

BANCFIRST CORP /OK/
Form 10-Q
November 04, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2016

OR

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

For the transition period from _____ to _____

Commission File Number 0-14384

BancFirst Corporation

(Exact name of registrant as specified in charter)

Oklahoma 73-1221379
(State or other Jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

101 N. Broadway, Oklahoma City, Oklahoma 73102-8405
(Address of principal executive offices) (Zip Code)
(405) 270-1086

(Registrant's telephone number, including area code)

N/A

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(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (sec. 232-405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer and large accelerated filer” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

As of October 31, 2016 there were 15,708,383 shares of the registrant’s Common Stock outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BANCFIRST CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	September 30, 2016 (unaudited)	December 31, 2015 (see Note 1)
ASSETS		
Cash and due from banks	\$ 174,061	\$ 203,364
Interest-bearing deposits with banks	1,532,095	1,394,813
Federal funds sold	500	—
Securities (fair value: \$473,785 and \$553,010, respectively)	473,738	552,949
Loans held for sale	9,685	13,725
Loans (net of unearned interest)	4,307,827	4,232,048
Allowance for loan losses	(48,061)	(41,666)
Loans, net of allowance for loan losses	4,259,766	4,190,382
Premises and equipment, net	126,415	126,813
Other real estate owned	4,038	7,984
Intangible assets, net	13,898	15,695
Goodwill	54,042	54,042
Accrued interest receivable and other assets	135,299	133,062
Total assets	\$ 6,783,537	\$ 6,692,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 2,477,107	\$ 2,409,769
Interest-bearing	3,547,842	3,563,589
Total deposits	6,024,949	5,973,358
Short-term borrowings	4,000	500
Accrued interest payable and other liabilities	28,898	31,502
Junior subordinated debentures	31,959	31,959
Total liabilities	6,089,806	6,037,319
Stockholders' equity:		
Senior preferred stock, \$1.00 par; 10,000,000 shares authorized; none issued	—	—
Cumulative preferred stock, \$5.00 par; 900,000 shares authorized; none issued	—	—
Common stock, \$1.00 par, 20,000,000 shares authorized; shares issued and	15,695	15,597

outstanding: 15,695,083 and 15,597,446, respectively		
Capital surplus	111,012	102,865
Retained earnings	565,039	535,521
Accumulated other comprehensive income, net of income tax of \$1,252		
and \$962, respectively	1,985	1,527
Total stockholders' equity	693,731	655,510
Total liabilities and stockholders' equity	\$6,783,537	\$6,692,829

The accompanying Notes are an integral part of these consolidated financial statements.

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
INTEREST INCOME				
Loans, including fees	\$51,647	\$47,342	\$152,888	\$139,781
Securities:				
Taxable	1,242	1,291	3,913	4,148
Tax-exempt	248	249	746	730
Federal funds sold	1	—	1	—
Interest-bearing deposits with banks	1,968	1,009	5,622	3,137
Total interest income	55,106	49,891	163,170	147,796
INTEREST EXPENSE				
Deposits	3,149	2,522	9,321	7,602
Short-term borrowings	2	1	5	3
Junior subordinated debentures	524	492	1,569	1,474
Total interest expense	3,675	3,015	10,895	9,079
Net interest income	51,431	46,876	152,275	138,717
Provision for loan losses	2,940	1,424	9,847	4,029
Net interest income after provision for loan losses	48,491	45,452	142,428	134,688
NONINTEREST INCOME				
Trust revenue	2,685	2,295	7,752	6,837
Service charges on deposits	16,033	14,910	46,228	42,574
Securities transactions (includes accumulated other comprehensive income reclassifications of \$(85), \$0, \$15 and \$3,912, respectively)	(146)	—	(111)	7,121
Income from sales of loans	863	545	2,120	1,534
Insurance commissions	4,372	4,427	11,762	11,615
Cash management	2,853	1,906	7,903	5,611
Gain on sale of other assets	2	27	61	108
Other	1,265	1,214	3,886	3,935
Total noninterest income	27,927	25,324	79,601	79,335
NONINTEREST EXPENSE				
Salaries and employee benefits	30,591	28,746	89,956	84,145
Occupancy, net	3,217	3,051	9,115	8,586
Depreciation	2,556	2,488	7,653	7,401
Amortization of intangible assets	560	444	1,721	1,333
Data processing services	1,178	1,132	3,567	3,428
Net expense (income) from other real estate owned	162	51	(944)	181
Marketing and business promotion	1,779	1,640	5,258	4,720
Deposit insurance	641	820	2,335	2,482
Other	8,520	7,980	24,554	24,428

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Total noninterest expense	49,204	46,352	143,215	136,704
Income before taxes	27,214	24,424	78,814	77,319
Income tax expense	9,232	8,794	26,760	26,877
Net income	\$17,982	\$15,630	\$52,054	\$50,442
NET INCOME PER COMMON SHARE				
Basic	\$1.15	\$1.01	\$3.34	\$3.25
Diluted	\$1.13	\$0.98	\$3.28	\$3.18
OTHER COMPREHENSIVE INCOME				
Unrealized (losses) gains on securities, net of tax of \$423, \$(91), \$(296) and \$(507), respectively	(670)	145	467	803
Reclassification adjustment for losses (gains) included in net income, net of tax of \$(33), \$0, \$6 and \$1,513, respectively	52	—	(9)	(2,399)
Other comprehensive (losses) gains, net of tax of \$390, \$(91), \$(290) and \$1,006, respectively	(618)	145	458	(1,596)
Comprehensive income	\$17,364	\$15,775	\$52,512	\$48,846

The accompanying Notes are an integral part of these consolidated financial statements.

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
COMMON STOCK				
Issued at beginning of period	\$ 15,560	\$ 15,562	\$ 15,597	\$ 15,504
Shares issued	135	29	198	87
Shares acquired and canceled	—	—	(100)	—
Issued at end of period	\$ 15,695	\$ 15,591	\$ 15,695	\$ 15,591
CAPITAL SURPLUS				
Balance at beginning of period	\$ 105,676	\$ 99,202	\$ 102,865	\$ 96,841
Common stock issued	3,767	749	5,634	2,065
Tax effect of stock options	1,204	395	1,247	686
Stock-based compensation arrangements	365	489	1,266	1,243
Balance at end of period	\$ 111,012	\$ 100,835	\$ 111,012	\$ 100,835
RETAINED EARNINGS				
Balance at beginning of period	\$ 552,991	\$ 517,028	\$ 535,521	\$ 492,776
Net income	17,982	15,630	52,054	50,442
Dividends on common stock (\$0.38, \$0.36, \$1.10 and \$1.04 per share, respectively)	(5,934)	(5,620)	(17,113)	(16,180)
Common stock acquired and canceled	—	—	(5,423)	—
Balance at end of period	\$ 565,039	\$ 527,038	\$ 565,039	\$ 527,038
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Unrealized gains on securities:				
Balance at beginning of period	\$ 2,603	\$ 2,452	\$ 1,527	\$ 4,193
Net change	(618)	145	458	(1,596)
Balance at end of period	\$ 1,985	\$ 2,597	\$ 1,985	\$ 2,597
Total stockholders' equity	\$ 693,731	\$ 646,061	\$ 693,731	\$ 646,061

The accompanying Notes are an integral part of these consolidated financial statements.

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$52,054	\$50,442
Adjustments to reconcile to net cash provided by operating activities:		
Provision for loan losses	9,847	4,029
Depreciation and amortization	9,374	8,734
Net amortization of securities premiums and discounts	161	747
Realized securities losses (gains)	111	(7,121)
Gain on sales of loans	(2,120)	(1,534)
Cash receipts from the sale of loans originated for sale	143,044	132,957
Cash disbursements for loans originated for sale	(136,903)	(134,396)
Deferred income tax benefit	(3,069)	(1,029)
Gain on other assets	(1,294)	(76)
Increase in interest receivable	73	8
Decrease in interest payable	(22)	(64)
Amortization of stock-based compensation arrangements	1,266	1,243
Other, net	(1,684)	4,797
Net cash provided by operating activities	\$70,838	\$58,737
INVESTING ACTIVITIES		
Net increase in federal funds sold	(500)	—
Purchases of held for investment securities	(806)	(1,085)
Purchases of available for sale securities	(78,592)	(41,424)
Proceeds from maturities, calls and paydowns of held for investment securities	5,039	1,344
Proceeds from maturities, calls and paydowns of available for sale securities	153,620	53,285
Proceeds from sales of available for sale securities	426	8,576
Net change in loans	(82,782)	(113,740)
Purchases of premises, equipment and computer software	(7,845)	(9,535)
Proceeds from the sale of other assets	8,740	4,324
Net cash used in investing activities	(2,700)	(98,255)
FINANCING ACTIVITIES		
Net change in deposits	51,591	(206,113)
Net increase/(decrease) in short-term borrowings	3,500	(205)
Issuance of common stock, net	7,079	2,838
Common stock acquired	(5,523)	—
Cash dividends paid	(16,806)	(15,836)
Net cash provided by (used in) financing activities	39,841	(219,316)
Net increase/(decrease) in cash, due from banks and interest-bearing deposits	107,979	(258,834)
Cash, due from banks and interest-bearing deposits at the beginning of the period	1,598,177	1,913,895
Cash, due from banks and interest-bearing deposits at the end of the period	\$1,706,156	\$1,655,061

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for interest	\$ 10,919	\$ 9,142
Cash paid during the period for income taxes	\$ 26,200	\$ 26,531
Noncash investing and financing activities:		
Unpaid common stock dividends declared	\$ 5,922	\$ 5,609

The accompanying Notes are an integral part of these consolidated financial statements.

BANCFIRST CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of BancFirst Corporation and its subsidiaries (the “Company”) conform to accounting principles generally accepted in the United State of America (U.S. GAAP) and general practice within the banking industry. A summary of significant accounting policies can be found in Note (1) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of BancFirst Corporation, Council Oak Partners, LLC, BancFirst Insurance Services, Inc. and BancFirst and its subsidiaries. The principal operating subsidiaries of BancFirst are Council Oak Investment Corporation, Council Oak Real Estate, Inc. and BancFirst Agency, Inc. All significant intercompany accounts and transactions have been eliminated. Assets held in a fiduciary or agency capacity are not assets of the Company and, accordingly, are not included in the unaudited interim consolidated financial statements.

The accompanying unaudited interim consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q. The information contained in the financial statements and footnotes included in BancFirst Corporation’s Annual Report on Form 10-K for the year ended December 31, 2015, should be referred to in connection with these unaudited interim consolidated financial statements. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

The unaudited interim consolidated financial statements contained herein reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the financial position and results of operations of the Company for the interim periods presented. All such adjustments are of a normal and recurring nature. There have been no significant changes in the accounting policies of the Company since December 31, 2015, the date of the most recent annual report.

Reclassifications

Certain items in prior financial statements have been reclassified to conform to the current presentation. Such reclassifications had no effect on previously reported cash flows, stockholders’ equity or comprehensive income.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States inherently involves the use of estimates and assumptions that affect the amounts reported in the financial statements and the related disclosures. These estimates relate principally to the determination of the allowance for loan losses, income taxes, the fair value of financial instruments and the valuation of intangibles. Such estimates and assumptions may change over time and actual amounts realized may differ from those reported.

Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” ASU 2016-15 is intended to reduce the diversity in practice around how certain transactions are classified within the statement of cash flows. ASU 2016-15 will be effective on January 1, 2018. Early adoption is permitted with retrospective applications. The Company is currently evaluating the potential impact of ASU 2016-15 on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 requires enhanced disclosures related to the significant estimates and judgements used in estimating credit losses, as well as the credit quality and underwriting standards of an organization’s portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective on January 1, 2020. The Company is currently evaluating the potential impact of ASU 2016-13 on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, “Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting.” Under ASU 2016-09 all excess tax benefits and tax deficiencies related to share-based payment awards should be recognized as income tax expense or benefit in the income statement during the period in which they occur. Previously, such amounts were recorded in the pool of excess tax benefits included in additional paid-in capital, if such pool was available. Because excess tax benefits are no longer recognized in additional paid-in capital, the assumed proceeds from applying the treasury stock method when computing earnings per share should exclude the amount of excess tax benefits that would have previously been recognized in additional paid-in capital. Additionally, excess tax benefits should be classified along with other income tax cash flows as an operating activity rather than a financing activity, as was previously the case. ASU 2016-09 also provides that an entity can make an entity-wide accounting policy election to either estimate the number of awards that are expected to vest (current GAAP) or account for forfeitures when they occur. ASU 2016-09 changes the threshold to qualify for equity classification (rather than as a liability) to permit withholding up to the maximum statutory tax rates (rather than the minimum as was previously the case) in the applicable jurisdictions. ASU 2016-09 will be effective on January 1, 2017 and is not expected to have a significant impact on the Company’s financial statements.

In February 2016, the FASB issued ASU No. 2016-02, “Leases - (Topic 842).” ASU 2016-02 requires that lessees recognize on the balance sheet the assets and liabilities for the rights and obligations created by leases. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2018. Early adoption is permitted. Adoption of ASU 2016-02 is not expected to have a significant impact on the Company’s financial statements.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments - Overall (Subtopic 825-10).” ASU 2016-01 require all equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in the fair value recognized through net income. In addition, the amendment will require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2017. Early adoption is not permitted. Adoption of ASU 2016-01 is not expected to have a significant impact on the Company’s financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “Presentation of Financial Statements – Going Concern (Topic 205-40).” ASU 2014-15 provides guidance on management’s responsibility in evaluating whether there is substantial doubt about the Company’s ability to continue as a going concern and related footnote disclosures. For each reporting period, management will be required to evaluate whether there are conditions or events that raise substantial doubt about the Company’s ability to continue as a going concern within one year from the date the financial statements are issued. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2016. Early adoption is permitted. Adoption of ASU 2014-15 is not expected to have a significant impact on the Company’s financial statements.

(2) RECENT DEVELOPMENTS, INCLUDING MERGERS AND ACQUISITIONS

On October 8, 2015, the Company completed its acquisition of CSB Bancshares Inc. and its subsidiary bank, Bank of Commerce, with locations in Yukon, Mustang and El Reno, Oklahoma. Bank of Commerce had approximately \$196 million in total assets, \$147 million in loans, \$175 million in deposits and \$22 million in equity capital. The

acquisition was accounted for under the acquisition method and the Company acquired 100% of the voting interest. Bank of Commerce operated as a subsidiary of BancFirst Corporation until it was merged into BancFirst on November 13, 2015. As a result of the acquisition, the Company recorded a core deposit intangible of approximately \$7.1 million and goodwill of approximately \$9.4 million. The effect of this acquisition was included in the consolidated financial statements of the Company from the date of acquisition forward. The acquisition did not have a material effect on the Company's consolidated financial statements. The acquisition of CSB Bancshares Inc. and its subsidiary bank, Bank of Commerce complemented the Company's community banking strategy by adding two communities to its banking network throughout Oklahoma.

During the quarter ended March 31, 2016, the Company had gains on the sale of other real estate owned totaling \$1.2 million that is included in net expense (income) from other real estate owned in the consolidated statements of comprehensive income.

(3) SECURITIES

The following table summarizes securities held for investment and securities available for sale:

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Held for investment, at cost (fair value: \$4,601 and \$8,850, respectively)	\$4,554	\$8,789
Available for sale, at fair value	469,184	544,160
Total	\$473,738	\$552,949

The following table summarizes the amortized cost and estimated fair values of securities held for investment:

	Gross		Estimated
	Amortized	Unrealized	Fair
	Cost	Gains	Losses
	(Dollars in thousands)		
September 30, 2016	Cost	Gains	Losses
Mortgage backed securities (1)	\$273	\$ 21	\$ —
States and political subdivisions	3,781	28	(2)
Other securities	500	—	—
Total	\$4,554	\$ 49	\$ (2)
December 31, 2015			
Mortgage backed securities (1)	\$347	\$ 25	\$ —
States and political subdivisions	7,942	36	—
Other securities	500	—	—
Total	\$8,789	\$ 61	\$ —

The following table summarizes the amortized cost and estimated fair values of securities available for sale:

	Gross		Estimated
	Amortized	Unrealized	Fair
	Cost	Gains	Losses
	(Dollars in thousands)		
September 30, 2016	Cost	Gains	Losses
U.S. treasuries	\$204,350	\$ 1,773	\$ —
U.S. federal agencies	192,271	494	(117)
Mortgage backed securities (1)	20,467	379	(561)
States and political subdivisions	42,412	1,354	(62)
Other securities (2)	6,447	125	(148)
Total	\$465,947	\$ 4,125	\$ (888)
December 31, 2015			

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U.S. treasuries	\$328,965	\$ 776	\$ (45)	\$329,696
U.S. federal agencies	131,522	527	(153)	131,896
Mortgage backed securities (1)	21,973	425	(543)	21,855
States and political subdivisions	49,521	1,447	(48)	50,920
Other securities (2)	9,689	249	(145)	9,793
Total	\$541,670	\$ 3,424	\$ (934)	\$544,160

(1) Primarily consists of FHLMC, FNMA, GNMA and mortgage backed securities through U.S. agencies.

(2) Primarily consists of equity securities.

Realized gains are reported as securities transactions within the noninterest income section of the consolidated statement of comprehensive income. In January 2015, Council Oak Investment Corporation, a wholly-owned subsidiary of BancFirst, recognized a pretax gain of approximately \$1.7 million from the sale of one of its equity investments. In June 2015, Council Oak Partners, LLC, a wholly-owned subsidiary of the Company, recognized a pretax gain of approximately \$5.3 million from the sale of one of its equity investments.

The maturities of securities held for investment and available for sale are summarized in the following table using contractual maturities. Actual maturities may differ from contractual maturities due to obligations that are called or prepaid. For purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been presented at their contractual maturity.

	September 30, 2016		December 31, 2015	
	Estimated		Estimated	
	Amortized Fair		Amortized Fair	
	Cost	Value	Cost	Value
	(Dollars in thousands)			
Held for Investment				
Contractual maturity of debt securities:				
Within one year	\$1,637	\$1,646	\$5,168	\$5,174
After one year but within five years	2,162	2,179	2,800	2,829
After five years but within ten years	736	756	795	319
After ten years	19	20	26	528
Total	\$4,554	\$4,601	\$8,789	\$8,850
Available for Sale				
Contractual maturity of debt securities:				
Within one year	\$205,834	\$206,093	\$272,820	\$272,779
After one year but within five years	178,939	181,187	178,617	180,145
After five years but within ten years	6,608	7,088	8,483	9,075
After ten years	68,119	68,392	75,522	75,853
Total debt securities	459,500	462,760	535,442	537,852
Other securities	6,447	6,424	6,228	6,308
Total	\$465,947	\$469,184	\$541,670	\$544,160

The following table is a summary of the Company's book value of securities that were pledged as collateral for public funds on deposit, repurchase agreements and for other purposes as required or permitted by law:

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Book value of pledged securities	\$419,481	\$493,540

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category:

September 30, 2016 December 31, 2015

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	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial and financial:				
Commercial and industrial	\$792,335	18.39 %	\$795,803	18.80 %
Oil & gas production and equipment	75,627	1.76	87,304	2.06
Agriculture	136,150	3.16	150,620	3.56
State and political subdivisions:				
Taxable	39,160	0.91	17,605	0.42
Tax-exempt	39,930	0.93	33,575	0.79
Real estate:				
Construction	402,901	9.35	403,664	9.54
Farmland	191,218	4.44	184,707	4.36
One to four family residences	845,360	19.62	821,251	19.41
Multifamily residential properties	59,967	1.39	65,477	1.55
Commercial	1,410,730	32.75	1,356,430	32.05
Consumer	277,671	6.45	283,636	6.70
Other (not classified above)	36,778	0.85	31,976	0.76
Total loans	\$4,307,827	100.00 %	\$4,232,048	100.00 %

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The Company's commercial and industrial loan category includes a small percentage of loans to companies that provide ancillary services to the oil and gas industry, such as transportation, preparation contractors and equipment manufacturers. The balance of these loans at September 30, 2016 was approximately \$54 million.

The Company's loans are mostly to customers within Oklahoma and over 65% of the loans are secured by real estate. Credit risk on loans is managed through limits on amounts loaned to individual borrowers, underwriting standards and loan monitoring procedures. The amounts and types of collateral obtained, if any, to secure loans are based upon the Company's underwriting standards and management's credit evaluation. Collateral varies, but may include real estate, equipment, accounts receivable, inventory, livestock and securities. The Company's interest in collateral is secured through filing mortgages and liens, and in some cases, by possession of the collateral.

Accounting policies related to appraisals, nonaccruals and charge-offs are disclosed in Note (1) to the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Nonperforming and Restructured Assets

The following is a summary of nonperforming and restructured assets:

	September 30, 2016	December 31, 2015
	(Dollars in thousands)	
Past due 90 days or more and still accruing	\$ 1,906	\$ 1,841
Nonaccrual	31,014	30,096
Restructured	1,842	15,143
Total nonperforming and restructured loans	34,762	47,080
Other real estate owned and repossessed assets	4,339	8,214
Total nonperforming and restructured assets	\$ 39,101	\$ 55,294

Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately \$1.5 million for the nine months ended September 30, 2016 and approximately \$1.5 million for the nine months ended September 30, 2015.

Restructured loans at December 31, 2015 consisted primarily of one relationship restructured in prior periods to defer certain principal payments. This relationship was re-evaluated and removed from restructured loans in 2016 due to sustained improvement in financial condition, performance and the commercially reasonable nature of its structure. The Company charges interest on principal balances outstanding during deferral periods. As a result, the current and future financial effects of the recorded balance of loans considered to be restructured were not considered to be material.

Loans are segregated into classes based upon the nature of the collateral and the borrower. These classes are used to estimate the credit risk component in the allowance for loan losses. The following table is a summary of amounts included in nonaccrual loans, segregated by class of loans. Residential real estate refers to one-to-four family real estate.

	September 30,	December 31,
--	------------------	-----------------

2016 2015
(Dollars in
thousands)

Real estate:

Non-residential real estate owner occupied	\$274	\$ 261
Non-residential real estate other	5,910	3,957
Residential real estate permanent mortgage	829	656
Residential real estate all other	4,694	1,833
Commercial and financial:		
Non-consumer non-real estate	4,849	10,159
Consumer non-real estate	472	312
Other loans	9,008	9,381
Acquired loans	4,978	3,537
Total	\$31,014	\$ 30,096

The following table presents an age analysis of past due loans, segregated by class of loans:

Age Analysis of Past Due Loans							Accruing
	30-59	60-89	90 Days	Total	Current	Total	Loans 90
	Days	Days	and	Past	Loans	Loans	Days or
	Past	Past	Greater	Due	Loans	Loans	More
	Due	Due	Past	Loans	Loans	Loans	Past Due
	(Dollars in thousands)						
As of September 30, 2016							
Real estate:							
Non-residential real estate owner occupied	\$3,899	\$704	\$506	\$5,109	\$521,548	\$526,657	\$269
Non-residential real estate other	504	86	1,995	2,585	1,126,466	1,129,051	91
Residential real estate permanent mortgage	2,278	895	1,029	4,202	327,619	331,821	468
Residential real estate all other	1,952	526	1,459	3,937	730,581	734,518	469
Commercial and financial:							
Non-consumer non-real estate	5,203	1,522	465	7,190	989,351	996,541	196
Consumer non-real estate	2,020	758	456	3,234	278,381	281,615	270
Other loans	1,208	235	8,199	9,642	138,276	147,918	—
Acquired loans	473	1,023	460	1,956	157,750	159,706	143
Total	\$17,537	\$5,749	\$14,569	\$37,855	\$4,269,972	\$4,307,827	\$1,906
As of December 31, 2015							
Real estate:							
Non-residential real estate owner occupied	\$441	\$179	\$183	\$803	\$502,094	\$502,897	\$—
Non-residential real estate other	1,149	108	568	1,825	1,108,935	1,110,760	521
Residential real estate permanent mortgage	2,840	636	648	4,124	328,477	332,601	493
Residential real estate all other	2,842	609	824	4,275	672,414	676,689	193
Commercial and financial:							
Non-consumer non-real estate	2,278	161	187	2,626	982,136	984,762	152
Consumer non-real estate	2,237	772	349	3,358	265,511	268,869	278
Other loans	3,565	295	1,761	5,621	156,995	162,616	132
Acquired loans	1,052	71	918	2,041	190,813	192,854	72
Total	\$16,404	\$2,831	\$5,438	\$24,673	\$4,207,375	\$4,232,048	\$1,841
Impaired Loans							

Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect the full amount of scheduled principal and interest payments in accordance with the original contractual terms of the loan agreement. If a loan is impaired, a specific valuation allowance may be allocated, if necessary, so that the loan is reported, net of allowance for loss, at the present value of future cash flows using the loan's existing rate, or the fair value of collateral if repayment is expected solely from the collateral.

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The following table presents impaired loans, segregated by class of loans. No material amount of interest income was recognized on impaired loans subsequent to their classification as impaired.

	Impaired Loans Recorded			Average
	Unpaid	Investment	Related	Recorded
	Principal	with	Allowance	Investment
	Balance	Allowance	Allowance	Investment
	(Dollars in thousands)			
As of September 30, 2016				
Real estate:				
Non-residential real estate owner occupied	\$ 728	\$ 645	\$ 48	\$ 531
Non-residential real estate other	8,049	6,001	335	5,653
Residential real estate permanent mortgage	1,545	1,353	108	1,019
Residential real estate all other	5,704	5,465	1,428	6,007
Commercial and financial:				
Non-consumer non-real estate	11,644	6,255	1,470	7,347
Consumer non-real estate	898	863	235	909
Other loans	10,440	9,008	1,851	9,191
Acquired loans	7,265	5,344	—	4,015
Total	\$ 46,273	\$ 34,934	\$ 5,475	\$ 34,672
As of December 31, 2015				
Real estate:				
Non-residential real estate owner occupied	\$ 507	\$ 383	\$ 14	\$ 446
Non-residential real estate other	21,068	19,052	357	19,655
Residential real estate permanent mortgage	1,401	1,209	81	1,125
Residential real estate all other	2,498	2,235	242	1,958
Commercial and financial:				
Non-consumer non-real estate	13,897	10,312	2,062	11,786
Consumer non-real estate	738	715	181	652
Other loans	10,722	9,513	331	10,335
Acquired loans	6,295	4,248	—	4,564
Total	\$ 57,126	\$ 47,667	\$ 3,268	\$ 50,521

Credit Risk Monitoring and Loan Grading

The Company considers various factors to monitor the credit risk in the loan portfolio including volume and severity of loan delinquencies, nonaccrual loans, internal grading of loans, historical loan loss experience and economic conditions.

An internal risk grading system is used to indicate the credit risk of loans. The loan grades used by the Company are for internal risk identification purposes and do not directly correlate to regulatory classification categories or any financial reporting definitions.

The general characteristics of the risk grades are disclosed in Note (5) to the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

The following table presents internal loan grading by class of loans:

	Internal Loan Grading					Total
	Grade 1	2	3	4	5	
(Dollars in thousands)						
As of September 30, 2016						
Real estate:						
Non-residential real estate owner occupied	\$432,000	\$78,484	\$15,602	\$571	\$—	\$526,657
Non-residential real estate other	941,523	166,984	14,607	5,937	—	1,129,051
Residential real estate permanent mortgage	291,611	31,830	6,918	1,462	—	331,821
Residential real estate all other	604,144	113,822	11,347	5,205	—	734,518
Commercial and financial:						
Non-consumer non-real estate	807,385	162,879	21,309	4,968	—	996,541
Consumer non-real estate	261,859	16,461	2,499	796	—	281,615
Other loans	138,497	5,464	1,505	2,452	—	147,918
Acquired loans	102,002	32,236	20,145	5,323	—	159,706
Total	\$3,579,021	\$608,160	\$93,932	\$26,714	—	\$4,307,827
As of December 31, 2015						
Real estate:						
Non-residential real estate owner occupied	\$417,529	\$76,749	\$8,304	\$315	\$—	\$502,897
Non-residential real estate other	945,993	156,159	4,580	4,028	—	1,110,760
Residential real estate permanent mortgage	295,265	29,793	6,315	1,228	—	332,601
Residential real estate all other	554,007	111,879	9,109	1,694	—	676,689
Commercial and financial:						
Non-consumer non-real estate	821,394	140,384	12,687	10,297	—	984,762
Consumer non-real estate	251,994	14,433	1,779	662	1	268,869
Other loans	153,416	5,851	872	2,477	—	162,616
Acquired loans	165,305	12,566	11,049	3,858	76	192,854
Total	\$3,604,903	\$547,814	\$54,695	\$24,559	\$77	\$4,232,048

Allowance for Loan Losses Methodology

The allowance for loan losses (“ALL”) methodology is disclosed in Note (5) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2015.

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The following table details activity in the ALL by class of loans for the period presented. Allocation of a portion of the allowance to one category of loans does not preclude its availability to absorb losses in other categories.

	ALL Balance at beginning of period (Dollars in thousands)	Charge- offs	Recoveries	Net charge-offs	Provisions charged to operations	Balance at end of period
Three Months Ended September 30, 2016						
Real estate:						
Non-residential real estate owner occupied	\$4,896	\$(1)	\$ —	\$(1)	\$ 214	\$5,109
Non-residential real estate other	10,302	(5)	1	(4)	285	10,583
Residential real estate permanent mortgage	3,203	(58)	10	(48)	52	3,207
Residential real estate all other	8,293	(10)	8	(2)	212	8,503
Commercial and financial:						
Non-consumer non-real estate	13,441	(1,053)	31	(1,022)	(385)	12,034
Consumer non-real estate	2,749	(374)	61	(313)	443	2,879
Other loans	3,377	(18)	2	(16)	812	4,173
Acquired loans	305	(41)	2	(39)	1,307	1,573
Total	\$46,566	\$(1,560)	\$ 115	\$(1,445)	\$ 2,940	\$48,061
Nine Months Ended September 30, 2016						
Real estate:						
Non-residential real estate owner occupied	\$4,661	\$(11)	\$ —	\$(11)	\$ 459	\$5,109
Non-residential real estate other	9,921	(9)	3	(6)	668	10,583
Residential real estate permanent mortgage	3,148	(157)	48	(109)	168	3,207
Residential real estate all other	6,725	(147)	19	(128)	1,906	8,503
Commercial and financial:						
Non-consumer non-real estate	11,754	(2,358)	77	(2,281)	2,561	12,034
Consumer non-real estate	2,642	(729)	137	(592)	829	2,879
Other loans	2,648	(300)	15	(285)	1,810	4,173
Acquired loans	167	(58)	18	(40)	1,446	1,573
Total	\$41,666	\$(3,769)	\$ 317	\$(3,452)	\$ 9,847	\$48,061

	ALL				Balance	
	Balance				at	
	beginning	Charge-	Recoveries	Net	Provisions	Balance
	of	offs	charge-offs	charge-offs	charged to	at
	period	Recoveries	charge-offs	operations	end of	period
	(Dollars in thousands)					
Three Months Ended September 30, 2015						
Real estate:						
Non-residential real estate owner occupied	\$4,503	\$—	\$ —	\$ —	\$ 36	\$4,539
Non-residential real estate other	9,880	(708)	1	(707)	814	9,987
Residential real estate permanent mortgage	3,110	(28)	15	(13)	(26)	3,071
Residential real estate all other	6,485	(48)	4	(44)	168	6,609
Commercial and financial:						
Non-consumer non-real estate	13,713	(2,180)	38	(2,142)	86	11,657
Consumer non-real estate	2,499	(152)	35	(117)	160	2,542
Other loans	2,431	(20)	6	(14)	134	2,551
Acquired loans	—	(38)	—	(38)	52	14
Total	\$42,621	\$(3,174)	\$ 99	\$ (3,075)	\$ 1,424	\$40,970
Nine Months Ended September 30, 2015						
Real estate:						
Non-residential real estate owner occupied	\$4,406	\$(1)	\$ 1	\$ —	\$ 133	\$4,539
Non-residential real estate other	9,616	(708)	2	(706)	1,077	9,987
Residential real estate permanent mortgage	2,948	(124)	29	(95)	218	3,071
Residential real estate all other	6,269	(123)	13	(110)	450	6,609
Commercial and financial:						
Non-consumer non-real estate	12,771	(2,349)	76	(2,273)	1,159	11,657
Consumer non-real estate	2,404	(382)	90	(292)	430	2,542
Other loans	2,359	(283)	15	(268)	460	2,551
Acquired loans	116	(232)	28	(204)	102	14
Total	\$40,889	\$(4,202)	\$ 254	\$ (3,948)	\$ 4,029	\$40,970

The following table details the amount of ALL by class of loans for the period presented, detailed on the basis of the impairment methodology used by the Company.

ALL		ALL	
September 30, 2016		December 31, 2015	
Individually	Collectively	Individually	Collectively
evaluated	evaluated	evaluated	evaluated
for	for	for	for

	impairment	impairment	impairment	impairment
	(Dollars in thousands)			
Real estate:				
Non-residential real estate owner occupied.	\$633	\$ 4,476	\$323	\$ 4,338
Non-residential real estate other	880	9,703	323	9,598
Residential real estate permanent mortgage	460	2,747	399	2,749
Residential real estate all other	2,190	6,313	839	5,886
Commercial and financial:				
Non-consumer non-real estate	3,445	8,589	3,365	8,389
Consumer non-real estate	580	2,299	445	2,197
Other loans	1,812	2,361	291	2,357
Acquired loans	—	1,573	—	167
Total	\$10,000	\$ 38,061	\$5,985	\$ 35,681

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The following table details the loans outstanding by class of loans for the period presented, on the basis of the impairment methodology used by the Company.

	Loans September 30, 2016			December 31, 2015		
	Individual evaluated for impairment (Dollars in thousands)	Collectively evaluated for impairment	Loans acquired with deteriorated credit quality	Individual evaluated for impairment	Collectively evaluated for impairment	Loans acquired with deteriorated credit quality
Real estate:						
Non-residential real estate owner occupied	\$ 16,173	\$ 510,484	\$ —	\$ 8,619	\$ 494,278	\$ —
Non-residential real estate other	20,544	1,108,507	—	8,608	1,102,152	—
Residential real estate permanent mortgage	8,380	323,441	—	7,543	325,058	—
Residential real estate all other	16,552	717,966	—	10,803	665,886	—
Commercial and financial:						
Non-consumer non-real estate	26,278	970,263	—	22,983	961,779	—
Consumer non-real estate	3,212	278,403	—	2,416	266,453	—
Other loans	2,219	145,699	—	2,323	160,293	—
Acquired loans	—	134,238	25,468	—	177,871	14,983
Total	\$93,358	\$4,189,001	\$ 25,468	\$63,295	\$4,153,770	\$ 14,983
Transfers from Loans						

Transfers from loans to other real estate owned and repossessed assets are non-cash transactions, and are not included in the statements of cash flow. Transfers from loans to other real estate owned and repossessed assets during the periods presented, are summarized as follows:

	Nine Months Ended	
	September 30, 2016	2015
Other real estate owned	\$2,453	\$3,155
Repossessed assets	1,117	794
Total	\$3,570	\$3,949

(5) INTANGIBLE ASSETS

The following is a summary of intangible assets:

	Gross		Net
	Carrying	Accumulated	Carrying
	Amount	Amortization	Amount
	(Dollars in thousands)		
As of September 30, 2016			
Core deposit intangibles	\$17,447	\$ (6,151)	\$11,296
Customer relationship intangibles	5,699	(3,331)	2,368
Mortgage servicing intangibles	486	(252)	234
Total	\$23,632	\$ (9,734)	\$13,898
As of December 31, 2015			
Core deposit intangibles	\$20,333	\$ (7,586)	\$12,747
Customer relationship intangibles	5,699	(3,061)	2,638
Mortgage servicing intangibles	538	(228)	310
Total	\$26,570	\$ (10,875)	\$15,695

The following is a summary of goodwill by business segment:

	Metropolitan Banks	Community Banks	Other Financial Services	Executive, Operations & Support	Consolidated
(Dollars in thousands)					
Nine months ended September 30, 2016					
Balance at beginning and end of period	\$ 8,078	\$ 40,050	\$ 5,464	\$ 450	\$ 54,042

Additional information for intangible assets can be found in Note (7) to the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

(6) STOCK-BASED COMPENSATION

The Company adopted a nonqualified incentive stock option plan (the "BancFirst ISOP") in May 1986. The Company amended the BancFirst ISOP to increase the number of shares to be issued under the plan to 3,200,000 shares in May 2016. At September 30, 2016, 215,735 shares were available for future grants. The BancFirst ISOP will terminate on December 31, 2019. The options are exercisable beginning four years from the date of grant at the rate of 25% per year for four years. Options expire at the end of fifteen years from the date of grant. Options outstanding as of September 30, 2016 will become exercisable through the year 2023. The option price must be no less than 100% of the fair value of the stock relating to such option at the date of grant.

In June 1999, the Company adopted the BancFirst Corporation Non-Employee Directors' Stock Option Plan (the "BancFirst Directors' Stock Option Plan"). Each non-employee director is granted an option for 10,000 shares. The Company amended the BancFirst Directors' Stock Option Plan to increase the number of shares to be issued under the plan to 260,000 shares in May 2016. At September 30, 2016, 40,000 shares were available for future grants. The options are exercisable beginning one year from the date of grant at the rate of 25% per year for four years, and expire at the end of fifteen years from the date of grant. Options outstanding as of September 30, 2016 will become exercisable through the year 2020. The option price must be no less than 100% of the fair value of the stock relating to such option at the date of grant.

The Company currently uses newly issued stock to satisfy stock-based exercises, but reserves the right to use treasury stock purchased under the Company's Stock Repurchase Program (the "SRP") in the future.

The following table is a summary of the activity under both the BancFirst ISOP and the BancFirst Directors' Stock Option Plan:

	Options	Wgted. Avg. Exercise Price	Wgted. Avg. Remaining Contractual Term	Aggregate Intrinsic Value
(Dollars in thousands, except option data)				
Nine Months Ended September 30, 2016				
Outstanding at December 31, 2015	1,018,149	\$ 40.69		

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Options granted	30,000	58.08		
Options exercised	(195,174)	29.38		
Options canceled, forfeited, or expired	(30,000)	55.88		
Outstanding at September 30, 2016	822,975	43.46	9.35 Yrs	\$ 23,910
Exercisable at September 30, 2016	370,350	36.00	6.45 Yrs	\$ 13,521

The following table has additional information regarding options granted and options exercised under both the BancFirst ISOP and the BancFirst Directors' Stock Option Plan:

	Three Months Ended		Nine Months Ended	
	September 30, 2016	September 30, 2015	September 30, 2016	September 30, 2015
	(Dollars in thousands except per share data)			
Weighted average grant-date fair value per share of options granted	\$ 13.99	\$ 11.89	\$ 11.92	\$ 11.55
Total intrinsic value of options exercised	5,063	1,129	6,733	3,258
Cash received from options exercised	3,859	779	5,735	2,132
Tax benefit realized from options exercised	1,958	437	2,604	1,260

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model and is based on certain assumptions including risk-free rate of return, dividend yield, stock price volatility and the expected term. The fair value of each option is expensed over its vesting period.

The following table is a summary of the Company's recorded stock-based compensation expense:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	(Dollars in thousands)			
Stock-based compensation expense	\$365	\$489	\$1,266	\$1,243
Tax benefit	142	189	490	481
Stock-based compensation expense, net of tax	\$223	\$300	\$776	\$762

The Company will continue to amortize the unearned stock-based compensation expense over the remaining vesting period of approximately seven years. The following table shows the unearned stock-based compensation expense:

	September 30, 2016 (Dollars in thousands)
Unearned stock-based compensation expense	\$ 3,049

The following table shows the assumptions used for computing stock-based compensation expense under the fair value method during the periods presented:

	Nine Months Ended	
	September 30, 2016	2015
Risk-free interest rate	1.46 to 2.02%	1.83 to 2.26%
Dividend yield	2.00%	2.00%
Stock price volatility	20.41 to 21.78%	18.23 to 19.65%
Expected term	10 Yrs	10 Yrs

The risk-free interest rate is determined by reference to the spot zero-coupon rate for the U.S. Treasury security with a maturity similar to the expected term of the options. The dividend yield is the expected yield for the expected term. The stock price volatility is estimated from the recent historical volatility of the Company's stock. The expected term is estimated from the historical option exercise experience.

In May 1999, the Company adopted the BancFirst Corporation Directors' Deferred Stock Compensation Plan (the "BancFirst Deferred Stock Compensation Plan"). The Company amended the BancFirst Deferred Stock Compensation Plan to increase the number of shares to be issued under the plan to 111,110 shares in May 2016. Under the plan,

directors and members of the community advisory boards of the Company and its subsidiaries may defer up to 100% of their board fees. They are credited for each deferral with a number of stock units based on the current market price of the Company’s stock, which accumulate in an account until such time as the director or community board member terminates serving as a board member. Shares of common stock of the Company are then distributed to the terminating director or community board member based upon the number of stock units accumulated in his or her account. The number of shares of common stock distributed from the BancFirst Deferred Stock Compensation Plan was 2,463 during the nine months ended September 30, 2016.

A summary of the accumulated stock units is as follows:

	September 30, 2016	December 31, 2015
Accumulated stock units	68,969	66,376
Average price	\$ 41.12	\$ 39.64

(7) STOCKHOLDERS’ EQUITY

In November 1999, the Company adopted a Stock Repurchase Program (the “SRP”). The SRP may be used as a means to increase earnings per share and return on equity, to purchase treasury stock for the exercise of stock options or for distributions under the Deferred Stock Compensation Plan, to provide liquidity for optionees to dispose of stock from exercises of their stock options and to provide liquidity for stockholders wishing to sell their stock. All shares repurchased under the SRP have been retired and not held

as treasury stock. The timing, price and amount of stock repurchases may be determined by management within the limitations of the SRP. During the third quarter of 2016 the SRP was amended to increase the remaining shares to be purchased to 150,000.

The following table is a summary of the shares under the program. All share repurchased in 2016 were purchased in the first three months of the year:

	Nine Months Ended	
	September 30, 2016	2015
Number of shares repurchased	100,000	—