BANCFIRST CORP /OK/
Form 10-Q
May 06, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OFTHE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2016

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OFTHE 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 incorporation or organization)	(I.R.S. Employer 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

(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 x No o.

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 x No o.

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

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

As of April 29, 2016 there were 15,546,253 shares of the registrant's Common Stock outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BANCFIRST CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	March 31, 2016 (unaudited)	December 31, 2015 (see Note 1)
ASSETS		
Cash and due from banks	$169,969	$203,364
Interest-bearing deposits with banks	1,498,356	1,394,813
Securities (fair value: $498,041 and $553,010, respectively)	497,986	552,949
Loans held for sale	7,626	13,725
Loans (net of unearned interest)	4,275,112	4,232,048
Allowance for loan losses	(44,571)	(41,666)
Loans, net of allowance for loan losses	4,230,541	4,190,382
Premises and equipment, net	127,093	126,813
Other real estate owned	3,963	7,984
Intangible assets, net	15,093	15,695
Goodwill	54,042	54,042
Accrued interest receivable and other assets	136,269	133,062
Total assets	$6,740,938	$6,692,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$2,413,700	$2,409,769
Interest-bearing	3,597,172	3,563,589
Total deposits	6,010,872	5,973,358
Short-term borrowings	1,300	500
Accrued interest payable and other liabilities	34,146	31,502
Junior subordinated debentures	31,959	31,959
Total liabilities	6,078,277	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	15,528	15,597

outstanding: 15,527,804 and 15,597,446, respectively		
Capital surplus	103,978	102,865
Retained earnings	541,098	535,521
Accumulated other comprehensive income, net of income tax of $1,297 and $962, respectively	2,057	1,527
Total stockholders' equity	662,661	655,510
Total liabilities and stockholders' equity	$6,740,938	$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 March 31, 2016	2015
INTEREST INCOME		
Loans, including fees	$50,195	$45,949
Securities:		
Taxable	1,327	1,399
Tax-exempt	255	246
Interest-bearing deposits with banks	1,802	1,062
Total interest income	53,579	48,656
INTEREST EXPENSE		
Deposits	3,080	2,538
Short-term borrowings	1	1
Junior subordinated debentures	522	491
Total interest expense	3,603	3,030
Net interest income	49,976	45,626
Provision for loan losses	4,103	1,334
Net interest income after provision for loan losses	45,873	44,292
NONINTEREST INCOME		
Trust revenue	2,465	2,342
Service charges on deposits	14,710	13,352
Securities transactions (includes accumulated other comprehensive income reclassifications of $100 and $606, respectively)	100	1,729
Income from sales of loans	562	440
Insurance commissions	4,135	4,068
Cash management	2,318	1,819
Gain on sale of other assets	4	40
Other	1,323	1,506
Total noninterest income	25,617	25,296
NONINTEREST EXPENSE		
Salaries and employee benefits	29,357	27,513
Occupancy, net	2,827	2,835
Depreciation	2,530	2,464
Amortization of intangible assets	581	444
Data processing services	1,215	1,117
Net expense from other real estate owned	(1,141)	314
Marketing and business promotion	1,855	1,679
Deposit insurance	839	826
Other	8,228	7,731
Total noninterest expense	46,291	44,923

Income before taxes	25,199	24,665
Income tax expense	8,620	8,406
Net income	$16,579	$16,259
NET INCOME PER COMMON SHARE		
Basic	$1.07	$1.05
Diluted	$1.05	$1.03
OTHER COMPREHENSIVE INCOME		
Unrealized gains on securities, net of tax of $(374) and $(700), respectively	591	1,111
Reclassification adjustment for gains included in net income, net of tax of $39 and $234, respectively	(61)	(372)
Other comprehensive gains, net of tax of $(335) and $(466), respectively	530	739
Comprehensive income	$17,109	$16,998

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 March 31, 2016	2015
COMMON STOCK		
Issued at beginning of period	$15,597	$15,504
Shares issued	31	8
Shares acquired and canceled	(100)	—
Issued at end of period	$15,528	$15,512
CAPITAL SURPLUS		
Balance at beginning of period	$102,865	$96,841
Common stock issued	871	236
Tax effect of stock options	(209)	(64)
Stock-based compensation arrangements	451	464
Balance at end of period	$103,978	$97,477
RETAINED EARNINGS		
Balance at beginning of period	$535,521	$492,776
Net income	16,579	16,259
Dividends on common stock ($0.36 and $0.34 per share, respectively)	(5,579)	(5,277)
Common stock acquired and canceled	(5,423)	—
Balance at end of period	$541,098	$503,758
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Unrealized gains on securities:		
Balance at beginning of period	$1,527	$4,193
Net change	530	739
Balance at end of period	$2,057	$4,932
Total stockholders' equity	$662,661	$621,679

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$16,579	$16,259
Adjustments to reconcile to net cash provided by operating activities:		
Provision for loan losses	4,103	1,334
Depreciation and amortization	3,111	2,908
Net amortization of securities premiums and discounts	148	148
Realized securities gains	(100)	(1,729)
Gain on sales of loans	(562)	(440)
Cash receipts from the sale of loans originated for sale	40,271	36,163
Cash disbursements for loans originated for sale	(33,610)	(37,393)
Deferred income tax benefit	(829)	(586)
(Gain)/loss on other assets	(1,222)	207
Increase in interest receivable	(176)	(356)
Increase/(decrease) in interest payable	13	(20)
Amortization of stock-based compensation arrangements	451	464
Other, net	300	5,855
Net cash provided by operating activities	$28,477	$22,814
INVESTING ACTIVITIES		
Net increase in federal funds sold	—	(1,000)
Purchases of available for sale securities	—	(30,740)
Proceeds from maturities, calls and paydowns of held for investment securities	410	311
Proceeds from maturities, calls and paydowns of available for sale securities	55,071	6,144
Proceeds from sales of available for sale securities	299	1,729
Net change in loans	(45,010)	3,613
Purchases of premises, equipment and computer software	(2,939)	(4,107)
Proceeds from the sale of other assets	5,971	1,955
Net cash provided by (used in) investing activities	13,802	(22,095)
FINANCING ACTIVITIES		
Net change in deposits	37,514	(20,903)
Net increase/(decrease) in short-term borrowings	800	(1,939)
Issuance of common stock, net	693	180
Common stock acquired	(5,523)	—
Cash dividends paid	(5,615)	(5,271)
Net cash provided by (used in) financing activities	27,869	(27,933)
Net increase/(decrease) in cash, due from banks and interest-bearing deposits	70,148	(27,214)
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	$1,668,325	$1,886,681
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		

Cash paid during the period for interest	$3,591	$3,050
Cash paid during the period for income taxes	$1,050	$600
Noncash investing and financing activities:		
Unpaid common stock dividends declared	$5,579	$5,271

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 March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("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 effect 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 effect 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 effect 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 will complement our community banking strategy by adding two communities to our 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 from other real estate owned on the consolidated statements of comprehensive income.

(3) SECURITIES

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

	March 31, 2016	December 31, 2015
	(Dollars in thousands)	
Held for investment, at cost (fair value: $8,434 and $8,850, respectively)	$ 8,379	$ 8,789
Available for sale, at fair value	489,607	544,160
Total	$ 497,986	$ 552,949

7

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2016	(Dollars in thousands)			
Mortgage backed securities (1)	$323	$ 25	$ —	$ 348
States and political subdivisions	7,556	30	—	7,586
Other securities	500	—	—	500
Total	$8,379	$ 55	$ —	$ 8,434
December 31, 2015				
Mortgage backed securities (1)	$347	$ 25	$ —	$ 372
States and political subdivisions	7,942	36	—	7,978
Other securities	500	—	—	500
Total	$8,789	$ 61	$ —	$ 8,850

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
March 31, 2016	(Dollars in thousands)			
U.S. treasuries	$279,020	$ 1,695	$ —	$280,715
U.S. federal agencies	128,391	539	(76)	128,854
Mortgage backed securities (1)	21,444	415	(550)	21,309
States and political subdivisions	47,904	1,473	(85)	49,292
Other securities (2)	9,494	125	(182)	9,437
Total	$486,253	$ 4,247	$ (893)	$489,607
December 31, 2015				
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 on one of its 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.

	March 31, 2016		December 31, 2015	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Held for Investment				
Contractual maturity of debt securities:				
Within one year	$4,983	$4,990	$5,168	$5,174
After one year but within five years	2,594	2,617	2,800	2,829
After five years but within ten years	778	802	795	319
After ten years	24	25	26	528
Total	$8,379	$8,434	$8,789	$8,850
Available for Sale				
Contractual maturity of debt securities:				
Within one year	$224,616	$224,814	$272,820	$272,779
After one year but within five years	175,071	177,377	178,617	180,145
After five years but within ten years	7,794	8,359	8,483	9,075
After ten years	72,746	73,052	75,522	75,853
Total debt securities	480,227	483,602	535,442	537,852
Equity securities	6,026	6,005	6,228	6,308
Total	$486,253	$489,607	$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:

	March 31, 2016	December 31, 2015
	(Dollars in thousands)	
Book value of pledged securities	$458,893	$493,540

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category:

	March 31, 2016		December 31, 2015	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			

Commercial and financial:				
Commercial and industrial	$790,156	18.48 %	$795,803	18.80 %
Oil & gas production and equipment	86,524	2.02	87,304	2.06
Agriculture	149,442	3.50	150,620	3.56
State and political subdivisions:				
Taxable	17,628	0.41	17,605	0.42
Tax-exempt	36,177	0.85	33,575	0.79
Real estate:				
Construction	401,330	9.39	403,664	9.54
Farmland	189,934	4.44	184,707	4.36
One to four family residences	825,357	19.31	821,251	19.41
Multifamily residential properties	62,189	1.45	65,477	1.55
Commercial	1,406,204	32.89	1,356,430	32.05
Consumer	276,463	6.47	283,636	6.70
Other (not classified above)	33,708	0.79	31,976	0.76
Total loans	$4,275,112	100.00%	$4,232,048	100.00%

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:

	March 31, 2016	December 31, 2015
	(Dollars in thousands)	
Past due 90 days or more and still accruing	$1,099	$ 1,841
Nonaccrual	31,040	30,096
Restructured	533	15,143
Total nonperforming and restructured loans	32,672	47,080
Other real estate owned and repossessed assets	4,245	8,214
Total nonperforming and restructured assets	$36,917	$ 55,294

Nonaccrual loans, accruing loans past due 90 days or more, and restructured loans are shown in the table above. Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $513,000 for the three months ended March 31, 2016 and approximately $310,000 for the three months ended March 31, 2015.

Restructured loans 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.

	March 31, 2016	December 31, 2015
	(Dollars in thousands)	

Real estate:		
Non-residential real estate owner occupied	$372	$ 261
Non-residential real estate other	3,952	3,957
Residential real estate permanent mortgage	800	656
Residential real estate all other	4,548	1,833
Commercial and financial:		
Non-consumer non-real estate	8,283	10,159
Consumer non-real estate	301	312
Other loans	9,343	9,381
Acquired loans	3,441	3,537
Total	$31,040	$ 30,096

10

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

	Age Analysis of Past Due Loans						
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
	(Dollars in thousands)						
As of March 31, 2016							
Real estate:							
Non-residential real estate owner occupied	$1,130	$17	$254	$1,401	$510,687	$512,088	$ —
Non-residential real estate other	3,563	—	285	3,848	1,135,560	1,139,408	238
Residential real estate permanent mortgage	3,076	632	1,003	4,711	325,107	329,818	445
Residential real estate all other	5,652	339	775	6,766	693,107	699,873	113
Commercial and financial:							
Non-consumer non-real estate	2,825	130	487	3,442	975,485	978,927	92
Consumer non-real estate	1,862	676	344	2,882	261,565	264,447	168
Other loans	1,023	347	7,934	9,304	153,567	162,871	12
Acquired loans	1,252	419	615	2,286	185,394	187,680	31
Total	$20,383	$2,560	$11,697	$34,640	$4,240,472	$4,275,112	$ 1,099
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.

The Company offers Small Business Administration ("SBA") guaranteed loans through its Commercial Capital division to expand access to capital for creditworthy small businesses at reasonable terms. The SBA does not provide funds to the borrower, instead, the SBA guarantees a portion of the lender's loan, which is conditional based on the lender following certain requirements established by the SBA. Typically, if the borrower defaults the SBA pays off the guaranteed portion of the remaining loan balance. However, if any of these requirements are not followed, the SBA can either deny a request for purchase of its guaranteed portion, or reduce the amount of its purchase by the amount of any loss. Because of the volume of SBA guaranteed loans, from time to time the Company may be in negotiation with the SBA regarding the amount of a guarantee that is collectable. If a request is denied, the Company could be required to record additional charge-offs of the previously guaranteed portion of the loan. As of the filing date, collectability on the guarantee for an SBA loan was uncertain; however, the amount of loss, if any, was not estimable.

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			
	Unpaid Principal Balance	Recorded Investment with Allowance	Related Allowance	Average Recorded Investment
	(Dollars in thousands)			
As of March 31, 2016				
Real estate:				
Non-residential real estate owner occupied	$615	$ 487	$ 15	$ 418
Non-residential real estate other	6,207	4,190	157	15,123
Residential real estate permanent mortgage	1,498	1,305	86	1,276
Residential real estate all other	5,101	4,823	1,382	2,781
Commercial and financial:				
Non-consumer non-real estate	12,762	8,375	2,017	9,190
Consumer non-real estate	652	609	120	745
Other loans	10,705	9,355	459	9,892
Acquired loans	6,276	3,745	—	3,977
Total	$43,816	$ 32,889	$ 4,236	$ 43,402
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 Grade 1	2	3	4	5	Total
	(Dollars in thousands)					
As of March 31, 2016						
Real estate:						
Non-residential real estate owner occupied	$423,003	$77,243	$11,470	$372	$—	$512,088
Non-residential real estate other	966,113	163,932	5,379	3,984	—	1,139,408
Residential real estate permanent mortgage	290,540	30,941	7,043	1,294	—	329,818
Residential real estate all other	574,683	112,736	7,649	4,805	—	699,873
Commercial and financial:						
Non-consumer non-real estate	809,004	136,143	25,513	8,267	—	978,927
Consumer non-real estate	247,419	14,419	2,099	510	—	264,447
Other loans	153,486	5,629	1,336	2,420	—	162,871
Acquired loans	159,016	13,924	10,991	3,674	75	187,680
Total	$3,623,264	$554,967	$71,480	$25,326	$75	$4,275,112
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.

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	Charge-offs	Recoveries	Net charge-offs	Provisions charged to operations	Balance at end of period

(Dollars in thousands)

Three Months Ended March 31, 2016						
Real estate:						
Non-residential real estate owner occupied	$4,661	$(1)	$ —	$ (1)	$ 172	$4,832
Non-residential real estate other	9,921	(1)	1	—	290	10,211
Residential real estate permanent mortgage	3,148	(50)	17	(33)	49	3,164
Residential real estate all other	6,725	(67)	4	(63)	1,327	7,989
Commercial and financial:						
Non-consumer non-real estate	11,754	(803)	11	(792)	1,851	12,813
Consumer non-real estate	2,642	(221)	38	(183)	94	2,553
Other loans	2,648	(133)	6	(127)	269	2,790
Acquired loans	167	(4)	5	1	51	219
Total	$41,666	$(1,280)	$ 82	$ (1,198)	$ 4,103	$44,571

	ALL Balance at beginning of period	Charge-offs	Recoveries	Net charge-offs	Provisions charged to operations	Balance at end of period
	(Dollars in thousands)					
Three Months Ended March 31, 2015						
Real estate:						
Non-residential real estate owner occupied	$4,406	$ (1)	$ 1	$ —	$ 55	$4,461
Non-residential real estate other	9,616	—	—	—	282	9,898
Residential real estate permanent mortgage	2,948	(40)	9	(31)	67	2,984
Residential real estate all other	6,269	(68)	5	(63)	372	6,578
Commercial and financial:						
Non-consumer non-real estate	12,771	(153)	31	(122)	419	13,068
Consumer non-real estate	2,404	(127)	15	(112)	35	2,327
Other loans	2,359	(213)	9	(204)	86	2,241
Acquired loans	116	(160)	26	(134)	18	—
Total	$40,889	$ (762)	$ 96	$ (666)	$ 1,334	$41,557

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			
	March 31, 2016		December 31, 2015	
	Individually evaluated for impairment	Collectively evaluated for impairment	Individually evaluated for impairment	Collectively evaluated for impairment
	(Dollars in thousands)			
Real estate:				
Non-residential real estate owner occupied.	$444	$ 4,388	$323	$ 4,338
Non-residential real estate other	351	9,860	323	9,598
Residential real estate permanent mortgage	438	2,726	399	2,749
Residential real estate all other	1,926	6,063	839	5,886
Commercial and financial:				
Non-consumer non-real estate	4,539	8,274	3,365	8,389
Consumer non-real estate	396	2,157	445	2,197
Other loans	413	2,377	291	2,357
Acquired loans	—	219	—	167
Total	$8,507	$ 36,064	$5,985	$ 35,681

14

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 March 31, 2016			December 31, 2015		
	Individually evaluated for impairment	Collectively evaluated for impairment	Loans acquired with deteriorated credit quality	Individually evaluated for impairment	Collectively evaluated for impairment	Loans acquired with deteriorated credit quality
	(Dollars in thousands)					
Real estate:						
Non-residential real estate owner occupied	$11,843	$500,245	$ —	$8,619	$494,278	$ —
Non-residential real estate other	9,363	1,130,045	—	8,608	1,102,152	—
Residential real estate permanent mortgage	8,337	321,481	—	7,543	325,058	—
Residential real estate all other	12,453	687,420	—	10,803	665,886	—
Commercial and financial:						
Non-consumer non-real estate	33,780	945,147	—	22,983	961,779	—
Consumer non-real estate	2,596	261,851	—	2,416	266,453	—
Other loans	2,216	160,655	—	2,323	160,293	—
Acquired loans	—	172,940	14,740	—	177,871	14,983
Total	$80,588	$4,179,784	$ 14,740	$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:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Other real estate owned	$344	$260
Repossessed assets	404	220
Total	$748	$480

(5) INTANGIBLE ASSETS

The following is a summary of intangible assets:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in thousands)		
As of March 31, 2016			
Core deposit intangibles	$18,659	$ (6,402)	$12,257
Customer relationship intangibles	5,699	(3,151)	2,548
Mortgage servicing intangibles	525	(237)	288
Total	$24,883	$ (9,790)	$15,093
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)				
Three month ended March 31, 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 3,000,000 shares in May 2013. At March 31, 2016, 5,735 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 March 31, 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 230,000 shares in May 2014. At March 31, 2016, 10,000 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 March 31, 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	Wgtd. Avg. Exercise Price	Wgtd. Avg. Remaining Contractual Term	Aggregate Intrinsic Value
	(Dollars in thousands, except option data)			
Three Months Ended March 31, 2016				
Outstanding at December 31, 2015	1,018,149	$ 40.69		

Options granted	15,000	55.15		
Options exercised	(29,600)	29.56		
Options canceled, forfeited, or expired	(5,000)	41.02		
Outstanding at March 31, 2016	998,549	41.24	8.83 Yrs	$ 15,767
Exercisable at March 31, 2016	486,874	33.47	5.55 Yrs	$ 11,471

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 March 31,	
	2016	2015
	(Dollars in thousands except per share data)	
Weighted average grant-date fair value per share of options granted	$11.47	$11.00
Total intrinsic value of options exercised	779	237
Cash received from options exercised	875	244
Tax benefit realized from options exercised	301	92

16

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 March 31,	
	2016	2015
	(Dollars in thousands)	
Stock-based compensation expense	$451	$464
Tax benefit	174	180
Stock-based compensation expense, net of tax	$277	$284

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:

	March 31, 2016
	(Dollars in thousands)
Unearned stock-based compensation expense	$ 3,834

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

	Three Months Ended March 31,	
	2016	2015
Risk-free interest rate	1.91 to 2.02%	1.83 to 1.96%
Dividend yield	2.00%	2.00%
Stock price volatility	20.41 to 20.64%	18.23 to 18.50%
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 91,110 shares in May 2014. 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 758 during the three months ended March 31, 2016.

A summary of the accumulated stock units is as follows:

	March 31, 2016	December 31, 2015
Accumulated stock units	67,558	66,376
Average price	$40.17	$ 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 under the SRP may be determined by management within the limitations of a Board approved share buyback program.

The following table is a summary of the shares under the program:

	Three Months Ended March 31, 2016	2015
Number of shares repurchased	100,000	—
Average price of shares repurchased	$55.23	—
Shares remaining to be repurchased	66,276	194,723

The Company and BancFirst are subject to risk-based capital guidelines issued by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation ("FDIC"). These guidelines are used to evaluate capital adequacy and involve both quantitative and qualitative evaluations of the Company's and BancFirst's assets, liabilities and certain off-balance-sheet items calculated under regulatory practices. Failure to meet the minimum capital requirements can initiate certain mandatory or discretionary actions by the regulatory agencies that could have a direct material effect on the Company's financial statements. Management believes that as of March 31, 2016, the Company and BancFirst met all capital adequacy requirements to which they are subject. The actual and required capital amounts and ratios are shown in the following table:

	Actual		Required For Capital Adequacy Purposes		With Capital Conservation Buffer		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in thousands)							
As of March 31, 2016:								
Total Capital								
(to Risk Weighted Assets)-								
BancFirst Corporation	$673,104	14.40%	$373,849	8.00%	$403,056	8.625%	N/A	N/A
BancFirst	616,209	13.20%	373,346	8.00%	402,513	8.625%	$466,682	10.00%
Common Equity Tier 1 Capital								
(to Risk Weighted Assets)-								
BancFirst Corporation	$597,533	12.79%	$210,290	4.50%	$239,497	5.125%	N/A	N/A
BancFirst	551,638	11.82%	210,007	4.50%	239,174	5.125%	$303,343	6.50%
Tier 1 Capital								
(to Risk Weighted Assets)-								
BancFirst Corporation	$628,533	13.45%	$280,387	6.00%	$309,594	6.625%	N/A	N/A
BancFirst	571,638	12.25%	280,009	6.00%	309,177	6.625%	$373,346	8.00%
Tier 1 Capital								
(to Total Assets)-								
BancFirst Corporation	$628,533	9.51%	$264,328	4.00%	N/A	N/A	N/A	N/A
BancFirst	571,638	8.68%	263,405	4.00%	N/A	N/A	$329,256	5.00%

As of March 31, 2016, the most recent notification from the Federal Reserve Bank of Kansas City and the FDIC categorized BancFirst as "well capitalized" under the regulatory framework from prompt corrective action. The Company's trust preferred securities have continued to be included in Tier 1 capital as the Company's total assets do not exceed $15 billion. There are no conditions or events since the most recent notifications of BancFirst's capital category that management believes would materially change its category under capital requirements existing as of the report date.

Basel III Capital Rules

Under the Basel III Capital Rules, in order to avoid limitations on capital distributions, including dividend payments and certain discretionary bonus payments to executive officers, a banking organization must hold a capital conservation buffer composed of CET1 capital above its minimum risk-based capital requirements. The implementation of the capital conservation buffer began on January 1, 2016 at the 0.625% level and will be phased in over a four-year period (increasing by that amount on each subsequent January 1, until it reaches 2.5% on January 1, 2019).

Management believes that, as of March 31, 2016, the Company and BancFirst would meet all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if such requirements were currently in effect.

(8) NET INCOME PER COMMON SHARE

Basic and diluted net income per common share based on weighted-average shares outstanding are calculated as follows:

	Income (Numerator)	Shares (Denominator)	Per Share Amount
	(Dollars in thousands, except per share data)		
Three Months Ended March 31, 2016			
Basic			
Income available to common stockholders	$16,579	15,534,416	$ 1.07
Dilutive effect of stock options	—	281,955	
Diluted			
Income available to common stockholders plus assumed exercises of stock options	$16,579	15,816,371	$ 1.05
Three Months Ended March 31, 2015			
Basic			
Income available to common stockholders	$16,259	15,507,346	$ 1.05
Dilutive effect of stock options	—	331,202	
Diluted			
Income available to common stockholders plus assumed exercises of stock options	$16,259	15,838,548	$ 1.03

The following table shows the number and average exercise price of options that were excluded from the computation of diluted net income per common share for each period because the options' exercise prices were greater than the average market price of the common shares:

	Shares	Average Exercise Price
Three Months Ended March 31, 2016	236,451	$ 58.59
Three Months Ended March 31, 2015	128,667	57.68

(9) FAIR VALUE MEASUREMENTS

Accounting standards define fair value as the price that would be received to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants on the measurement date.

FASB ASC Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes certain impaired loans, foreclosed assets, other real estate, goodwill and other intangible assets.

Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis

A description of the valuation methodologies and key inputs used to measure financial assets and financial liabilities at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to the following categories of the Company's financial assets and financial liabilities.

Securities Available for Sale

Securities classified as available for sale are reported at fair value. U.S. Treasuries are valued using Level 1 inputs. Other securities available for sale including U.S. federal agencies, registered mortgage backed securities and state and political subdivisions are valued using prices from an independent pricing service utilizing Level 2 data. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. The Company also invests in private label mortgage backed securities and equity securities classified as available for sale for which observable information is not readily available. These securities are reported at fair value utilizing Level 3 inputs. For these securities, management determines the fair value based on replacement cost, the income approach or information provided by outside consultants or lead investors.

The Company reviews the prices for Level 1 and Level 2 securities supplied by the independent pricing service for reasonableness and to ensure such prices are aligned with traditional pricing matrices. In general, the Company does not purchase investment portfolio securities that are esoteric or that have complicated structures. The Company's entire portfolio consists of traditional investments including U.S. Treasury obligations, federal agency mortgage pass-through securities, general obligation municipal bonds and a small amount of municipal revenue bonds. Pricing for such instruments is fairly generic and is easily obtained. For in-state bond issues that have relatively low issue sizes and liquidity, the Company utilizes the same parameters for pricing mentioned in the preceding paragraph adjusted for the specific issue. From time to time, the Company will validate, on a sample basis, prices supplied by the independent pricing service by comparison to prices obtained from third party sources.

Derivatives

Derivatives are reported at fair value utilizing Level 2 inputs. The Company obtains dealer and market quotations to value its oil and gas swaps and options. The Company utilizes dealer quotes and observable market data inputs to substantiate internal valuation models.

Loans Held For Sale

The Company originates mortgage loans to be sold. At the time of origination, the acquiring bank has already been determined and the terms of the loan, including interest rate, have already been set by the acquiring bank, allowing the Company to originate the loan at fair value. Mortgage loans are generally sold within 30 days of origination. Loans held for sale are valued using Level 2 inputs. Gains or losses recognized upon the sale of the loans are determined on a specific identification basis.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of the periods presented, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
	(Dollars in thousands)			
March 31, 2016				
Securities available for sale:				
U.S. Treasury	$280,715	$—	$—	$ 280,715
U.S. federal agencies	—	128,854	—	128,854
Mortgage-backed securities	—	6,493	14,816	21,309

States and political subdivisions	—	49,292	—	49,292
Other securities	—	3,432	6,005	9,437
Derivative assets	—	1,210	—	1,210
Derivative liabilities	—	605	—	605
Loans held for sale	—	7,626	—	7,626
December 31, 2015				
Securities available for sale:				
U.S. Treasury	$329,696	$—	$—	$ 329,696
U.S. federal agencies	—	131,896	—	131,896
Mortgage-backed securities	—	7,039	14,816	21,855
States and political subdivisions	—	50,920	—	50,920
Other securities	—	3,485	6,308	9,793
Derivative assets	—	1,946	—	1,946
Derivative liabilities	—	989	—	989
Loans held for sale	—	13,725	—	13,725

The changes in Level 3 assets measured at estimated fair value on a recurring basis during the periods presented were as follows:

	Three Months Ended March 31,	
	2016	2015
	(Dollars in thousands)	
Balance at the beginning of the year	$21,124	$28,459
Purchases, issuances and settlements	(4)	(744)
Sales	(299)	(1,729)
Gains included in earnings	100	1,729
Total unrealized (losses) gains	(100)	(589)
Balance at the end of the period	$20,821	$27,126

The Company's policy is to recognize transfers in and transfers out of Levels 1, 2 and 3 as of the end of the reporting period. During the three months ended March 31, 2016 and 2015, the Company did not transfer any securities between levels in the fair value hierarchy.

Financial Assets and Financial Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). These financial assets and financial liabilities are reported at fair value utilizing Level 3 inputs.

Impaired loans are reported at the fair value of the underlying collateral if repayment is dependent on liquidation of the collateral. In no case does the fair value of an impaired loan exceed the fair value of the underlying collateral. The impaired loans are adjusted to fair value through a specific allocation of the allowance for loan losses or a direct charge-down of the loan.

Foreclosed assets, upon initial recognition, are measured and adjusted to fair value through a charge-off to the allowance for possible loan losses based upon the fair value of the foreclosed asset.

Other real estate owned is revalued at fair value subsequent to initial recognition, with any losses recognized in net expense from other real estate owned.

The following table summarizes assets measured at fair value on a nonrecurring basis and the related losses recognized during the period:

	Total Fair Value Level 3	Losses
	(Dollars in thousands)	
As of and for the Year-to-date Period Ended March 31, 2016		
Impaired loans (less specific allowance)	$ 28,653	$ —
Foreclosed assets	281	2

Other real estate owned	3,963	—
As of and for the Year-to-date Period Ended December 31, 2015		
Impaired loans (less specific allowance)	$ 44,399	$ —
Foreclosed assets	230	—
Other real estate owned	7,984	128

Estimated Fair Value of Financial Instruments

The Company is required under current authoritative accounting guidance to disclose the estimated fair value of their financial instruments that are not recorded at fair value. For the Company, as for most financial institutions, substantially all of its assets and liabilities are considered financial instruments. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contract that creates a contractual obligation or right to deliver or receive cash or another financial instrument from a second entity. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

21

Cash and Cash Equivalents Include: Cash and Due from Banks and Interest-Bearing Deposits

The carrying amount of these short-term instruments is a reasonable estimate of fair value.

Securities Held for Investment

For securities held for investment, which are generally traded in secondary markets, fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities making adjustments for credit or liquidity if applicable.

Loans

For certain homogeneous categories of loans, such as some residential mortgages, fair values are estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair values of other types of loans are estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

Deposits

The fair values of transaction and savings accounts are the amounts payable on demand at the reporting date. The fair values of fixed-maturity certificates of deposit are estimated using the rates currently offered for deposits of similar remaining maturities.

Short-term Borrowings

The amounts payable on these short-term instruments are reasonable estimates of fair value.

Junior Subordinated Debentures

The fair values of junior subordinated debentures are estimated using the rates that would be charged for junior subordinated debentures of similar remaining maturities.

Loan Commitments and Letters of Credit

The fair values of commitments are estimated using the fees currently charged to enter into similar agreements, taking into account the terms of the agreements. The fair values of letters of credit are based on fees currently charged for similar agreements.

The estimated fair values of the Company’s financial instruments that are reported at amortized cost in the Company’s consolidated balance sheets, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value, are as follows:

	March 31, 2016 Carrying Amount	Fair Value	December 31, 2015 Carrying Amount	Fair Value
	(Dollars in thousands)			
FINANCIAL ASSETS				

Level 2 inputs:				
Cash and cash equivalents	$1,668,325	$1,668,325	$1,598,177	$1,598,177
Securities held for investment	7,879	7,934	8,289	8,350
Level 3 inputs:				
Securities held for investment	500	500	500	500
Loans, net of allowance for loan losses	4,230,541	4,286,603	4,190,382	4,222,153
FINANCIAL LIABILITIES				
Level 2 inputs:				
Deposits	6,010,872	6,061,676	5,973,538	6,028,012
Short-term borrowings	1,300	1,300	500	500
Junior subordinated debentures	31,959	34,886	31,959	33,793
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS				
Loan commitments		1,634		1,681
Letters of credit		443		464

Non-financial Assets and Non-financial Liabilities Measured at Fair Value

The Company has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis. Certain non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis include intangible assets (excluding mortgage service rights, which are valued semi-annually) and other non-financial long-lived assets measured at fair value and adjusted for impairment. These items are evaluated at least annually for impairment. The overall levels of non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis were not considered to be significant to the Company at March 31, 2016 or December 31, 2015.

(10) DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into oil and gas swaps and options contracts to accommodate the business needs of its customers. Upon the origination of an oil or gas swap or option contract with a customer, the Company simultaneously enters into an offsetting contract with a counterparty to mitigate the exposure to fluctuations in oil and gas prices. These derivatives are not designated as hedged instruments and are recorded on the Company's consolidated balance sheet at fair value.

The Company utilizes dealer quotations and observable market data inputs to substantiate internal valuation models. The notional amounts and estimated fair values of oil and gas derivative positions outstanding are presented in the following table:

		March 31, 2016		December 31, 2015	
Oil and Natural Gas Swaps and Options	Notional Units	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
		(Notional amounts and dollars in thousands)			
Oil					
Derivative assets	Barrels	98	$ 107	86	$ 604
Derivative liabilities	Barrels	(98)	(5)	(86)	(378)
Natural Gas					
Derivative assets	MMBTUs	3,230	1,103	3,920	1,342
Derivative liabilities	MMBTUs	(3,230)	(600)	(3,920)	(611)
Total Fair Value	Included in				
Derivative assets	Other assets		1,210		1,946
Derivative liabilities	Other liabilities		(605)		(989)

The following table is a summary of the Company's recognized income related to the activity, which was included in other noninterest income:

	Three Months Ended March 31, 2016	2015
	(Dollars in thousands)	
Derivative income	$ 5	$ 155

The Company’s credit exposure on oil and gas swaps and options varies based on the current market prices of oil and natural gas. Other than credit risk, changes in the fair value of customer positions will be offset by equal and opposite changes in the counterparty positions. The net positive fair value of the contracts is the profit derived from the activity and is unaffected by market price movements. The Company’s share of total profit is approximately 35%.

Customer credit exposure is managed by strict position limits and is primarily offset by first liens on production while the remainder is offset by cash. Counterparty credit exposure is managed by selecting highly rated counterparties (rated A- or better by Standard and Poor’s) and monitoring market information.

The following table is a summary of the Company’s net credit exposure relating to oil and gas swaps and options with bank counterparties:

	March 31, 2016	December 31, 2015
	(Dollars in thousands)	
Credit exposure	$ —	$ 37

Balance Sheet Offsetting

Derivatives may be eligible for offset in the consolidated balance sheet and/or subject to master netting arrangements. The Company's derivative transactions with upstream financial institution counterparties and bank customers are generally executed under International Swaps and Derivative Association ("ISDA") master agreements which include "right of set-off" provisions. In such cases there is generally a legally enforceable right to offset recognized amounts and there may be an intention to settle such amounts on a net basis. Nonetheless, the Company does not generally offset such financial instruments for financial reporting purposes.

(11) SEGMENT INFORMATION

The Company evaluates its performance with an internal profitability measurement system that measures the profitability of its business units on a pre-tax basis. The four principal business units are metropolitan banks, community banks, other financial services and executive, operations and support. Metropolitan and community banks offer traditional banking products such as commercial and retail lending and a full line of deposit accounts. Metropolitan banks consist of banking locations in the metropolitan Oklahoma City and Tulsa areas. Community banks consist of banking locations in communities throughout Oklahoma. Other financial services are specialty product business units including guaranteed small business lending, residential mortgage lending, trust services, securities brokerage, electronic banking and insurance. The executive, operations and support groups represent executive management, operational support and corporate functions that are not allocated to the other business units.

The results of operations and selected financial information for the four business units are as follows:

	Metropolitan Banks	Community Banks	Other Financial Services	Executive, Operations & Support	Eliminations	Consolidated
	(Dollars in thousands)					
Three Months Ended March 31, 2016						
Net interest income (expense)	$15,843	$33,122	$1,416	$(405)	$—	$49,976
Noninterest income	3,788	13,596	7,479	17,678	(16,924)	25,617
Income before taxes	9,348	19,094	3,114	10,500	(16,857)	25,199
Three Months Ended March 31, 2015						
Net interest income (expense)	$15,400	$29,055	$1,618	$(447)	$—	$45,626
Noninterest income	3,457	12,326	8,727	17,292	(16,506)	25,296
Income before taxes	9,889	16,407	5,007	9,804	(16,442)	24,665
Total Assets:						
March 31, 2016	$2,307,503	$4,401,449	$127,748	$628,843	$(724,605)	$6,740,938
December 31, 2015	2,277,870	4,379,205	128,697	624,428	(717,371)	6,692,829

The financial information for each business unit is presented on the basis used internally by management to evaluate performance and allocate resources. The Company utilizes a transfer pricing system to allocate the benefit or cost of funds provided or used by the various business units. Certain services provided by the support group to other business units, such as item processing, are allocated at rates approximating the cost of providing the services. Eliminations are adjustments to consolidate the business units and companies. Capital expenditures are generally charged to the business unit using the asset.

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

The following discussion and analysis presents factors that the Company believes are relevant to an assessment and understanding of the Company's consolidated financial position and results of operations. This discussion and analysis should be read in conjunction with the Company's December 31, 2015 consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015 and the Company's consolidated financial statements and the related Notes included in Item 1.

FORWARD LOOKING STATEMENTS

The Company may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 with respect to earnings, credit quality, corporate objectives, interest rates and other financial and business matters. Forward-looking statements include estimates and give management's current expectations or forecasts of future events. The Company cautions readers that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, including economic conditions; the performance of financial markets and interest rates; legislative and regulatory actions and reforms; competition; as well as other factors, all of which change over time. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "targeted", "continue", "remain", "will", "should", "may" and other similar expressions are intended to identify forward-lookin statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- Local, regional, national and international economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact.
- Changes in the mix of loan geographies, sectors and types or the level of non-performing assets and charge-offs.
- Changes in estimates of future reserve requirements based upon the periodic review thereof under relevant regulatory and accounting requirements.
- Inflation, interest rate, crude oil price, securities market and monetary fluctuations.
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company must comply.
- Impairment of the Company's goodwill or other intangible assets.
- Changes in consumer spending, borrowing and savings habits.
- Changes in the financial performance and/or condition of the Company's borrowers.
- Technological changes.
- Acquisitions and integration of acquired businesses.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.
- The Company's success at managing the risks involved in the foregoing items.

Actual results may differ materially from forward-looking statements.

SUMMARY

BancFirst Corporation's net income for the first quarter of 2016 was $16.6 million, compared to $16.3 million for the first quarter of 2015. Diluted net income per common share was $1.05 and $1.03 for the first quarter of 2016 and 2015, respectively.

The Company's net interest income for the first quarter of 2016 increased to $50.0 million, compared to $45.6 million for the first quarter of 2015. The net interest margin for the quarter was 3.25%, compared to 3.07% a year ago. Internal loan growth, acquired loans from the Company's October 2015 acquisition and the increase in the Fed Fund rate of 25 basis points during the fourth quarter of 2015 contributed to the higher net interest income and margin in 2016. The Company's provision for loan losses for the first quarter of 2016 increased to $4.1 million, compared to $1.3 million a year ago. The increase in the provision was primarily due to downgrades of a few commercial loans which were impacted by the economic effects in Oklahoma from low energy prices. Net charge-offs for the quarter were only 0.03% of average loans, compared to 0.01% for the first quarter of 2015. Noninterest income for the quarter totaled $25.6 million, compared to $25.3 million last year. Noninterest expense for the quarter totaled $46.3 million, compared to $44.9 million last year, primarily due to salary increases from raises and the Company's acquisition in the fourth quarter of 2015. The increase in noninterest expenses was partially offset by gains on the sale of other real estate owned totaling $1.2 million. The Company's effective tax rate was 34.2% compared to 34.1% for the first quarter of 2015.

At March 31, 2016, the Company's total assets were $6.7 billion, largely unchanged from December 31, 2015. Securities decreased $55.0 million to a total of $498.0 million due to large maturities during the quarter. Loans totaled $4.3 billion, up slightly from December 31, 2015. Deposits totaled $6.0 billion, marginally above the December 31, 2015 total. The Company's total stockholders' equity was $662.7 million, an increase of $7.2 million, or 1.1%, over December 31, 2015.

Asset quality remained strong during the first quarter of 2016. Nonperforming and restructured assets were 0.55% of total assets at March 31, 2016 compared to 0.83% at December 31, 2015. The decrease in nonperforming and restructured assets was largely due to one relationship that was removed from a troubled debt restructuring status due to sustained improvement in financial condition, performance and the commercially reasonable nature of its structure. Also contributing to the decrease in nonperforming assets were sales of other real estate owned. The allowance to total loans was 1.04%, compared to 0.98% at year-end 2015. The allowance to nonperforming and restructured loans was 136.4% compared to 88.5% at year-end 2015.

During the quarter, the Company repurchased 100,000 shares of its common stock at an average price of $55.23 under the Company's stock repurchase program.

On October 8, 2015, the Company completed the 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, $148 million in loans, $170 million in deposits, and $22 million in equity capital. The bank was merged into BancFirst during the fourth quarter of 2015.

Oil prices continued to be low during the first quarter of 2016, which had a dampening effect on the Oklahoma economy. Any continued impact from low oil prices on Oklahoma's economy and the Company's financial results could become more apparent in future periods.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

See Note (1) of the Notes to Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

SEGMENT INFORMATION

See Note (11) of the Notes to Consolidated Financial Statements for disclosures regarding business segments.

RESULTS OF OPERATIONS

Selected income statement data and other selected data for the comparable periods were as follows:

BANCFIRST CORPORATION

SELECTED CONSOLIDATED FINANCIAL DATA

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended March 31, 2016	2015
Income Statement Data		
Net interest income	$49,976	$45,626
Provision for loan losses	4,103	1,334
Securities transactions	100	1,729
Total noninterest income	25,617	25,296
Salaries and employee benefits	29,357	27,513
Total noninterest expense	46,291	44,923
Net income	16,579	16,259
Per Common Share Data		
Net income – basic	$1.07	$1.05
Net income – diluted	1.05	1.03
Cash dividends	0.36	0.34
Performance Data		
Return on average assets	1.00 %	1.01 %
Return on average stockholders' equity	10.05	10.65
Cash dividend payout ratio	33.73	32.43
Net interest spread	3.09	2.93
Net interest margin	3.25	3.07
Efficiency ratio	61.24	63.34
Net charge-offs to average loans	0.03	0.02

Net Interest Income

For the three months ended March 31, 2016, net interest income, which is the Company's principal source of operating revenue, increased to $50.0 million compared to $45.6 million for the three months ended March 31, 2015. Net interest margin is the ratio of taxable-equivalent net interest income to average earning assets for the period. The Company's net interest margin for the quarter was 3.25% compared to 3.07% a year ago. Internal loan growth, acquired loans from the Company's October 2015 acquisition and the increase in the Fed Fund rate of 25 basis points during the fourth quarter of 2015 contributed to the higher net interest income and margin in 2016. If interest rates and/or loan volume do not increase, management would expect its net interest margin to generally remain at current levels.

Provision for Loan Losses

The Company's provision for loan loss for the first quarter of 2016 increased to $4.1 million compared to $1.3 million a year ago. The increase in the provision was primarily due to downgrades of a few commercial loans which were impacted by the economic effect in Oklahoma from low energy prices. The Company establishes an allowance as an estimate of the probable inherent losses in the loan portfolio at the balance sheet date. Management believes the allowance for loan losses is appropriate based upon management's best estimate of probable losses that have been incurred within the existing loan portfolio. Should any of the factors considered by management in evaluating the appropriate level of the allowance for loan losses change, the Company's estimate of probable loan losses could also change, which could affect the amount of future provisions for loan losses. Net loan charge-offs were $1.2 million for the first quarter of 2016, compared to $666,000 for the first quarter of 2015. The rate of net charge-offs to average total loans, as presented in the preceding table, continues to be at a very low level.

Noninterest Income

Noninterest income totaled $25.6 million for the first quarter of 2016 compared to $25.3 million for the first quarter of 2015.

The Company had fees from debit card usage totaling $5.9 million and $5.4 million during the three month periods ended March 31, 2016 and 2015, respectively. This represents 23.1% and 21.5% of the Company's noninterest income for the three month periods ended March 31, 2016 and 2015, respectively.

Noninterest Expense

For the three months ended March 31, 2016, noninterest expense totaled $46.3 million, compared to $44.9 million for the three months ended March 31, 2015. The increase in noninterest expense for the first quarter of 2016 was primarily due to salary increases from raises and the Company's acquisition in the fourth quarter of 2015. This was partially offset by gains on sale of other real estate owned totaling $1.2 million.

Income Taxes

The Company's effective tax rate on income before taxes was 34.2% for the first quarter of 2016, compared to 34.1% for the first quarter of 2015.

FINANCIAL POSITION

BANCFIRST CORPORATION

SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in thousands, except per share data)

	March 31, 2016 (unaudited)		December 31, 2015	
Balance Sheet Data				
Total assets	$6,740,938		$6,692,829	
Total loans (net of unearned interest)	4,282,738		4,245,773	
Allowance for loan losses	44,571		41,666	
Securities	497,986		552,949	
Deposits	6,010,872		5,973,358	
Stockholders' equity	662,661		655,510	
Book value per share	42.68		42.03	
Tangible book value per share	38.22		37.56	
Average loans to deposits (year-to-date)	71.28	%	67.34	%
Average earning assets to total assets (year-to-date)	92.88		93.02	
Average stockholders' equity to average assets (year-to-date)	9.92		9.76	
Asset Quality Ratios				
Nonperforming and restructured loans to total loans	0.76	%	1.11	%
Nonperforming and restructured assets to total assets	0.55		0.83	
Allowance for loan losses to total loans	1.04		0.98	
Allowance for loan losses to nonperforming and restructured loans	136.42		88.50	

Cash and Interest-Bearing Deposits with Banks

The aggregate of cash and due from banks and interest-bearing deposits with banks increased $70.1 million, or 4.39% to $1.7 billion, from December 31, 2015 to March 31, 2016. This increase was due to large maturities of securities during the quarter and a marginal increase in deposits.

Securities

At March 31, 2016, total securities decreased $55.0 million, or 9.9% compared to December 31, 2015. The size of the Company's securities portfolio is determined by the Company's liquidity and asset/liability management. The net unrealized gain on securities available for sale, before taxes, was $3.4 million at March 31, 2016, compared to an unrealized gain of $2.5 million at December 31, 2015. These unrealized gains are included in the Company's stockholders' equity as accumulated other comprehensive income, net of income tax, in the amounts of $2.1 million and $1.5 million, respectively.

Loans (Including Acquired Loans)

At March 31, 2016, loans totaled $4.3 billion, up slightly from December 31, 2015. The increase in 2016 was primarily driven by an increase in commercial real estate loans located in the Company's metropolitan markets.

Allowance for Loan Losses/Fair Value Adjustments on Acquired Loans

At March 31, 2016, the allowance for loan losses to total loans represented 1.04% of total loans, compared to 0.98% at December 31, 2015.

The fair value adjustment on acquired loans consists of an interest rate component to adjust the effective rates on the loans to market rates and a credit component to adjust for estimated credit exposures in the acquired loans. The credit component of the adjustment was $3.0 million at March 31, 2016 and $3.3 million at December 31, 2015 while the acquired loans outstanding were $187.7 million and $192.9 million, respectively.

Nonperforming and Restructured Assets

Nonperforming and restructured assets totaled $36.9 million at March 31, 2016, compared to $55.3 million at December 31, 2015. The Company's level of nonperforming and restructured assets has continued to be relatively low. The decrease in nonperforming and restructured assets in 2016 was due to one relationship that was re-evaluated and removed from restructured loans due to sustained improvement in financial condition, performance and the commercially reasonable nature of its structure.

Nonaccrual loans totaled $31.0 million at March 31, 2016, compared to $30.1 million at the end of 2015. The Company's nonaccrual loans are primarily commercial and real estate loans. Nonaccrual loans negatively impact the Company's net interest margin. A loan is placed on nonaccrual status when, in the opinion of management, the future collectability of interest or principal or both is in serious doubt. Interest income is recognized on certain of these loans on a cash basis if the full collection of the remaining principal balance is reasonably expected. Otherwise, interest income is not recognized until the principal balance is fully collected. Total interest income which was not accrued on nonaccrual loans outstanding, was approximately $513,000 for the first quarter of 2016 and $310,000 for the first quarter of 2015. Only a small amount of this interest is expected to be ultimately collected.

Other real estate owned and repossessed assets totaled $4.2 million at March 31, 2016, compared to $8.2 million at December 31, 2015. Other real estate owned and repossessed assets decreased during the quarter primarily due to the sale of two properties.

Potential problem loans are performing loans to borrowers with a weakened financial condition, or which are experiencing unfavorable trends in their financial condition, which causes management to have concerns as to the ability of such borrowers to comply with the existing repayment terms. The Company had approximately $6.1 million of these loans at March 31, 2016, compared to $4.9 million at December 31, 2015. Potential problem loans are not included in nonperforming and restructured loans. In general, these loans are adequately collateralized and have no specific identifiable probable loss. Loans which are considered to have identifiable probable loss potential are placed on nonaccrual status, are allocated a specific allowance for loss or are directly charged-down, and are reported as nonperforming.

Liquidity and Funding

Deposits

At March 31, 2016, deposits totaled $6.0 billion, marginally above the December 31, 2015 balance. The Company's core deposits provide it with a stable, low-cost funding source. The Company's core deposits as a percentage of total deposits were 94.4% at March 31, 2016 compared to 94.3% at December 31, 2015. Noninterest-bearing deposits to total deposits were 40.2% at March 31, 2016, compared to 40.3% at December 31, 2015.

Short-Term Borrowings

Short-term borrowings, consisting primarily of federal funds purchased and repurchase agreements are another source of funds for the Company. The level of these borrowings is determined by various factors, including customer demand and the Company’s ability to earn a favorable spread on the funds obtained. Short-term borrowings were $1.3 million at March 31, 2016, compared to $500,000 at December 31, 2015.

Long-Term Borrowings

The Company has a line of credit from the Federal Home Loan Bank (“FHLB”) of Topeka, Kansas to use for liquidity or to match-fund certain long-term fixed rate loans. The Company’s assets, including residential first mortgages of $656.2 million, are pledged as collateral for the borrowings under the line of credit. As of March 31, 2016 and December 31, 2015, the Company had no advances outstanding under the line of credit from FHLB. In addition, the Company has a revolving line of credit with the ability to draw up to $10.0 million. This line of credit has a variable rate based on prime rate minus 25 basis points and matures in 2020. There were no borrowings against this line of credit at March 31, 2016.

There have not been any other material changes from the liquidity and funding discussion included in Management's Discussion and Analysis in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

Capital Resources

Stockholders' equity totaled $662.7 million at March 31, 2016, compared to $655.5 million at December 31, 2015. In addition to net income of $16.6 million, other changes in stockholders' equity during the three months ended March 31, 2016 included $693,000 related to stock option exercises, $451,000 related to stock-based compensation and a $530,000 increase in other comprehensive income, that were partially offset by $5.6 million in dividends and $5.5 million in stock repurchases. The Company's leverage ratio and total risk-based capital ratios at March 31, 2016, were well in excess of the regulatory requirements.

See Note (7) of the Notes to Consolidated Financial Statements for a discussion of capital ratio requirements.

CONTRACTUAL OBLIGATIONS

There have not been any material changes in the resources required for scheduled repayments of contractual obligations from the table of Contractual Cash Obligations included in Management's Discussion and Analysis which was included in the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

BANCFIRST CORPORATION

CONSOLIDATED AVERAGE BALANCE SHEETS AND INTEREST MARGIN ANALYSIS

(Unaudited)

Taxable Equivalent Basis (Dollars in thousands)

	Three Months Ended March 31,					
	2016			2015		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
ASSETS						
Earning assets:						
Loans (1)	$4,242,883	$50,329	4.76 %	$3,840,833	$46,051	4.86 %
Securities – taxable	491,505	1,327	1.08	486,430	1,399	1.17
Securities – tax exempt	42,539	393	3.71	39,005	378	3.93
Interest-bearing deposits w/ banks & FFS	1,419,500	1,802	0.51	1,686,414	1,062	0.26
Total earning assets	6,196,427	53,851	3.49	6,052,682	48,890	3.28
Nonearning assets:						
Cash and due from banks	179,455			181,937		
Interest receivable and other assets	336,841			316,550		
Allowance for loan losses	(41,591)			(40,879)		
Total nonearning assets	474,705			457,608		
Total assets	$6,671,132			$6,510,290		
LIABILITIES AND STOCKHOLDERS’ EQUITY						
Interest-bearing liabilities:						
Transaction deposits	$792,120	$201	0.10 %	$723,908	$168	0.09 %
Savings deposits	2,078,802	1,691	0.33	2,052,927	1,150	0.23
Time deposits	721,792	1,188	0.66	743,624	1,220	0.67
Short-term borrowings	1,111	1	0.35	3,033	1	0.14
Junior subordinated debentures	31,959	522	6.55	26,804	491	7.43
Total interest-bearing liabilities	3,625,784	3,603	0.40	3,550,296	3,030	0.35
Interest-free funds:						
Noninterest-bearing deposits	2,359,783			2,312,217		
Interest payable and other liabilities	23,627			28,636		
Stockholders’ equity	661,938			619,141		
Total interest free funds	3,045,348			2,959,994		
Total liabilities and stockholders’ equity	$6,671,132			$6,510,290		
Net interest income		$50,248			$45,860	
Net interest spread			3.09 %			2.93 %
Effect of interest free funds			0.16 %			0.14 %
Net interest margin			3.25 %			3.07 %

(1) Nonaccrual loans are included in the average loan balances and any interest on such nonaccrual loans is recognized on a cash basis.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant changes in the Registrant’s disclosures regarding market risk since December 31, 2015, the date of its most recent annual report to stockholders.

Item 4. Controls and Procedures.

The Company’s Chief Executive Officer, Chief Financial Officer and its Disclosure Committee, which includes the Company’s Chief Risk Officer, Chief Internal Auditor, Chief Asset Quality Officer, Controller, and General Counsel, have evaluated, as of the last day of the period covered by this report, the Company’s disclosure controls and procedures. Based on their evaluation they concluded that the disclosure controls and procedures of the Company are effective to ensure that information required to be disclosed by the

Company in the reports filed or submitted by it under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms.

No changes were made to the Company's internal control over financial reporting during the period covered by this report that materially affected, or are likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The Company has been named as a defendant in various legal actions arising from the conduct of its normal business activities. Although the amount of any liability that could arise with respect to these actions cannot be accurately predicted, in the opinion of the Company, any such liability will not have a material adverse effect on the consolidated financial statements of the Company.

Item 1A. Risk Factors.

As of March 31, 2016, there have been no material changes from the risk factors previously disclosed in Part I, Item 1A, of the Company's Annual Report on Form 10-K for the year ended December 31, 2015.

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

The following table provides information with respect to purchases made by or on behalf of the Company or any "affiliated purchaser" (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company's common stock during the three months ended March 31, 2016.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Number of Shares That May Yet Be Purchased Under the Plan at the End of the Period
January 1, 2016 to January 31, 2016	65,367	$ 55.33	65,367	100,909
February 1, 2016 to February 29, 2016	34,633	55.04	34,633	66,276
March 1, 2016 to March 31, 2016	—	—	—	66,276

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Exhibit
3.1	Second Amended and Restated Certificate of Incorporation of BancFirst Corporation (filed as Exhibit 1 to the Company's 8-A/A filed July 23, 1998 and incorporated herein by reference).
3.2	Certificate of Amendment of the Second Amended and Restated Certificate of Incorporation of BancFirst Corporation dated June 15, 2004 (filed as Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2004 and incorporated herein by reference).
3.3	Amended and Restated By-Laws of BancFirst Corporation (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 30, 2015 and incorporated herein by reference).
3.4	Certificate of Amendment of the Second Amended and Restated Certificate of Incorporation of BancFirst Corporation dated May 23, 2013 (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated May 29, 2013 and incorporated herein by reference).
4.1	Instruments defining the rights of securities holders (see Exhibits 3.1, 3.2, 3.3 and 3.4 above).
4.2	Form of Amended and Restated Trust Agreement relating to the 7.20% Cumulative Trust Preferred Securities of BFC Capital Trust II (filed as Exhibit 4.5 to the Company's registration statement on Form S-3/A, File No. 333-112488 dated February 23, 2004, and incorporated herein by reference).
4.3	Form of 7.20% Cumulative Trust Preferred Security Certificate for BFC Capital Trust II (filed as Exhibit D to Exhibit 4.5 to the Company's registration statement on Form S-3/A, File No. 333-112488 dated February 23, 2004, and incorporated herein by reference).
4.4	Form of Indenture relating to the 7.20% Junior Subordinated Deferrable Interest Debentures of BancFirst Corporation issued to BFC Capital Trust II (filed as Exhibit 4.1 to the Company's registration statement on Form S-3, File No. 333-112488 dated February 4, 2004, and incorporated herein by reference).
4.5	Form of Certificate of 7.20% Junior Subordinated Deferrable Interest Debenture of BancFirst Corporation (filed as Exhibit 4.2 to the Company's registration statement on Form S-3, File No. 333-112488 dated February 4, 2004, and incorporated herein by reference).
4.6	Form of Guarantee of BancFirst Corporation relating to the 7.20% Cumulative Trust Preferred Securities of BFC Capital Trust II (filed as Exhibit 4.7 to the Company's registration statement on Form S-3/A, File No. 333-112488 dated February 23, 2004, and incorporated herein by reference).
4.7	Form of Guarantee Agreement by and between CSB Bancshares, Inc. and Wilmington Trust Company (filed as Exhibit 4.7 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2015 and incorporated herein by reference).
4.8	Form of Indenture relating to the Floating Rate Junior Subordinated Deferrable Interest Debentures of CSB Bancshares, Inc., issued to Wilmington Trust Company (filed as Exhibit 4.8 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2015 and incorporated herein by reference).
4.9	

Form of First Supplemental Indenture relating to the Floating Rate Junior Subordinated Deferrable Interest Debentures by and between Wilmington Trust Company and BancFirst Corporation (filed as Exhibit 4.9 to the Company's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2015 and incorporated herein by reference).

10.1 BancFirst Corporation Employee Stock Ownership and Trust Agreement adopted effective January 1, 2015 (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2015 and incorporated herein by reference).

10.2 Fourth Amended and Restated BancFirst Corporation Directors' Stock Option Plan (filed as Exhibit 10.1 to the Company's Form 8-K dated October 28, 2014 and incorporated herein by reference).

10.3 Fourth Amended and Restated BancFirst Corporation Directors' Deferred Stock Compensation Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2014 and incorporated herein by reference).

10.4 Thirteenth Amended and Restated BancFirst Corporation Stock Option Plan (filed as Exhibit 10.1 to the Company's Form 8-K dated October 28, 2014 and incorporated herein by reference).

10.5* Adoption Agreement for the BancFirst Corporation Thrift Plan adopted April 21, 2016 effective January 1, 2016.

Exhibit Number	Exhibit
31.1*	Chief Executive Officer's Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31.2*	Chief Financial Officer's Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32.1*	CEO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	CFO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LAB*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

*Filed herewith.

SIGNATURES

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

	BANCFIRST CORPORATION (Registrant)
Date: May 6, 2016	/s/ David E. Rainbolt David E. Rainbolt President Chief Executive Officer (Principal Executive Officer)
Date: May 6, 2016	/s/ Kevin Lawrence Kevin Lawrence Executive Vice President Chief Financial Officer (Principal Financial Officer)

36