the merger of Concho with and into First Financial Bankshares of Delaware, Inc. ("FFB Delaware"), a wholly-owned subsidiary of First Financial (the "Merger"). This opinion letter supersedes our opinion letter dated December 17, 1993.

In rendering our opinion, we have reviewed the Agreement and such other documents as we have deemed necessary or appropriate. We have relied upon the accuracy and completeness of the facts, information, covenants and representations contained in the Agreement and such other documents. Furthermore, we have assumed that the Stock Exchange and Merger will be consummated in accordance with the Agreement and that the Merger will qualify as a merger under applicable State law.

In rendering our opinion, we have considered the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, pertinent judicial authorities, interpretive rulings of the Internal Revenue Service and such other authorities as we have considered relevant. It should be noted that statutes, regulations, judicial decisions and administrative interpretations are subject to change at any time and, in some circumstances, with retroactive effect. A material change in the authorities upon which our opinion is based could affect our conclusions. However, we assume no obligation to revise or supplement this opinion if any subsequent change were to occur.

Requisite to a tax-free reorganization under the Code is a continuity of interest in the business enterprise on the part of those persons who were the owners of the enterprise prior to the reorganization. Accordingly, the Concho shareholders, as a group, will be required to satisfy the continuity of interest doctrine through a post-exchange continuing ownership

of the First Financial voting common stock received in the Stock Exchange. In this regard, a disposition by the Concho shareholders of a substantial portion (in the aggregate) of their post-exchange First Financial shares which is pursuant to a plan, intention or arrangement existing at the time of the Stock Exchange will result in a failure to satisfy the continuity of interest doctrine. The Internal Revenue Service takes the position that 50 percent (in the aggregate) constitutes a "substantial portion." A failure to satisfy the continuity of interest doctrine will result in the Stock Exchange being a taxable transaction to the Concho shareholders. In rendering our opinion, we have assumed that the continuity of interest doctrine can and will be satisfied.

Also requisite to a tax-free reorganization under the Code is a continuity of the business enterprise under the modified corporate form. The continuity of business enterprise doctrine requires that the acquiring corporation either continue the acquired corporation's historic business or use a significant portion of the acquired corporation's historic business assets in a business. Accordingly, in order to satisfy the continuity of business enterprise doctrine, First Financial and/or one or more of its controlled subsidiaries will be required to either continue the historic business of Concho and Southwest Bank or use a significant portion of the historic business assets of Concho and Southwest Bank in a business. A failure to satisfy the continuity of business enterprise doctrine will result in the Stock Exchange being a taxable transaction to the Concho shareholders. In rendering our opinion, we have assumed that the continuity of business enterprise doctrine will be satisfied.

In addition to the requirements noted in the foregoing for a tax-free reorganization under the Code, there is the requirement that, immediately after a stock-for-stock exchange, the acquiring corporation must have control of the acquired corporation. For purposes of the reorganization provisions of the Code, the term "control" means the ownership of stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote and at least 80 percent of the total number of shares of all other classes of stock of the corporation. Therefore, in order to satisfy the control requirement, First Financial and/or one or more of its controlled subsidiaries will have to own at least 80 percent of the outstanding stock of Concho immediately after the Stock Exchange. If the Stock Exchange is consummated with First Financial acquiring less than 80 percent of the outstanding stock of Concho, the Stock Exchange will be a taxable transaction to the Concho shareholders. In rendering our opinion, we have assumed that the control requirement will be satisfied.

Based solely upon and subject to the foregoing, we are of the opinion that under current law:

1. The Stock Exchange and Merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and First Financial, Concho and FFB Delaware each will be a party to the reorganization within the meaning of Section 368(b) of the Code.

2. No gain or loss will be recognized by the Concho shareholders upon receipt of First Financial voting common stock in exchange for their Concho stock, except for any gain or loss recognized with respect to shareholders who receive cash in lieu of fractional share interests in First Financial voting common stock or pursuant to the exercise of statutory dissenter rights.

3. The aggregate Federal income tax basis of the shares of First Financial voting common stock received by the Concho shareholders in exchange for their shares of Concho stock will be the same as the aggregate adjusted tax basis of their Concho stock exchanged therefor, less the tax basis, if any, allocated to fractional share interests.

4. The holding period of the First Financial voting common stock received by the Concho shareholders in exchange for their shares of Concho stock in the hands of the Concho shareholders will include the holding period of their Concho stock exchanged therefor.

Except as set forth above, we express no opinion as to the tax consequences, whether Federal, State or local, of the Stock Exchange and Merger, or of any transactions related thereto. We are furnishing this opinion to you solely in connection with Section 2.2 of the Agreement. This opinion is solely for your benefit and is not to be used, circulated, quoted or otherwise referred to for any purpose without our prior consent.

We hereby consent to the references made to us in the Summary and under the heading "The Exchange Offer - Certain Federal Income Tax Consequences" in the Offering Circular/Prospectus of First Financial Relating to the Stock Exchange, and to the inclusion of this opinion as an Annex to the Offering Circular/Prospectus and the filing of this opinion as an exhibit to the Registration Statement on Form S-4 of which such Offering Circular/Prospectus is a part.

Very truly yours

ARMSTRONG, BACKUS & CO., L.L.P.

EXHIBIT 15.1

INDEPENDENT ACCOUNTANTS' ACKNOWLEDGMENT

We acknowledge and consent to the use in the Registration Statement on Form S-4 of which this Exhibit 15.1 is a part, of our Compilation Report dated December 6, 1993 relating to the consolidated balance sheets of Concho Bankshares, Inc. and Subsidiary, as of September 30, 1993 and 1992, and the related consolidated statements of earnings, changes in stockholders' equity and cash flows for the nine months then ended and the consolidated statements of earnings for the three months ended September 30, 1993 and 1992.

ARMSTRONG, BACKUS & CO., L.L.P.

Exhibit 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated January 13, 1993, (and to all references to our Firm) included in or made a part of this registration statement.

ARTHUR ANDERSEN & CO.

Dallas, Texas
January 10, 1994

Exhibit 23.4

INDEPENDENT AUDITORS' CONSENT

We consent to the reference to our firm under the caption "Experts" and to use of our report dated February 12, 1993, with respect to the financial statements of Concho Bancshares, Inc. included in the Registration Statement (Form S-4) and related prospectus.

ARMSTRONG, BACKUS & CO., L.L.P.

January 7, 1994