

BANCFIRST CORP /OK/
Form 10-Q
August 07, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

OR

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

For the transition period from _____ to _____

Commission File Number 0-14384

BancFirst Corporation

(Exact name of registrant as specified in charter)

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

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

(Registrant's telephone number, including area code)

N/A

Edgar Filing: BANCFIRST CORP /OK/ - Form 10-Q

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

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

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

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

Large accelerated filer Accelerated filer

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

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

As of July 31, 2015 there were 15,580,827 shares of the registrant's Common Stock outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BANCFIRST CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	June 30, 2015 (unaudited)	December 31, 2014 (see Note 1)
ASSETS		
Cash and due from banks	\$ 179,190	\$ 203,545
Interest-bearing deposits with banks	1,638,038	1,710,350
Securities (fair value: \$537,387 and \$524,861, respectively)	537,319	524,783
Loans held for sale	13,587	9,433
Loans (net of unearned interest)	3,858,332	3,851,398
Allowance for loan losses	(42,621)	(40,889)
Loans, net of allowance for loan losses	3,815,711	3,810,509
Premises and equipment, net	120,880	121,341
Other real estate owned	7,357	7,859
Intangible assets, net	9,681	10,635
Goodwill	44,594	44,962
Accrued interest receivable and other assets	132,541	131,555
Total assets	\$ 6,498,898	\$ 6,574,972
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	\$ 2,321,206	\$ 2,411,066
Interest-bearing	3,487,015	3,493,638
Total deposits	5,808,221	5,904,704
Short-term borrowings	2,075	3,982
Accrued interest payable and other liabilities	27,554	30,168
Junior subordinated debentures	26,804	26,804
Total liabilities	5,864,654	5,965,658
Commitments and contingent liabilities		
Stockholders' equity:		
Senior preferred stock, \$1.00 par; 10,000,000 shares authorized; none issued	—	—
Cumulative preferred stock, \$5.00 par; 900,000 shares authorized; none issued	—	—
Common stock, \$1.00 par, 20,000,000 shares authorized; shares issued and	15,562	15,504

outstanding: 15,562,298 and 15,504,513, respectively		
Capital surplus	99,202	96,841
Retained earnings	517,028	492,776
Accumulated other comprehensive income, net of income tax of \$1,547, and \$2,644, respectively	2,452	4,193
Total stockholders' equity	634,244	609,314
Total liabilities and stockholders' equity	\$6,498,898	\$6,574,972

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months		Six Months Ended	
	Ended June 30, 2015	2014	June 30, 2015	2014
INTEREST INCOME				
Loans, including fees	\$46,490	\$45,855	\$92,439	\$88,504
Securities:				
Taxable	1,458	1,502	2,857	2,807
Tax-exempt	235	273	481	553
Federal funds sold	—	—	—	1
Interest-bearing deposits with banks	1,066	1,096	2,128	2,190
Total interest income	49,249	48,726	97,905	94,055
INTEREST EXPENSE				
Deposits	2,542	2,733	5,080	5,522
Short-term borrowings	1	5	2	7
Long-term borrowings	—	7	—	25
Junior subordinated debentures	491	492	982	983
Total interest expense	3,034	3,237	6,064	6,537
Net interest income	46,215	45,489	91,841	87,518
Provision for loan losses	1,271	3,129	2,605	4,347
Net interest income after provision for loan losses	44,944	42,360	89,236	83,171
NONINTEREST INCOME				
Trust revenue	2,200	2,315	4,542	4,466
Service charges on deposits	14,312	14,360	27,664	27,818
Securities transactions	5,392	85	7,121	535
Income from sales of loans	549	467	989	818
Insurance commissions	3,120	3,262	7,188	7,228
Cash management	1,886	1,703	3,705	3,288
Gain on sale of other assets	41	3	81	8
Other	1,215	1,416	2,721	3,012
Total noninterest income	28,715	23,611	54,011	47,173
NONINTEREST EXPENSE				
Salaries and employee benefits	27,886	27,478	55,399	53,416
Occupancy, net	2,700	2,784	5,535	5,573
Depreciation	2,449	2,375	4,913	4,724
Amortization of intangible assets	445	458	889	866
Data processing services	1,179	1,185	2,296	2,355
Net expense from other real estate owned	(184)	(406)	130	144
Marketing and business promotion	1,401	1,661	3,080	3,377
Deposit insurance	836	873	1,662	1,646
Other	8,717	9,449	16,448	17,592

Edgar Filing: BANCFIRST CORP /OK/ - Form 10-Q

Total noninterest expense	45,429	45,857	90,352	89,693
Income before taxes	28,230	20,114	52,895	40,651
Income tax expense	(9,677)	(5,426)	(18,083)	(11,306)
Net income	\$18,553	\$14,688	\$34,812	\$29,345
NET INCOME PER COMMON SHARE				
Basic	\$1.19	\$0.94	\$2.24	\$1.90
Diluted	\$1.17	\$0.92	\$2.20	\$1.86
OTHER COMPREHENSIVE INCOME				
Unrealized gains (losses) on securities, net of tax of \$261, \$(618), \$(439) and \$(1,021), respectively	(417)	980	694	1,045
Reclassification adjustment for gains included in net income, net of tax of \$1,302, \$14, \$1,536 and \$34, respectively	(2,063)	(22)	(2,435)	(54)
Other comprehensive gain (loss), net of tax of \$1,563, \$(604), \$1,097 and \$(987), respectively	(2,480)	958	(1,741)	991
Comprehensive income	\$16,073	\$15,646	\$33,071	\$30,336

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
COMMON STOCK				
Issued at beginning of period	\$15,512	\$15,364	\$15,504	\$15,334
Shares issued	50	35	58	65
Issued at end of period	\$15,562	\$15,399	\$15,562	\$15,399
CAPITAL SURPLUS				
Balance at beginning of period	\$97,477	\$89,951	\$96,841	\$88,803
Common stock issued	1,080	742	1,316	1,620
Tax effect of stock options	355	325	291	248
Stock-based compensation arrangements	290	429	754	776
Balance at end of period	\$99,202	\$91,447	\$99,202	\$91,447
RETAINED EARNINGS				
Balance at beginning of period	\$503,758	\$458,857	\$492,776	\$448,953
Net income	18,553	14,688	34,812	29,345
Dividends on common stock	(5,283)	(4,784)	(10,560)	(9,537)
Balance at end of period	\$517,028	\$468,761	\$517,028	\$468,761
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Unrealized gains on securities:				
Balance at beginning of period	\$4,932	\$3,940	\$4,193	\$3,907
Net change	(2,480)	958	(1,741)	991
Balance at end of period	\$2,452	\$4,898	\$2,452	\$4,898
Total stockholders' equity	\$634,244	\$580,505	\$634,244	\$580,505

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(Dollars in thousands)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$34,812	\$29,345
Adjustments to reconcile to net cash provided by operating activities:		
Provision for loan losses	2,605	4,347
Depreciation and amortization	5,802	5,590
Net amortization of securities premiums and discounts	445	512
Realized securities gains	(7,121)	(535)
Gain on sales of loans	(989)	(818)
Cash receipts from the sale of loans originated for sale	84,029	71,074
Cash disbursements for loans originated for sale	(87,635)	(73,306)
Deferred income tax benefit	(1,464)	(2,943)
Gain on other assets	(65)	(535)
Increase in interest receivable	(740)	(411)
Decrease in interest payable	(14)	(316)
Amortization of stock-based compensation arrangements	754	776
Other, net	343	(1,619)
Net cash provided by operating activities	\$30,762	\$31,161
INVESTING ACTIVITIES		
Net decrease in federal funds sold	—	4,619
Net cash and due from banks received from acquisitions	—	174,283
Purchases of available for sale securities	(30,923)	(203,890)
Proceeds from maturities, calls and paydowns of held for investment securities	670	2,689
Proceeds from maturities, calls and paydowns of available for sale securities	12,979	163,472
Proceeds from sales of available for sale securities	8,576	1,951
Net change in loans	(10,312)	(166,388)
Purchases of premises, equipment and computer software	(4,797)	(5,783)
Proceeds from the sale of other assets	3,647	3,322
Net cash used in investing activities	(20,160)	(25,725)
FINANCING ACTIVITIES		
Net change in deposits	(96,483)	260
Net (decrease)/increase in short-term borrowings	(1,907)	7,727
Paydown of long-term borrowings	—	(6,938)
Issuance of common stock, net	1,665	1,933
Cash dividends paid	(10,544)	(9,516)
Net cash used in financing activities	(107,269)	(6,534)
Net decrease in cash, due from banks and interest-bearing deposits	(96,667)	(1,098)
Cash, due from banks and interest-bearing deposits at the beginning of the period	1,913,895	1,857,535
Cash, due from banks and interest-bearing deposits at the end of the period	\$1,817,228	\$1,856,437

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the period for interest	\$6,078	\$6,853
Cash paid during the period for income taxes	\$17,230	\$13,770
Noncash investing and financing activities:		
Unpaid common stock dividends declared	\$5,281	\$4,765

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

BANCFIRST CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

The accounting and reporting policies of BancFirst Corporation and its subsidiaries (the “Company”) conform to accounting principles generally accepted in the United State of America (U.S. GAAP) and general practice within the banking industry. A summary of significant accounting policies can be found in Note (1) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

Basis of Presentation

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

The accompanying unaudited interim consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q. The information contained in the financial statements and footnotes included in BancFirst Corporation’s Annual Report on Form 10-K for the year ended December 31, 2014, should be referred to in connection with these unaudited interim consolidated financial statements. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

The unaudited interim consolidated financial statements contained herein reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the financial position and results of operations of the Company for the interim periods presented. All such adjustments are of a normal and recurring nature. There have been no significant changes in the accounting policies of the Company since December 31, 2014, the date of the most recent annual report.

Reclassifications

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

Use of Estimates in the Preparation of Financial Statements

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

Recent Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“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 Accounting Standards Update 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

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.

In June 2015, Council Oak Partners, LLC, a wholly-owned subsidiary of the Company, recognized a pretax gain of approximately \$5.3 million on one of its investments.

On July 14, 2015, the Company announced it had entered into an agreement to acquire CSB Bancshares Inc. and its subsidiary bank, Bank of Commerce, with locations in Yukon, Mustang, and El Reno, Oklahoma. See Note (12) Subsequent Event.

(3) SECURITIES

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

	June 30, 2015	December 31, 2014
	(Dollars in thousands)	
Held for investment, at cost (fair value: \$7,991 and \$8,671, respectively)	\$7,923	\$8,593
Available for sale, at fair value	529,396	516,190
Total	\$537,319	\$524,783

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

	Gross Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2015	(Dollars in thousands)			
Mortgage backed securities (1)	\$406	\$ 26	\$ —	\$ 432
States and political subdivisions	7,517	42	—	7,559
Total	\$7,923	\$ 68	\$ —	\$ 7,991
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
June 30, 2015	(Dollars in thousands)			
U.S. treasuries	\$279,414	\$ 1,571	\$ —	\$280,985
U.S. federal agencies	165,090	1,055	(28)	166,117
Mortgage backed securities (1)	23,793	526	(549)	23,770
States and political subdivisions	47,560	1,457	(40)	48,977
Other securities (2)	9,540	204	(197)	9,547
Total	\$525,397	\$ 4,813	\$ (814)	\$529,396
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.

June 30, 2015		December 31, 2014	
Amortized	Estimated	Amortized	Estimated
Cost	Fair	Cost	Fair

Edgar Filing: BANCFIRST CORP /OK/ - Form 10-Q

	Value		Value	
	(Dollars in thousands)			
Held for Investment				
Contractual maturity of debt securities:				
Within one year	\$1,308	\$1,317	\$1,451	\$1,456
After one year but within five years	6,244	6,277	6,603	6,642
After five years but within ten years	237	249	380	396
After ten years	134	148	159	177
Total	\$7,923	\$7,991	\$8,593	\$8,671
Available for Sale				
Contractual maturity of debt securities:				
Within one year	\$166,121	\$166,327	\$41,772	\$41,870
After one year but within five years	256,716	259,037	350,975	352,044
After five years but within ten years	15,810	16,491	21,990	22,717
After ten years	80,657	81,449	87,252	88,132
Total debt securities	519,304	523,304	501,989	504,763
Equity securities	6,093	6,092	7,364	11,427
Total	\$525,397	\$529,396	\$509,353	\$516,190

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:

	June 30, 2015	December 31, 2014
	(Dollars in thousands)	
Book value of pledged securities	\$ 463,877	\$ 522,190

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category:

	June 30, 2015		December 31, 2014	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial and financial:				
Commercial and industrial	\$ 741,595	19.22 %	\$ 745,106	19.35 %
Oil & gas production and equipment	88,488	2.29	104,940	2.72
Agriculture	117,729	3.05	132,830	3.45
State and political subdivisions:				
Taxable	17,884	0.46	20,431	0.53
Tax-exempt	27,687	0.72	20,952	0.54
Real estate:				
Construction	363,067	9.41	356,621	9.26
Farmland	148,500	3.85	149,507	3.88
One to four family residences	785,170	20.35	766,362	19.90
Multifamily residential properties	64,366	1.67	66,766	1.73
Commercial	1,200,331	31.11	1,191,477	30.94
Consumer	270,172	7.00	267,179	6.94
Other (not classified above)	33,343	0.87	29,227	0.76
Total loans	\$ 3,858,332	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.

Accounting policies related to appraisals, nonaccruals and charge-offs are disclosed in Note (1) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

Nonperforming and Restructured Assets

The following is a summary of nonperforming and restructured assets:

	December	
	June 30,	31,
	2015	2014
	(Dollars in thousands)	
Past due 90 days or more and still accruing	\$1,311	\$ 1,135
Nonaccrual	32,177	16,410
Restructured	15,702	16,515
Total nonperforming and restructured loans	49,190	34,060
Other real estate owned and repossessed assets	7,521	8,079
Total nonperforming and restructured assets	\$56,711	\$ 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 \$922,000 for the six months ended June 30, 2015 and approximately \$481,000 for the six months ended June 30, 2014.

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 credit risk component in the allowance for loan losses.

The following table is a summary of amounts included in nonaccrual loans, segregated by class of loans. Residential real estate refers to one-to-four family real estate.

	June 30, 2015	December 31, 2014
(Dollars in thousands)		
Real estate:		
Non-residential real estate owner occupied	\$ 192	\$ 296
Non-residential real estate other	4,937	5,126
Residential real estate permanent mortgage	777	681
Residential real estate all other	1,479	1,796
Commercial and financial:		
Non-consumer non-real estate	18,522	1,556
Consumer non-real estate	220	250
Other loans	1,629	1,659
Acquired loans	4,421	5,046
Total	\$32,177	\$ 16,410

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

Age Analysis of Past Due Loans							Accruing
							Loans 90
							Days or
							More
							Past Due
(Dollars in thousands)							
As of June 30, 2015							
Real estate:							
Non-residential real estate owner occupied	\$235	\$—	\$ 159	\$394	\$492,117	\$492,511	\$ 159
Non-residential real estate other	914	—	825	1,739	961,559	963,298	—
	865	659	487	2,011	320,538	322,549	219

Edgar Filing: BANCFIRST CORP /OK/ - Form 10-Q

Residential real estate permanent mortgage							
Residential real estate all other	2,954	233	1,122	4,309	638,649	642,958	326
Commercial and financial:							
Non-consumer non-real estate	16,192	1,671	1,300	19,163	919,622	938,785	357
Consumer non-real estate	1,403	693	317	2,413	252,336	254,749	213
Other loans	891	567	485	1,943	155,372	157,315	—
Acquired loans	525	676	1,472	2,673	83,494	86,167	37
Total	\$23,979	\$4,499	\$6,167	\$34,645	\$3,823,687	\$3,858,332	\$ 1,311
As of December 31, 2014							
Real estate:							
Non-residential real estate owner occupied	\$635	\$—	\$269	\$904	\$482,731	\$483,635	\$ 70
Non-residential real estate other	377	317	825	1,519	952,484	954,003	—
Residential real estate permanent mortgage	2,010	758	544	3,312	304,267	307,579	172
Residential real estate all other	1,820	194	1,488	3,502	633,586	637,088	387
Commercial and financial:							
Non-consumer non-real estate	841	71	793	1,705	965,002	966,707	24
Consumer non-real estate	1,914	711	330	2,955	244,810	247,765	215
Other loans	1,858	916	741	3,515	149,469	152,984	—
Acquired loans	1,815	997	1,304	4,116	97,521	101,637	267
Total	\$11,270	\$3,964	\$6,294	\$21,528	\$3,829,870	\$3,851,398	\$ 1,135

10

Impaired Loans

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

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

	Impaired Loans			
	Recorded		Average	
	Unpaid	Investment	Related	Recorded
	Principal	with	Allowance	Investment
	Balance	Allowance	Allowance	Investment
	(Dollars in thousands)			
As of June 30, 2015				
Real estate:				
Non-residential real estate owner occupied	\$467	\$ 386	\$ 14	\$ 393
Non-residential real estate other	22,354	20,184	1,316	20,553
Residential real estate permanent mortgage	1,324	1,107	85	941
Residential real estate all other	2,122	1,889	202	2,058
Commercial and financial:				
Non-consumer non-real estate	19,328	18,879	4,503	6,740
Consumer non-real estate	612	597	119	536
Other loans	2,056	1,628	80	1,699
Acquired loans	8,183	5,153	—	7,120
Total	\$56,446	\$ 49,823	\$ 6,319	\$ 40,040
As of December 31, 2014				
Real estate:				
Non-residential real estate owner occupied	\$521	\$ 448	\$ 15	\$ 453
Non-residential real estate other	23,154	21,164	1,364	21,522
Residential real estate permanent mortgage	1,095	880	85	1,042
Residential real estate all other	2,480	2,270	299	2,273
Commercial and financial:				
Non-consumer non-real estate	1,895	1,580	431	1,646
Consumer non-real estate	664	648	138	602
Other loans	2,101	1,659	228	1,512
Acquired loans	10,933	7,708	—	8,082
Total	\$42,843	\$ 36,357	\$ 2,560	\$ 37,132

Credit Risk Monitoring and Loan Grading

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

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

The general characteristics of the risk grades are disclosed in Note (5) to the Company's Annual Report on Form 10-K for the year ended December 31, 2014.

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

	Internal Loan Grading					Total
	Grade 1	2	3	4	5	
(Dollars in thousands)						
As of June 30, 2015						
Real estate:						
Non-residential real estate owner occupied	\$407,818	\$78,987	\$5,455	\$251	\$—	\$492,511
Non-residential real estate other	809,293	119,551	29,517	4,937	—	963,298
Residential real estate permanent mortgage	283,951	30,254	7,295	1,049	—	322,549
Residential real estate all other	529,071	101,307	10,608	1,972	—	642,958
Commercial and financial:						
Non-consumer non-real estate	773,811	133,243	13,080	18,651	—	938,785
Consumer non-real estate	239,719	12,349	2,154	524	3	254,749
Other loans	150,841	3,511	2,677	286	—	157,315
Acquired loans	41,592	30,532	9,277	4,476	290	86,167
Total	\$3,236,096	\$509,734	\$80,063	\$32,146	\$293	\$3,858,332
As of December 31, 2014						
Real estate:						
Non-residential real estate owner occupied	\$402,706	\$75,555	\$5,008	\$366	\$—	\$483,635
Non-residential real estate other	795,209	133,542	20,126	5,126	—	954,003
Residential real estate permanent mortgage	272,411	27,855	6,369	944	—	307,579
Residential real estate all other	529,555	99,214	6,146	2,173	—	637,088
Commercial and financial:						
Non-consumer non-real estate	821,094	117,457	26,550	1,606	—	966,707
Consumer non-real estate	233,424	12,229	1,548	564	—	247,765
Other loans	147,758	4,261	601	173	191	152,984
Acquired loans	46,465	36,951	12,651	5,206	364	101,637
Total	\$3,248,622	\$507,064	\$78,999	\$16,158	\$555	\$3,851,398

Allowance for Loan Losses Methodology

The allowance for loan losses (“ALL”) methodology is disclosed in Note (5) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2014.

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

	ALL Balance at beginning of period (Dollars in thousands)	Charge- offs	Recoveries	Net charge-offs	Provisions charged to operations	Balance at end of period
Three Months Ended June 30, 2015						
Real estate:						
Non-residential real estate owner occupied	\$4,461	\$—	\$ —	\$ —	\$ 42	\$4,503
Non-residential real estate other	9,898	—	1	1	(19)	9,880
Residential real estate permanent mortgage	2,984	(56)	5	(51)	177	3,110
Residential real estate all other	6,578	(7)	4	(3)	(90)	6,485
Commercial and financial:						
Non-consumer non-real estate	13,068	(16)	7	(9)	654	13,713
Consumer non-real estate	2,327	(103)	40	(63)	235	2,499
Other loans	2,241	(50)	—	(50)	240	2,431
Acquired loans	—	(34)	2	(32)	32	—
Total	\$41,557	\$(266)	\$ 59	\$ (207)	\$ 1,271	\$42,621
Six Months Ended June 30, 2015						
Real estate:						
Non-residential real estate owner occupied	\$4,406	\$(1)	\$ 1	\$ —	\$ 97	\$4,503
Non-residential real estate other	9,616	—	1	1	263	9,880
Residential real estate permanent mortgage	2,948	(96)	14	(82)	244	3,110
Residential real estate all other	6,269	(75)	9	(66)	282	6,485
Commercial and financial:						
Non-consumer non-real estate	12,771	(169)	38	(131)	1,073	13,713
Consumer non-real estate	2,404	(230)	55	(175)	270	2,499
Other loans	2,359	(263)	9	(254)	326	2,431
Acquired loans	116	(194)	28	(166)	50	—
Total	\$40,889	\$(1,028)	\$ 155	\$ (873)	\$ 2,605	\$42,621

	ALL Balance at beginning of period (Dollars in thousands)	Charge- offs	Recoveries	Net charge-offs	Provisions charged to operations	Balance at end of period
Three Months Ended June 30, 2014						
Real estate:						
Non-residential real estate owner occupied	\$5,012	\$ (18)	\$ 34	\$ 16	\$ 213	\$5,241
Non-residential real estate other	10,685	—	—	—	553	11,238
Residential real estate permanent mortgage	3,237	(32)	31	(1)	74	3,310
Residential real estate all other	6,485	(44)	10	(34)	364	6,815
Commercial and financial:						
Non-consumer non-real estate	9,703	(61)	16	(45)	2,309	11,967
Consumer non-real estate	2,573	(190)	46	(144)	216	2,645
Other loans	2,072	(188)	110	(78)	(1)	1,993
Acquired loans	157	(148)	678	530	(599)	88
Total	\$39,924	\$ (681)	\$ 925	\$ 244	\$ 3,129	\$43,297
Six Months Ended June 30, 2014						
Real estate:						
Non-residential real estate owner occupied	\$4,827	\$ (22)	\$ 65	\$ 43	\$ 371	\$5,241
Non-residential real estate other	11,026	—	3	3	209	11,238
Residential real estate permanent mortgage	2,825	(162)	41	(121)	606	3,310
Residential real estate all other	6,708	(93)	14	(79)	186	6,815
Commercial and financial:						