BANCFIRST CORP /OK/
Form 10-Q
November 09, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2010

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number 0-14384

BancFirst Corporation

(Exact name of registrant as specified in charter)

Oklahoma	**73-1221379**
(State or other Jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
101 N. Broadway, Oklahoma City, Oklahoma	**73102-8405**
(Address of principal executive offices)	**(Zip Code)**

(405) 270-1086

(Registrant s telephone number, including area code)

N/A

(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 ¨.

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

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

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

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

As of October 29, 2010 there were 15,358,672 shares of the registrant s Common Stock outstanding.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

BANCFIRST CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except per share data)

	September 30, 2010 (unaudited)	September 30, 2009 (unaudited)	December 31, 2009 (see Note 1)
ASSETS			
Cash and due from banks	$ 106,498	$ 104,224	$ 106,856
Interest-bearing deposits with banks	918,725	911,015	929,654
Federal funds sold	5,000		5,000
Securities (market value: $580,739, $392,532, and $418,112, respectively)	579,839	391,627	417,172
Loans:			
Total loans (net of unearned interest)	2,756,118	2,713,169	2,738,654
Allowance for loan losses	(35,681)	(36,016)	(36,383)
Loans, net	2,720,437	2,677,153	2,702,271
Premises and equipment, net	92,005	90,659	91,794
Other real estate owned	21,252	10,211	9,505
Intangible assets, net	7,577	6,867	7,144
Goodwill	35,890	34,327	34,684
Accrued interest receivable	24,114	22,056	21,670
Other assets	87,845	73,964	90,365
Total assets	$ 4,599,182	$ 4,322,103	$ 4,416,115
LIABILITIES AND STOCKHOLDERS EQUITY			
Deposits:			
Noninterest-bearing	$ 1,232,548	$ 1,081,441	$ 1,157,688
Interest-bearing	2,850,020	2,750,382	2,771,328
Total deposits	4,082,568	3,831,823	3,929,016
Short-term borrowings	2,700	1,100	100
Accrued interest payable	2,903	4,300	3,886
Other liabilities	30,338	32,438	25,559
Junior subordinated debentures	26,804	26,804	26,804
Total liabilities	4,145,313	3,896,465	3,985,365
Commitments and contingent liabilities			
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 outstanding: 15,358,672, 15,302,891and 15,308,741, respectively	15,359	15,303	15,309
Capital surplus	72,403	69,242	69,725
Retained earnings	355,340	328,379	334,693
Accumulated other comprehensive income, net of income tax of $(5,797), $(6,846) and $(5,915), respectively	10,767	12,714	11,023
Total stockholders equity	453,869	425,638	430,750
Total liabilities and stockholders equity	$ 4,599,182	$ 4,322,103	$ 4,416,115

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
INTEREST INCOME				
Loans, including fees	$ 38,900	$ 37,699	$ 114,976	$ 114,434
Securities:				
Taxable	3,163	3,267	9,167	10,357
Tax-exempt	256	330	895	1,068
Federal funds sold	1	1	1	1
Interest-bearing deposits with banks	552	702	1,744	1,598
Total interest income	42,872	41,999	126,783	127,458
INTEREST EXPENSE				
Deposits	6,308	8,556	19,703	28,722
Short-term borrowings	1		2	11
Junior subordinated debentures	491	491	1,474	1,474
Total interest expense	6,800	9,047	21,179	30,207
Net interest income	36,072	32,952	105,604	97,251
Provision for loan losses	469	998	2,236	9,214
Net interest income after provision for loan losses	35,603	31,954	103,368	88,037
NONINTEREST INCOME				
Trust revenue	1,774	1,632	4,719	4,354
Service charges on deposits	10,036	9,551	29,000	27,287
Securities transactions	333	20	319	322
Income from sales of loans	506	775	1,313	2,157
Insurance commissions	2,520	1,889	6,540	5,423
Cash management services	1,653	2,251	4,869	7,504
Gain (loss) on sale of other assets	4	(9)	381	151
Other	1,336	930	3,991	3,506
Total noninterest income	18,162	17,039	51,132	50,704
NONINTEREST EXPENSE				
Salaries and employee benefits	20,692	19,938	60,350	59,951
Occupancy and fixed assets expense, net	2,374	2,004	6,567	6,211
Depreciation	1,879	1,943	5,526	5,555
Amortization of intangible assets	267	210	777	669
Data processing services	1,022	924	3,200	2,709
Net expense from other real estate owned	125	164	376	373
Marketing and business promotion	1,402	1,229	4,087	3,844

Deposit insurance	1,310	2,430	4,373	6,363
Other	6,318	6,639	19,539	19,553
Total noninterest expense	35,389	35,481	104,795	105,228
Income before taxes	18,376	13,512	49,705	33,513
Income tax expense	6,589	4,122	17,573	10,738
Net income	11,787	9,390	32,132	22,775
Other comprehensive income, net of tax:				
Unrealized (losses) gains on securities	(519)	228	(463)	(2,172)
Reclassification adjustment for gains included in net income	216	13	207	209
Comprehensive income	$ 11,484	$ 9,631	$ 31,876	$ 20,812
NET INCOME PER COMMON SHARE				
Basic	$ 0.77	$ 0.61	$ 2.09	$ 1.49
Diluted	$ 0.75	$ 0.60	$ 2.05	$ 1.46

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
COMMON STOCK				
Issued at beginning of period	$ 15,347	$ 15,302	$ 15,309	$ 15,281
Shares issued	28	1	66	22
Shares acquired and canceled	(16)		(16)	
Issued at end of period	$ 15,359	$ 15,303	$ 15,359	$ 15,303
CAPITAL SURPLUS				
Balance at beginning of period	$ 71,196	$ 68,919	$ 69,725	$ 67,975
Common stock issued	606	24	1,354	349
Tax effect of stock options	220	56	340	144
Stock options expense	381	243	984	774
Balance at end of period	$ 72,403	$ 69,242	$ 72,403	$ 69,242
RETAINED EARNINGS				
Balance at beginning of period	$ 347,979	$ 322,508	$ 334,693	$ 315,858
Net income	11,787	9,390	32,132	22,775
Dividends on common stock	(3,837)	(3,519)	(10,896)	(10,254)
Common stock acquired and canceled	(589)		(589)	
Balance at end of period	$ 355,340	$ 328,379	$ 355,340	$ 328,379
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Unrealized gains on securities				
Balance at beginning of period	$ 11,070	$ 12,473	$ 11,023	$ 14,677
Net change	(303)	241	(256)	(1,963)
Balance at end of period	$ 10,767	$ 12,714	$ 10,767	$ 12,714
Total stockholders equity	$ 453,869	$ 425,638	$ 453,869	$ 425,638

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

BANCFIRST CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

(Unaudited)

(Dollars in thousands)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
CASH FLOWS (USED IN) PROVIDED BY OPERATING ACTIVITIES [1]	$ (28,920)	$ 39,458
INVESTING ACTIVITIES		
Net cash and due from banks used for acquisitions	(1,000)	
Purchases of securities:		
Held for investment	(345)	(1,285)
Available for sale	(221,449)	(31,533)
Maturities of securities:		
Held for investment	7,851	7,014
Available for sale	44,606	78,375
Proceeds from sales and calls of securities:		
Held for investment	154	20
Available for sale	4,591	6,554
Net increase in federal funds sold		1,000
Purchases of loans	(2,832)	(25,473)
Proceeds from sales of loans	30,908	99,725
Net other decrease (increase) in loans	9,759	(44,254)
Purchases of premises, equipment and other	(6,125)	(5,403)
Proceeds from the sale of other assets	5,104	5,248
Net cash (used in) provided by investing activities	(128,778)	89,988
FINANCING ACTIVITIES		
Net increase in demand, transaction and savings deposits	208,415	388,433
Net (decrease) increase in certificates of deposits and IRA s	(54,863)	65,782
Net increase (decrease) in short-term borrowings	2,600	(11,784)
Issuance of common stock	1,760	515
Acquisition of common stock	(605)	
Cash dividends paid	(10,896)	(10,254)
Net cash provided by financing activities	146,411	432,692
Net (decrease) increase in cash, due from banks and interest bearing deposits	(11,287)	562,138
Cash, due from banks and interest bearing deposits at the beginning of the period	1,036,510	453,101
Cash, due from banks and interest bearing deposits at the end of the period	$ 1,025,223	$ 1,015,239
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$ 22,163	$ 31,734
Cash paid during the period for income taxes	$ 17,540	$ 10,900

[1] Includes $73.3 million net loan originations of loans held for sale for the nine months ended September 30, 2010 and $2.3 million of net loan sales of loans held for sale for the nine months ended September 30, 2009.

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

BANCFIRST CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) GENERAL

The accompanying consolidated financial statements include the accounts of BancFirst Corporation, Council Oak Partners, LLC, BancFirst Insurance Services Inc., and BancFirst and its subsidiaries (the Company). The operating subsidiaries of BancFirst are Council Oak Investment Corporation, Council Oak Real Estate, Inc., BancFirst Agency, Inc., Lenders Collection Corporation and BancFirst Community Development Corporation. 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 consolidated financial statements.

The unaudited interim 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, 2009, the date of the most recent annual report and audited 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 values 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.

(2) RECENT ACCOUNTING PRONOUNCEMENTS

In January 2010 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, Fair Vale Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU 2010-06 amends Codification Subtopic 820-10 to now require entities to make new disclosures about the different classes of assets and liabilities measured at fair value. The new requirements are as follows: (1) a reporting entity should disclose separately the amounts of significant transfers between Level 1 and Level 2 fair-value measurements and the reasons for the transfers, and (2) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information on purchases, sales, issuances and settlements on a gross basis. The FASB also clarified existing fair-value measurement disclosure guidance about the level of disaggregation of assets and liabilities, and information about the valuation techniques and inputs used in estimating Level 2 and Level 3 fair-value measurements. Except for certain detailed Level 3 disclosures, which are effective for fiscal years beginning after December 15, 2010 and interim periods within those fiscal years, the new guidance is effective for the Company s financial statements for the periods ending after December 15, 2009. The adoption of this disclosure-only guidance will not have an effect on the Company s results of operations or financial position. See Note 14 for disclosure.

In July 2010, the FASB issued ASU 2010-20 Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses which expands the disclosure requirements concerning the credit quality of an entity s financing receivables and its allowance for loan losses. The new disclosures that relate to information as of the end of the reporting period is effective as of December 31, 2010, whereas the disclosures related to activity that occurred during the reporting periods is effective January 1, 2011. The adoption of this disclosure-only guidance will not have an effect on the Company s results of operations or financial position.

(3) RECENT DEVELOPMENTS: MERGERS, ACQUISITIONS AND DISPOSALS

On October 8, 2010, the Company completed the previously announced acquisition of Union National Bancshares, Inc., and its subsidiary bank, Union Bank of Chandler with offices in Chandler and Tulsa, Oklahoma. As of September 30, 2010, Union Bank of Chandler had approximately $132 million in total assets, $90 million in loans, $116 million in deposits, and $15 million in equity capital. The bank will operate under its present name until it is merged into BancFirst, which is expected to be on November 12, 2010. The acquisition did not have a material effect on the results of operations for the Company.

On September 30, 2010, the Company announced it had entered into an agreement to acquire OK Bancorporation, Inc., and its subsidiary bank, The Okemah National Bank. The Okemah National Bank has approximately $74 million in total assets, $32 million in loans, $59 million in deposits, and $13 million in equity capital. The bank will operate as The Okemah National Bank until it is merged into BancFirst, which is expected to be during October, 2011. The transaction is scheduled to be completed by December 15, 2010, and is subject to regulatory approval. The acquisition is not expected to have a material effect on the results of operations for the Company.

On September 2, 2010, the Company announced it had entered into an agreement to acquire Exchange Bancshares of Moore, Inc., and its subsidiary bank, Exchange National Bank of Moore. Exchange National Bank of Moore has approximately $146 million in total assets, $57 million in loans, $109 million in deposits, and $13 million in equity capital. The bank will operate as Exchange National Bank of Moore until it is merged into BancFirst, which is expected to be during the second quarter of 2011. The transaction is scheduled to be completed by December 15, 2010. The acquisition is not expected to have a material effect on the results of operations for the Company.

The Company expects to incur total intangibles of approximately $14.6 million for the above combined acquisitions, which will result in an increase in excess cost of approximately $11.1 million and an increase in core deposit intangibles of approximately $3.5 million. The above acquisitions will add approximately $350 million in total assets, $174 million in loans and $287 million in deposits by year end. The effects of these acquisitions will be included in the consolidated financial statements of the Company from the date of acquisition forward. The Company does not believe these acquisitions, individually or in aggregate will be material to the Company s consolidated financial statements.

In April 2010 the Company elected to cease participation as of June 30, 2010 in the Transaction Account Guarantee Program (TAGP) for extended coverage of noninterest bearing transaction deposit accounts. At June 30, 2010, the Company had approximately $641 million of deposits covered under this program.

On April 1, 2010, the Company s insurance agency BancFirst Insurance Services, Inc., formerly known as Wilcox, Jones & McGrath, Inc., completed its acquisition of RBC Agency, Inc., which has offices in Shawnee and Stillwater. BancFirst Insurance Services, Inc. has offices in Oklahoma City, Tulsa, Lawton and Muskogee. The acquisition did not have a material effect on the results of operations for the Company.

On March 21, 2010, Congress passed student loan reform centralizing student lending in a governmental agency, which as of June 30, 2010 resulted in an end to the student loan programs provided by the Company. As of September 30, 2010, the Company had approximately $203 million of student loans with $145 million held for sale all of which were sold in October 2010.

On December 8, 2009, the Company completed the acquisition of First Jones Bancorporation. First State Bank, Jones operated as a subsidiary of BancFirst Corporation until it was merged into BancFirst in early March 2010. The acquisition enhanced the presence of BancFirst in eastern Oklahoma County. The acquisition did not have a material effect on the results of operations for the Company.

On May 22, 2009 the FDIC imposed a Special Assessment on member financial institutions that was based on June 30, 2009 assets less tier one capital. The amount of $1.9 million was expensed on June 30, 2009.

(4) SECURITIES

The following table summarizes securities held for investment and securities available for sale **(dollars in thousands)**:

	September 30, 2010	September 30, 2009	December 31, 2009
Held for investment, at cost (market value: $23,038, $29,622 and $30,736, respectively)	$ 22,138	$ 28,717	$ 29,796
Available for sale, at market value	557,701	362,910	387,376
Total	$ 579,839	$ 391,627	$ 417,172

The following table summarizes the maturity of securities **(dollars in thousands)**:

	September 30, 2010	September 30, 2009	December 31, 2009
Contractual maturity of debt securities:			
Within one year	$ 267,228	$ 76,927	$ 69,093
After one year but within five years	205,508	276,022	267,375
After five years but within ten years	17,913	12,904	18,377
After ten years	78,816	14,474	51,819
Total debt securities	569,465	380,327	406,664
Equity securities	10,374	11,300	10,508
Total	$ 579,839	$ 391,627	$ 417,172

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

	Number of Securities	Gross Unrealized Gains (dollars in thousands)	Gross Unrealized Losses (dollars in thousands)	Estimated Market Value
Held for Investment				
September 30, 2010				
With unrealized gains	172	$ 902	$	$ 22,765
With unrealized losses	3		(2)	273
September 30, 2009				
With unrealized gains	191	919		28,853
With unrealized losses	9		(12)	769
December 31, 2009				
With unrealized gains	196	948		30,060
With unrealized losses	9		(7)	676

The following table summarizes the amortized cost and estimated market values of debt securities available for sale.

	Number of Securities	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
		(dollars in thousands)		
Available for Sale				
September 30, 2010				
With unrealized gains	211	$ 14,260	$	$ 525,841
With unrealized losses	5		(20)	21,486
September 30, 2009				
With unrealized gains	211	17,049		340,288
With unrealized losses	7		(68)	11,322
December 31, 2009				
With unrealized gains	216	15,386		336,660
With unrealized losses	29		(290)	40,208

Securities having book values of $507.7 million, $325.3 million and $292.8 million as of September 30, 2010 and 2009 and December 31, 2009, respectively, were pledged as collateral for public funds on deposit, repurchase agreements and for other purposes as required or permitted by law.

(5) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category **(dollars in thousands)**:

	September 30, 2010		September 30, 2009		December 31, 2009	
	Amount	Percent	Amount	Percent	Amount	Percent
Commercial and industrial	$ 492,823	17.88%	$ 503,584	18.56%	$ 515,762	18.83%
Oil & gas production & equipment	81,816	2.97	91,275	3.37	84,199	3.07
Agriculture	74,494	2.70	73,879	2.72	83,519	3.05
State and political subdivisions:						
Taxable	8,794	0.32	9,842	0.36	12,066	0.44
Tax-exempt	10,322	0.38	9,031	0.33	8,840	0.32
Real Estate:						
Construction	212,830	7.72	206,793	7.62	201,704	7.37
Farmland	89,048	3.23	86,543	3.19	85,620	3.13
One to four family residences	568,755	20.64	563,982	20.79	569,592	20.80
Multifamily residential properties	29,123	1.06	32,190	1.19	29,964	1.09
Commercial	754,066	27.36	757,311	27.91	765,911	27.97
Consumer	409,754	14.87	349,080	12.87	352,477	12.88
Other	24,293	0.87	29,659	1.09	29,000	1.05
Total loans	$ 2,756,118	100.00%	$ 2,713,169	100.00%	$ 2,738,654	100.00%
Loans held for sale (included above)	$ 159,660		$ 86,450		$ 94,140	

The Company s loans are mostly to customers within Oklahoma and over half 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, vehicles, equipment, accounts receivable, inventory and securities. The Company s interest in collateral is secured through filing mortgages and liens, and in some cases, by possession of the collateral.

Loans held for sale include $145.2 million, $77.6 million and $82.4 million of guaranteed student loans for the periods ended September 30, 2010, September 30, 2009 and December 31, 2009, respectively. Student loans are classified as consumer loans in the preceding table and valued at the lower of cost or market.

The amount of estimated loss due to credit risk in the Company s loan portfolio is provided for in the allowance for loan losses. The amount of the allowance required to provide for all existing losses in the loan portfolio is an estimate based upon evaluations of loans, appraisals of collateral and other estimates which are subject to rapid change due to changing economic conditions and the economic prospects of borrowers. Given the current environment of instability in the economy at large, it is possible that a material change could occur in the estimated allowance for loan losses in the near term.

Changes in the allowance for loan losses are summarized as follows **(dollars in thousands)**:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Balance at beginning of period	$ 37,002	$ 39,334	$ 36,383	$ 34,290
Charge-offs	(1,942)	(4,449)	(3,350)	(7,935)
Recoveries	152	133	412	447
Net charge-offs	(1,790)	(4,316)	(2,938)	(7,488)
Provisions charged to operations	469	998	2,236	9,214
Balance at end of period	$ 35,681	$ 36,016	$ 35,681	$ 36,016

The net charge-offs by category are summarized as follows **(dollars in thousands)**:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Commercial, financial and other	$ 44	$ 3,886	$ 236	$ 5,420
Real estate construction	2	66	13	225
Real estate mortgage	1,635	180	2,289	1,315
Consumer	109	184	400	528
Total	$ 1,790	$ 4,316	$ 2,938	$ 7,488

(6) NONPERFORMING AND RESTRUCTURED ASSETS

The following table is a summary of nonperforming and restructured assets **(dollars in thousands)**:

	September 30,		December 31,
	2010	**2009**	**2009**
Past due over 90 days and still accruing	$ 563	$ 9,941	$ 853
Nonaccrual	25,684	37,319	37,133
Restructured	378	561	1,970
Total nonperforming and restructured loans	26,625	47,821	39,956
Other real estate owned and repossessed assets	21,499	10,587	9,881

Total nonperforming and restructured assets	$ 48,124	$ 58,408	$ 49,837
Nonperforming and restructured loans to total loans	0.97%	1.76%	1.46%
Nonperforming and restructured assets to total assets	1.05%	1.35%	1.13%

(7) INTANGIBLE ASSETS AND GOODWILL

The following is a summary of intangible assets **(dollars in thousands)**:

	September 30, 2010		September 30, 2009		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles.	$ 7,223	$ (4,100)	$ 6,722	$ (3,390)	$ 7,222	$ (3,558)
Customer relationship intangibles	5,657	(1,203)	4,441	(906)	4,448	(968)
Total	$ 12,880	$ (5,303)	$ 11,163	$ (4,296)	$ 11,670	$ (4,526)

Amortization of intangible assets and estimated amortization of intangible assets are as follows **(dollars in thousands)**:

Amortization:	
Three months ended September 30, 2010	$ 267
Three months ended September 30, 2009	210
Nine months ended September 30, 2010	777
Nine months ended September 30, 2009	669
Year ended December 31, 2009	920
Estimated Amortization	
Year ending December 31:	
2010	$ 1,044
2011	1,070
2012	1,058
2013	915
2014	686

The following is a summary of goodwill by business segment **(dollars in thousands)**:

	Metropolitan Banks	Community Banks	Other Financial Services	Executive, Operations & Support	Consolidated
For the Nine Months Ended September 30, 2010					
Balance at beginning of period	$ 6,150	$ 23,652	$ 4,258	$ 624	$ 34,684
Acquisitions			1,206		1,206
Balance at end of period	$ 6,150	$ 23,652	$ 5,464	$ 624	$ 35,890
For the Nine Months Ended September 30, 2009					
Balance at beginning and end of period	$ 6,150	$ 23,295	$ 4,258	$ 624	$ 34,327
For the Year Ended December 31, 2009					
Balance at beginning of period	$ 6,150	$ 23,295	$ 4,258	$ 624	$ 34,327
Acquisitions		357			357
Balance at end of period	$ 6,150	$ 23,652	$ 4,258	$ 624	$ 34,684

(8) CAPITAL

The Company is subject to risk-based capital guidelines issued by the Board of Governors of the Federal Reserve System. These guidelines are used to evaluate capital adequacy and involve both quantitative and qualitative evaluations of the Company 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. The required minimums and the Company s respective ratios are shown in the following table **(dollars in thousands)**:

	Minimum Required	September 30, 2010	September 30, 2009	December 31, 2009
Tier 1 capital		$ 425,627	$ 397,706	$ 403,875
Total capital		$ 461,308	$ 433,722	$ 440,258
Risk-adjusted assets		$ 2,923,824	$ 2,916,529	$ 2,942,152
Leverage ratio	3.00%	9.34%	9.29%	9.23%
Tier 1 capital ratio	4.00%	14.56%	13.64%	13.73%
Total capital ratio	8.00%	15.78%	14.87%	14.96%

As of September 30, 2010 and 2009, and December 31, 2009, BancFirst was considered to be well capitalized . There are no conditions or events since the most recent notification of BancFirst s capital category that management believes would change its category.

(9) STOCK REPURCHASE PLAN

In November 1999, the Company adopted a new 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 shareholders wishing to sell their stock. The timing, price and amount of stock repurchases under the SRP may be determined by management and approved by the Company s Executive Committee. At September 30, 2010 there were 543,900 shares remaining that could be repurchased under the SRP.

The following table is a summary of the shares repurchased under the program.

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Number of shares repurchased	16,500		16,500	
Average price of shares repurchased	$ 36.69		$ 36.69	

(10) SHARE-BASED COMPENSATION

BancFirst Corporation 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 2,650,000 shares in May 2009. At September 30, 2010, 79,860 shares are available for future grants. The BancFirst ISOP will terminate December 31, 2014. The options are exercisable beginning four years from the date of grant at the rate of 25% per year for four years. Options granted expire at the end of fifteen years from the date of grant. Options outstanding as of September 30, 2010 will become exercisable through the year 2017. The option price must be no less than 100% of the fair market 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 205,000 shares in May 2009. At September 30, 2010, 50,000 shares are available for future grants. The options are exercisable beginning one year from the date of grant at the rate of 25% per year for four years, and expire at the end of fifteen years from the date of grant. Options outstanding as of September 30, 2010 will become exercisable through the year 2011. 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 following table is a summary of the activity under both the BancFirst ISOP and the BancFirst Directors Stock Option Plan **(dollars in thousands, except per share data):**

	Nine Months Ended September 30, 2010				
	Options	**Wtd. Avg. Exercise Price**	**Wtd. Avg. Remaining Contractual Term**		**Aggregate Intrinsic Value**
Outstanding at December 31, 2009	1,209,553	$ 27.41			
Options granted	39,000	41.68			
Options exercised	(65,472)	21.23			
Options cancelled	(11,400)	33.59			
Outstanding at September 30, 2010	1,171,681	28.17	8.76	Yrs.	$ 14,402
Exercisable at September 30, 2010	698,456	21.69	6.32	Yrs.	$ 13,113

The following table is additional information regarding options granted and options exercised under both the BancFirst ISOP and the BancFirst Directors Stock Option Plan (**dollars in thousands, except per share data**):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Weighted average grant-date fair value per share of options granted	$ 10.97	$ 21.93	$ 16.62	$ 21.93
Total intrinsic value of options exercised	440	20	1,271	218
Cash received from options exercised	615	25	1,390	262
Tax benefit realized from options exercised	170	8	492	85

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.

For the three months ended September 30, 2010 and 2009, the Company recorded share-based employee compensation expense of approximately $236,000 and $149,000, respectively, net of tax and approximately $606,000 and $475,000 net of tax, for the nine months ended September 30, 2010 and 2009, respectively.

The Company will continue to amortize the remaining fair value of these stock options of approximately $5.8 million, net of tax, over the remaining vesting period of approximately seven years. The following table shows the assumptions used for computing share-based employee compensation expense under the fair value method.

	2010	**2009**
Risk-free interest rate	3.08%	3.64%
Dividend yield	2.00%	1.50%
Stock price volatility	27.77%	63.28%
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.

(11) COMPREHENSIVE INCOME

The only component of comprehensive income reported by the Company is the unrealized gain or loss on securities available for sale. The amount of this unrealized gain or loss, net of tax, has been presented in the statement of income for each period as a component of other comprehensive income. The following table is a summary of the tax effects of this unrealized gain or loss **(dollars in thousands)**:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Unrealized (loss) gain during the period:				
Before-tax amount	$ (799)	$ 350	$ (693)	$ (3,342)
Tax benefit (expense)	280	(122)	230	1,170
Net-of-tax amount	$ (519)	$ 228	$ (463)	$ (2,172)

The amount of unrealized gain included, net of tax, in accumulated other comprehensive income is summarized in the following table **(dollars in thousands)**:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Unrealized gain on securities:				
Beginning balance	$ 11,070	$ 12,473	$ 11,023	$ 14,677
Current period change	(519)	228	(463)	(2,172)
Reclassification adjustment for gains included in net income	216	13	207	209
Ending balance	$ 10,767	$ 12,714	$ 10,767	$ 12,714

(12) NET INCOME PER COMMON SHARE

Basic and diluted net income per common share are calculated as follows **(dollars in thousands, except per share data):**

	Income (Numerator)	Shares (Denominator)	Per Share Amount
Three Months Ended September 30, 2010			
Basic			
Income available to common stockholders	$ 11,787	15,356,366	$ 0.77
Effect of stock options		288,720	
Diluted			
Income available to common stockholders plus assumed exercises of stock options	$ 11,787	15,645,086	$ 0.75
Three Months Ended September 30, 2009			
Basic			
Income available to common stockholders	$ 9,390	15,302,199	$ 0.61
Effect of stock options		283,756	
Diluted			
Income available to common stockholders plus assumed exercises of stock options	$ 9,390	15,585,955	$ 0.60
Nine Months Ended September 30, 2010			
Basic			
Income available to common stockholders	$ 32,132	15,340,087	$ 2.09
Effect of stock options		302,467	
Diluted			
Income available to common stockholders plus assumed exercises of stock options	$ 32,132	15,642,554	$ 2.05
Nine Months Ended September 30, 2009			
Basic			
Income available to common stockholders	$ 22,775	15,297,342	$ 1.49
Effect of stock options		293,809	

Diluted					
Income available to common stockholders plus assumed exercises of stock options	$	22,775	15,591,151	$	1.46

The following table shows the number and average exercise prices of options that were excluded from the computation of diluted net income per 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 September 30, 2010	435,570	$ 38.21
Three Months Ended September 30, 2009	405,150	$ 35.79
Nine Months Ended September 30, 2010	415,075	$ 39.77
Nine Months Ended September 30, 2009	285,063	$ 37.47

(13) 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, guaranteed student 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 (**dollars in thousands**):

	Metropolitan Banks	Community Banks	Other Financial Services	Executive, Operations & Support	Elimin-ations	Consol-idated
Three Months Ended:						
September 30, 2010						
Net interest income (expense)	$ 12,028	$ 22,680	$ 2,099	$ (735)	$	$ 36,072
Noninterest income	2,734	8,947	5,843	12,844	(12,206)	18,162
Income before taxes	7,513	13,375	3,117	6,430	(12,059)	18,376
September 30, 2009						
Net interest income (expense)	$ 10,233	$ 21,948	$ 1,860	$ (1,089)	$	$ 32,952
Noninterest income	2,617	8,677	5,131	10,417	(9,803)	17,039
Income before taxes	4,219	12,023	2,810	4,124	(9,664)	13,512
Nine Months Ended:						
September 30, 2010						
Net interest income (expense)	$ 34,771	$ 67,650	$ 5,600	$ (2,417)	$	$ 105,604
Noninterest income	7,877	26,427	14,962	35,370	(33,504)	51,132
Income before taxes	21,505	38,933	6,999	15,533	(33,265)	49,705
September 30, 2009						
Net interest income (expense)	$ 29,217	$ 65,244	$ 5,623	$ (2,833)	$	$ 97,251
Noninterest income	8,132	25,670	14,774	25,994	(23,866)	50,704
Income before taxes	10,658	35,769	7,788	2,949	(23,651)	33,513
Total Assets:						
September 30, 2010	$ 1,543,550	$ 2,816,654	$ 302,948	$ 446,157	$ (510,127)	$ 4,599,182
September 30, 2009	$ 1,402,690	$ 2,650,800	$ 241,422	$ 514,112	$ (486,921)	$ 4,322,103
December 31, 2009	$ 1,386,748	$ 2,779,110	$ 221,033	$ 523,350	$ (494,126)	$ 4,416,115

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 revenues related to other financial services are allocated to the banks whose customers receive the services and, therefore, are not reflected in the income for other financial services. 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.

(14) FAIR VALUE MEASUREMENTS

ASC Topic 820 (formerly FAS 157) 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 for determining the fair values of assets or liabilities that reflect an entity s own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Company s financial assets and financial liabilities carried at fair value.

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, mortgage backed securities, and states 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 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.

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 and student loans to be sold. At the time of origination, the acquiring bank or governmental agency 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 and student loans are generally sold within one year. Loans held for sale are carried at lower of cost or market. 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 September 30, 2010, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value **(dollars in thousands)**:

	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	Total Fair Value
Securities available for sale	$ 5,037	$ 542,290	$ 10,374	$ 557,701
Derivative assets		6,590		6,590
Derivative liabilities		5,082		5,082
Loans held for sale		159,660		159,660

The changes in Level 3 assets measured at estimated fair value on a recurring basis were as follows **(dollars in thousands):**

	Nine Months Ended September 30,	
	2010	**2009**
Beginning balance	$ 10,508	$ 16,345
Purchases, issuances and settlements	226	513
Sales	(625)	(4,939)
Losses included in earnings	(196)	
Total unrealized gains (losses)	461	(619)
Ending balance	$ 10,374	$ 11,300

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Due from Banks; Federal Funds Sold and Interest-Bearing Deposits

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

Securities

For securities, 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.

Loans

For certain homogeneous categories of loans, such as some residential mortgages, fair value is estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. For residential mortgage loans held for sale and guaranteed student loans, the carrying amount is a reasonable estimate of fair value. The fair value of other types of loans is 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.

Derivatives

Derivatives are reported at fair value using dealer quotes and observable market data.

Deposits

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

Short-term Borrowings

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

Junior Subordinated Debentures

The fair value of fixed-rate junior subordinated debentures is estimated using the rates that would be charged for junior subordinated debentures of similar remaining maturities.

Loan Commitments and Letters of Credit

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

The estimated fair values of the Company s financial instruments are as follows:

	September 30, 2010 Carrying Amount	2010 Fair Value	2009 Carrying Amount	2009 Fair Value
	(dollars in thousands)			
FINANCIAL ASSETS				
Cash and due from banks	$ 106,498	$ 107,251	$ 104,224	$ 105,120
Federal funds sold and interest-bearing deposits	923,725	923,336	911,015	907,737
Securities	579,839	580,739	391,627	392,532
Loans:				
Loans (net of unearned interest)	2,756,118		2,713,169	
Allowance for loan losses	(35,681)		(36,016)	
Loans, net	2,720,437	2,752,604	2,677,153	2,682,595
Derivative assets	6,590	6,590	9,975	9,975
FINANCIAL LIABILITIES				
Deposits	4,082,568	4,112,117	3,831,823	3,856,516
Short-term borrowings	2,700	2,700	1,100	1,100
Derivative liabilities	5,082	5,082	7,925	7,925
Junior subordinated debentures	26,804	28,895	26,804	27,233
OFF-BALANCE SHEET FINANCIAL INSTRUMENTS				
Loan commitments		1,067		1,137
Letters of credit		417		570

Non-financial Assets and Liabilities

Certain non-financial assets and non-financial liabilities measured at fair value on a recurring and non-recurring basis include goodwill and other intangible assets and other non-financial long-lived assets. These items are evaluated annually for impairment of which there was none as of September 30, 2010 or 2009. The overall level of non-financial assets and liabilities were not significant to the Company at September 30, 2010 or 2009.

The Company is required under current authoritative accounting guidance to disclose the estimated fair value of their financial instrument assets and liabilities including those subject to the requirements discussed above. For the Company, as for most financial institutions, substantially all of its assets and liabilities are considered financial instruments as defined.

Assets and 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). Impaired loans are reported at the fair value of the underlying collateral if repayment is dependent on liquidation of the collateral. The impaired loans are adjusted to fair value through a specific allocation of the allowance for possible loan losses.

Application of ASC Topic 820 to non-financial assets and non-financial liabilities became effective January 1, 2009. 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 non-recurring basis include foreclosed assets (upon initial recognition or subsequent impairment), non-financial assets and non-financial liabilities measured at fair value in the second step of a goodwill impairment test, and intangible assets and other non-financial long-lived assets measured at fair value for impairment assessment.

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 remeasured 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 as of September 30, 2010 and the related gains or losses recognized during the period **(amounts and dollars in thousands)**.

Description	Level 1	Level 2	Level 3	Total Fair Value	Gains (Losses)
Impaired Loans			$ 7,738	$ 7,738	$
Other Real Estate Owned			$ 21,252	$ 21,252	$ (201)

(15) 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 (**notional amounts and dollars in thousands**):

		September 30,				December 31,	
		2010		2009		2009	
Oil and Natural Gas Swaps and Options	Notional Units	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value	Notional Amount	Estimated Fair Value
Oil							
Derivative assets	Barrels	204	$ 4,085	328	$ 5,751	286	$ 6,138
Derivative liabilities	Barrels	(204)	(3,422)	(328)	(5,200)	(286)	(5,682)
Natural Gas							
Derivative assets	MMBTUs	852	3,222	6,862	4,648	6,914	$ 4,564
Derivative liabilities	MMBTUs	(852)	(2,377)	(6,862)	(3,148)	(6,914)	(3,226)
Total Fair Value	**Included in**						
Derivative assets	Other assets		6,590		9,975		7,544
Derivative liabilities	Other liabilities		5,082		7,925		5,750

The Company recognized income related to the activity, which was included in other noninterest income, of $178,000 and $121,000 for the three months ended September 30, 2010 and 2009, respectively and $388,000 and $572,000 for the nine months ended September 30, 2010 and 2009, respectively.

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.

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 Company had credit exposure relating to oil and gas swaps and options with bank counterparties of approximately $6.3 million at September 30, 2010, $7.9 million at September 30, 2009 and $6.1 million at December 31, 2009.

The Company entered into a $30 million five year guaranty with a counterparty on June 4, 2008 for the timely payment of the obligations of its subsidiary Bank related to the settlement of oil and gas positions.

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, 2009 consolidated financial statements included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 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. Actual results may differ materially from forward-looking statements.

SUMMARY

BancFirst Corporation s net income for the third quarter of 2010 was $11.8 million compared to $9.4 million for the third quarter of 2009. Diluted net income per share was $0.75 and $0.60 for the third quarter of 2010 and 2009, respectively. For the first nine months of 2010, net income was $32.1 million, compared to $22.8 million for the first nine months of 2009. Diluted net income per share for the first nine months of 2010 was $2.05 compared to $1.46 for the first nine months of 2009. The results for 2010 and 2009 include several one-time items that are more fully described below.

Net interest income for the third quarter of 2010 was $36.1 million, up $3.1 million from $33.0 million for the third quarter of 2009. The increase was attributable to the improvement in the net interest margin combined with the growth in the Company s earning assets. The Company s net interest margin for the quarter was 3.40% up from 3.27% a year ago. The Company s average earning assets were $4.2 billion an increase of $202 million compared to the third quarter of 2009. The loan losses provision for the quarter was $469,000 down from $998,000 for the third quarter of 2009. Noninterest income for the quarter was $18.2 million a $1.1 million increase over the same period in 2009. The increase is primarily attributable to an increase in insurance commissions. Noninterest expense for the quarter was $35.4 million, down slightly from $35.5 million in the third quarter a year ago.

Total assets at September 30, 2010 were $4.6 billion, up $277 million or 6.4% over September 30, 2009. Compared to year-end 2009, total assets grew by $183 million or 4.2%. Total loans were $2.8 billion, an increase of $43 million from September 30, 2009 and $17 million from December 31, 2009. At September 30, 2010 total deposits were $4.1 billion, up $251 million or 6.5% from September 30, 2009 and up $154 million or 3.9% from December 31, 2009. The Company s liquidity remains strong as its average loan-to-deposit ratio was 69.2% at September 30, 2010 compared to 76.3% at September 30, 2009 and 74.6% at December 31, 2009. Stockholders equity was $454 million at September 30, 2010, an increase of $28 million or 6.6% over September 30, 2009 and $23 million or 5.4% from December 31, 2009. Average stockholders equity to average assets was 9.85% at September 30, 2010, compared to 10.26% at September 30, 2009 and 10.15% at December 31, 2009. The Company s borrowings include no brokered deposits and no Federal Home Loan Bank borrowings at September 30, 2010.

Asset quality has improved somewhat in 2010 after deteriorating in 2009, which resulted in a ratio of nonperforming and restructured assets to total assets of 1.05% at September 30, 2010, compared to 1.35% at September 30, 2009 and 1.13% for the year ended December 31, 2009. The allowance for loan losses equaled 134.01% of nonperforming and restructured loans at September 30, 2010, versus 75.31% at September 30, 2009 and 91.06% at December 31, 2009. Net charge-offs to average loans decreased to 0.14% at September 30, 2010, compared to 0.36% at September 30, 2009 and 0.30% at December 31, 2009. The allowance for loan losses as a percentage of total loans remained fairly constant at 1.29% at September 30, 2010 compared to 1.33% at September 30, 2009 and December 31, 2009.

On October 8, 2010, the Company completed the previously announced acquisition of Union National Bancshares, Inc., and its subsidiary bank, Union Bank of Chandler with offices in Chandler and Tulsa, Oklahoma. As of September 30, 2010, Union Bank of Chandler had approximately $132 million in total assets, $90 million in loans, $116 million in deposits, and $15 million in equity capital. The bank will operate under its present name until it is merged into BancFirst, which is expected to be on November 12, 2010. The acquisition did not have a material effect on the results of operations for the Company.

On September 30, 2010, the Company announced it had entered into an agreement to acquire OK Bancorporation, Inc., and its subsidiary bank, The Okemah National Bank. The Okemah National Bank has approximately $74 million in total assets, $32 million in loans, $59 million in deposits, and $13 million in equity capital. The bank will operate as The Okemah National Bank until it is merged into BancFirst, which is expected to be during October, 2011. The transaction is scheduled to be completed by December 15, 2010, and is subject to regulatory approval. The acquisition is not expected to have a material effect on the results of operations for the Company.

On September 2, 2010, the Company announced it had entered into an agreement to acquire Exchange Bancshares of Moore, Inc., and its subsidiary bank, Exchange National Bank of Moore. Exchange National Bank of Moore has approximately $146 million in total assets, $57 million in loans, $109 million in deposits, and $13 million in equity capital. The bank will operate as Exchange National Bank of Moore until it is merged into BancFirst, which is expected to be during the second quarter of 2011. The transaction is scheduled to be completed by December 15, 2010. The acquisition is not expected to have a material effect on the results of operations for the Company.

The Company expects to incur total intangibles of approximately $14.6 million for the above combined acquisitions, which will result in an increase in excess cost of approximately $11.1 million and an increase in core deposit intangibles of approximately $3.5 million. The above acquisitions will add approximately $350 million in total assets, $174 million in loans and $287 million in deposits by year end. The effects of these acquisitions will be included in the consolidated financial statements of the Company from the date of acquisition forward. The Company does not believe these acquisitions, individually or in aggregate will be material to the Company s consolidated financial statements.

In April 2010 the Company elected to cease participation as of June 30, 2010 in the Transaction Account Guarantee Program (TAGP) for extended coverage of noninterest bearing transaction deposit accounts. The standard insurance amount remains in effect for the Corporation s deposit accounts. At June 30, 2010, the Company had approximately $641 million of deposits covered under this program.

On April 1, 2010, the Company s insurance agency BancFirst Insurance Services, Inc., formerly known as Wilcox, Jones & McGrath, Inc., completed its acquisition of RBC Agency, Inc., which has offices in Shawnee and Stillwater. BancFirst Insurance Services, Inc. has offices in Oklahoma City, Tulsa, Lawton and Muskogee. The acquisition did not have a material effect on the results of operations for the Company.

On December 8, 2009, the Company completed the acquisition of First Jones Bancorporation. First State Bank, Jones operated as a subsidiary of BancFirst Corporation until it was merged into BancFirst in early March 2010. The acquisition enhanced the presence of BancFirst in eastern Oklahoma County. The acquisition did not have a material effect on the results of operations of the Company.

On May 22, 2009 the FDIC increased deposit insurance premiums in 2009 and imposed a Special Assessment on member financial institutions that was based on June 30, 2009 assets less tier one capital. These increases caused the Company s noninterest expense to increase in 2009. The amount of $1.9 million was expensed on June 30, 2009.

RECENT LEGISLATION

On July 21, 2010, the President signed a financial reform program that will, among other things, tighten capital standards, create a new Consumer Financial Protection Bureau and result in new laws and regulations that are expected to increase our costs of operations.

Congress recently enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act). This new law will significantly change the current bank regulatory structure and affect the lending, deposit, investment, trading and operating activities of financial institutions and their holding companies. The Dodd-Frank Act requires various federal agencies to adopt a broad range of new implementing rules and regulations, and to prepare numerous studies and reports for Congress. The federal agencies are given significant discretion in drafting the implementing rules and regulations, and consequently, many of the details and much of the impact of the Dodd-Frank Act may not be known for many months or years.

Certain provisions of the Dodd-Frank Act are expected to have a near-term impact on the Company. Effective one year after the date of enactment is a provision of the Dodd-Frank Act that eliminates the federal prohibitions on paying interest on demand deposits, thus allowing businesses to have interest-bearing checking accounts. Depending on competitive responses, this significant change to existing law could have an adverse impact on the Company s net interest margin. The Dodd-Frank Act also broadens the base for Federal Deposit Insurance Corporation insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. The Dodd-Frank Act also permanently increases the maximum amount of deposit insurance for banks, savings institutions and credit unions to $250,000 per depositor, retroactive to January 1, 2009, and non-interest bearing transaction accounts have unlimited deposit insurance through December 31, 2013.

The Dodd-Frank Act will require publicly traded companies to give stockholders a non-binding vote on executive compensation and so-called golden parachute payments, and authorizes the Securities and Exchange Commission to promulgate rules that would allow stockholders to nominate their own candidates using a company s proxy materials. The legislation also directs the Federal Reserve Board to promulgate rules prohibiting excessive compensation paid to bank holding company executives, regardless of whether the company is publicly traded or not.

The Dodd-Frank Act creates a new Consumer Financial Protection Bureau with broad powers to supervise and enforce consumer protection laws. The Consumer Financial Protection Bureau has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit unfair, deceptive or abusive acts and practices.

It is difficult to predict at this time what specific impact the Dodd-Frank Act and the yet to be written rules and regulations will have on community banks. However, it is expected that at a minimum they will increase the Company s operating and compliance costs and could increase the Company s interest expense.

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 September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Income Statement Data				
Net interest income	$ 36,072	$ 32,952	$ 105,604	$ 97,251
Provision for loan losses	469	998	2,236	9,214
Securities transactions	333	20	319	322
Total noninterest income	18,162	17,039	51,132	50,704
Salaries and employee benefits	20,692	19,938	60,350	59,951
Total noninterest expense	35,389	35,481	104,795	105,228
Net income	11,787	9,390	32,132	22,775
Per Common Share Data				
Net income basic	0.77	0.61	2.09	1.49
Net income diluted	0.75	0.60	2.05	1.46
Cash dividends	0.25	0.23	0.71	0.67
Performance Data				
Return on average assets	1.03%	0.86%	0.95%	0.74%
Return on average stockholders equity	10.34	8.77	9.68	7.22
Cash dividend payout ratio	32.47	37.70	33.97	44.97
Net interest spread	3.10	2.78	3.08	2.89
Net interest margin	3.40	3.27	3.40	3.45
Efficiency ratio	65.25	70.97	66.86	71.12
Net charge-offs to average loans	0.26	0.63	0.14	0.36

Net Interest Income

For the three months ended September 30, 2010, net interest income increased $3.1 million, or 9.5%, compared to the three months ended September 30, 2009. The increase in income was attributable to decreasing deposit rates combined with growth in the Company s earning assets. The Company s net interest margin increased 0.13% for the three months ended September 30, 2010 compared to the three months ended September 30, 2009, due to lower interest expense. Net interest income for the third quarter of 2010 included nonrecurring interest income on nonaccrual loans of $744,000.

Net interest income for the nine months ended September 30, 2010 increased $8.4 million, or 8.6%, from the same period in 2009. The increase in income was attributable primarily to the decrease in deposit rates. Net interest income for the nine months ended September 30, 2010 included nonrecurring interest income on nonaccrual loans of $1.4 million. The net interest margin for the nine months ended September 30, 2010 decreased 0.05% compared to the first nine months of 2009. The lower interest rate environment for the first nine months of 2010 compared to the first nine months of 2009, when rates declined substantially in the first quarter of 2009, has caused the Company s net interest margin to decline. In addition, an increase in earning assets and a higher level of overnight investments at lower rates caused further compression of the net interest margin. This compression was somewhat offset by the implementation of interest rate floors on loans implemented during 2009. If interest rates do not increase, the Company could experience continued compression of its net interest margin as higher rate assets mature in a continued low interest rate environment. Furthermore, due to the interest rate floors implemented, short-term interest rates would have to increase approximately 100 basis points before the Company s loan portfolio would experience a measurable increase in yield.

Provision for Loan Losses

The Company s provision for loan losses decreased $529,000 or 53.0% for the three months ended September 30, 2010, compared to the same period a year ago. The larger provision in 2009 was due to an increase in non-performing loans. Net loan charge-offs were $1.8 million for the third quarter of 2010, compared to $4.3 million for the third quarter of 2009. One charge-off of a commercial loan which had been fully provided for accounted for $3.5 million of the total for the third quarter of 2009. The rate of net charge-offs to average total loans is presented above.

The Company s provision for loan losses decreased $7.0 million or 75.7% for the first nine months of 2010, compared to the same period a year ago, due to an increase in non-performing loans during 2009. The larger loan provision in 2009 was driven primarily by the identification of certain commercial credits that were internally downgraded by management. Net loan charge-offs were $2.9 million for the first nine months of 2010, compared to $7.5 million for the first nine months of 2009.

Noninterest Income

Noninterest income increased $1.1 million or 6.6% for the three months ended September 30, 2010 compared to the same period in 2009. The increase is primarily attributable to an increase in insurance commissions.

Noninterest income for the nine months ended September 30, 2010, increased slightly by $428,000 compared to the same period in 2009. The increase in noninterest income was due to an increase in insurance commissions and increased income on deposit service charges due to increased deposits, offset by lower revenue from treasury and cash management services as deposits swept into money-market funds declined and a decrease in the premium of loan sales.

The Company had income from check card usage totaling $9.4 million and $7.9 million during the nine months ended September 30, 2010 and 2009, respectively. As stated above under Recent Legislation the Dodd-Frank Act has given the Federal Reserve the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers. Because of the uncertainty as to any future rulemaking by the Federal Reserve, the Company cannot provide any assurance as the ultimate impact of the Dodd-Frank Act on the amount of income from check card usage reported in future periods.

Noninterest Expense

For the three months ended September 30, 2010, noninterest expense decreased slightly by $92,000, compared to the three months ended September 30, 2009. Noninterest expense decreased compared to the previous year due to the ending of the Company s participation in the TAGP program, which was somewhat offset by slightly higher operating expenses.

For the nine months ended September 30, 2010, noninterest expense decreased by $433,000 or 0.41% compared to the nine months ended September 30, 2009. The nine months ended September 30, 2009 included an FDIC Special Assessment of $1.9 million. Apart from the Special Assessment, noninterest expense increased compared to the previous year due to expenses from acquisitions of $1.1 million and slightly higher operating expenses.

Income Taxes

The Company s effective tax rate on income before taxes was 35.9% for the third quarter of 2010, compared to 30.5% for the third quarter of 2009. The increase is a result of federal and state tax credits combined with an increase in pretax earnings.

The Company s effective tax rate on income before taxes was 35.4% for the first nine months of 2010, compared to 32.0% for the first nine months of 2009. The increase is a result of federal and state tax credits combined with an increase in pretax earnings.

FINANCIAL POSITION

BANCFIRST CORPORATION

SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in thousands, except per share data)

	September 30, 2010	September 30, 2009	December 31, 2009
Balance Sheet Data			
Total assets	$ 4,599,182	$ 4,322,103	$ 4,416,115
Total loans	2,756,118	2,713,169	2,738,654
Allowance for loan losses	(35,681)	(36,016)	(36,383)
Securities	579,839	391,627	417,172
Deposits	4,082,568	3,831,823	3,929,016
Stockholders equity	453,869	425,638	430,750
Book value per share	29.55	27.81	28.14
Tangible book value per share	26.72	25.12	25.41
Average loans to deposits (year-to-date)	69.20%	76.34%	74.57%
Average earning assets to total assets (year-to-date)	92.74	92.40	92.56
Average stockholders equity to average assets (year-to-date)	9.85	10.26	10.15
Asset Quality Ratios			
Nonperforming and restructured loans to total loans	0.97%	1.76%	1.46%
Nonperforming and restructured assets to total assets	1.05	1.35	1.13
Allowance for loan losses to total loans	1.29	1.33	1.33
Allowance for loan losses to nonperforming and restructured loans	134.01	75.31	91.06

Cash, Federal Funds Sold and Interest-Bearing Deposits with Banks

The aggregate of cash and due from banks, interest-bearing deposits with banks, and federal funds sold as of September 30, 2010 increased $15.0 million from September 30, 2009 and decreased $11.3 million from December 31, 2009. The increase year-over-year was mainly from deposit growth. The slight decrease from year end was due to deposit growth offset primarily by securities purchases. Federal funds sold consists of overnight investments of excess funds with other financial institutions. Due to the Federal Reserve Bank s intervention in the Federal funds market that has resulted in near zero overnight fed funds rates, the Company has maintained its excess funds with the Federal Reserve Bank. The Federal Reserve Bank pays interest on these funds based upon the lowest target rate for the maintenance period.

Securities

At September 30, 2010, total securities increased $188.2 million compared to September 30, 2009 and $162.7 million compared to December 31, 2009. The increase was due primarily to purchases of securities to satisfy increased pledging requirements for public deposits after the Company s decision to opt out of the TAGP. The size of the Company s securities portfolio is a function of liquidity management and excess funds available for investment. The Company has maintained a very liquid securities portfolio to provide funds for loan growth. The net unrealized gain on securities available for sale, before taxes, was $16.6 million at September 30, 2010, compared to an unrealized gain of $19.6 million at September 30, 2009, and an unrealized gain of $16.9 million at December 31, 2009.

Loans

At September 30, 2010, total loans were up $42.9 million or 1.6% from September 30, 2009 and $17.5 million or 0.6% from December 31, 2009. The increase was due primarily to an increase in student loans. At September 30, 2010, the allowance for loan losses decreased $335,000 or 0.9% from September 30, 2009, and $702,000 or 1.9% from year-end 2009. The allowance as a percentage of total loans was 1.29%, 1.33% and 1.33% at September 30, 2010, September 30, 2009 and December 31, 2009, respectively. The allowance to nonperforming and restructured loans at the same dates was 134.01%, 75.31% and 91.06%, respectively.

On March 21, 2010, Congress passed student loan reform centralizing student lending in a governmental agency, which as of June 30, 2010 resulted in an end to the student loan programs provided by the Company. As of September 30, 2010, the Company had approximately $145 million of student loans held for sale, all of which were sold in October 2010.

Nonperforming Loans, Restructured Loans and Other Real Estate Owned

Nonperforming and restructured loans totaled $26.6 million at September 30, 2010, compared to $47.8 million at September 30, 2009 and $40.0 million at December 31, 2009. During the second quarter of 2009, the Company transferred a commercial real estate property consisting of undeveloped land into other real estate owned. In September 2010, the Company transferred two commercial properties totaling $11.6 million from nonperforming loans to other real estate owned. The properties were recorded at net realizable value. A related nonperforming commercial real estate property was sold at a sheriff s sale for $6.3 million which paid off the Company s loan balance and the interest due on the loan. The level of nonperforming loans and loan losses may rise over time as a result of economic conditions.

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 $60.0 million of these loans at September 30, 2010 compared to $72.3 million at September 30, 2009 and $73.6 million at December 31, 2009. These loans are not included in nonperforming and restructured assets. 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. The Company s nonaccrual loans are primarily commercial and real estate loans.

Deposits

At September 30, 2010 total deposits increased $250.7 million compared to September 30, 2009, and $153.6 million compared to December 31, 2009. The increase from September 30, 2009 was due largely to overnight sweep funds that moved into low-rate interest-bearing transaction accounts due to low interest rates on money market funds. These deposits were insured because the Company participated in the TAGP and continued to do so until June 30, 2010, at which time the Company elected to terminate participation in the TAGP. The Company s core deposits provide it with a stable, low-cost funding source. The Company s deposit base continues to be comprised substantially of core deposits, with large denomination certificates of deposit being only 8.7% of total deposits at September 30, 2010, compared to 10.7% at September 30, 2009 and 9.7% at December 31, 2009. Noninterest-bearing deposits to total deposits were 30.2% at September 30, 2010, compared to 28.2% at September 30, 2009 and 29.5% at December 31, 2009.

Short-Term Borrowings

Short-term borrowings increased $1.6 million from September 30, 2009, and $2.6 million from December 31, 2009 to $2.7 million at September 30, 2010. Fluctuations in short-term borrowings are a function of Federal funds purchased from correspondent banks, customer demand for repurchase agreements and liquidity needs of the bank.

The Company does not have any borrowings from the Federal Home Loan Bank at September 30, 2010.

Capital Resources and Liquidity

Stockholders equity increased $28.2 million from September 30, 2009 and $23.1 million from December 31, 2009, due to accumulated earnings. The ratios of average stockholders equity to average assets are presented above. The Company s leverage ratio and total risk-based capital ratio were 9.34% and 15.78%, respectively, at September 30, 2010, well in excess of the regulatory minimums.

See note (8) of the Notes to Consolidated Financial Statements for a discussion of capital ratio requirements.

There have not been 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, 2009.

CONTRACTUAL OBLIGATIONS

There have not been 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 included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009.

FUTURE APPLICATION OF ACCOUNTING STANDARDS

See note (2) of the Notes to Consolidated Financial Statements for a discussion of recently issued accounting pronouncements.

SEGMENT INFORMATION

See note (13) of the Notes to Consolidated Financial Statements for disclosures regarding business segments.

BANCFIRST CORPORATION

CONSOLIDATED AVERAGE BALANCE SHEETS AND INTEREST MARGIN ANALYSES

(Unaudited)

Taxable Equivalent Basis (Dollars in thousands)

	Three Months Ended September 30,					
	2010			2009		
	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate
ASSETS						
Earning assets:						
Loans (1)	$ 2,780,674	$ 38,972	5.56%	$ 2,709,421	$ 37,783	5.53%
Securities taxable	539,703	3,163	2.33	363,763	3,267	3.56
Securities tax exempt	27,948	393	5.58	36,102	508	5.58
Interest bearing deposits w/ banks & FFS	884,429	553	0.25	921,711	702	0.30
Total earning assets	4,232,754	43,081	&n			