

BANCFIRST CORP /OK/
Form 10-K
March 11, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2015 Commission File Number 0-14384

BANCFIRST CORPORATION

(Exact name of registrant as specified in its charter)

OKLAHOMA 73-1221379
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
101 North Broadway, Oklahoma City, Oklahoma 73102

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (405) 270-1086

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1.00 Par Value Per Share	NASDAQ Global Select Market System

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

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

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

The aggregate market value of the Common Stock held by nonaffiliates of the registrant computed using the last sale price on June 30, 2015 was approximately \$514,714,246.

As of January 29, 2016, there were 15,532,079 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the 2016 Annual Meeting of Stockholders of the registrant (the "2016 Proxy Statement") to be filed pursuant to Regulation 14A are incorporated by reference into Part III of this report.

BANCFIRST CORPORATION

ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. Business.

General

BancFirst Corporation (the “Company”) is an Oklahoma business corporation and a financial holding company under federal law. It conducts virtually all of its operating activities through its principal wholly-owned subsidiary, BancFirst (the “Bank” or “BancFirst”), a state-chartered bank headquartered in Oklahoma City, Oklahoma. The Company also owns 100% of the common securities of BFC Capital Trust II (a Delaware business trust), 100% of the common securities of CSB Bancshares Statutory Trust I (a Delaware business trust), 100% of Council Oak Partners LLC, an Oklahoma limited liability company engaging in investing activities and 100% of BancFirst Insurance Services, Inc., an Oklahoma business corporation operating as an independent insurance agency.

The Company was incorporated as United Community Corporation in July 1984 for the purpose of becoming a bank holding company. In June 1985, it merged with seven Oklahoma bank holding companies that had operated under common ownership and the Company has conducted business as a bank holding company since that time. Over the next several years the Company acquired additional banks and bank holding companies, and in November 1988 the Company changed its name to BancFirst Corporation. Effective April 1, 1989, the Company consolidated its 12 subsidiary banks and formed BancFirst. Over the intervening decades, the Company has continued to expand through acquisitions and de-novo branches. The Company currently has 99 banking locations serving 53 communities throughout Oklahoma.

The Company’s strategy focuses on providing a full range of commercial banking services to retail customers and small to medium-sized businesses in both the non-metropolitan trade centers and cities in the metropolitan statistical areas of Oklahoma. The Company operates as a “super community bank”, managing its community banking offices on a decentralized basis, which permits them to be responsive to local customer needs. Underwriting, funding, customer service and pricing decisions are made by presidents in each market within the Company’s strategic parameters. At the same time, the Company generally has a larger lending capacity, broader product line and greater operational scale than its principal competitors in the non-metropolitan market areas (which typically are independently-owned community banks). In the metropolitan markets served by the Company, the Company’s strategy is to focus on the needs of local businesses that seek more responsive services than are available at larger institutions.

The Bank maintains a strong community orientation by, among other things, selecting members of the communities in which the Bank’s branches operate to local consulting boards that assist in marketing and providing feedback on the Bank’s products and services to meet customer needs. As a result of the development of broad banking relationships with its customers and community branch network, the Bank’s lending and investing activities are funded almost entirely by core deposits.

The Bank centralizes virtually all of its processing, support and investment functions in order to achieve consistency and operational efficiencies. The Bank maintains centralized control functions such as operations support, bookkeeping, accounting, loan review, compliance and internal auditing to ensure effective risk management. The Bank also provides centrally certain specialized financial services that require unique expertise.

The Bank provides a wide range of retail and commercial banking services, including: commercial, real estate, agricultural and consumer lending; depository and funds transfer services; collections; safe deposit boxes; cash management services; trust services; retail brokerage services; and other services tailored for both individual and corporate customers. Through its Technology and Operations Center, the Bank provides item processing, research and other correspondent banking services to financial institutions and governmental units.

The Bank's primary lending activity is the financing of business and industry in its market areas. Its commercial loan customers are generally small to medium-sized businesses engaged in light manufacturing, local wholesale and retail trade, commercial and residential real estate development and construction, services, agriculture and the energy industry. Most forms of commercial lending are offered, including commercial mortgages, other forms of asset-based financing and working capital lines of credit. In addition, the Bank offers Small Business Administration ("SBA") guaranteed loans through BancFirst Commercial Capital, a division established in 1991.

Consumer lending activities of the Bank consist of traditional forms of financing for automobiles, home equity loans and other personal loans. Residential loans consist primarily of home loans in non-metropolitan areas which are generally shorter in duration than typical mortgages and reprice within five years.

The Bank's range of deposit services include checking accounts, Negotiable Order of Withdrawal ("NOW") accounts, savings accounts, money market accounts, sweep accounts, club accounts, individual retirement accounts and certificates of deposit. Overdraft

protection and auto draft services are also offered. Deposits of the Bank are insured by the Deposit Insurance Fund administered by the Federal Deposit Insurance Corporation (“FDIC”).

Trust services offered through the Bank’s Trust and Investment Management Division (the “Trust Division”) consist primarily of investment management and administration of trusts for individuals, corporations and employee benefit plans. Investment options include pooled equity and fixed income funds managed by the Trust Division and advised by nationally recognized investment management firms. In addition, the Trust Division serves as bond trustee and paying agent for various Oklahoma municipalities and governmental entities.

Insurance services offered through BancFirst Insurance Services, Inc., and dba Wilcox & McGrath Insurance, consists of business and personal insurance, employee benefits, surety bonds and claims and risk management.

BancFirst has the following principal subsidiaries: Council Oak Investment Corporation, a small business investment corporation, Council Oak Real Estate, Inc., a real estate investment company, and BancFirst Agency, Inc., a credit life insurance agency. All of these companies are Oklahoma corporations.

The Company had approximately 1,744 full-time equivalent employees at December 31, 2015, compared to approximately 1,688 full-time equivalent employees at December 31, 2014. Its principal executive offices are located at 101 North Broadway, Oklahoma City, Oklahoma 73102, telephone number (405) 270-1086.

Market Areas and Competition

The banking environment in Oklahoma is very competitive. The geographic dispersion of the Company’s banking locations presents several different levels and types of competition. In general, however, each location competes with other banking institutions, savings and loan associations, brokerage firms, personal loan finance companies and credit unions within their respective market areas. The communities in which the Bank maintains offices are generally local trade centers throughout Oklahoma. The major areas of competition include interest rates charged on loans, underwriting terms and conditions, interest rates paid on deposits, fees on non-credit services, levels of service charges on deposits, completeness of product lines and quality of service.

Management believes the Company is in an advantageous competitive position operating as a “super community bank.” Under this strategy, the Company provides a broad line of financial products and services for small to medium-sized businesses and consumers through full service community banking offices with decentralized management, while achieving operating efficiency and product scale through product standardization and centralization of processing and other functions. Each full-service banking office has senior management with significant lending experience who exercise substantial autonomy over credit and pricing decisions. This decentralized management approach, coupled with continuity of service by the same staff members, enables the Bank to develop long-term customer relationships, maintain high-quality service and respond quickly to customer needs. The majority of its competitors in the non-metropolitan areas are much smaller, and neither offer the range of products and services nor have the lending capacity of BancFirst. In the metropolitan communities, the Company’s strategy is to be more responsive to, and more focused on, the needs of local businesses that are not served effectively by larger institutions. As reported by the FDIC, the Company’s market share of deposits for Oklahoma (including Bank of Commerce acquired October 2015) was 7.26% as of June 30, 2015 and 7.25% as of June 30, 2014.

Marketing to existing and potential customers is performed through a variety of media advertising, direct mail and direct personal contacts. The Company monitors the needs of its customer base through its Product Development Group, which develops and enhances products and services in response to such needs. Sales, customer service and product training are coordinated with incentive programs to motivate employees to cross-sell the Bank’s products and services.

Operating Segments

The Company has four principal business units: metropolitan banks, community banks, other financial services and executive operations and support. For more information on the Company's Operating Segments see Note (22), "Segment Information" to the Company's Consolidated Financial Statements.

Control of Company

Affiliates of the Company beneficially own approximately 50% of the outstanding shares of the Company's common stock as of January 29, 2016. Under the Company's Bylaws, holders of a majority of the outstanding shares of common stock are able to elect all

of the directors and approve significant corporate actions, including business combinations. Accordingly, the Company's affiliates have the ability to control the business and affairs of the Company.

Supervision and Regulation

Banking is a complex, highly regulated industry. The Company's growth and earnings performance and those of the Bank can be affected not only by management decisions and general and local economic conditions, but also by the statutes administered by, and the regulations and policies of, various governmental regulatory authorities. These authorities include, but are not limited to, the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), the FDIC and the Oklahoma State Banking Department.

The primary goals of the bank regulatory framework are to maintain a safe and sound banking system and to facilitate the conduct of monetary policy. This regulatory framework is intended primarily for the protection of a financial institution's depositors, rather than the institution's stockholders and creditors. The following discussion describes certain of the material elements of the regulatory framework applicable to bank holding companies and financial holding companies and their subsidiaries and provides certain specific information relevant to the Company, which is both a bank holding company and a financial holding company. The descriptions are qualified in their entirety by reference to the specific statutes and regulations discussed. Further, such statutes, regulations and policies are continually under review by Congress and state legislatures, and federal and state regulatory agencies. A change in statutes, regulations or regulatory policies applicable to the Company, including changes in interpretation or implementation thereof, could have a material effect on the Company's business.

Regulatory Agencies

In the U.S., banking is regulated at both the federal and state level. Since 1863, commercial banks in the United States have been able to choose to organize as national banks with a charter issued by the Office of the Comptroller of the Currency ("OCC") or as state banks with a charter issued by a state government. The choice of charter determines which agency will supervise the bank: the primary supervisor of nationally chartered banks is the OCC, whereas state-chartered banks are supervised jointly by their state chartering authority and either the FDIC or the Federal Reserve Board, depending upon whether the state-chartered bank is a member of the Federal Reserve System. The Company's banking subsidiary, BancFirst, is chartered by the State of Oklahoma and at the state level is supervised and regulated by the Oklahoma State Banking Department under the Oklahoma Banking Code. BancFirst has elected not to be a member of the Federal Reserve System and, consequently, is supervised and regulated by the FDIC at the federal level. The Bank's deposits are insured by the Deposit Insurance Fund ("DIF") of the FDIC to the extent provided by law.

As a financial holding company and a bank holding company, the Company is subject to comprehensive regulation by the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended by the Gramm-Leach-Bliley Act of 1999 (the "GLB Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), enacted on July 21, 2010, and other legislation (as so amended, the "BHC Act"), as well as other federal and state laws governing the banking business. The BHC Act provides generally for regulation of financial holding companies and bank holding companies such as the Company by the Federal Reserve Board, and for functional regulation of banking activities by bank regulators, securities activities by securities regulators, and insurance activities by insurance regulators. Additionally, the Company is under the jurisdiction of the Securities and Exchange Commission ("SEC") and is subject to the periodic reporting, information, proxy solicitation, insider trading, corporate governance and other restrictions and requirements of the SEC under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company's common stock is listed on the NASDAQ Global Select Market System under the trading symbol "BANF," and is subject to the listing and marketplace rules of the NASDAQ Stock Market, Inc. (the "NASDAQ").

The Federal Reserve Board supervises non-banking activities conducted by companies directly and indirectly owned by the Company. In addition, the Company's non-banking subsidiaries are subject to various other laws, regulations, supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of the Company and its ability to make distributions to stockholders.

Bank Holding Company and Financial Holding Company Activities

The list of activities permitted by the Federal Reserve Board includes, among other things: lending; operating a savings institution, mortgage company, finance company, credit card company or factoring company; performing certain data processing operations; providing certain investment and financial advice; underwriting and acting as an insurance agent for certain types of credit-related insurance; leasing property on a full-payout, non-operating basis; selling money orders; real estate and personal property appraising; providing tax planning and preparation services; and, subject to certain limitations, providing securities brokerage services for customers. These activities may also be affected by other federal legislation.

“Financial in nature” activities include securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking and other activities that the Federal Reserve Board, in consultation with the Secretary of the U.S. Treasury, determines from time to time to be financial in nature or incidental to such financial activity or is complementary to a financial activity and does not pose a safety and soundness risk.

To maintain financial holding company status, a financial holding company and all of its depository institution subsidiaries must be “well capitalized” and “well managed.” A depository institution subsidiary is considered to be “well capitalized” if it satisfies the requirements for this status discussed in the section captioned “Capital Requirements,” included elsewhere in this item. A depository institution subsidiary is considered “well managed” if it received a composite rating and management rating of at least “satisfactory” in its most recent examination. A financial holding company’s status will also depend upon it maintaining its status as “well capitalized” and “well managed” under applicable Federal Reserve Board regulations. If a financial holding company ceases to meet these capital and management requirements, the Federal Reserve Board’s regulations provide that the financial holding company must enter into an agreement with the Federal Reserve Board to comply with all applicable capital and management requirements. Until the financial holding company returns to compliance, the Federal Reserve Board may impose limitations or conditions on the conduct of its activities, and the company may not commence any of the broader financial activities permissible for financial holding companies or acquire a company engaged in such financial activities without prior approval of the Federal Reserve Board. If the company does not return to compliance within 180 days, the Federal Reserve Board may require divestiture of the holding company’s depository institutions. Bank holding companies and banks must also be both well capitalized and well managed in order to acquire banks located outside their home state.

In order for a financial holding company to commence any new activity permitted by the BHC Act or to acquire a company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least “satisfactory” in its most recent examination under the Community Reinvestment Act. See the section captioned “Community Reinvestment Act” included elsewhere in this item.

The Federal Reserve Board has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve Board has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Federal and state laws impose notice and approval requirements for mergers and acquisitions of other depository institutions or bank holding companies. The BHC Act requires the prior approval of the Federal Reserve Board for the direct or indirect acquisition by a bank holding company of more than 5% of the voting shares or substantially all of the assets of a commercial bank or its parent holding company (including a financial holding company). Under the Bank Merger Act, the prior approval of the Federal Reserve Board or other appropriate bank regulatory authority is required for a member bank to merge with another bank or purchase the assets or assume the deposits of another bank. In determining whether to approve a proposed bank acquisition or merger, bank regulatory authorities will consider, among other factors, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant’s performance record under the Community Reinvestment Act (see the section captioned “Community Reinvestment Act” included elsewhere in this item) and its compliance with fair housing and other consumer protection laws and the effectiveness of the subject organizations in combating money laundering activities.

Dividend Restrictions

The principal source of the Company's liquidity is dividends from the Bank. Various federal and state statutory provisions and regulations limit the amount of dividends the Company's subsidiary bank and certain other subsidiaries may pay without regulatory approval. The payment of dividends by its subsidiary bank may also be affected by other regulatory requirements and policies, such as the maintenance of adequate capital. If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in, or is about to engage in, an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The appropriate federal regulatory authorities have stated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. In addition, in the current financial and economic environment, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

In October 2012, as required by the Dodd-Frank Act, the Federal Reserve Board published final rules regarding company-run stress testing. The rules require financial institutions to conduct an annual company-run stress test of capital, consolidated earnings

and losses under at least three different sets of conditions, including baseline, adverse and severely adverse conditions. It is anticipated that the capital ratios reflected in the stress test calculations will be an important factor to be considered by the Federal Reserve Board in evaluating whether proposed payments of dividends or stock repurchases may be an unsafe or unsound practice. The rules apply to institutions with average total consolidated assets greater than \$10 billion and, accordingly, do not currently apply to the Company, which had total consolidated assets at December 31, 2015 of approximately \$6.7 billion. However, while the Federal Reserve Board has stated that smaller banking organizations such as the Company are not required or expected to conduct the types of stress-testing specifically mandated by the rules, they continue to emphasize that all banking institutions, regardless of size, should have the capacity to analyze the potential impact of adverse outcomes on their financial condition.

Transactions with Affiliates

The Company and the Bank are deemed affiliates of each other within the meaning of the Federal Reserve Act, and covered transactions between affiliates are subject to certain restrictions, including compliance with Sections 23A and 23B of the Federal Reserve Act and their implementing regulations. These regulations limit the types and amounts of covered transactions engaged in by a financial institution and its affiliates, and generally require those transactions to be on an arm's-length basis. "Covered transactions" are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve Board) from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In general, these regulations require that any such transaction by a financial institution with an affiliate must be secured by designated amounts of specified collateral and must be limited to certain thresholds on an individual and aggregate basis.

Source of Strength

Federal Reserve Board policy requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks and, under appropriate circumstances, to commit resources to support each such subsidiary bank. This support may be required at times when the bank holding company may not have the resources to provide the support. If a bank holding company was unable to pay mandated assessments in support of its subsidiary bank, the FDIC could order the sale of the bank holding company's stock in the subsidiary bank to cover the deficiency.

Capital loans by a bank holding company to its subsidiary bank are subordinate in right of payment to deposits and certain other indebtedness of the subsidiary bank. In addition, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of its subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Capital Requirements

Regulatory Capital Requirements in Effect prior to January 1, 2015. The Company and the Bank are required to comply with the capital adequacy standards established by the Federal Reserve Board and the FDIC. The federal regulatory authorities' risk-based capital guidelines in effect as of December 31, 2014 were based upon the 1988 capital accord of the Basel Committee on Banking Supervision (the "Basel Committee"). The Basel Committee is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. The requirements were intended to ensure that banking organizations have adequate capital given the risk levels of assets and off-balance sheet financial instruments. Under the capital adequacy guidelines in effect prior to January 1, 2015, bank holding companies were required to maintain minimum total capital equal to 8% of total risk-adjusted assets and off-balance sheet items, with at least one-half of that amount consisting of Tier I, or core capital, and the remaining

amount consisting of Tier II, or supplementary capital. Tier I capital for bank holding companies generally consisted of the sum of common shareholders' equity, qualifying non-cumulative perpetual preferred stock, a limited amount of qualifying cumulative perpetual preferred stock and minority interests in the equity accounts of consolidated subsidiaries, less goodwill and other non-qualifying intangible assets. Tier II capital generally consisted of hybrid capital instruments not meeting the Tier I definition, term subordinated debt and, subject to limitations, general allowances for loan losses. The Bank, like other depository institutions, was required to maintain similar capital levels under capital adequacy guidelines. In addition, for a depository institution to be considered "well capitalized" under the regulatory framework for prompt corrective action its Tier 1 and total capital ratios had to be at least 6.0% and 10.0% on a risk-adjusted basis, respectively.

In addition, the Federal Reserve Board also required bank holding companies to comply with minimum leverage ratio requirements. The leverage ratio is the ratio of a banking organization's Tier I capital to its total consolidated quarterly average assets (as defined for regulatory purposes), net of the allowance for loan losses, goodwill and certain other intangible assets. The

requirements imposed a minimum leverage ratio of 3.0% for bank holding companies and member banks that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority's risk-adjusted measure for market risk. All other bank holding companies and member banks were required to maintain a minimum leverage ratio of 4.0%, unless a different minimum was specified by an appropriate regulatory authority. In addition, for a depository institution to be considered "well capitalized" under the regulatory framework for prompt corrective action, its leverage ratio had to be at least 5.0%.

As an additional means to identify problems in the financial management of depository institutions, the Federal Deposit Insurance Act (the "FDI Act") requires federal bank regulatory agencies to establish certain non-capital safety and soundness standards for institutions for which they are the primary federal regulator. The standards relate generally to operations and management, asset quality, interest rate exposure and executive compensation. The agencies are authorized to take action against institutions that fail to meet such standards.

Basel III Capital Rules Effective January 1, 2015. In July 2013 the FDIC, the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System approved a final rule to implement in the United States the Basel III regulatory capital reforms from the Basel Committee as well as certain changes required by the Dodd-Frank Act (the "Basel III Capital Rules"). The Basel III Capital Rules substantially revise the risk-based capital requirements applicable to bank holding companies and depository institutions, including the Company and the Bank, compared to the U.S. risk-based capital rules in effect prior to the effective date of the new rules. The Basel III Capital Rules define the components of capital and address other issues affecting the numerator in banking institutions' regulatory capital ratios. The Basel III Capital Rules also address risk weights and other issues affecting the denominator in banking institutions' regulatory capital ratios and replace the existing risk-weighting approach, which was derived from the Basel I capital accords of the Basel Committee, with a more risk-sensitive approach based, in part, on the standardized approach in the Basel Committee's 2004 "Basel II" capital accords. The Basel III Capital Rules also implement the requirements of Section 939A of the Dodd-Frank Act to remove references to credit ratings from the federal banking agencies' rules. The Basel III Capital Rules became effective for the Company and the Bank on January 1, 2015 (subject to a phase-in period for certain provisions).

Among other things, the Basel III Capital Rules (i) introduce a new capital measure call "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital, and (iv) expand the scope of the deductions/adjustments as compared to existing regulations.

When fully phased in on January 1, 2019, the Basel III Capital Rules will require the Company and the Bank to maintain (i) a minimum ratio of CET1 to risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% CET1 ratio as that buffer is phased in, effectively resulting in a minimum ratio of CET1 to risk-weighted assets of at least 7% upon full implementation), (ii) a minimum ratio of Tier 1 capital to risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 capital ratio as that buffer is phased in, effectively resulting in a minimum Tier 1 capital ratio of 8.5% upon full implementation), (iii) a minimum ratio of Total capital (that is, Tier 1 plus Tier 2) to risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% total capital ratio as that buffer is phased in, effectively resulting in a minimum total capital ratio of 10.5% upon full implementation) and (iv) a minimum leverage

ratio of 4%, calculated as the ratio of Tier 1 capital to average quarterly assets (as compared to a minimum leverage ratio of 3% under the old rules for banking organizations that either have the highest supervisory rating or have implemented the appropriate federal regulatory authority's risk-adjusted measure for market risk). The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the conservation buffer (or below the combined capital conservation buffer and countercyclical capital buffer, when the latter is applied) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall. Phase-in of the capital conservation buffer requirements began on January 1, 2016 and will be fully phased-in on January 1, 2019.

The Basel III Capital Rules also provide for a "countercyclical capital buffer" to be phased-in between January 1, 2016 and January 1, 2019, that is applicable to only certain covered institutions and does not have any current applicability to the Company or the Bank.

Under the Basel III Capital Rules, the initial minimum capital ratios that became effective on January 1, 2015 are as follows:

- 4.5% CET1 to risk-weighted assets.
- 6.0% Tier 1 capital to risk-weighted assets.

- 8.0% Total capital to risk-weighted assets.
- 4.0% Tier 1 capital to average quarterly assets

The enactment of the Basel III Capital Rules will increase the Company's required capital levels and those of the Bank. Management believes that as of December 31, 2015, the Company and the Bank would have met all capital adequacy requirements under the Basel III Capital Rules on a fully phased-in basis as if such requirements had been in effect at such date.

As of December 31, 2015, the Company had a CET1 ratio of 12.89%, a Tier 1 ratio of 13.56%, a total capital ratio of 14.46% and a leverage ratio of 9.49%. As of December 31, 2015, the Bank had a CET1 ratio of 13.15%, a Tier 1 ratio of 12.25%, a total capital ratio of 13.15% and a leverage ratio of 8.59%.

Liquidity Coverage Ratio

Historically, the regulation and monitoring of bank and bank holding company liquidity has been addressed as a supervisory matter, without required formulaic measures. Liquidity risk management has become increasingly important since the financial crisis. The Basel III liquidity framework requires banks and bank holding companies to measure their liquidity against specific liquidity tests that, although similar in some respects to liquidity measures historically applied by banks and regulators for management and supervisory purposes, going forward would be required by regulation. One test, referred to as the liquidity coverage ratio, is designed to ensure that the banking entity maintains an adequate level of unencumbered high-quality liquid assets equal to the entity's expected net cash outflow for a 30-day time horizon (or, if greater, 25% of its expected total cash outflow) under an acute liquidity stress scenario. The other test, referred to as the net stable funding ratio, is designed to promote more medium- and long-term funding of the assets and activities of banking entities over a one-year time horizon. These requirements are designed to incentivize banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt as a component of assets and increase the use of long-term debt as a funding source. The Basel III Capital Rules did not address the proposed liquidity coverage ratio called for by the Basel Committee's Basel III framework. On September 9, 2014, the Federal Reserve Board issued a final rule implementing a liquidity coverage ratio requirement in the United States for larger banking organizations. Neither the Company nor the Bank is subject to the liquidity coverage ratio requirement.

Prompt Corrective Action

The FDI Act requires federal bank regulatory agencies to take "prompt corrective action" with respect to FDIC-insured depository institutions that do not meet minimum capital requirements. A depository institution's treatment for purposes of the prompt corrective action provisions will depend upon how its capital levels compare to various capital measures and certain other factors, as established by regulation.

Under this system, the federal banking regulators have established five capital categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, in which all depository institutions are placed. The federal banking regulators have specified by regulation the relevant capital levels for each of the categories. Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with

respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. A depository institution that is undercapitalized is required to submit a capital restoration plan. Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies by federal bank regulatory agencies, including termination of deposit insurance by the FDIC, restrictions on certain business activities, and appointment of the FDIC as conservator or receiver. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized.

With respect to the Bank, the Basel III Capital Rules revise the prompt corrective action regulations by: (i) introducing the CET1 ratio requirement at each prompt corrective action category (other than critically undercapitalized), with the required CET1 ratio being 6.5% for well-capitalized status; (ii) increasing the minimum Tier 1 capital ratio requirement for each category, with the minimum Tier 1 capital ratio for well-capitalized status being 8.0% (as compared to the former 6.0%); and (iii) eliminating the current provision that provides that a bank with a composite supervisory rating of 1 may have a 3.0% leverage ratio and still be adequately capitalized. The Basel III Capital Rules do not change the total risk-based capital requirement for any prompt corrective action category. The Company believes that, as of December 31, 2015, the Bank was “well capitalized” based on the aforementioned ratios.

Deposit Insurance Assessments

The deposits of the Bank are insured by the FDIC in the standard insurance amount of \$250,000 per depositor for each account ownership category. This insurance is funded through assessments on the Bank and other insured depository institutions. The FDIC's risk-based assessment system requires members to pay varying assessment rates depending upon the level of the institution's capital and the degree of supervisory concern over the institution. In connection with implementing the Dodd-Frank Act, the FDIC in 2011 changed each institution's assessment base from its total insured deposits to its average consolidated total assets less average tangible equity and created a scorecard method for calculating assessments that combines certain supervisory ratings and specified forward-looking financial measures to determine each institution's risk to the DIF. The Dodd-Frank Act also required the FDIC, in setting assessments, to offset the effect of increasing its reserve for the DIF on institutions with consolidated assets of less than \$10 billion. The result of this revised approach to deposit-insurance assessments is generally an increase in costs, on an absolute or relative basis, for institutions with consolidated assets of \$10 billion or more. The DIF assessment base rate currently ranges from 2.5 to 45 basis points for institutions that do not trigger factors for brokered deposits and unsecured debt, and higher rates for those that do trigger those risk factors.

At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking if required. The FDIC may increase or decrease its rates by 2.0 basis points without further rulemaking. In an emergency, the FDIC may also impose a special assessment.

The Company's FDIC insurance expense totaled \$3.4 million, \$3.3 million and \$3.0 million in 2015, 2014 and 2013, respectively. FDIC insurance expense includes deposit insurance assessments as well as Financing Corporation ("FICO") assessments. All FDIC-insured depository institutions must pay an annual FICO assessment to provide funds for the payment of interest on bonds issued by FICO during the 1980s to resolve the thrift bailout. FDIC-insured depository institutions paid an average FICO assessment of 60 cents for each \$100 of assessable deposits in 2015.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by DIF-insured institutions. It also may prohibit any DIF-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against insured institutions.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement entered into with the FDIC. The Company does not know of any practice, condition or violation that might lead to termination of deposit insurance for its banking subsidiary.

Safety and Soundness Standards

The FDI Act requires the federal bank regulatory agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits and such other operational and managerial standards as the agencies deem appropriate. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. In addition, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not

satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the “prompt corrective action” provisions of the FDI Act. See “--Prompt Corrective Action” above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Incentive Compensation

The Dodd-Frank Act requires the federal bank regulatory agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities, such as the Company and the Bank, having at least \$1 billion in total assets that encourage inappropriate risks by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees or benefits or that could lead to material financial loss to the entity. In addition, these regulators must establish regulations or guidelines requiring enhanced disclosure to regulators of incentive-based compensation arrangements. Although final rules have not been adopted as of February 2016, officials from the Federal Reserve Board have recently

indicated that the U.S. banking regulators are in the process of preparing for public comment a proposed new rule on incentive compensation.

In June 2010, the Federal Reserve Board, OCC and FDIC issued a comprehensive final guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk-management and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors. These three principles are expected to be incorporated into the proposed joint compensation regulations under the Dodd-Frank Act, discussed above.

The Federal Reserve Board will review, as part of the regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as the Company, that are not "large, complex banking organizations." These reviews will be tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of the supervisory initiatives will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Fiscal and Monetary Policies

The Company's business and earnings are affected significantly by the fiscal and monetary policies of the federal government and its agencies. The Company is particularly affected by the policies of the Federal Reserve Board, which regulates the supply of money and credit in the United States. Among the instruments of monetary policy available to the Federal Reserve Board are (a) conducting open market operations in United States government securities, (b) changing the discount rates of borrowings of depository institutions, (c) imposing or changing reserve requirements against depository institutions' deposits and (d) imposing or changing reserve requirements against certain borrowings by banks and their affiliates. These methods are used in varying degrees and combinations to directly affect the availability of bank loans and deposits, as well as the interest rates charged on loans and paid on deposits. The policies of the Federal Reserve Board may have a material effect on the Company's business, results of operations and financial condition.

Privacy Provisions of the GLB Act

Federal banking regulators, as required under the GLB Act, have adopted rules limiting the ability of banks and other financial institutions to disclose nonpublic information about consumers to nonaffiliated third parties. The rules require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to nonaffiliated third parties. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial services companies and conveyed to outside vendors.

Anti-Money Laundering and the Patriot Act

The USA Patriot Act of 2001 (the “Patriot Act”) is intended to strengthen the ability of U.S. law enforcement agencies and intelligence communities to work together to combat terrorism on a variety of fronts. The Patriot Act substantially broadened the scope of the U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations which apply various requirements of the Patriot Act to financial institutions such as the Bank. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and have significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The Patriot Act also requires federal bank regulators to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve a proposed bank acquisition. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the “OFAC” rules based on their administration by the U.S. Treasury Department Office of Foreign Assets Control (“OFAC”). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences.

Community Reinvestment Act

The Community Reinvestment Act of 1977 (the “CRA”), requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practices. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings. In order for a financial holding company to commence any new activity permitted by the BHC Act, or to acquire any company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least “satisfactory” in its most recent examination under the CRA. Furthermore, banking regulations take into account CRA rating when considering approval of a proposed transaction. During its last examination in 2015, a rating of “satisfactory” was received by the Bank.

Consumer Laws and Regulations

Banks and other financial institutions are subject to numerous laws and regulations intended to protect consumers in their transactions with banks. These laws include, among others, laws regarding unfair and deceptive acts and practices and usury laws, as well as the federal consumer protection statutes set forth below. Many states and local jurisdictions have consumer protection laws analogous and in addition, to those listed below. These federal, state and local laws regulate the manner in which financial institutions deal with customers when taking deposits, making loans or conducting other types of transactions. Failure to comply with these laws and regulations could give rise to regulatory sanctions, customer rescission rights, action by state and local attorneys general and civil or criminal liability.

Federal Laws Applicable to Credit Transactions. The loan operations of the Bank are also subject to federal laws and regulations applicable to credit transactions, including, among others, the:

- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;

- Home Mortgage Disclosure Act of 1975, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act of 1978, governing the use and provision of information to credit reporting agencies;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection agencies;
- Real Estate Settlement Procedures Act, requiring lenders to give borrowers certain disclosures with respect to the origination and servicing of one to four family mortgage loans;
- Service Members Civil Relief Act, which amended the Soldiers' and Sailors' Civil Relief Act of 1940, governing the repayment terms of and property rights underlying secured obligations of persons in military service; and the rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws and regulations, which continue to be extensively amended and revised.

Federal Laws Applicable to Deposit Operations. Among other laws and regulations, the deposit operations of the Bank are subject to the following federal laws and their related regulations:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;
- Electronic Funds Transfer Act, which governs automatic deposits to and withdrawals from deposit accounts and customers' rights and liabilities arising from the use of automated teller machines and other electronic banking services;
- Expedited Funds Availability Act, which standardizes hold periods for deposits and regulates financial institutions' use of deposit holds;
- Truth-in-Savings Act, which requires uniform disclosure of terms and conditions regarding interest and fees when giving out information on or opening a new savings account; and
- the rules and regulations of the various federal agencies charged with the responsibility of implementing these federal laws, which continue to be extensively amended and revised.

Interstate Banking and Branching

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act, as amended by the Dodd-Frank Act (the "Riegle-Neal Act"), a bank holding company may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company, prior to or following the proposed acquisition, control no more than 10% of the total amount of deposits of insured depository institutions nationwide and no more than 30% of such deposits in that state (or such amount as set by the state if such amount is lower than 30%).

The Riegle-Neal Act also authorizes banks to merge across state lines, thereby creating interstate branches. Banks are also permitted to either acquire existing banks or to establish new branches in other states where authorized under the

laws of those states. Effective July 21, 2011, the Dodd-Frank Act also required that a bank holding company or bank be well-capitalized and well-managed (rather than simply adequately capitalized and adequately managed) in order to take advantage of these interstate banking and branching provisions.

Depositor Preference

The FDI Act provides that, in the event of the “liquidation or other resolution” of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative

expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors with respect to any extensions of credit they have made to such insured depository institution.

Changes in Laws, Regulations or Policies

Banking is a heavily regulated industry. Additional initiatives may be proposed or introduced before Congress and other government bodies in the future. Such proposals, if enacted, may further alter the structure, regulation and competitive relationship among financial institutions and may subject the Company to increased supervision and disclosure and reporting requirements. In addition, the various bank regulatory agencies often adopt new rules and regulations and policies to implement and enforce existing legislation. It cannot be predicted whether, or in what form, any such legislation or regulatory changes in policy may be enacted or the extent to which the business of the Company would be affected thereby.

State Regulation

BancFirst is an Oklahoma-chartered state bank. Accordingly, BancFirst's operations are subject to various requirements and restrictions of Oklahoma state law relating to loans, lending limits, interest rates payable on deposits, investments, mergers and acquisitions, borrowings, dividends, capital adequacy and other matters. However, Oklahoma banking law specifically empowers a state-chartered bank such as BancFirst to exercise the same powers as are conferred upon national banks by the laws of the United States and the regulations and policies of the Office of the Comptroller of the Currency, unless otherwise prohibited or limited by the State Banking Commissioner or the State Banking Board. Accordingly, unless a specific provision of Oklahoma law otherwise provides, a state-chartered bank is empowered to conduct all activities that a national bank may conduct.

National banks are authorized by the GLB Act to engage, through "financial subsidiaries," in any activity that is permissible for a financial holding company and any activity that the Secretary of the Treasury, in consultation with the Federal Reserve Board, determines is financial in nature or incidental to any such financial activity, except (1) insurance underwriting, (2) real estate development or real estate investment activities (unless otherwise permitted by law), (3) insurance company portfolio investments and (4) merchant banking. The authority of a national bank to invest in a financial subsidiary is subject to a number of conditions, including, among other things, requirements that the bank must be well managed and well capitalized (after deducting from the bank's capital outstanding investments in financial subsidiaries). The GLB Act provides that state nonmember banks, such as BancFirst, may invest in financial subsidiaries (assuming they have the requisite investment authority under applicable state law), subject to the same conditions that apply to national bank investments in financial subsidiaries.

As a state nonmember bank, BancFirst is subject to primary supervision, periodic examination and regulation by the State Banking Board and the FDIC, and Oklahoma law provides that BancFirst must maintain reserves against deposits as required by the FDI Act. The Oklahoma State Bank Commissioner is authorized by statute to accept an FDIC examination in lieu of a state examination. In practice, the FDIC and the Oklahoma State Banking Department alternate examinations of BancFirst. If, as a result of an examination of a bank, the Oklahoma Banking Department determines that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of the bank's operations are unsatisfactory or that the management of the bank is violating or has violated any law or regulation, various remedies, including the remedy of injunction, are available to the Oklahoma Banking Department. Oklahoma law permits the acquisition of an unlimited number of wholly-owned bank subsidiaries so long as aggregate deposits at the time of acquisition in a multi-bank holding company do not exceed 20% of the total amount of deposits of insured depository institutions located in Oklahoma.

In addition to the provisions of the GLB Act that authorize state nonmember banks to invest in financial subsidiaries (assuming they have the requisite investment authority under applicable state law) on the same conditions that apply to national banks, Federal Deposit Insurance Corporation Improvement Act (“FDICIA”) provides that FDIC-insured state banks such as BancFirst may engage directly or through a subsidiary in certain activities that are not permissible for a national bank, if the activity is authorized by applicable state law, the FDIC determines that the activity does not pose a significant risk to the DIF and the bank is in compliance with its applicable capital standards.

Securities Laws

The Company’s common stock is publicly held and listed on the NASDAQ Global Select Market, and the Company is subject to the periodic reporting, information, proxy solicitation, insider trading, corporate governance and other requirements and restrictions of the Securities Exchange Act of 1934 and the regulations of the SEC promulgated thereunder as well as listing requirements of the NASDAQ. In addition, the Dodd-Frank Act includes provisions that affect corporate governance and executive compensation at most United States publicly traded companies, including the Company.

The Company is also subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- required executive certification of financial presentation;
- increased requirements for board audit committees and their members;
- enhanced disclosures of controls and procedures and internal control over financial reporting;
- enhanced controls over, and reporting of, insider trading and
- increased penalties for financial crimes and forfeiture of executive bonuses in certain circumstances.

Available Information

The Company maintains a website at www.bancfirst.com. The Company provides copies of the most recently filed 10-K, 10-Q and proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files the material with, or furnishes it to, the SEC. The website also provides links to the SEC's website (<http://www.sec.gov>) where all of the Company's filings with the SEC can be obtained immediately upon filing. You may also request a copy of the Company's filings, at no cost, by writing or telephoning us at the following address:

BancFirst Corporation

101 N. Broadway

Oklahoma City, Oklahoma 73102

ATTENTION: Randy Foraker

Executive Vice President

(405) 270-1044

1A. Risk Factors

In the course of conducting our business operations, we are exposed to a variety of risks that are inherent to the financial services industry. The following discusses some of the key inherent risk factors that could affect our business and operations, as well as other risk factors which are particularly relevant to us in the current period of significant economic and market disruption. The risks and uncertainties described below are not the only ones we are facing. Other factors besides those discussed below or elsewhere in this report also could adversely affect our business and operations, and the risk factors discussed below should not be considered a complete list of potential risks that may affect us. Further, to the extent that any of the information contained in this report constitutes forward-looking statements, the risk factors set forth below also are cautionary statements identifying important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of us.

Risks Related to Our Business

Changes in economic conditions, especially in the State of Oklahoma, pose significant challenges for us and could adversely affect our financial condition and results of operations.

Our business is affected by conditions outside our control, including the rate of economic growth in general, the level of unemployment, increases in inflation and the level of interest rates. Economic conditions affect the level of demand

for and the profitability of our products and services. A slowdown in the general economic recovery, particularly in Oklahoma, could negatively impact our business. Our bank subsidiary operates exclusively within the State of Oklahoma and, unlike larger national or superregional banks that serve a broader and more diverse geographic region; our lending is also primarily concentrated in the State of Oklahoma. As a result, our financial condition, results of operations and cash flows are subject to changes in the economic conditions in our state. Our continued success is largely dependent upon the continued growth or stability of the communities we serve. A decline in the economies of these communities could negatively impact our net income and profitability. Additionally, declines in the economies of these communities and of the State of Oklahoma in general could affect our ability to generate new loans or to receive repayments of existing loans, and our ability to attract new deposits, adversely affecting our financial condition.

We May Be Adversely Affected By Declining Crude Oil Prices

Recent decisions by members the Organization of Petroleum Exporting Countries (“OPEC”) to maintain existing crude oil production levels has resulted in significant declines in market oil prices. Decreased market oil prices have compressed margins for many U.S. and Oklahoma-based oil producers, particularly those that utilize higher-cost production technologies such as hydraulic

fracking and horizontal drilling, as well as oilfield service providers, energy equipment manufacturers and transportation suppliers, among others. As of December 31, 2015, the price per barrel of crude oil was approximately \$37 compared to approximately \$100 in June 2014. If oil prices remain at these low levels for an extended period, we would expect to experience weaker energy loan demand and increased losses within our energy portfolio. Furthermore, a prolonged period of low oil prices could also have a negative impact on the energy producing economies and, in particular, the economies of states such as Oklahoma, where the energy industry is a significant driver of economic development. Although as of December 31, 2015, energy loans comprised less than 3% of our loan portfolio, the impact of lower oil prices could have an indirect impact on our other loan portfolio segments, for example, commercial real estate (“CRE”).

A substantial portion of our loan portfolio is secured by real estate, in particular commercial real estate. Deterioration in the real estate markets could lead to losses, which could have a material negative effect on our financial condition and results of operations.

Loans secured by real estate have been a large portion of our loan portfolio. At December 31, 2015, this percentage was 66.9% compared to 65.8% at December 31, 2014. While our record of asset quality has historically been solid, we cannot guarantee that our record of asset quality will be maintained in future periods. The ability of our borrowers to repay their loans could be adversely impacted by the significant change in market conditions, which not only could result in our experiencing an increase in charge-offs, but also could necessitate increasing our provision for loan losses. In addition, because multi-family and commercial real estate loans represent the majority of our real estate loans outstanding, a decline in tenant occupancy due to such factors or for other reasons could adversely impact the ability of our borrowers to repay their loans on a timely basis, which could have a negative impact on our financial condition and results of operations.

If a significant number of customers fail to perform under their loans, our business, profitability and financial condition would be adversely affected.

As a lender, we face the risk that a significant number of our borrowers will fail to pay their loans resulting from other risks, including the impact of changes in interest rates and changes in the economic conditions in the markets where we operate. If borrower defaults cause losses in excess of our allowance for loan losses, it could have an adverse effect on our business, profitability and financial condition. We have established an evaluation process designed to recognize loan losses as they occur. While this evaluation process uses historical and other objective information, the classification of loans and the estimation of loan losses are dependent to a great extent on our experience and judgment. If charge-offs in future periods exceed the allowance for loan losses, we will need additional provisions to increase the allowance for loan losses. Any increases in the allowance for loan losses will result in a decrease in net income and capital, and may have a material adverse effect on our financial condition and results of operations. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” located elsewhere in this report for further discussion related to our process for determining the appropriate level of the allowance for loan losses. We cannot assure you that our future loan losses will not have any material adverse effects on our business, profitability or financial condition.

Technological advances in payment processing is expected to negatively impact our interchange revenue

fees, or “swipe” fees, are charges that merchants pay to the processors who, in turn, share that revenue with us and other card-issuing banks for processing electronic payment transactions. Rapid, significant technological changes continue to confront the payments industry. Technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions for processing electronic payment transactions. These include developments in smart cards, e-commerce, mobile, and radio frequency and

proximity payment devices, such as contactless cards. Ongoing or increased competition in payment processing may restrict our ability to generate interchange revenue in the future. For the year ended December 31, 2015, debit card interchange revenue represented 21.5% of our noninterest income.

New consumer protection laws may reduce our noninterest income

We are to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. The Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB") with powers to supervise and enforce consumer protection laws. The CFPB 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." The CFPB also has examination and enforcement authority over all banks and savings institutions with more than \$10 billion in assets for certain designated consumer laws and regulations. The other federal banking agencies enforce such consumer laws and regulations for banks and savings institutions under \$10 billion in assets. These and other federal laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the

use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive practices and restrict our ability to raise interest rates and charge NSF fees. A significant portion of our noninterest income is derived from service charge income, including NSF fees, which represented 23.6% of our noninterest income for the year ended December 31, 2015. Violations of applicable consumer protection laws can also result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees.

Fluctuations in interest rates could reduce our profitability.

We realize income primarily from the difference between interest earned on loans and investments and the interest paid on deposits and borrowings. We expect that we will periodically experience "gaps" in the interest rate sensitivities of our assets and liabilities, meaning that either our interest-earning assets will be more sensitive to changes in market interest rates than our interest-bearing liabilities, or vice versa. Changes in market interest rates could either positively or negatively affect our net interest income and our profitability, depending on the magnitude, direction and duration of the change. If interest rates remain low, our net interest margin could experience further compression.

We are unable to predict fluctuations of market interest rates, which are affected by, among other factors, changes in inflation rates, economic growth, money supply, government debt, domestic and foreign financial markets and political developments, including terrorist acts and acts of war. Our asset-liability management strategy, which is designed to mitigate our risk from changes in market interest rates, may not be able to mitigate changes in interest rates from having a material adverse effect on our results of operations and financial condition.

Changes in monetary policies may have an adverse effect on our business.

Our results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve Board. Actions by monetary and fiscal authorities, including the Federal Reserve Board, could have an adverse effect on our deposit levels, loan demand or business earnings. See "Item 1 - Business-Supervision and Regulation." Our profitability is greatly dependent upon our earning a positive interest spread between our loan and securities portfolio, and our funding deposits and borrowings. Changes in the level of interest rates, or a prolonged unfavorable interest rate environment, or a decrease in our level of deposits that increases our cost of funds could negatively affect our profitability and financial condition.

There can be no assurance that actions of the U.S. Government, Federal Reserve Board and other governmental and regulatory bodies for the purpose of stabilizing the financial markets will achieve the intended long-term effect.

Beginning in the fourth quarter of 2008, the U.S. Government responded to the ongoing financial crisis and economic slowdown by enacting new legislation and expanding or establishing a number of programs and initiatives. The U.S. Treasury, the FDIC and the Federal Reserve Board each have developed programs and facilities, including, among others, the Dodd-Frank Act and other efforts, designed to increase inter-bank lending, improve funding for consumer receivables and restore consumer and counterparty confidence in the banking sector, as more particularly described in "Item 1. Business—Supervision and Regulation." There can be no assurance as to the long-term impact that any such initiatives or governmental programs will have on the financial markets, including the high levels of volatility and limited credit availability. Unintended long-term consequences of these programs or initiatives could materially and adversely affect our business, financial condition, results of operations, access to credit, or the trading price of our common stock and other equity and debt securities.

The repeal of federal prohibitions on payment of interest on business checking accounts could increase our interest expense.

All federal prohibitions on the ability of financial institutions to pay interest on business checking accounts were repealed as part of the Dodd-Frank Act beginning on July 21, 2011. As a result, some financial institutions have commenced offering interest on business checking accounts to compete for customers. Our interest expense will increase and our net interest margin will decrease if we begin offering interest on business checking accounts to attract additional customers or maintain current customers, which could have a material adverse effect on our business, financial condition and results of operations.

Our information systems may experience an interruption or breach in security.

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our

information systems could damage our reputation, result in a loss of customer business and subject us to additional regulatory scrutiny or civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations.

We rely on certain external vendors.

We are reliant upon certain external vendors to provide products and services necessary to maintain our day-to-day operations. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements could be disruptive to our operations, which could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

We have a continuing need for technological change.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving our customers, the effective use of technology increases our efficiency and enables us to reduce costs. Our future success will depend in part upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience as well as to create additional efficiencies in our operations as we continue to grow and expand our market area. Many of our larger competitors have substantially greater resources to invest in technological improvements. As a result, they may be able to offer additional or superior products to those that we will be able to offer, which would put us at a competitive disadvantage. Accordingly, we cannot assure you that we will be able to effectively implement new technology-driven products and services or be successful in marketing such products and services to our customers.

Maintaining or increasing our market share depends on market acceptance and regulatory approval of new products and services.

Our success depends, in part, upon our ability to adapt our products and services to evolving industry standards and consumer demand. There is increasing pressure on financial services companies to provide products and services at lower prices. In addition, the widespread adoption of new technologies, including Internet-based services, could require us to make substantial expenditures to modify or adapt our existing products or services. A failure to achieve market acceptance of any new products we introduce, or a failure to introduce products that the market may demand, could have an adverse effect on our business, profitability, or growth prospects.

We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations.

We are subject to extensive regulation, supervision and examination by federal and state banking authorities. Any change in applicable regulations or federal or state legislation could have a substantial impact on us and our results of operations. The Dodd-Frank Act, enacted in July 2010, instituted major changes to the banking and financial institutions regulatory regimes. Other changes to statutes, regulations or regulatory policies or supervisory guidance, including changes in interpretation or implementation of statutes, regulations, policies or supervisory guidance, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, policies or supervisory guidance could result in enforcement and other legal actions by federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, the revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties and/or reputational damage. In this regard, government authorities, including the bank regulatory

agencies, are pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

See the sections captioned “Supervision and Regulation” included in Item 1. Business, located elsewhere in this report.

Our recent results may not be indicative of future results.

We may not be able to sustain our historical rate of growth or may not be able to grow our business at all. Various factors, such as poor economic conditions, changes in interest rates, regulatory and legislative considerations and competition may also impede or inhibit our ability to expand our market presence. If we experience a significant decrease in our rate of growth, our results of operations and financial condition may be adversely affected due to a high percentage of our operating costs being fixed expenses.

Competition with other financial institutions could adversely affect our profitability.

We face vigorous competition from banks and other financial institutions, including savings and loan associations, savings banks, finance companies and credit unions. A portion of these banks and other financial institutions have substantially greater resources and lending limits, larger branch systems and other banking services that we do not offer. To a limited extent, we also compete with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies and insurance companies. When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market. This competition may reduce or limit our margins on banking and trust services, reduce our market share and adversely affect our results of operations and financial condition.

There can be no assurance that the integration of our acquisitions will be successful or will not result in unforeseen difficulties that may absorb significant management attention.

Our completed acquisitions, or any future acquisition, may not produce the revenue, cost savings, earnings or synergies that we anticipated. The process of integrating acquired companies into our business may also result in unforeseen difficulties. Unforeseen operating difficulties may absorb significant management attention, which we might otherwise devote to our existing business. Also, the process may require significant financial resources that we might otherwise allocate to other activities, including the ongoing development or expansion of our existing operations. Additionally, we may be exposed to potential asset quality issues or unknown or contingent liabilities of the banks, businesses, assets and liabilities we acquire. If these issues or liabilities exceed our estimates, our results of operations and financial condition may be negatively affected.

If we pursue a future acquisition, our management could spend a significant amount of time and effort identifying and completing the acquisition. If we make a future acquisition, we could issue equity securities which would dilute current stockholders' percentage ownership, incur substantial debt, assume contingent liabilities, be required to record an impairment of goodwill or any combination of the foregoing.

Changes in accounting standards could impact our financial statements and reported earnings.

Accounting standard-setting bodies, such as the Financial Accounting Standards Board, periodically change the financial accounting and reporting standards that affect the preparation of the consolidated financial statements. These changes are beyond our control and could have a meaningful impact on our consolidated financial statements.

Our accounting estimates and risk-management processes may not be effective in mitigating risk and loss.

We maintain an enterprise risk-management program that is designed to identify, quantify, monitor, report and control the risks that it faces. These include interest-rate risk, credit risk, liquidity risk, operational risk, reputational risk and compliance and litigation risk. While we assess and improve this program on an ongoing basis, there can be no assurance that its approach and framework for risk-management and related controls will effectively mitigate risk and limit losses in our business. To comply with generally accepted accounting principles, management must sometimes exercise judgment in selecting, determining and applying accounting methods, assumptions and estimates. This can arise, for example, in determining the allowance for loan losses or the fair value of assets or liabilities. The judgments required of management can involve difficult, subjective, or complex matters with a high degree of uncertainty, and several different judgments could be reasonable under the circumstances and yet result in significantly different results being reported. See "Critical Accounting Policies and Estimates" in Part II, Item 7. If management's judgments later prove to have been inaccurate, we may experience unexpected losses that could be substantial.

Additionally, the processes we use to estimate our probable loan losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models we use for interest rate risk and asset-liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models we use for determining our probable loan losses are inadequate, the allowance for loan losses may not be sufficient to support future charge-offs. If the models we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires management and our auditors to evaluate and assess the effectiveness of our internal control over financial reporting. These requirements may be modified, supplemented or amended from time to time. Implementing these changes may take a significant amount of time and may require specific compliance training of our personnel. We have in the past discovered, and may in the future discover, areas of our internal control over financial reporting that need improvement. If we or our auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in our financial statements and have an adverse effect on our stock price. We may not be able to effectively and timely implement necessary control changes and employee training to ensure continued compliance with the Sarbanes-Oxley Act and other regulatory and reporting requirements. Our historic growth and our planned expansion through acquisitions present challenges to maintaining the internal control and disclosure control standards applicable to public companies. If we fail to maintain effective internal controls we could be subject to regulatory scrutiny and sanctions, our ability to recognize revenue could be impaired and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot assure you that we will continue to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our auditors will conclude that our internal control over financial reporting is effective in future periods.

The soundness of other financial institutions could have a material adverse effect on our business, growth and profitability.

Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose our business to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to us. Any such losses could have a material adverse effect on our financial condition and results of operations.

We are subject to liquidity risk.

Liquidity is the ability to fund increases in assets and meet obligations as they come due, all without incurring unacceptable losses. Banks are especially vulnerable to liquidity risk because of their role in the transformation of demand or short-term deposits into longer-term loans or other extensions of credit. We, like other financial-services companies, rely to a significant extent on external sources of funding (such as deposits and borrowings) for the liquidity needed in the conduct of our business. A number of factors beyond our control, however, could have a detrimental impact on the level or cost of that funding and thus on our liquidity. These include market disruptions, changes in our credit ratings or the sentiment of our investors, the loss of substantial deposit relationships and reputational damage. Unexpected declines or limits on the dividends declared and paid by our subsidiaries also could adversely affect our liquidity position. While our policies and controls are designed to ensure that we maintain adequate liquidity to conduct our business in the ordinary course even in a stressed environment, there can be no assurance that our liquidity position will never become compromised. In such an event, we may be required to sell assets at a loss in order to continue our operations. This could damage the performance and value of our business, prompt regulatory intervention and harm our reputation, and if the condition were to persist for any appreciable period of time, our viability as a going concern could be threatened. See "Quantitative and Qualitative Disclosures About Market Risk—Liquidity Risk" in Part II, Item 7A for a discussion of how we monitor and manage liquidity risk.

We have businesses other than banking.

In addition to commercial banking services, we provide life and other insurance products, as well as other business and financial services. We may in the future develop or acquire other non-banking businesses. As a result of other such businesses, our earnings could be subject to risks and uncertainties that are different from those to which our commercial banking services are subject. In developing and marketing new lines of business and/or new products and services we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations.

We may need to raise additional capital in the future, and such capital may not be available when needed or at all.

We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, particularly if our asset quality or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control and our financial performance. Economic conditions and the loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve Board.

We cannot assure that such capital will be available on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors or counterparties participating in the capital markets, or a downgrade of our debt ratings, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital, and we would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our businesses, financial condition and results of operations.

We rely heavily on our management team, and the unexpected loss of key managers may adversely affect our operations.

Our success to-date has been strongly influenced by our ability to attract and to retain senior management experienced in banking and financial services. Our ability to retain executive officers and the current management teams of each of our lines of business will continue to be important to the successful implementation of our strategies. We do not have employment or non-compete agreements with these key employees. The unexpected loss of services of any key management personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business and financial results.

We are subject to environmental liability risk associated with lending activities.

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.

Risks Associated with Our Common Stock

Our stock price can be volatile.

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things: actual or anticipated variations in quarterly results of operations; recommendations by securities analysts;

operating and stock price performance of other companies that investors deem comparable to us; news reports relating to trends, concerns and other issues in the financial services industry; perceptions in the marketplace regarding us and/or our competitors; new technology used, or services offered by competitors; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; failure to integrate acquisitions or realize anticipated benefits from acquisitions; changes in government regulations; and geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause our stock price to decrease regardless of our operating results.

The trading volume in our common stock is less than that of other larger financial services companies.

Although our common stock is listed for trading on the NASDAQ Global Select Market, the trading volume in our common stock is less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have

no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause our stock price to fall.

We may not continue to pay dividends on our common stock in the future.

We have historically paid a common stock dividend. However, as a bank holding company, our ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve Board regarding capital adequacy and dividends. Additionally, our ability to declare or pay dividends on our common stock may also be subject to certain restrictions in the event that we elect to defer the payment of interest on our junior subordinated deferrable interest debentures. There can be no certainty that our common dividend will continue to be paid at the current levels. It is possible that our common dividend could be reduced or even cease to be paid. In such case, the trading price of our common stock could decline, and investors may lose all or part of their investment.

Our directors and executive officers own a significant portion of our common stock and can influence stockholder decisions.

Our directors and executive officers, as a group, beneficially owned approximately 50% of our outstanding common stock as of January 29, 2016. As a result of their ownership, the directors and executive officers have the ability, by voting their shares in concert, to control the outcome of any matter submitted to our stockholders for approval, including the election of directors, which requires only a majority vote. The directors and executive officers may vote to cause us to take actions with which our other stockholders do not agree.

Our stockholder rights plan, amended and restated certificate of incorporation, as well as certain provisions of banking law and Oklahoma corporate law, could make it difficult for a third party to acquire our company.

We have a stockholder rights plan that may have the effect of discouraging unsolicited takeover proposals. The rights issued under the stockholder rights plan would cause substantial dilution to a person or group that attempts to acquire us on terms not approved in advance by our board of directors. In addition, Oklahoma corporate law and our amended and restated certificate of incorporation contain provisions that could delay, deter or prevent a change in control of us or our management. Together, these provisions may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices of our common stock, and also could limit the price that investors are willing to pay in the future for shares of our common stock. Additionally, provisions of federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. These provisions effectively inhibit a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

An investment in our common stock is not an insured deposit.

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock inherently involves risk for the reasons described in this “Risk Factors” section and elsewhere in this report and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you could lose some or all of your investment.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The principal offices of the Company are located at 101 North Broadway, Oklahoma City, Oklahoma 73102. The Company owns substantially all of the properties and buildings in which its various offices and facilities are located. These properties include the main bank, a technology and operations center and 99 branches. BancFirst also owns properties for future expansion. There are no significant encumbrances on any of these properties. (See Note 6 - "Premises and Equipment, Net" to the Consolidated Financial Statements for further information on the Company's properties).

Item 3. 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 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Common Stock Market Prices and Dividends

The Company's Common Stock is listed on the NASDAQ Global Select Market System ("NASDAQ/GS") and is traded under the symbol "BANF". The following table sets forth, for the periods indicated, (i) the high and low sales prices of the Company's Common Stock as reported in the NASDAQ/GS consolidated transaction reporting system and (ii) the quarterly dividends per share declared on the Common Stock.

	Price Range		Cash Dividends Declared
	High	Low	
2015			
Fourth Quarter	\$65.87	\$56.80	\$ 0.36
Third Quarter	68.82	58.00	0.36
Second Quarter	69.24	56.63	0.34
First Quarter	63.70	55.51	0.34
2014			
Fourth Quarter	\$69.49	\$61.24	\$ 0.34
Third Quarter	68.00	57.31	0.34
Second Quarter	62.90	56.19	0.31
First Quarter	58.29	50.62	0.31

As of January 29, 2016 there were 287 holders of record of our Common Stock. At that date, there were approximately 5,600 beneficial owners of our Common Stock. The closing price of our Common Stock on January 29, 2016 was \$55.94 per share.

Future dividend payments will be determined by the Company's Board of Directors in light of the earnings and financial condition of the Company and the Bank, their capital needs, applicable governmental policies and regulations and such other factors as the Board of Directors deems appropriate.

BancFirst Corporation is a legal entity separate and distinct from the Bank, and its ability to pay dividends is substantially dependent upon dividend payments received from the Bank. Various laws, regulations and regulatory policies limit the Bank's ability to pay dividends to BancFirst Corporation, as well as BancFirst Corporation's ability to pay dividends to its stockholders. See "Liquidity and Funding" and "Capital Resources" under "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Business-Supervision and Regulation" and Note (15) of the Notes to Consolidated Financial Statements for further information regarding limitations on the payment of dividends by BancFirst Corporation and the Bank.

Stock Repurchases

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 and approved by the Company’s Executive Committee. At December 31, 2015 there were 166,276 shares remaining that could be repurchased under the Company’s November 1999 Stock Repurchase Program. The amount approved is subject to amendment. The Stock Repurchase Program will remain in effect until all shares are repurchased.

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 December 31, 2015.

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
October 1, 2015 to October 31, 2015	—	—	—	194,723
November 2, 2015 to November 30, 2015	—	—	—	194,723
December 1, 2015 to December 31, 2015 (1)	28,447	\$ 58.19	—	166,276

(1) Represents repurchases made in connection with the Company's November 1999 Stock Repurchase Program. The amount approved is subject to amendment. The Stock Repurchase Program will remain in effect until all shares are repurchased.

Equity Compensation Plan Information

Information regarding stock-based compensation awards outstanding and available for future grants as of December 31, 2015 is presented in the table below. All of the Company's stock-based compensation plans have been approved by the Company's stockholders. Additional information regarding stock-based compensation plans is presented in Note 13 – Stock-Based Compensation in the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data located elsewhere in this report.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in
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Column(a)

Equity compensation plans approved by security holders: BancFirst Corporation Nonqualified Incentive Stock Option Plan and BancFirst Corporation Non-Employee Directors' Stock Option Plan	1,018,149	\$ 40.69	25,735
Equity compensation plans not approved by security holders: BancFirst Corporation Directors' Deferred Stock Compensation Plan	66,376	39.64	11,824
Total	1,084,525	\$ 40.63	37,559

Performance Graph

The Company's performance graph is incorporated by reference from "Company Performance" contained on the last page of this 10-K report.

Item 6. Selected Financial Data.

The following table sets forth certain historical consolidated financial data as of and for the five years ended December 31, 2015. The historical consolidated financial data has been derived from our audited consolidated financial statements. The historical consolidated financial data should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our audited consolidated financial statements and the related notes included elsewhere in this report.

	At and for the Year Ended December 31,					
	2015	2014	2013	2012	2011	
	(Dollars in thousands, except per share data)					
Income Statement Data						
Net interest income	\$ 188,792	\$ 181,351	\$ 163,519	\$ 164,815	\$ 156,897	
Provision for loan losses	7,675	3,072	1,258	3,100	4,515	
Noninterest income	105,808	96,413	90,155	87,717	76,961	
Noninterest expense	185,715	183,521	171,574	170,428	158,646	
Net income	66,170	63,887	54,317	51,900	45,621	
Balance Sheet Data						
Total assets	\$ 6,692,829	\$ 6,574,972	\$ 6,038,974	\$ 6,022,250	\$ 5,608,825	
Securities	552,949	524,783	527,627	562,542	614,977	
Total loans (net of unearned interest)	4,245,773	3,860,831	3,387,146	3,242,427	3,013,498	
Allowance for loan losses	41,666	40,889	39,034	38,725	37,656	
Deposits	5,973,358	5,904,704	5,419,519	5,440,830	5,037,735	
Long-term borrowings	—	—	6,938	9,178	18,476	
Junior subordinated debentures	31,959	26,804	26,804	26,804	36,083	
Stockholders' equity	655,510	609,314	556,997	519,567	483,041	
Per Common Share Data						
Net income – basic	\$ 4.25	\$ 4.14	\$ 3.56	\$ 3.42	\$ 2.99	
Net income – diluted	4.17	4.04	3.49	3.36	2.93	
Cash dividends	1.40	1.30	1.20	1.12	1.04	
Book value	42.03	39.30	36.33	34.09	31.95	
Tangible book value	37.56	35.71	32.75	30.37	28.07	
Selected Financial Ratios						
Performance ratios:						
Return on average assets	1.01	% 1.00	% 0.93	% 0.91	% 0.85	%
Return on average stockholders' equity	10.38	10.92	10.09	10.32	9.65	
Cash dividends payout ratio	32.92	31.40	33.73	32.74	34.78	
Net interest spread	2.98	2.94	2.89	2.93	2.96	
Net interest margin	3.12	3.09	3.04	3.13	3.20	
Efficiency ratio	63.04	66.07	67.64	67.49	67.84	
Balance Sheet Ratios:						
Average loans to deposits	67.34	% 63.64	% 62.69	% 60.27	% 60.64	%
Average earning assets to total assets	93.02	92.71	92.65	92.73	92.49	
Average stockholders' equity to average assets	9.76	9.19	9.23	8.79	8.85	
Asset Quality Ratios:						
	1.11	% 0.88	% 0.98	% 1.20	% 0.76	%

Nonperforming and restructured loans to total loans					
Nonperforming and restructured assets to total assets	0.83	0.64	0.69	0.81	0.71
Allowance for loan losses to total loans	0.98	1.06	1.15	1.19	1.25
Allowance for loan losses to nonperforming and restructured loans	88.5	120.05	117.6	99.42	163.54
Net charge-offs to average loans	0.17	0.03	0.03	0.07	0.09

CONSOLIDATED AVERAGE BALANCE SHEETS AND INTEREST MARGIN ANALYSIS

Taxable Equivalent Basis

(Dollars in thousands)

	December 31, 2015			December 31, 2014			December 31, 2013		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
ASSETS									
Earning assets:									
Loans (1)	\$3,930,470	\$190,784	4.85 %	\$3,643,018	\$183,280	5.03 %	\$3,281,303	\$167,345	5.10 %
Securities – taxable	486,851	5,492	1.13	504,263	5,727	1.14	485,158	4,947	1.02
Securities – tax exempt	40,854	1,511	3.70	41,155	1,632	3.97	42,372	1,880	4.44
Federal funds sold and interest-bearing deposits with banks	1,618,260	4,279	0.26	1,716,368	4,393	0.26	1,597,546	4,066	0.25
Total earning assets	6,076,435	202,066	3.33	5,904,804	195,032	3.30	5,406,379	178,238	3.30
Nonearning assets:									
Cash and due from banks	177,479			189,457			161,750		
Interest receivable and other assets	320,247			315,544			306,360		
Allowance for loan losses	(41,522)			(40,768)			(38,916)		
Total nonearning assets	456,204			464,233			429,194		
Total assets	\$6,532,639			\$6,369,037			\$5,835,573		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Interest-bearing liabilities:									
Transaction deposits	\$734,529	\$738	0.10 %	\$750,603	\$747	0.10 %	\$653,893	\$643	0.10 %
Savings deposits	2,052,161	4,702	0.23	1,992,673	4,520	0.23	1,827,575	4,231	0.23
Time deposits	732,183	4,811	0.66	783,958	5,528	0.71	799,817	6,705	0.84
Short-term borrowings	2,766	4	0.15	9,206	16	0.18	4,866	6	0.13

Long-term borrowings	386	32	8.36	1,635	25	1.53	9,324	216	2.32
Junior subordinated debentures	28,005	1,966	7.02	26,804	1,966	7.34	26,804	1,966	7.34
Total interest-bearing liabilities	3,550,030	12,253	0.35	3,564,879	12,802	0.36	3,322,279	13,767	0.41
Interest-free funds:									
Noninterest-bearing deposits	2,317,639			2,197,474			1,952,582		
Interest payable and other liabilities	27,328			21,649			22,172		
Stockholders' equity	637,642			585,035			538,540		
Total interest free funds	2,982,609			2,804,158			2,513,294		
Total liabilities and stockholders' equity	\$6,532,639			\$6,369,037			\$5,835,573		
Net interest income		\$189,813			\$182,230			\$164,471	
Net interest spread			2.98 %			2.94 %			2.89 %
Effect of interest free funds			0.14 %			0.15 %			0.15 %
Net interest margin			3.12 %			3.09 %			3.04 %

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

Item 7. 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 financial position and results of operations for the three years ended December 31, 2015. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto and the selected consolidated financial data included herein.

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-looking 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 saving 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

The Company's net income for 2015 was \$66.2 million, or \$4.17 per diluted share, compared to \$63.9 million, or \$4.04 per diluted share for 2014 and \$54.3 million, or \$3.49 per diluted share for 2013.

In 2015, net interest income was \$188.8 million, compared to \$181.4 million in 2014 and \$163.5 million in 2013. The Company's net interest margin increased to 3.12% for 2015, compared to 3.09% for 2014 and 3.04% for 2013. Internal loan growth and acquired loans from the acquisitions contributed to the higher net interest income and margin in 2015. In addition, the Company recognized discounts from payoffs of acquired loans of \$2.3 million in 2015, \$2.2 million in 2014 and \$352,000 in 2013. Provision for loan losses was \$7.7 million in 2015 compared to \$3.1 million in 2014 and \$1.3 million in 2013. The 2014 provision for loan losses included a reversal of \$5.3 million as a result of a change in the loan loss factors. Net charge-offs to average loans for 2015 was 0.17%, compared to 0.03% for 2014 and 2013. Net charge-offs increased in 2015 partially due to a \$3.0 million charge off on a portion of a nonaccrual loan. Noninterest income totaled \$105.8 million in 2015 compared to \$96.4 million in 2014 and \$90.2 million

in 2013. The increase in 2015 was primarily due to gains on sales of securities of \$9.3 million, including \$2.1 million related to the redemption of warrants associated with a past loan transaction, \$5.2 million from the sale of an investment by the Company's wholly-owned subsidiary, Council Oak Partners, LLC and \$1.7 million from the sale of an investment by the Council Oak Investment Corporation, a wholly-owned subsidiary of BancFirst. Noninterest expense was \$185.7 million in 2015 compared to \$183.5 million in 2014 and \$171.6 million in 2013. The effective income tax rate for tax year ended 2015 increased to 34.6% compared to 29.9% for the tax year ended 2014 due primarily to an investment in federal and state tax credits that were utilized in 2014.

The Company's assets at year end 2015 totaled \$6.7 billion, compared to \$6.6 billion at December 31, 2014 and \$6.0 billion at December 31, 2013. Loans totaled \$4.2 billion versus \$3.9 billion for 2014 and \$3.4 billion for 2013. Total deposits were \$6.0 billion for 2015, \$5.9 billion for 2014 and \$5.4 billion for 2013. The Company's liquidity remained high as its average loan-to-deposit ratio was 67.3% for 2015, compared to 63.6% for 2014 and 62.7% for 2013. Stockholders' equity was \$655.5 million compared to \$609.3 million for 2014 and \$557.0 million for 2013. Average stockholders' equity to average assets was 9.76% at December 31, 2015, compared to 9.19% at December 31, 2014 and 9.23% at December 31, 2013.

Asset quality remained strong. Nonperforming and restructured assets were 0.83% of total assets at December 31, 2015, compared to 0.64% at December 31, 2014 and 0.69% at December 31, 2013. The increase in 2015 was primarily due to one customer relationship. The allowance for loan losses as a percentage of total loans was 0.98% for 2015 compared to 1.06% for 2014 and 1.15% for 2013.

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 statement 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 complements the Company's community banking strategy by adding two communities to its banking network in Oklahoma.

Oil prices continued to be low during 2015, which had an impact on loan demand. Any continued impact from low oil prices on Oklahoma's economy and on the Company's financial results will become more apparent in future periods.

On January 24, 2014, BancFirst assumed all of the deposits and purchased certain assets of The Bank of Union, El Reno, Oklahoma ("The Bank of Union"). The Bank of Union was closed on that day by the Oklahoma State Banking Department. At December 31, 2014, the balance of acquired loans was approximately \$74.8 million, the majority of which are classified as performing, and deposits in the acquired branches were approximately \$174.4 million. As a result of the acquisition, the Company recorded core deposit intangibles of approximately \$2.2 million and goodwill of \$417,000. The effect of this acquisition was included in the consolidated financial statement of the Company from the date of acquisition forward. The acquisition did not have a material effect on the Company's consolidated financial statements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are described in Note (1) to the consolidated 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, which affect the amounts reported in the financial statements and the related disclosures. These estimates relate principally to the allowance for loan losses, income taxes, intangible assets and the fair value of financial instruments. Such estimates and assumptions may change over time and actual amounts realized may differ from those reported. The following is a summary of the accounting policies and estimates that management believes are the most critical.

Allowance for Loan Losses

The allowance for loan losses is management's estimate of the probable losses incurred in the Company's loan portfolio through the balance sheet date.

The allowance for loan losses is increased by provisions charged to operating expense and is reduced by net loan charge-offs. The amount of the allowance for loan losses is based on past loan loss experience, evaluations of known impaired loans, levels of adversely classified loans, general economic conditions and other environmental factors. A loan is considered impaired when it is

probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The majority of the Company's impaired loans are collateral dependent. For collateral dependent loans, the amount of impairment is measured based upon the fair value of the underlying collateral and is included in the allowance for loan losses.

The amount of the allowance for loan losses is first estimated by each business unit's management based on their evaluation of their unit's portfolio. This evaluation involves identifying impaired and adversely classified loans. Specific allowances for losses are determined for impaired loans based on either the loans' estimated discounted cash flows or the fair values of the collateral. Allowances for adversely classified loans are estimated using historical loss percentages for each type of loan adjusted for various economic and environmental factors related to the underlying loans. An allowance is also estimated for non-adversely classified loans using a historical loss percentage based on losses arising specifically from non-adversely classified loans, adjusted for various economic and environmental factors related to the underlying loans. Each month the Company's Senior Loan Committee reviews each business unit's allowance, and the aggregate allowance for the Company and, on a quarterly basis, adjusts and approves the appropriateness of the allowance. In addition, annually or more frequently as needed, the Senior Loan Committee evaluates and establishes the loss percentages used in the estimates of the allowance based on historical loss data, and giving consideration to their assessment of current economic and environmental conditions. To facilitate the Senior Loan Committee's evaluation, the Company's Asset Quality Department performs periodic reviews of each of the Company's business units and reports on the adequacy of management's identification of impaired and adversely classified loans, and their adherence to the Company's loan policies and procedures.

The process of evaluating the appropriateness of the allowance for loan losses necessarily involves the exercise of judgment and consideration of numerous subjective factors and, accordingly, there can be no assurance that the estimate of incurred losses will not change in light of future developments and economic conditions. Different assumptions and conditions could result in a materially different amount for the allowance for loan losses.

Income Taxes

The Company files a consolidated income tax return. Deferred taxes are recognized under the liability method based upon the future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities, using the tax rates expected to apply to taxable income in the periods when the related temporary differences are expected to be realized.

The amount of accrued current and deferred income taxes is based on estimates of taxes due or receivable from taxing authorities either currently or in the future. Changes in these accruals are reported as tax expense, and involve estimates of the various components included in determining taxable income, tax credits, other taxes and temporary differences. Changes periodically occur in the estimates due to changes in tax rates, tax laws and regulations and implementation of new tax planning strategies. The process of determining the accruals for income taxes necessarily involves the exercise of considerable judgment and consideration of numerous subjective factors.

Management performs an analysis of the Company's tax positions annually and believes it is more likely than not that all of its tax positions will be utilized in future years.

Intangible Assets and Goodwill

Core deposit intangibles are amortized on a straight-line basis over the estimated useful lives of seven to ten years and customer relationship intangibles are amortized on a straight-line basis over the estimated useful life of three to eighteen years. Mortgage servicing rights are amortized based on current prepayment assumptions. Goodwill is not amortized, but is evaluated at a reporting unit level at least annually for impairment or more frequently if other indicators of impairment are present. At least annually in the fourth quarter, intangible assets, excluding mortgage servicing rights, are evaluated for possible impairment. Impairment losses are measured by comparing the fair values

of the intangible assets with their recorded amounts. Any impairment losses are reported in the statement of comprehensive income. Mortgage servicing rights are adjusted to fair value semi-annually, if impaired.

The evaluation of remaining core deposit intangibles for possible impairment involves reassessing the useful lives and the recoverability of the intangible assets. The evaluation of the useful lives is performed by reviewing the levels of core deposits of the respective branches acquired. The actual life of a core deposit base may be longer than originally estimated due to more successful retention of customers, or may be shorter due to more rapid runoff. Amortization of core deposit intangibles would be adjusted, if necessary, to amortize the remaining net book values over the remaining lives of the core deposits. The evaluation for recoverability is only performed if events or changes in circumstances indicate that the carrying amount of the intangibles may not be recoverable.

The evaluation of goodwill for possible impairment is performed by comparing the fair values of the related reporting units with their carrying amounts including goodwill. The fair values of the related business units are estimated using market data for prices of recent acquisitions of banks and branches.

The evaluation of intangible assets and goodwill for the year ended December 31, 2015 resulted in an impairment of \$368,000. The Company recorded the impairment loss after adopting a plan to close a small branch. Evaluation for the years ended December 31, 2014 and 2013 resulted in no impairments.

Fair Value of Financial Instruments

Securities that are being held for indefinite periods of time, or that may be sold as part of the Company's asset/liability management strategy, to provide liquidity or for other reasons, are classified as available for sale and are stated at estimated fair value. Unrealized gains or losses on securities available for sale are reported as a component of stockholders' equity, net of income tax. Securities that are determined to be impaired, and for which such impairment is determined to be other than temporary, are adjusted to fair value and a corresponding loss is recognized in earnings.

The estimates of fair values of securities and other financial instruments are based on a variety of factors. In some cases, fair values represent quoted market prices for identical or comparable instruments. In other cases, fair values have been estimated based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of year-end or that will be realized in the future.

Future Application of Accounting Standards

See Note (1) of the Notes to Consolidated Financial Statements for a discussion of recently issued accounting pronouncements and their expected impact on the Company's financial statements.

Segment Information

See Note (22) of the Notes to Consolidated Financial Statements for disclosure regarding the Company's operating business segments.

RESULTS OF OPERATIONS

Net Interest Income

Net interest income, which is the Company's principal source of operating revenue, increased in 2015 by \$7.4 million, to a total of \$188.8 million, compared to an increase of \$17.8 million in 2014, and a decrease of \$1.3 million in 2013. In 2015, net interest income increased due to internal loan growth and recognition of \$2.3 million of discounts from payoffs of acquired loans. In 2014, net interest income increased due primarily to loan growth and recognition of \$2.2 million of discounts from payoffs of acquired loans. In 2013, net interest income decreased slightly due to lower loan rates offset by lower deposit rates and increased loan volume.

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 increased to 3.12% for 2015, compared to 3.09% for 2014 and 3.04% for 2013. Net interest margin increased slightly in 2015 and 2014 despite interest rates remaining at historically low levels. This was due to internal loan growth and recognition of discounts from payoffs of acquired loans.

Changes in the volume of earning assets and interest-bearing liabilities and changes in interest rates, determine the changes in net interest income. The following volume/rate analysis summarizes the relative contribution of each of these components to the changes in net interest income in 2015 and 2014. If interest rates and/or loan volume do not

increase, management would expect its net interest margin to generally remain at current levels.

VOLUME/RATE ANALYSIS

Taxable Equivalent Basis

	Change in 2015			Change in 2014		
	Total	Due to Volume(1)	Due to Rate	Total	Due to Volume(1)	Due to Rate
(Dollars in thousands)						
INCREASE (DECREASE)						
Interest Income:						
Loans	\$7,504	\$ 14,875	\$(7,371)	\$15,935	\$ 18,640	\$(2,705)
Investments—taxable	(235)	(262)	27	780	(782)	1,562
Investments—tax exempt	(121)	(68)	(53)	(248)	(19)	(229)
Interest-bearing deposits with banks and Federal funds						
sold	(114)	(259)	145	327	299	28
Total interest income	7,034	14,286	(7,252)	16,794	18,138	(1,344)
Interest Expense:						
Transaction deposits	(9)	(68)	59	104	77	27
Savings deposits	182	201	(19)	289	291	(2)
Time deposits	(717)	652	(1,369)	(1,177)	(73)	(1,104)
Short-term borrowings	(12)	(12)	—	10	10	—
Long-term borrowings	7	4	3	(191)	(178)	(13)
Junior subordinated debentures	—	67	(67)	—	—	—
Total interest expense	(549)	844	(1,393)	(965)	127	(1,092)
Net interest income	\$7,583	\$ 13,442	\$(5,859)	\$17,759	\$ 18,011	\$(252)

(1)The effects of changes in the mix of earning assets and interest-bearing liabilities have been combined with the changes due to volume.

Provision for Loan Losses

The Company's provision for loan losses was \$7.7 million for 2015, compared to \$3.1 million for 2014 and \$1.3 million for 2013. The increase in 2015 and 2014 was primarily a result of internal loan growth. The 2014 provision for loan losses included a reversal of \$5.3 million as a result of a change in the loan loss factors. 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 \$6.9 million for 2015 compared to \$1.2 million for 2014 and \$949,000 for 2013. The net charge-offs equated to 0.17%, 0.03% and 0.03% of average loans for 2015, 2014 and 2013, respectively. A more detailed discussion of the allowance for loan losses is provided under "Loans (Including Acquired Loans)."

Noninterest Income

Noninterest income was \$105.8 million in 2015 versus \$96.4 million in 2014 and \$90.2 million in 2013. Total noninterest income increased \$9.4 million in 2015, or 9.7%. This compares to an increase of \$6.2 million in 2014, or 6.9%, and an increase of \$2.4 million, or 2.8%, in 2013. The increase in 2015 was primarily due to gains on sales of securities of \$9.3 million, including \$2.1 million related to the redemption of warrants associated with a past loan transaction, \$5.2 million from the sale of an investment by the Company's wholly-owned subsidiary, Council Oak Partners, LLC and \$1.7 million from the sale of an investment by the Council Oak Investment Corporation, a wholly-owned subsidiary of BancFirst. For 2014, service charges on deposits increased due primarily to an increase in deposit accounts from the acquisition and internal growth. Trust revenue and cash management revenue also increased due to growth in the number of customers and increased activity. For 2013, the increases in revenues were due to increases in service charge revenue as a result of increases in deposits, trust revenue and insurance commissions. The Company's operating noninterest income has increased in each of the last five years due to improved pricing strategies, enhanced product lines, acquisitions and internal deposit growth.

The Company had fees from debit card usage totaling \$22.7 million, \$22.8 million and \$18.1 million for the years 2015, 2014 and 2013, respectively. This represents 21.5%, 23.6% and 20.1% of the Company's noninterest income for the years 2015, 2014 and 2013, respectively.

The Company recognized a net gain on the sale of securities of \$9.3 million in 2015, \$1.6 million in 2014 and \$420,000 in 2013, due primarily to sales of investments by Council Oak Investment Corporation and Council Oak Partners. The Company's practice is to maintain a liquid portfolio of securities and not engage in trading activities. The Company has the ability and intent to hold securities classified as available for sale that were in an unrealized loss position until they mature or until fair value exceeds amortized cost.

The Company earned \$2.0 million on the sale of loans in 2015 compared to \$1.8 million in 2014 and \$2.3 million in 2013. Activity in the secondary mortgage market has continued to decrease as volumes have declined in the continued low interest rate environment.

Noninterest Expense

Total noninterest expense increased by \$2.2 million, or 1.2% to \$185.7 million for 2015. This compares to increases of \$11.9 million, or 7.0%, for 2014, and \$1.1 million, or 0.7%, for 2013. The increase in 2015 was partially related to acquisition costs of approximately \$965,000. Annual salary increases in 2015 were offset by a reduction of the amortization on historic tax credits realized in 2014. In addition, the Company recorded an impairment loss of \$368,000, which is included in noninterest expense, after adopting a plan in the second quarter of 2015 to close a small branch. The increase in noninterest expense during 2014 was partly due to the acquisition of The Bank of Union, which added \$4.7 million of expense for the year and the amortization of the Company's investment in historic tax credits, which added approximately \$2.9 million. In addition, salaries and benefits increased \$3.5 million before the impact of the acquisition, primarily due to standard annual merit increases during 2014. The increase in noninterest expense during 2013 primarily related to an increase in salaries and benefits of approximately \$2.6 million, partially offset by a decrease in other real estate owned expense of \$1.1 million.

Noninterest expense included deposit insurance expense which totaled \$3.4 million for the year ended December 31, 2015, compared to \$3.3 million for the year ended December 31, 2014 and \$3.0 million for the year ended December 31, 2013.

Income Taxes

Income tax expense totaled \$35.0 million in 2015, compared to \$27.3 million in 2014 and \$26.5 million in 2013. The effective tax rates for 2015, 2014 and 2013 were 34.6%, 29.9% and 32.8%, respectively. The primary reasons for the difference between the Company's effective tax rate and the federal statutory rate were tax-exempt income, nondeductible amortization, federal and state tax credits and state tax expense. The Company's effective tax rate increased in 2015 primarily due to an investment in federal and state tax credits and the recognition of state deferred tax benefits in 2014. The Company's effective tax rate decreased in 2013 due to increased federal tax credits allowed for that year.

Certain financial information is prepared on a taxable equivalent basis to facilitate analysis of yields and changes in components of earnings. Average balance sheets, comprehensive income statements and other financial statistics are also presented on a taxable equivalent basis.

Impact of Inflation

The impact of inflation on financial institutions differs significantly from that of industrial or commercial companies. The assets of financial institutions are predominantly monetary, as opposed to fixed or nonmonetary assets such as premises, equipment and inventory. As a result, there is little exposure to inflated earnings by understated depreciation

charges or significantly understated current values of assets. Although inflation can have an indirect effect by leading to higher interest rates, financial institutions are in a position to monitor the effects on interest costs and yields and respond to inflationary trends through management of interest rate sensitivity. Inflation can also have an impact on noninterest expenses such as salaries and employee benefits, occupancy, services and other costs.

Impact of Deflation

In a period of deflation, it would be reasonable to expect widely decreasing prices for real assets. In such an economic environment, assets of businesses and individuals, such as real estate, commodities or inventory, could decline. The inability of customers to repay or refinance their loans could result in loan losses incurred by the Company far in excess of historical experience

due to deflated collateral values. If the Federal Reserve reduces rates below zero it is not clear whether the Bank could pass on negative interest rates to customers and therefore would have a negative impact on the Bank.

FINANCIAL POSITION

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

Cash consists of cash and cash items on hand, noninterest-bearing deposits and amounts due from other banks, reserves deposited with the Federal Reserve Bank, and interest-bearing deposits with other banks. Federal funds sold consist of overnight investments of excess funds with other financial institutions. Due to the Federal Reserve Bank's intervention into the funds market that has resulted in near zero overnight funds rates, the Company has continued to maintain the majority of 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 which increased to 0.50% from 0.25% in December 2015.

The amount of cash, federal funds sold and interest-bearing deposits with the Federal Reserve Bank carried by the Company is a function of the availability of funds presented to other institutions for clearing, and the Company's requirements for liquidity, operating cash and reserves, available yields and interest rate sensitivity management. Balances of these items can fluctuate widely based on these various factors. The aggregate of cash and due from banks, interest-bearing deposits with banks and federal funds sold decreased \$315.7 million from December 31, 2014 to December 31, 2015 and increased \$56.4 million from December 31, 2013 to December 31, 2014. The decrease in 2015 was due to an increase in loans. The increase in 2014 was due to an increase in deposits.

Securities

For the year ended December 31, 2015, total securities increased \$28.2 million, or 5.4%, to \$552.9 million. This compares to a decrease of \$2.8 million, or 0.5%, in 2014 and a decrease of \$34.9 million, or 6.2%, in 2013. The increase in 2015 was the result of an increase in U.S. Treasury securities that were purchased to satisfy collateral requirements for year end public deposit balances. The decreases in 2014 and 2013 were the result of historically low yields on U.S. Treasury and federal agency securities and the Company's decision to not reinvest maturing securities by purchasing longer term fixed rate securities at such low yields. Securities available for sale represented 98.4% of the total securities portfolio at both December 31, 2015 and December 31, 2014, compared to 97.7% at December 31, 2013. Securities available for sale had a net unrealized gain of \$2.5 million at December 31, 2015, compared to a net unrealized gain of \$6.8 million at December 31, 2014 and a net unrealized gain of \$6.0 million at December 31, 2013. These unrealized gains are included in the Company's stockholders' equity as accumulated other comprehensive income, net of income tax, in the amounts of \$1.5 million, \$4.2 million and \$3.9 million for December 31, 2015, 2014 and 2013, respectively. The unrealized gains decreased in 2015 primarily due to the reclassification of an unrealized gain on one investment of \$3.3 million from other comprehensive income to realized gain by Council Oak Partners, LLC, a wholly-owned subsidiary of the Company. The realized gain is reported as securities transactions within the noninterest income section of the consolidated statement of comprehensive income.

SECURITIES

	December 31,		
	2015	2014	2013
	(Dollars in thousands)		
Held for Investment (at amortized cost)			
U.S. Treasury, other federal agencies and mortgage-backed securities	\$347	\$471	\$607
States and political subdivisions	8,442	8,122	11,379

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Total	\$8,789	\$8,593	\$11,986
Estimated fair value	\$8,850	\$8,671	\$12,094
Available for Sale (at estimated fair value)			
U.S. Treasury, other federal agencies and mortgage-backed securities	\$483,447	\$447,899	\$449,824
States and political subdivisions	50,920	53,373	50,334
Other securities	9,793	14,918	15,483
Total	\$544,160	\$516,190	\$515,641
Total Securities	\$552,949	\$524,783	\$527,627

The Company does not engage in securities trading activities. Any sales of securities are for the purpose of executing the Company's asset/liability management strategy, eliminating a perceived credit risk in a specific security, or providing liquidity. Securities that are being held for indefinite periods of time, or that may be sold as part of the Company's asset/liability management

strategy, to provide liquidity, or for other reasons, are classified as available for sale and are stated at estimated fair value. Unrealized gains or losses on securities available for sale are reported as a component of stockholders' equity, net of income tax. Securities for which the Company has the intent and ability to hold to maturity are classified as held for investment and are stated at cost, adjusted for amortization of premiums and accretion of discounts computed under the interest method. Securities that are determined to be impaired, and for which such impairment is determined to be other than temporary, are adjusted to fair value and a corresponding loss is recognized. Gains or losses from sales of securities are based upon the book values of the specific securities sold.

Declines in the fair value of held for investment and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Management has the ability and intent to hold the securities classified as held for investment until they mature, at which time the Company will receive full value for the securities. As of December 31, 2015, the Company had net unrealized gains largely due to decreases in market interest rates from the yields available at the time the underlying securities were purchased. The fair value of those securities having unrealized losses is expected to recover as the securities approach their maturity date or repricing date, or if market yields for similar investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Furthermore, as of December 31, 2015, management also had the ability and intent to hold all securities classified as available for sale with an unrealized loss for a period of time sufficient for a recovery of cost. Accordingly, as of December 31, 2015, management believes the impairments were temporary and no impairment loss was realized in the Company's consolidated statement of comprehensive income.

MATURITY DISTRIBUTION OF SECURITIES

The following maturity distribution of securities table summarizes the weighted average maturity and weighted average taxable equivalent yields of the securities portfolio at December 31, 2015. The Company manages its securities portfolio for liquidity and as a tool to execute its asset/liability management strategy. Consequently, the average maturity of the portfolio is relatively short. Securities maturing within five years represent 84.5% of the total portfolio. For the interest sensitivity rate of securities see the table in item 7A.

	Within One Year		After One Year But Within Five Years		After Five Years But Within Ten Years		After Ten Years		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*
	(Dollars in thousands)									
Held for Investment										
U.S. Treasury other	\$5	5.94%	\$341	4.64%	\$1	4.66%	\$—	—	\$347	4.66%
federal agencies and mortgage-										

backed securities										
State and political subdivisions	5,167	3.42	2,775	4.14	—	—	—	—	7,942	3.67
Other securities	—	—	—	—	500	0.71	—	—	500	0.71
Total	\$5,172	3.42	\$3,116	4.19	\$501	0.72	\$—	—	\$8,789	3.55
Percentage of total	58.8	%	35.5	%	5.7	%	—	%	100.0	%
Available for Sale										
U.S. Treasury other										
federal agencies and mortgage-										
backed securities	\$266,234	0.55%	\$150,615	1.57%	\$45,086	1.11%	\$21,512	1.06%	\$483,447	0.94%
State and political subdivisions	6,703	3.10	31,481	2.87	7,714	5.53	5,022	6.30	50,920	3.64
Other securities	—	—	3,485	1.88	—	—	6,308	4.15	9,793	3.34
Total	\$272,937	0.61	\$185,581	1.80	\$52,800	1.76	\$32,842	2.45	\$544,160	1.24
Percentage of total	50.2	%	34.1	%	9.7	%	6.0	%	100.0	%
Total securities	\$278,109	0.66%	\$188,697	1.84%	\$53,301	1.75%	\$32,842	2.45%	\$552,949	1.28%
Percentage of total	50.3	%	34.2	%	9.6	%	5.9	%	100.0	%

* Yield on a taxable equivalent basis

Loans (Including Acquired Loans)

The Company has historically generated loan growth from both internal originations and bank acquisitions. Total loans held for investment increased \$380.7 million, or 9.9%, to \$4.2 billion in 2015 compared to an increase of \$470.7 million, or 13.9%, in 2014 and an increase of \$149.5 million, or 4.6%, in 2013. Loans increased in 2015 and 2014 due to both bank acquisitions and internal growth. Commercial real estate loans saw the largest growth in 2015 with an increase of \$165.0 million, accounting for 43.3% of the total growth in loans. Loans increased in 2013 due to internal growth.

Composition

The Company's loan portfolio was diversified among various types of commercial and individual borrowers. Commercial loans were comprised principally of loans to companies in light manufacturing, retail and service industries. Consumer loans were comprised primarily of loans to individuals for automobiles. The Company did not have any credit card receivables at year end 2015, 2014 or 2013 and does not expect to engage in this type of activity.

LOANS BY CATEGORY

	December 31, 2015		2014		2013		2012		2011	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)									
Commercial, financial and other real estate—	\$1,116,883	26.39 %	\$1,053,486	27.35 %	\$857,771	25.37 %	\$849,894	26.30 %	\$796,349	26.52 %
Construction real estate—	403,664	9.54	356,621	9.26	284,808	8.43	226,102	7.00	207,953	6.92
One to four family real estate—farmland, multifamily and commercial	821,251	19.41	766,362	19.90	697,434	20.63	657,973	20.36	645,154	21.48
Consumer	283,636	6.70	267,179	6.94	250,588	7.41	253,002	7.83	252,331	8.40
Total	\$4,232,048	100.00 %	\$3,851,398	100.00 %	\$3,380,677	100.00 %	\$3,231,170	100.00 %	\$3,003,518	100.00 %

Commercial, Financial, Other

Commercial, financial, and other loans represent loans for working capital, facilities acquisition or expansion, purchase of equipment and other needs of commercial customers primarily located within Oklahoma. Loans in this category include commercial and industrial, oil and gas, agriculture, and state and political subdivisions.

Commercial loans are underwritten individually and represent on-going relationships based on a thorough knowledge of the customer and the customer's industry and market. While commercial loans are generally secured by the customer's assets including real property, inventory, accounts receivable, operating equipment, interest in mineral rights and other property and may also include personal guarantees of the owners and related parties, the primary source of repayment of the loans is the on-going cash flow from operations of the customer's business. Agriculture loans are set for annual or semi-annual principal payments based on timing of revenue.

The vast majority of loans originated within the energy sector support oil and gas production, are primarily secured by those producing properties and are governed by a borrowing base agreement that is tested timely and regularly. The Company also originates a small number of loans to businesses and individuals in the energy services sector which includes loans for the fabrication, sale and service of various energy service equipment, site preparation and mapping services, disposal services, etc. These loans are primarily secured by accounts receivable, inventory and/or equipment.

At December 31, 2015, commercial, financial and other loans totaled \$1.1 billion. Approximately \$795.8 million were commercial and industrial loans, \$87.3 million were oil and gas production and equipment loans and \$150.6 million were agriculture loans and the remaining were either state and political subdivisions or other.

Real Estate

Real estate loans consist of loans for both commercial and consumer customers and include construction, farmland, one to four family residences, multifamily residential properties and commercial. These loans are made on real property, such as office buildings, apartment buildings, shopping centers, industrial property, hotels, farmland and residential property. Such loans are usually secured by mortgages or other liens on the related real property. Interest rates may be fixed or variable, and the loans may be structured for full, partial or no amortization of principal.

Commercial real estate loans are for the construction of buildings or other improvements to real estate and property held by borrowers generally for investment purposes primarily within Oklahoma. We require collateral values in excess of the loan amounts, demonstrated cash flows in excess of expected debt service requirements, equity investment in the project and a portion of the project already sold, leased or permanent financing already secured. Real estate or interests in real estate taken as collateral is primarily confined to either property located within the state of Oklahoma or properties owned by customers domiciled in the state of Oklahoma. Commercial real estate lending typically involves higher loan principal amounts and the repayment of these loans is generally largely dependent on the successful operation of the property securing the loan or the business conducted on the property securing the loan. Loans on farmland are typically structured similar to commercial real estate loans but frequently are set for annual principal payments. Such loans may be for purchase, refinance of purchase or ongoing operation of family-owned or small corporate farming enterprises. Loans on multi-family properties are amortized loans supported by rental incomes from the property.

Residential construction includes loans to builders for speculative or custom homes, as well as direct loans to individuals for construction of their personal residence. Custom construction and self-construction loans typically will have a commitment in place for long term financing at the completion of construction. Speculative construction loans will have a periodic curtailment plan beginning after completion of construction and a reasonable time for sale to have occurred.

Long term one to four family residential real estate loans retained in the Bank are on a variable rate basis. Fixed rate loans in this category are financed through the Bank's Mortgage Lending Department and sold into the secondary market. Some 15 year fixed rate loans in this category may be retained by the Bank.

At December 31, 2015, real estate loans were approximately 67% of total loans. The Company is subject to risk of future market fluctuations in property values relating to these loans. The Company attempts to manage this risk through rigorous loan underwriting standards.

Consumer

Consumer loans are loans to individuals for household, family and other personal expenditures. Commonly, such loans are made to finance purchases of consumer goods, such as automobiles, boats, household goods, vacations and

education. Interest rates and terms vary considerably depending on many factors, including whether the loan is secured or unsecured. The Company originates consumer loans utilizing a computer-based credit scoring analysis to supplement the underwriting process. To monitor and manage consumer loan risk, policies and procedures are developed and modified, as needed, jointly by line and staff personnel. This activity, coupled with relatively small loan amounts that are spread across many individual borrowers, minimizes risk. Additionally, trend and outlook reports are reviewed by management on a regular basis. Underwriting standards for home equity loans are heavily influenced by statutory requirements, which include, but are not limited to, a maximum loan-to-value percentage of 80%, collection remedies, the number of such loans a borrower can have at one time and documentation requirements.

MATURITY AND RATE SENSITIVITY OF LOANS

The following table presents the Maturity and Rate Sensitivity of Loans at December 31, 2015. Approximately 37% of loans have maturities of one year or less. However, many of these loans are renewed at existing or similar terms after scheduled principal reductions. Also approximately 41% of loans had adjustable interest rates at December 31, 2015.

	Maturing			Total
	Within One Year	After One But Within Five Years	After Five Years	
	(Dollars in thousands)			
Commercial, financial and other	\$679,893	\$351,940	\$85,050	\$1,116,883
Real estate—construction	277,806	77,258	48,600	403,664
Real estate—one to four family	116,544	194,193	510,514	821,251
Real estate—farmland, multifamily and commercial	447,709	454,225	704,680	1,606,614
Consumer	29,265	219,349	35,022	283,636
Total	\$1,551,217	\$1,296,965	\$1,383,866	\$4,232,048
Loans with predetermined interest rates	\$658,912	\$945,162	\$874,377	\$2,478,451
Loans with adjustable interest rates	892,305	351,803	509,489	1,753,597
Total	\$1,551,217	\$1,296,965	\$1,383,866	\$4,232,048
Percentage of total	36.6	% 30.7	% 32.7	% 100.0

Since 2009 the Company has set rate floors on the majority of its adjustable rate loans. At December 31, 2015 approximately 62% of the adjustable rate loan portfolio was at the floor rate. Short-term rates would have to increase approximately 75 basis points before these loans would experience an increase in rate.

The information relating to the maturity and rate sensitivity of loans is based upon contractual maturities and original loan terms. In the ordinary course of business, loans maturing within one year may be renewed, in whole or in part, at interest rates prevailing at the date of renewal.

Nonperforming and Restructured Assets

During 2015, nonperforming and restructured assets increased \$13.2 to \$55.3 million. This compares to an increase of \$560,000 for 2014 and a decrease of \$6.9 million for 2013. The Company's level of nonperforming and restructured assets has continued to be relatively low, equating to 0.83%, 0.64% and 0.69% of total assets at December 31, 2015, 2014 and 2013, respectively.

Nonaccrual loans have increased from \$21.2 million at the end of 2011 to \$30.1 million at the end of 2015. During 2015, nonaccrual loans increased due to the downgrade of a single commercial loan. Nonaccrual loans increased in 2014 compared to 2013 due primarily to the acquisition of nonperforming loans from the Bank of Union. 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 \$2.0 million, \$1.2 million and \$1.5 million for the years 2015, 2014 and 2013, respectively. Only a small amount of this interest is expected to be ultimately collected.

Restructured loans decreased \$1.4 million in 2015, \$1.1 million in 2014 and were virtually unchanged in 2013. Restructured loans consist primarily of one multifamily real estate credit. This loan was evaluated by management and determined to be well collateralized. Additionally, none of the concessions granted involved a principal reduction or a change from the current market rate of interest. The value of the collateral is monitored to evaluate possible impairment of the loan. 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 troubled debt restructurings whose terms were modified during the period were not considered to be material.

The classification of a loan as nonperforming does not necessarily indicate that loan principal and interest will ultimately be uncollectible; although, in an economic downturn, the Company's experience has been that the level of collections decline. The above normal risk associated with nonperforming loans has been considered in the determination of the allowance for loan losses. At December 31, 2015, the allowance for loan losses as a percentage of nonperforming and restructured loans was 88.50%, compared to 120.05%, at the end of 2014 and 117.60%, at the end of 2013. The level of nonperforming loans and loan losses could rise over time as a result of adverse economic conditions.

Other real estate owned consists of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure and premises held for sale. These properties are carried at the lower of the book values of the related loans or fair values based upon appraisals, less estimated costs to sell. Write downs arising at the time of reclassification of such properties from loans to other real estate owned are charged directly to the allowance for loan losses. Any losses on bank premises designated to be sold are charged to operating expense at the time of transfer from premises to other real estate owned. Decreases in values of properties subsequent to their classification as other real estate owned are charged to operating expense. Other real estate owned and repossessed assets have changed very little the last three years as shown in the following table. The decreases in 2014 and 2013 were due to sales and decreases in value of properties. The decrease in 2012 was due in part to the sale of a commercial real estate property valued at \$3.5 million.

NONPERFORMING AND RESTRUCTURED ASSETS

	December 31,									
	2015		2014		2013		2012		2011	
	(Dollars in thousands)									
Past due 90 days or more and still accruing	\$	1,841	\$	1,135	\$	1,179	\$	537	\$	798
Nonaccrual		30,096		16,410		14,390		20,549		21,187
Restructured		15,143		16,515		17,624		17,866		1,041
Total nonperforming and restructured loans		47,080		34,060		33,193		38,952		23,026
Other real estate owned and repossessed assets		8,214		8,079		8,386		9,566		16,640
Total nonperforming and restructured assets	\$	55,294	\$	42,139	\$	41,579	\$	48,518	\$	39,666
Nonperforming and restructured loans to total loans	1.11	%	0.88	%	0.98	%	1.20	%	0.76	%
Nonperforming and restructured assets to total assets	0.83	%	0.64	%	0.69	%	0.81	%	0.71	%

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 \$4.9 million, \$27.5 million and \$6.2 million of these loans at December 31, 2015, 2014 and 2013, respectively. 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. The higher level of potential problem loans in 2014 was due primarily to an additional \$22.0 million for a single commercial loan that was experiencing financial difficulty during the year, but was not considered impaired. This loan was downgraded during 2015 and moved to nonaccrual.

Allowance for Loan Losses/Fair Value Adjustments on Acquired Loans

The allowance for loan losses is management's estimate of the probable losses incurred in the Company's loan portfolio through the balance sheet date. Management's process for determining the amount of the allowance for loan losses is described under Critical Accounting Policies and Estimates. The balance of the allowance for loan losses has increased in each of the past three years, but has decreased as a percentage of total loans. At December 31, 2015, the Company's allowance for loan losses represented 0.98% of total loans, compared to 1.06% at December 31, 2014 and 1.15% at December 31, 2013. The overall credit quality of the Company's loan portfolio has stabilized. Net charge-offs declined in 2013, leveled off at \$1.2 million in 2014 and increased to \$6.9 million in 2015. The amount of net loan charge-offs is relatively low, equating to 0.17%, 0.03% and 0.03% of average total loans for the years ended December 31, 2015, 2014 and 2013, respectively. The 2014 provision for loan losses included a reversal of \$5.3 million as a result of a change in the loan loss factors. Although the national economy and the credit markets are slowly improving, if unforeseen adverse changes occur, it would be reasonable to expect that the allowance for loan losses would increase in future periods.

ANALYSIS OF ALLOWANCE FOR LOAN LOSSES

	Year Ended December 31,									
	2015		2014		2013		2012		2011	
	(Dollars in thousands)									
Balance at beginning of period	\$40,889		\$39,034		\$38,725		\$37,656		\$35,745	
Charge-offs:										
Commercial, financial and other	(5,212)	)	(933)	)	(447)	)	(764)	)	(983))
Real estate	(1,338)	)	(868)	)	(426)	)	(1,228)	)	(1,292))
Consumer	(775)	)	(818)	)	(687)	)	(652)	)	(822))
Total charge-offs	(7,325)	)	(2,619)	)	(1,560)	)	(2,644)	)	(3,097))
Recoveries:										
Commercial, financial and other	222		805		291		207		193	
Real estate	60		366		106		211		169	
Consumer	145		231		214		195		131	
Total recoveries	427		1,402		611		613		493	
Net charge-offs	(6,898)	)	(1,217)	)	(949)	)	(2,031)	)	(2,604))
Provision charged to operations	7,675		3,072		1,258		3,100		4,515	
Balance at end of period	\$41,666		\$40,889		\$39,034		\$38,725		\$37,656	
Average loans	\$3,930,470		\$3,643,018		\$3,281,303		\$3,099,888		\$2,893,263	
Total loans	\$4,245,773		\$3,860,831		\$3,387,146		\$3,242,427		\$3,013,498	
Net charge-offs to average loans	0.17	%	0.03	%	0.03	%	0.07	%	0.09	%
Allowance to total loans	0.98	%	1.06	%	1.15	%	1.19	%	1.25	%
Allocation of the allowance by category of loans:										
Commercial, financial and other	\$13,161		\$14,056		\$9,748		\$9,823		\$9,703	
Real estate	25,522		24,257		26,481		26,053		24,970	
Consumer	2,983		2,576		2,805		2,849		2,983	
Total	\$41,666		\$40,889		\$39,034		\$38,725		\$37,656	
Percentage of allowance in each category to total allowance:										
Commercial, financial and other	31.59	%	34.38	%	24.97	%	25.36	%	25.77	%
Real estate	61.25		59.32		67.84		67.28		66.31	
Consumer	7.16		6.30		7.19		7.36		7.92	
Total	100.00	%	100.00	%	100.00	%	100.00	%	100.00	%

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 \$3.3 million at December 31, 2015 and \$4.3 million at December 31, 2014, while the acquired loans outstanding were \$194.3 million and \$101.7 million, respectively. The increase in the acquired loans for 2015 was due to an acquisition made during the year.

Intangible Assets, Goodwill and Other Assets

Identifiable intangible assets and goodwill totaled \$69.7 million, \$55.6 million and \$54.8 million at December 31, 2015, 2014 and 2013, respectively. The increases were due to the acquisitions of one community bank in each 2014

and 2015.

Other assets include the cash surrender value of key-man life insurance policies. The balance of cash surrender value of key-man life insurance policies was \$67.9 million, \$64.1 million and \$62.1 million at December 31, 2015, 2014 and 2013, respectively.

Liquidity and Funding

The Company's principal source of liquidity and funding is its broad deposit base generated from customer relationships. The availability of deposits is affected by economic conditions, competition with other financial institutions and alternative investments

available to customers. Through interest rates paid, service charge levels and services offered, the Company can, to a limited extent, affect its level of deposits. The level and maturity of funding necessary to support the Company's lending and investment functions is determined through the Company's asset/liability management process. In addition to deposits, short-term borrowings comprised primarily of federal funds purchased and repurchase agreements provide additional funding sources. The Company currently does not rely heavily on long-term borrowings and does not utilize brokered CDs. The Company maintains federal funds lines of credit with other banks and could also utilize the sale of loans, securities and liquidation of other assets as sources of liquidity and funding.

Historically, the Bank is more liquid than its peers. This liquidity positions the Bank to respond to increased loan demand and other requirements for funds, or to decreases in funding sources. The liquidity of BancFirst Corporation, however, is dependent upon dividend payments from the Bank and its ability to obtain financing. Banking regulations limit bank dividends based upon net earnings retained by the Bank and minimum capital requirements. Dividends in excess of these limits require regulatory approval. At January 1, 2016, the Bank had approximately \$79.1 million of equity available for dividends to BancFirst Corporation without regulatory approval. During 2015, the Bank declared four common stock dividends totaling \$22.6 million and two preferred stock dividends totaling \$1.9 million.

Deposits

Total deposits increased \$68.7 million to \$6.0 billion, an increase of 1.2% in 2015, compared to an increase of \$485.2 million or 9.0% in 2014, and a decrease of \$21.3 million or 0.4% in 2013. Total deposits at year end 2015 increased primarily due to the acquisition of Bank of Commerce. The increase in deposits during 2014 was due to the acquisition of Bank of Union, internal growth and an annual influx of funds at the end of the year. The deposits at year end 2013 decreased; however, average deposits increased in 2013. 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 94.3%, 94.1% and 93.5% in 2015, 2014 and 2013, respectively. Noninterest-bearing deposits to total deposits were 40.3% at December 31, 2015, compared to 40.8% at December 31, 2014 and 38.5% at December 31, 2013.

ANALYSIS OF AVERAGE DEPOSITS

	Year Ended December 31,				
	2015	2014	2013	2012	2011
	(Dollars in thousands)				
Average Balances					
Demand deposits	\$2,317,639	\$2,197,474	\$1,952,582	\$1,809,102	\$1,506,371
Interest-bearing transaction deposits	734,529	750,603	653,893	712,800	709,609
Savings deposits	2,052,161	1,992,673	1,827,575	1,757,331	1,633,555
Time deposits under \$100	392,276	436,461	435,219	473,942	499,707
Total core deposits	5,496,605	5,377,211	4,869,269	4,753,175	4,349,242
Time deposits of \$100 or more	339,907	347,497	364,598	390,582	422,277
Total deposits	\$5,836,512	\$5,724,708	\$5,233,867	\$5,143,757	\$4,771,519

PERCENTAGE OF TOTAL AVERAGE DEPOSITS AND AVERAGE RATES PAID

2015		2014		2013		2012		2011	
% of	Rate	% of	Rate	% of	Rate	% of	Rate	% of	Rate

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	Total		Total		Total		Total		Total	
Demand deposits	39.71	%	38.39	%	37.31	%	35.17	%	31.57	%
Interest-bearing transaction deposits	12.59	0.10%	13.11	0.10%	12.49	0.10%	13.87	0.14%	14.87	0.20%
Savings deposits	35.16	0.23	34.81	0.23	34.92	0.23	34.16	0.32	34.24	0.55
Time deposits under \$100	6.72	0.58	7.62	0.64	8.31	0.76	9.21	0.96	10.47	1.21
Total core deposits	94.18		93.93		93.03		92.41		91.15	
Time deposits of \$100 or more	5.82	0.75	6.07	0.79	6.97	0.94	7.59	1.08	8.85	1.29
Total deposits	100.00%		100.00%		100.00%		100.00%		100.00%	
Average rate paid on interest-bearing deposits		0.29%		0.31%		0.35%		0.46%		0.67%

MATURITY OF TIME DEPOSITS

The following table shows the maturity of time deposits of \$100,000 or more:

	December 31, 2015 (Dollars in thousands)
Three months or less	\$ 71,169
Over three months through six months	54,688
Over six months through twelve months	84,556
Over twelve months	132,503
Total	\$ 342,916

At December 31, 2015, 61.4% of the Company's time deposits of \$100,000 or more mature in one year or less.

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 totaled \$500,000 at December 31, 2015, compared to \$4.0 million at December 31, 2014 and \$4.6 million at December 31, 2013.

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 \$669.8 million, are pledged as collateral for the borrowings under the line of credit. As of December 31, 2015, the Company had the ability to draw up to \$525.3 million on the FHLB line of credit based on FHLB stock holdings of \$552,500 with no advances outstanding. 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. During 2015, the Company advanced \$3.0 million on this line of credit related to the acquisition of Bank of Commerce. This borrowing was paid off before year end. Long-term borrowings at December 31, 2013 included \$6.9 million of advances. These advances matured at varying dates through 2014 and had rates between 0.3% and 3.4%.

Capital Resources

Stockholders' equity totaled \$655.5 million at December 31, 2015, compared to \$609.3 million at December 31, 2014. In addition to net income of \$66.2 million, other changes in stockholders' equity during the year ended December 31, 2015 included \$4.4 million related to stock option exercises and \$1.7 million related to stock-based compensation, that were partially offset by \$21.8 million in dividends, \$1.7 million in stock repurchases and reduction in unrealized gains of \$2.7 million. The Company's average stockholders' equity to average assets for 2015 was 9.76%, compared to 9.19% for 2014 and 9.23% for 2013. At December 31, 2015, the Company's leverage ratio was 9.46%, its Common Equity Tier 1 capital ratios was 12.89%, its Tier 1 capital ratio was 13.56% and its total risk-based capital ratio was 14.46%; compared to minimum requirements of 4%, 4.5%, 6% and 8%, respectively. Banking institutions are generally expected to maintain capital well above the minimum levels. Junior subordinated debentures are included in BancFirst Corporation's Tier I capital.

See Note (11) of the Notes to Consolidated Financial Statements for disclosures regarding the Company's Junior Subordinated Debentures.

See Note (15) of the Notes to Consolidated Financial Statements for a discussion of capital ratio requirements.

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 and approved by the Company's Executive Committee. At December 31, 2015 there were 166,276 shares remaining that could be repurchased under the SRP. For the year ended December 31, 2015, the Company repurchased 28,447 shares of its common stock for \$1.7 million at an average price of \$58.19 per share under the SRP. For the year ended December 31, 2014, the Company did not repurchase shares

under the SRP. For the year ended December 31, 2013, the Company repurchased 40,241 shares of its common stock for \$1.6 million at an average price of \$40.88 per share under the SRP.

Future dividend payments will be determined by the Company's Board of Directors considering the earnings, financial condition and capital needs of the Company and the Bank, applicable governmental policies and regulations and such other factors as the Board of Directors deems appropriate. While no assurance can be given as to the Company's ability to pay dividends, management believes that, based upon the anticipated performance of the Company, regular dividend payments will continue in 2016.

Related Party Transactions

See Note (18) of the Notes to Consolidated Financial Statements for disclosures regarding the Company's related party transactions.

CONTRACTUAL OBLIGATIONS

The Company has various contractual obligations that require future cash payments. The following table presents certain known payments for contractual obligations, by payment due period, as of December 31, 2015.

	Payment Due By Period					Total
	Less Than One Year	1 to 3 Years	3 to 5 Years	Over Five Years	Indeterminate Maturity	
	(Dollars in thousands)					
Junior subordinated debentures (1)	\$ 1,989	\$ 3,977	\$ 3,977	\$ 57,629	\$ —	\$ 67,572
Operating lease payments	1,050	971	202	594	—	2,817
Time deposits	465,972	173,474	89,709	443	—	729,598
Total contractual cash obligations	\$ 469,011	\$ 178,422	\$ 93,888	\$ 58,666	\$ —	\$ 799,987

(1) Includes principal and interest

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Market risk refers to the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market rates and prices, such as equity prices. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. Due to the nature of its operations, the Company is primarily exposed to interest rate risk arising principally from its lending, investing, deposit and borrowing activities and, to a lesser extent, liquidity risk.

Interest rate risk on the Company's balance sheet consists of repricing, option and basis risks. Repricing risk results from the differences in the maturity or repricing of asset and liability portfolios. Option risk arises from "embedded options" present in many financial instruments such as loan prepayment options, deposit early withdrawal options and interest rate options. These options allow customers opportunities to benefit when market interest rates change, which typically results in higher costs or lower revenue for the Company. Basis risk refers to the potential for changes in the underlying relationship between market rates and indices, which subsequently result in a narrowing of the profit spread on an earning asset or liability. Basis risk is also present in administered rate liabilities, such as savings accounts, negotiable order of withdrawal accounts and money market accounts where historical pricing relationships to market rates may change due to the level or directional change in market interest rates.

The Company seeks to reduce volatility in its net interest margin and net interest income through periods of changing interest rates. Accordingly, the Company's interest rate sensitivity and liquidity are monitored on an ongoing basis by its Asset and Liability Committee ("ALCO"). ALCO establishes risk measures, limits and policy guidelines for managing the amount of interest rate risk and its effect on net interest income and capital. A variety of tools are used to evaluate the magnitude of interest rate risk, the distribution of risk, the level of risk over time and the exposure to changes in certain interest rate relationships.

The ALCO also utilizes an earnings simulation model as a quantitative tool in measuring the amount of interest rate risk associated with changing market rates. The model quantifies the effects of various interest rate scenarios on projected net interest income over the next 12 months. These simulations incorporate assumptions regarding changes in interest rates and the maturity and repricing of earning assets and interest-bearing liabilities.

The ALCO uses gap analysis to monitor interest rate sensitivity based on the maturity and repricing frequencies of its earning assets and interest-bearing liabilities. This analysis indicates that the Company's position is asset-sensitive, with a positive gap of \$519 million for the zero to 12 month interval at December 31, 2015, which was 7.78% of total assets. Period gaps in the over 24 month time periods are negative, reflecting the Company's avoidance of extending the maturities of its earning assets.

The ALCO continuously monitors and manages the balance between interest rate-sensitive assets and liabilities. The objective is to manage the impact of fluctuating market rates on net interest income within acceptable levels. In order to meet this objective, management may lengthen or shorten the duration of assets or liabilities.

As of December 31, 2015, the model simulations projected that a 100 and 200 basis point increase would result in positive variance in net interest income of 3.23% and 7.21%, respectively, relative to the base case over the next 12 months. Conversely, the model simulation projected that a decrease in interest rates of 25 basis points would result in a negative variance in net interest income of 1.54% relative to the base case over the next 12 months. The likelihood of a decrease in interest rates beyond 25 basis points as of December 31, 2015 was considered to be remote given prevailing interest rate levels.

The following table presents the Company's financial instruments that are sensitive to changes in interest rates, their expected maturities and their estimated fair values at December 31, 2015.

	Avg. Rate	Expected Maturity / Principal Repayments at December 31,						Balance	Fair Value
		2016	2017	2018	2019	2020	Thereafter		
(Dollars in thousands)									
Interest Sensitive Assets									
Loans	4.85%	\$2,117,755	\$677,752	\$554,411	\$292,290	\$233,880	\$355,960	\$4,232,048	\$4,263,819
Securities	1.33	354,623	53,593	59,837	57,138	6,069	21,689	552,949	553,010
Federal funds sold and									
interest-bearing									
deposits	0.26	1,394,813	—	—	—	—	—	1,394,813	1,394,813
Interest Sensitive Liabilities									
Savings and transaction									
deposits	0.20	2,833,991	—	—	—	—	—	2,833,991	2,804,637
Time deposits	0.66	465,972	112,460	61,014	53,850	35,859	443	729,598	729,748
Short-term borrowings	0.15	500	—	—	—	—	—	500	500
Junior subordinated									
debentures	7.02	—	—	—	—	—	31,959	31,959	33,793
Off Balance Sheet Items									
Loan commitments		—	—	—	—	—	—	—	1,681
Letters of credit		—	—	—	—	—	—	—	464

The expected maturities and principal repayments are based upon the contractual terms of the instruments. Prepayments have been estimated for certain instruments with predictable prepayment rates. Savings and transaction deposits are assumed to mature all in the first year as they are not subject to withdrawal restrictions and any assumptions regarding decay rates would be very subjective. The actual maturities and principal repayments for the

financial instruments could vary substantially from the contractual terms and assumptions used in the analysis.

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders

BancFirst Corporation

Oklahoma City, Oklahoma

We have audited the accompanying consolidated balance sheets of BancFirst Corporation (the Company) as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2015. The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2015, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of PCAOB, the Company's internal control over financial reporting as of December 31, 2015, based on criteria established in Internal Control – Integrated Framework (2013 edition) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2016, expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ BKD, LLP

Oklahoma City, Oklahoma
March 11, 2016

BANCFIRST CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	December 31,	
	2015	2014
ASSETS		
Cash and due from banks	\$203,364	\$203,545
Interest-bearing deposits with banks	1,394,813	1,710,350
Securities (fair value: \$553,010 and \$524,861, respectively)	552,949	524,783
Loans held for sale	13,725	9,433
Loans (net of unearned interest)	4,232,048	3,851,398
Allowance for loan losses	(41,666)	(40,889)
Loans, net of allowance for loan losses	4,190,382	3,810,509
Premises and equipment, net	126,813	121,341
Other real estate owned	7,984	7,859
Intangible assets, net	15,695	10,635
Goodwill	54,042	44,962
Accrued interest receivable and other assets	133,062	131,555
Total assets	\$6,692,829	\$6,574,972
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$2,409,769	\$2,411,066
Interest-bearing	3,563,589	3,493,638
Total deposits	5,973,358	5,904,704
Short-term borrowings	500	3,982
Accrued interest payable and other liabilities	31,502	30,168
Junior subordinated debentures	31,959	26,804
Total liabilities	6,037,319	5,965,658
Commitments and contingent liabilities (Note 19)		
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: 15,597,446 and 15,504,513, respectively	15,597	15,504
Capital surplus	102,865	96,841
Retained earnings	535,521	492,776
Accumulated other comprehensive income, net of income tax of \$962 and \$2,644, respectively	1,527	4,193
Total stockholders' equity	655,510	609,314
Total liabilities and stockholders' equity	\$6,692,829	\$6,574,972

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands, except per share data)

	Year Ended December 31,		
	2015	2014	2013
INTEREST INCOME			
Loans, including fees	\$ 190,292	\$ 182,972	\$ 167,051
Securities:			
Taxable	5,492	5,727	4,947
Tax-exempt	982	1,061	1,222
Federal funds sold	14	2	2
Interest-bearing deposits with banks	4,265	4,391	4,064
Total interest income	201,045	194,153	177,286
INTEREST EXPENSE			
Deposits	10,251	10,795	11,579
Short-term borrowings	4	16	6
Long-term borrowings	32	25	216
Junior subordinated debentures	1,966	1,966	1,966
Total interest expense	12,253	12,802	13,767
Net interest income	188,792	181,351	163,519
Provision for loan losses	7,675	3,072	1,258
Net interest income after provision for loan losses	181,117	178,279	162,261
NONINTEREST INCOME			
Trust revenue	9,091	9,180	8,072
Service charges on deposits	57,651	56,389	52,450
Securities transactions (includes accumulated other comprehensive income reclassifications of \$3,814, \$533 and \$137, respectively)	9,269	1,641	420
Income from sales of loans	1,968	1,813	2,306
Insurance commissions	14,791	14,642	14,094
Cash management	7,510	6,741	6,250
Gain on sale of other assets	79	335	293
Other	5,449	5,672	6,270
Total noninterest income	105,808	96,413	90,155
NONINTEREST EXPENSE			
Salaries and employee benefits	113,083	108,640	102,165
Occupancy, net	11,512	11,610	10,635
Depreciation	9,966	9,595	9,412
Amortization of intangible assets	1,935	1,754	1,665
Data processing services	4,579	4,689	4,785
Net expense from other real estate owned	324	511	434
Marketing and business promotion	6,986	7,024	6,652
Deposit insurance	3,358	3,291	3,003

Other	33,972	36,407	32,823
Total noninterest expense	185,715	183,521	171,574
Income before taxes	101,210	91,171	80,842
Income tax expense	35,040	27,284	26,525
Net income	\$66,170	\$63,887	\$54,317
NET INCOME PER COMMON SHARE			
Basic	\$4.25	\$4.14	\$3.56
Diluted	\$4.17	\$4.04	\$3.49
OTHER COMPREHENSIVE INCOME			
Unrealized gains (losses) on securities, net of tax of \$207, \$(747) and \$1,249, respectively	\$(327)	\$613	\$(2,321)
Reclassification adjustment for gains included in net income, net of tax of \$1,475, \$206 and \$48, respectively	(2,339)	(327)	(89)
Other comprehensive gain (loss), net of tax of \$1,682, \$(541) and \$1,297, respectively	(2,666)	286	(2,410)
Comprehensive income	\$63,504	\$64,173	\$51,907

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollars in thousands, except share data)

	Year Ended December 31,					
	2015		2014		2013	
	Shares	Amount	Shares	Amount	Shares	Amount
COMMON STOCK						
Issued at beginning of period	15,504,513	\$ 15,504	15,333,622	\$ 15,334	15,242,308	\$ 15,242
Shares issued	121,380	121	170,891	170	157,155	158
Shares acquired and canceled	(28,447)	(28)	—	—	(65,841)	(66)
Issued at end of period	15,597,446	\$ 15,597	15,504,513	\$ 15,504	15,333,622	\$ 15,334
CAPITAL SURPLUS						
Balance at beginning of period		\$96,841		\$88,803		\$82,401
Common stock issued		3,116		4,742		3,590
Tax effect of stock options		1,191		1,620		1,452
Stock-based compensation						
arrangements		1,717		1,676		1,360
Balance at end of period		\$ 102,865		\$ 96,841		\$ 88,803
RETAINED EARNINGS						
Balance at beginning of period		\$492,776		\$448,953		\$415,607
Net income		66,170		63,887		54,317
Dividends on common stock (\$1.40, \$1.30 and \$1.20 per share, respectively)		(21,799)		(20,064)		(18,327)
Common stock acquired and canceled		(1,626)		—		(2,644)
Balance at end of period		\$535,521		\$492,776		\$448,953
ACCUMULATED OTHER						
COMPREHENSIVE INCOME						
Unrealized gains (losses) on securities:						
Balance at beginning of period		\$4,193		\$3,907		\$6,317
Net change		(2,666)		286		(2,410)

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Balance at end of period	\$ 1,527	\$ 4,193	\$ 3,907
Total stockholders' equity	\$ 655,510	\$ 609,314	\$ 556,997

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

(Dollars in thousands)

	December 31,		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$66,170	\$63,887	\$54,317
Adjustments to reconcile to net cash provided by operating activities:			
Provision for loan losses	7,675	3,072	1,258
Depreciation and amortization	11,901	11,349	11,077
Net amortization of securities premiums and discounts	1,020	910	1,563
Realized securities gains	(9,269)	(1,641)	(420)
Gain on sales of loans	(1,968)	(1,813)	(2,306)
Cash receipts from the sale of loans originated for sale	171,723	152,440	200,946
Cash disbursements for loans originated for sale	(174,047)	(153,592)	(193,853)
Deferred income tax benefit	(1,903)	(3,683)	(483)
Gain on other assets	(65)	(760)	(790)
(Increase)/decrease in interest receivable	(991)	(309)	284
Decrease in interest payable	(105)	(333)	(375)
Amortization of stock-based compensation arrangements	1,717	1,676	1,360
Other, net	6,301	5,719	5,512
Net cash provided by operating activities	78,159	76,922	78,090
INVESTING ACTIVITIES			
Net cash and due from banks (paid for) received from acquisitions	(4,007)	174,283	—
Net decrease in federal funds sold	13,256	4,619	700
Purchases of held for investment securities	(1,771)	(708)	(902)
Purchases of available for sale securities	(91,136)	(224,217)	(157,139)
Proceeds from maturities, calls and paydowns of held for investment securities	2,103	4,101	5,816
Proceeds from maturities, calls and paydowns of available for sale securities	55,689	225,394	181,769
Proceeds from sales of available for sale securities	10,850	4,855	521
Net change in loans	(243,976)	(366,064)	(153,336)
Purchases of premises, equipment and computer software	(11,263)	(11,490)	(13,896)
Proceeds from the sale of other assets	4,957	5,851	5,389
Net cash used in investing activities	(265,298)	(183,376)	(131,078)
FINANCING ACTIVITIES			
Net change in deposits	(106,422)	183,371	(21,311)
Net (decrease)/increase in short-term borrowings	(3,482)	(608)	19
Paydown of long-term borrowings	—	(6,938)	(2,240)
Issuance of common stock, net	4,428	6,532	5,200
Common stock acquired	(1,654)	—	(2,710)
Cash dividends paid	(21,449)	(19,543)	(13,583)
Net cash (used in) provided by financing activities	(128,579)	162,814	(34,625)
Net (decrease)/increase in cash, due from banks and interest-bearing deposits	(315,718)	56,360	(87,613)

Cash, due from banks and interest-bearing deposits at the beginning of the period	1,913,895	1,857,535	1,945,148
Cash, due from banks and interest-bearing deposits at the end of the period	\$1,598,177	\$1,913,895	\$1,857,535
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for interest	\$12,255	\$13,135	\$14,142
Cash paid during the period for income taxes	\$33,531	\$26,178	\$20,946
Noncash investing and financing activities:			
Unpaid common stock dividends declared	\$5,615	\$5,265	\$4,744

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

BANCFIRST CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(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 States of America (U.S. GAAP) and general practice within the banking industry. A summary of the significant accounting policies follows.

Nature of Operations

BancFirst Corporation is an Oklahoma business corporation and a financial holding company under federal law. It conducts virtually all of its operating activities through its principal wholly-owned subsidiary, BancFirst (the “Bank” or “BancFirst”), a state-chartered bank headquartered in Oklahoma City, Oklahoma. The Bank provides a wide range of retail and commercial banking services, including: commercial, real estate, agricultural and consumer lending; depository and funds transfer services; collections; safe deposit boxes; cash management services; retail brokerage services; and other services tailored for both individual and corporate customers. The Bank also offers trust services and acts as executor, administrator, trustee, transfer agent and in various other fiduciary capacities. Through its Technology and Operations Center, the Bank provides item processing, research and other correspondent banking services to financial institutions and governmental units. The Company’s wholly-owned subsidiary, BancFirst Insurance Services, Inc., an independent insurance agency, offers a variety of commercial and personal insurance products. In addition, the Company’s wholly-owned subsidiary, Council Oak Partners, LLC, an Oklahoma limited liability company, engages in investing activities.

Basis of Presentation

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 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 consolidated financial statements. Certain amounts from 2014 and 2013 have been reclassified to conform to the 2015 presentation. These reclassifications were not material to the Company’s financial statements.

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.

Securities

The Company does not engage in securities trading activities. Any sales of securities are for the purpose of executing the Company’s asset/liability management strategy, eliminating a perceived credit risk in a specific security or

providing liquidity. Securities that are being held for indefinite periods of time, or that may be sold as part of the Company's asset/liability management strategy, to provide liquidity or for other reasons, are classified as available for sale and are stated at estimated fair value. Unrealized gains or losses on securities available for sale are reported as a component of stockholders' equity, net of income tax. Gains or losses from sales of securities are based upon the book values of the specific securities sold. Securities for which the Company has the intent and ability to hold to maturity are classified as held for investment and are stated at cost, adjusted for amortization of premiums and accretion of discounts computed under the interest method. The Company reviews its portfolio of securities for impairment at least quarterly. Impairment is considered to be other-than-temporary if it is likely that all amounts contractually due will not be received for debt securities and when there is no positive evidence indicating that an investment's carrying amount is recoverable in the near term for equity securities. When impairment is considered other-than-temporary, the cost basis of the security is written down to fair value, with the impairment charge included in earnings. In evaluating whether the impairment is temporary or other-than-temporary, the Company considers, among other things, the time period the security has been in an unrealized loss position, and whether the Company has the intent and ability to hold a security for a period of time sufficient to allow for any anticipated recovery in fair value.

Loans

The lending function is governed by written policies and procedures, as determined by senior management and approved by the Board of Directors. The policies and procedures set the standards for lending in each major loan category by collateral type and use of loan proceeds. The objectives of these policies and procedures are to identify profitable markets, determine appropriate risk tolerance levels for each type of loan, establish limits for loan officer approval, set concentration limits, establish loan-to-value thresholds, set repayment terms and loan structure guidelines and adhere to documentation requirements. Interest rate risk is controlled by the use of variable rate provisions, the vast majority of which have a rate floor, limits on fixing rates for longer periods and strict adherence to the original amortization terms in a rising interest rate environment.

One to four family residential real estate loans are made in accordance with underwriting policies and are fully documented. Credit worthiness is assessed based on significant credit characteristics including credit history and residential and employment stability. These loans include first liens, junior liens and home equity lines of credit. The composition of this portfolio is primarily first liens, which comprise more than 80% of the portfolio, with junior liens comprising less than 15%, and home equity lines of credit comprising less than 5%. The Company does not engage in any hybrid loan programs. In addition, the Company does not have any exposure to loans with negative amortization, interest rate carryover or discounting of the initial rates (teaser rates).

Loans originated within the Company are stated at the principal amount outstanding, net of unearned interest, loan fees and allowance for loan losses. Interest on all performing loans is recognized, on a simple interest basis, based upon the principal amount outstanding. A loan is placed on nonaccrual status when, in the opinion of management, the future collectability of interest and/or principal is not probable. When interest accrual is discontinued, all unpaid accrued interest is reversed. 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. See Note (5) for loan disclosures.

Acquired Loans

Loans acquired through business combinations since December 2009 are required to be carried at fair value as of the date of the combination. Loans that would have a general allowance for loan losses or have specific evidence of deterioration of credit quality since origination are adjusted to fair value and any allowance for loan losses is eliminated. The difference between the fair value of loans which do not have specific evidence of deterioration of credit quality since origination and their principal balance is recognized in interest income on a level-yield method over the life of the loans. For loans which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments (as determined by the present value of expected future cash flows), the difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the "accretable yield," is recognized in interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "nonaccretable difference," are not recognized as yield adjustments or as loss accruals or valuation allowances. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows are recognized as impairments. Any probable loss due to subsequent credit deterioration of the loans since acquisition is provided for in the allowance for loan losses.

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 the 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 carried at the lower of cost or market. Gains or losses recognized upon the sale of the loans are determined on a specific identification basis. The Company does not sell residential mortgage loans with recourse other than obligations under standard representations and warranties or for fraud. These obligations relate to loan performance for the life of the loan. The amount of loans repurchased since the inception of the program is not considered to be material, and therefore, no reserve has been required.

Allowance for Loan Losses

The allowance for loan losses is an estimate of probable credit losses related to specifically identified loans and for losses inherent in the portfolio that have been incurred as of the balance sheet date. The allowance for loan losses is increased by provisions charged to operating expense and is reduced by net loan charge-offs. The amount of the allowance for loan losses is based on past loan loss experience, evaluations of known impaired loans, levels of adversely graded loans, general economic conditions and other environmental factors. Loans are considered impaired when, based on current information and events, it is probable the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment is evaluated in aggregate for smaller-balance loans of a similar nature and on an

individual loan basis for other loans. If a loan is impaired, a specific allowance is provided, if necessary, so that the loan is reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected primarily from the collateral. Interest payments on impaired loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Appraisal Policy

An updated appraisal of the collateral is obtained when a loan is first identified as a problem loan. Appraisals are reviewed annually and are updated as needed, or are updated more frequently if significant changes are believed to have occurred in the collateral or market conditions. Appraisals of other real estate owned are also reviewed and updated consistent with this policy.

Nonaccrual Policy

The Company does not accrue interest on (1) any loan upon which a default of principal or interest has existed for a period of 90 days or over unless the collateral margin or guarantor support are such that full collection of principal and interest are not in doubt, and an orderly plan for collection is in process; and (2) any other loan for which it is expected full collection of principal and interest is not probable.

A nonaccrual loan may be restored to an accrual status when none of its principal and interest are past due and unpaid or otherwise becomes well secured and in the process of collection and when prospects for collection of future contractual payments are no longer in doubt. With the exception of a formal debt forgiveness agreement, no loan which has had principal charged-off shall be restored to accrual status unless the charged-off principal has been recovered.

Charge-off Policy

When a loan deteriorates to the point that the account officer or the Loan Committee concludes it no longer represents a viable asset, it will be charged off. Similarly, any portion of a loan that is deemed to no longer be a viable asset will be charged off. A loan will not be charged off unless such action has been approved by the branch President.

Premises and Equipment

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to operating expense and is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred while improvements are capitalized. Premises and equipment is tested for impairment if events or changes in circumstances occur that indicate that the carrying amount of any premises and equipment may not be recoverable. Impairment losses are measured by comparing the fair values of the premises and equipment with their recorded amounts. Premises that are identified to be sold are transferred to other real estate owned at the lower of their carrying amounts or their fair values less estimated costs to sell. Any losses on premises identified to be sold are charged to operating expense. When premises and equipment are transferred to other real estate owned, sold, or otherwise retired, the cost and applicable accumulated depreciation are removed from the respective accounts and any resulting gains or losses are reported in the statement of comprehensive income.

Other Real Estate Owned

Other real estate owned consists of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure, and premises held for sale. These properties are carried at the lower of the book values of the related

loans or fair values based upon appraisals, less estimated costs to sell. Losses arising at the time of reclassification of such properties from loans to other real estate owned are charged directly to the allowance for loan losses. Any losses on premises identified to be sold are charged to operating expense at the time of transfer from premises to other real estate owned. Losses from declines in value of the properties subsequent to classification as other real estate owned are charged to operating expense.

Intangible Assets and Goodwill

Core deposit intangibles are amortized on a straight-line basis over the estimated useful lives of seven to ten years and customer relationship intangibles are amortized on a straight-line basis over the estimated useful life of three to eighteen years. Mortgage servicing rights are amortized based on current prepayment assumptions. Goodwill is not amortized, but is evaluated at a reporting unit level at least annually for impairment, or more frequently if other indicators of impairment are present. At least annually in the fourth quarter, intangible assets, excluding mortgage servicing rights, are evaluated for possible impairment. Impairment losses are

measured by comparing the fair values of the intangible assets with their recorded amounts. Any impairment losses are reported in the statement of comprehensive income. Mortgage servicing rights are adjusted to fair value semi-annually, if impaired.

Derivatives

The Company recognizes all of its derivative instruments as assets or liabilities in the balance sheet at fair value and recognizes the realized and unrealized change in fair value in the statement of comprehensive income. Income is derived from a fixed pricing spread when customer hedge contracts are immediately offset with counterparty contracts as compensation for administrative costs and credit risk and recognized in other noninterest income.

Insurance Commissions and Fees

Commission revenue is recognized at the later of the billing date or the effective date of the related insurance policies for those accounts billed by the Agency. Commission revenue, for accounts that are directly billed by the insurance company to the insured, is recognized when determinable by the Agency, which is generally when such commissions are received.

The Agency also receives contingent commissions from insurance companies as additional incentive for achieving specified premium volume goals and/or loss experience parameters relating to the insurance placed by the Agency. Contingent commissions from insurance companies are recognized when determinable, which is generally when such commissions are received.

Stock-based Compensation

The Company recognizes stock-based compensation as compensation expense in the statement of comprehensive income based on the fair value of the Company's stock options on the measurement date, which, for the Company, is the date of the grant. 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.

Income Taxes

The Company files a consolidated income tax return with its subsidiaries. Federal and state income tax expense or benefit has been allocated to subsidiaries on a separate return basis. Deferred taxes are recognized under the liability method based upon the future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities, using the tax rates expected to apply to taxable income in the periods when the related temporary differences are expected to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized.

Earnings Per Common Share

Basic earnings per common share is computed by dividing net income, less any preferred dividends requirement, by the weighted average of common shares outstanding. Diluted earnings per common share reflects the potential dilution that could occur if options, convertible securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

Comprehensive Income

Comprehensive income includes all changes in stockholders' equity during a period, except those resulting from transactions with stockholders. Besides net income, other components of the Company's comprehensive income includes the after tax effect of changes in the net unrealized gain/loss on securities available for sale.

Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers cash and due from banks and interest-bearing deposits with banks as cash equivalents.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 February 2015, the FASB issued ASU No. 2015-02, “Consolidation (Topic 810) – Amendments to the Consolidation Analysis.” ASU 2015-02 implements changes to both the variable interest consolidation model and the voting interest consolidation model. ASU 2015-02 (i) eliminates certain criteria that must be met when determining when fees paid to a decision maker or service provider do not represent a variable interest, (ii) amends the criteria for determining whether a limited partnership is a variable interest entity and (iii) eliminates the presumption that a general partner controls a limited partnership in the voting model. The amendments are effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2015. Adoption of ASU 2015-02 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.

In January 2014, the FASB issued ASU No. 2014-04, “Receivables: Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure (Topic 310-40).” ASU 2014-04 clarifies that an in-substance repossession or foreclosure occurs upon either the creditor obtaining legal title to the residential real estate property or the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments were effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. Adoption of ASU 2014-04 did not have a significant effect on the Company’s financial statements.

In January 2014, the FASB issued ASU No. 2014-01, “Accounting for Investments in Affordable Housing Projects (Topic 323).” ASU 2014-01 revises the necessary criteria that need to be met in order for an entity to account for investments in affordable housing projects net of the provision for income taxes. It also changes the method of

recognition from an effective amortization approach to a proportional amortization approach. Additional disclosures were also set forth in this update. The amendments were effective for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. The amendments were required to be applied retrospectively to all periods presented. Early adoption was permitted and adoption of the standard was optional. Adoption of ASU 2014-01 did not have a material impact on the Company's financial statements.

(2) RECENT DEVELOPMENTS, INCLUDING MERGERS AND ACQUISITIONS

On October 8, 2015, the Company completed its acquisition of CSB Bancshares Inc. and its subsidiary bank, Bank of Commerce, with locations in Yukon, Mustang and El Reno, Oklahoma. Bank of Commerce had approximately \$196 million in total assets, \$147 million in loans, \$175 million in deposits and \$22 million in equity capital. The acquisition was accounted for under the acquisition method and the Company acquired 100% of the voting interest. Bank of Commerce operated as a subsidiary of BancFirst Corporation until it was merged into BancFirst on November 13, 2015. As a result of the acquisition, the Company recorded a core deposit intangible of approximately \$7.1 million and goodwill of approximately \$9.4 million. The effect of this acquisition was included in the consolidated financial statements of the Company from the date of acquisition forward. The acquisition did not have a

material effect on the Company's consolidated financial statements. The acquisition of CSB Bancshares Inc. and its subsidiary bank, Bank of Commerce complements the Company's community banking strategy by adding two communities to its banking network in Oklahoma.

In October 2015, the Company recorded a gain on sale of securities of \$2.1 million, related to the redemption of warrants associated with a past loan transaction.

In June 2015, Council Oak Partners, LLC, a wholly-owned subsidiary of the Company, recognized a pretax gain of approximately \$5.2 million on one of its investments.

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.

On January 24, 2014, BancFirst assumed all of the deposits and purchased certain assets of The Bank of Union, El Reno, Oklahoma ("The Bank of Union"). The Bank of Union was closed on that day by the Oklahoma State Banking Department. At the time of the closing, The Bank of Union had total deposits of approximately \$302 million that were assumed by BancFirst. BancFirst initially purchased approximately \$121 million of loans, the majority of which were classified as performing, \$4.8 million of securities, and \$10,000 of other real estate. Its bid included a discount for the loans purchased. BancFirst had bid on, but was generally not awarded, loans that were classified as nonperforming. As a result of the acquisition, the Company recorded a core deposit intangible of approximately \$2.2 million and goodwill of \$417,000. 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.

(3) CASH, DUE FROM BANKS, INTEREST-BEARING DEPOSITS AND FEDERAL FUNDS SOLD

The Company maintains accounts with the Federal Reserve Bank and various other financial institutions primarily for the purpose of holding excess liquidity and clearing cash items. It may also sell federal funds to certain of these institutions on an overnight basis. At December 31, 2015 and 2014, the Company had no significant concentrations of credit risk with other financial institutions. The Company maintained vault cash and funds on deposit with the Federal Reserve Bank, which is included in the table below.

The Company is required, as a matter of law, to maintain a reserve balance in the form of vault cash or cash on deposit with the Federal Reserve Bank. The average amount of required reserves for each of the years ended December 31, 2015 and 2014 is included in the following table:

December 31,

	2015	2014
	(Dollars in thousands)	
Vault cash and funds on deposit with the Federal Reserve Bank	\$1,499,137	\$1,804,028
Average required Reserves	40,093	44,711

(4) SECURITIES

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

	December 31,	
	2015	2014
	(Dollars in thousands)	
Held for investment, at cost (fair value: \$8,850 and \$8,671, respectively)	\$8,789	\$8,593
Available for sale, at fair value	544,160	516,190
Total	\$552,949	\$524,783

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

	Gross		Gross	Estimated
	Amortized	Unrealized	Unrealized	Fair
	Cost	Gains	Losses	Value
	(Dollars in thousands)			
December 31, 2015				
Mortgage backed securities (1)	\$347	\$ 25	\$ —	\$ 372
States and political subdivisions	8,442	36	—	8,478
Total	\$8,789	\$ 61	\$ —	\$ 8,850
December 31, 2014				
Mortgage backed securities (1)	\$471	\$ 34	\$ —	\$ 505
States and political subdivisions	8,122	44	—	8,166
Total	\$8,593	\$ 78	\$ —	\$ 8,671

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

	Gross		Gross	Estimated
	Amortized	Unrealized	Unrealized	Fair
	Cost	Gains	Losses	Value
	(Dollars in thousands)			
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
December 31, 2014				
U.S. treasuries	\$248,767	\$ 404	\$ (178)	\$ 248,993
U.S. federal agencies	171,641	983	(175)	172,449
Mortgage backed securities (1)	26,441	602	(586)	26,457
States and political subdivisions	51,706	1,716	(49)	53,373
Other securities (2)	10,798	4,252	(132)	14,918
Total	\$509,353	\$ 7,957	\$ (1,120)	\$ 516,190

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

(2) Primarily consists of equity securities.

The unrealized gains decreased in 2015 primarily due to the reclassification of an unrealized gain on one investment of \$3.3 million from other comprehensive income to a realized gain by Council Oak Partners, LLC, a wholly-owned subsidiary of the Company. The realized gain is reported as securities transactions within the noninterest income section of the consolidated statement of comprehensive income.

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.

	December 31, 2015		2014	
	Estimated	Estimated	Estimated	Estimated
	Amortized Fair		Amortized Fair	
	Cost	Value	Cost	Value
	(Dollars in thousands)			
Held for Investment				
Contractual maturity of debt securities:				
Within one year	\$5,168	\$5,174	\$1,451	\$1,456
After one year but within five years	2,800	2,829	6,603	6,642
After five years but within ten years	795	319	380	396
After ten years	26	528	159	177
Total	\$8,789	\$8,850	\$8,593	\$8,671
Available for Sale				
Contractual maturity of debt securities:				
Within one year	\$272,820	\$272,779	\$41,772	\$41,870
After one year but within five years	178,617	180,145	350,975	352,044
After five years but within ten years	8,483	9,075	21,990	22,717
After ten years	75,522	75,853	87,252	88,132
Total debt securities	535,442	537,852	501,989	504,763
Equity securities	6,228	6,308	7,364	11,427
Total	\$541,670	\$544,160	\$509,353	\$516,190

The following is a detail of proceeds from sales and realized securities gains and losses, on available for sale securities:

	Year Ended December 31,		
	2015	2014	2013
	(Dollars in thousands)		
Proceeds	\$10,850	\$4,855	\$521
Gross gains realized	9,394	1,641	456
Gross losses realized	125	—	36

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:

	Year Ended December	
	31,	
	2015	2014
	(Dollars in thousands)	
Book value of pledged securities	\$ 493,540	\$ 522,190

The following table summarizes securities with unrealized losses, segregated by the duration of the unrealized loss, at December 31, 2015 and 2014 respectively:

	Less than 12 Months		More than 12 Months		Total	
	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
(Dollars in thousands)						
December 31, 2015						
Held for Investment						
Mortgage backed securities	\$21	\$ —	\$—	\$ —	\$21	\$ —
States and political subdivisions	—	—	—	—	—	—
Total	\$21	\$ —	\$—	\$ —	\$21	\$ —
Available for Sale						
U.S. treasuries	\$139,762	\$ 45	\$—	\$ —	\$139,762	\$ 45
U.S. federal agencies	46,948	118	5,969	35	52,917	153
Mortgage backed securities	59	—	14,844	543	14,903	543
States and political subdivisions	1,932	47	245	1	2,177	48
Other securities	304	142	105	3	409	145
Total	\$189,005	\$ 352	\$21,163	\$ 582	\$210,168	\$ 934
December 31, 2014						
Held for Investment						
Mortgage backed securities	\$—	\$ —	\$—	\$ —	\$—	\$ —
States and political subdivisions	—	—	—	—	—	—
Total	\$—	\$ —	\$—	\$ —	\$—	\$ —
Available for Sale						
U.S. treasuries	\$149,589	\$ 178	\$—	\$ —	\$149,589	\$ 178
U.S. federal agencies	40,551	113	13,653	62	54,204	175
Mortgage backed securities	17,041	585	26	1	17,067	586
States and political subdivisions	3,093	26	977	23	4,070	49
Other securities	—	—	300	132	300	132
Total	\$210,274	\$ 902	\$14,956	\$ 218	\$225,230	\$ 1,120

Declines in the fair value of held for investment and available-for-sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment losses, management considers, among other things, (i) the length of time and the extent to which the fair value has been less than cost, (ii) the financial condition and near-term prospects of the issuer and (iii) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Management has the ability and intent to hold the securities classified as held for investment until they mature, at which time the Company will receive full value for the securities. Furthermore, as of December 31, 2015 and 2014, the Company also had the ability and intent to hold the securities classified as available for sale for a period of time sufficient for a recovery of cost. The unrealized losses are largely due to increases in market interest rates over the yields available at the time the underlying debt securities were purchased. The fair value is expected to recover as the

securities approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality, and has no intent or requirement to sell before the recovery of the unrealized loss; therefore, the Company has not recognized any impairment in the Company's consolidated statement of comprehensive income.

(5) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category:

	December 31,			
	2015		2014	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial and financial:				
Commercial and industrial	\$795,803	18.80 %	\$745,106	19.35 %
Oil & gas production and equipment	87,304	2.06	104,940	2.72
Agriculture	150,620	3.56	132,830	3.45
State and political subdivisions:				
Taxable	17,605	0.42	20,431	0.53
Tax-exempt	33,575	0.79	20,952	0.54
Real estate:				
Construction	403,664	9.54	356,621	9.26
Farmland	184,707	4.36	149,507	3.88
One to four family residences	821,251	19.41	766,362	19.90
Multifamily residential properties	65,477	1.55	66,766	1.73
Commercial	1,356,430	32.05	1,191,477	30.94
Consumer	283,636	6.70	267,179	6.94
Other (not classified above)	31,976	0.76	29,227	0.76
Total loans	\$4,232,048	100.00 %	\$3,851,398	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.

There are inherent risks associated with the Company's lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where the Company operates. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. The Company is also subject to various laws and regulations that affect its lending activities. Failure to comply with applicable laws and regulations could subject the Company to regulatory enforcement action that could result in the assessment of significant civil money penalties against the Company. As a lender, the Company faces the risk that a significant number of its borrowers will fail to pay their loans when due. If borrower defaults cause losses in excess of the Company's allowance for loan losses, it could have an adverse effect on the Company's business, profitability, and financial condition.

Loans secured by real estate, including farmland, multifamily, commercial, one to four family residential and construction and development loans, have been a large portion of the Company's loan portfolio. The Company is subject to risk of future market fluctuations in property values relating to these loans. In addition, multi-family and

commercial real estate (“CRE”) loans represent the majority of the Company’s real estate loans outstanding. A decline in tenant occupancy due to such factors or for other reasons could adversely impact the ability of the Company’s borrowers to repay their loans on a timely basis, which could have a negative impact on the Company’s financial condition and results of operation. The Company attempts to manage this risk through rigorous loan underwriting standards.

During the ordinary course of business, the Company may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Company may be liable for remediation costs, as well as for personal injury and property damage.

Nonperforming and Restructured Assets

The following is a summary of nonperforming and restructured assets:

	December 31,	
	2015	2014
	(Dollars in thousands)	
Past due 90 days or more and still accruing	\$1,841	\$1,135
Nonaccrual	30,096	16,410
Restructured	15,143	16,515
Total nonperforming and restructured loans	47,080	34,060
Other real estate owned and repossessed assets	8,214	8,079
Total nonperforming and restructured assets	\$55,294	\$42,139

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 \$2.0 million in 2015, \$1.2 million in 2014 and \$1.5 million in 2013.

Restructured loans consisted primarily of one relationship restructured to defer principal payments. The relationship was evaluated by management and determined to be well collateralized. Additionally, none of the concessions granted involved a principal reduction or a change from the current market rate of interest. The collateral value is monitored periodically to evaluate possible impairment. 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 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.

	December 31,	
	2015	2014
	(Dollars in thousands)	
Real estate:		
Non-residential real estate owner occupied	\$261	\$296
Non-residential real estate other	3,957	5,126
Residential real estate permanent mortgage	656	681
Residential real estate all other	1,833	1,796
Commercial and financial:		
Non-consumer non-real estate	10,159	1,556
Consumer non-real estate	312	250

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Other loans	9,381	1,659
Acquired loans	3,537	5,046
Total	\$30,096	\$16,410

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. The following table presents an age analysis of past due loans, segregated by class of loans:

Age Analysis of Past Due Loans							Accruing
30-59	60-89	90	Total				Loans 90
Days	Days	Days	Past	Current	Total		Days or
Past	Past	and	Due	Loans	Loans	Total	More
Due	Due	Greater	Loans	Loans	Loans	Loans	Past Due
(Dollars in thousands)							
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							