

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ _____

IRC Section 368(A)

IRC Section 345

IRC Section 356

IRC Section 358

IRC Section 1221


IRC Section 1362

18 Can any resulting loss be recognized? ▶ SEE ATTACHMENT

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ The reportable tax year is the calendar year ending December 31, 2020.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

Signature ▶  Date ▶ 1-15-20

Print your name ▶ BRUCE HILDEBRAND Title ▶ CFO

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	<u>RUSSELL GUTHRIE CPA</u>		<u>1/15/2020</u>		<u>P00053437</u>
	Firm's name ▶ <u>EIDE BAILLY LLP</u>	Firm's address ▶ <u>400 PINE ST, STE 600 ABILENE, TX 79601-5190</u>		Firm's EIN ▶ <u>45-0250958</u>	Phone no. ▶ <u>325-672-4000</u>

Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
First Financial Bankshares, Inc.
FEIN: 75-0944023

Part II, Item 14

Effective January 1, 2020, TB&T Bancshares, Inc. (TB&T) was merged with and into First Financial Bankshares, Inc., (FFIN) pursuant to the Agreement and Plan of Reorganization, dated September 19, 2019 (Reorganization Agreement). FFIN intends that the merger qualify as a tax-free reorganization under Section 368 of the Internal Revenue Code.

Part II, Item 15

Pursuant to the Reorganization Agreement, each share of TB&T common stock was exchanged for 1.2502 shares of FFIN common stock and \$0.39 in cash. In addition, cash was paid in lieu of fractional shares (calculated as \$30.28 per fractional share). In total, 6,275,574 shares of FFIN stock were issued with a value of \$220,272,647 (\$35.10 per share) along with \$1,975,707 of cash.

A TB&T shareholder who receives cash and FFIN shares generally will recognize gain (but not loss) in the amount equal to the lesser of (i) cash received by such holder and (ii) the amount, if any, by which the cash received plus the fair market value of FFIN stock received by such holder exceeds the tax basis of such holder's TB&T stock surrendered in exchange therefore (in each case excluding cash received in lieu of fractional share of 35.10). Each TB&T shareholder's total tax basis in TB&T common stock should equal such shareholder's total tax basis in the TB&T stock surrendered in the merger transaction, decreased by the amount of cash received and increased by the amount of gain recognized in the transaction.

Part II, Item 16

In exchange for each share of TB&T common stock, the TB&T shareholder will receive 1.2502 shares of FFIN common stock and \$0.39 in cash, with a total value of \$35.49. The shareholder will generally recognize capital gain (discussed in #18), with the nature of the gain being determined by how long TB&T stock was held by each individual shareholder.

The basis of TB&T shares received, once computed, must be allocated to the individual TB&T shares received in accordance with Treasury Regulation 1.358-2(a). See also Proposed Treasury Regulation 1.358-2(b). Since more shares of FFIN common stock were received than shares of TB&T common stock surrendered, the basis of the TB&T shares surrendered must be allocated to the shares of FFIN stock received in a manner that reflects, to the greatest extent possible, that a share of FFIN stock received in respect of TB&T shares of stock that were acquired on the same date and at the same price. To the extent it is not possible to allocate the basis in this manner, the basis of the TB&T shares surrendered must be allocated to the shares of FFIN stock received in a manner that minimizes the disparity in the holding periods of the surrendered shares whose basis is allocated to any particular FFIN share received. This could result in a single share of FFIN stock having a split basis and split holding period. Each TB&T shareholder should consult their tax advisor for the specific guidance.

See explanation on Item 15 regarding the fair market value of FFIN stock and calculation of change in basis for former TB&T shareholders.

Part II, Item 18

TB&T shareholders receiving a combination of FFIN stock and cash will generally recognize capital gain, but not loss, as expanded in detail in Item 15. Each TB&T shareholder should consult their tax advisor for specific guidance.