BANCFIRST CORP /OK/
Form 10-Q
August 05, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OFTHE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2016

OR

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

Commission File Number 0-14384

BancFirst Corporation

(Exact name of registrant as specified in charter)

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

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

(405) 270-1086

(Registrant’s telephone number, including area code)

N/A

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

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

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

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

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

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

As of July 29, 2016 there were 15,583,833 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, 2016 (unaudited)	December 31, 2015 (see Note 1)
ASSETS		
Cash and due from banks	$223,899	$203,364
Interest-bearing deposits with banks	1,373,923	1,394,813
Securities (fair value: $419,298 and $553,010, respectively)	419,238	552,949
Loans held for sale	10,427	13,725
Loans (net of unearned interest)	4,326,636	4,232,048
Allowance for loan losses	(46,566)	(41,666)
Loans, net of allowance for loan losses	4,280,070	4,190,382
Premises and equipment, net	126,343	126,813
Other real estate owned	4,123	7,984
Intangible assets, net	14,485	15,695
Goodwill	54,042	54,042
Accrued interest receivable and other assets	176,826	133,062
Total assets	$6,683,376	$6,692,829
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$2,390,005	$2,409,769
Interest-bearing	3,553,977	3,563,589
Total deposits	5,943,982	5,973,358
Short-term borrowings	3,500	500
Accrued interest payable and other liabilities	27,105	31,502
Junior subordinated debentures	31,959	31,959
Total liabilities	6,006,546	6,037,319
Stockholders' equity:		
Senior preferred stock, $1.00 par; 10,000,000 shares authorized; none issued	—	—
Cumulative preferred stock, $5.00 par; 900,000 shares authorized; none issued	—	—
Common stock, $1.00 par, 20,000,000 shares authorized; shares issued and	15,560	15,597

outstanding: 15,560,271 and 15,597,446, respectively		
Capital surplus	105,676	102,865
Retained earnings	552,991	535,521
Accumulated other comprehensive income, net of income tax of $1,642 and $962, respectively	2,603	1,527
Total stockholders' equity	676,830	655,510
Total liabilities and stockholders' equity	$6,683,376	$6,692,829

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

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BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
INTEREST INCOME				
Loans, including fees	$51,046	$46,490	$101,241	$92,439
Securities:				
Taxable	1,344	1,458	2,671	2,857
Tax-exempt	243	235	498	481
Interest-bearing deposits with banks	1,852	1,066	3,654	2,128
Total interest income	54,485	49,249	108,064	97,905
INTEREST EXPENSE				
Deposits	3,092	2,542	6,172	5,080
Short-term borrowings	2	1	3	2
Junior subordinated debentures	523	491	1,045	982
Total interest expense	3,617	3,034	7,220	6,064
Net interest income	50,868	46,215	100,844	91,841
Provision for loan losses	2,804	1,271	6,907	2,605
Net interest income after provision for loan losses	48,064	44,944	93,937	89,236
NONINTEREST INCOME				
Trust revenue	2,602	2,200	5,067	4,542
Service charges on deposits	15,485	14,312	30,195	27,664
Securities transactions (includes accumulated other comprehensive income reclassifications of $0, $3,306, $100 and $3,912, respectively)	(65)	5,392	35	7,121
Income from sales of loans	695	549	1,257	989
Insurance commissions	3,255	3,120	7,390	7,188
Cash management	2,732	1,886	5,050	3,705
Gain on sale of other assets	55	41	59	81
Other	1,298	1,215	2,621	2,721
Total noninterest income	26,057	28,715	51,674	54,011
NONINTEREST EXPENSE				
Salaries and employee benefits	30,008	27,886	59,365	55,399
Occupancy, net	3,071	2,700	5,898	5,535
Depreciation	2,567	2,449	5,097	4,913
Amortization of intangible assets	580	445	1,161	889
Data processing services	1,174	1,179	2,389	2,296
Net expense (income) from other real estate owned	35	(184)	(1,106)	130
Marketing and business promotion	1,624	1,401	3,479	3,080
Deposit insurance	855	836	1,694	1,662
Other	7,806	8,717	16,034	16,448
Total noninterest expense	47,720	45,429	94,011	90,352

Income before taxes	26,401	28,230	51,600	52,895
Income tax expense	8,908	9,677	17,528	18,083
Net income	$17,493	$18,553	$34,072	$34,812
NET INCOME PER COMMON SHARE				
Basic	$1.12	$1.19	$2.19	$2.24
Diluted	$1.10	$1.17	$2.15	$2.20
OTHER COMPREHENSIVE INCOME				
Unrealized gains (losses) on securities, net of tax of $(345), $284, $(719) and $(416), respectively	546	(453)	1,137	658
Reclassification adjustment for gains included in net income, net of tax of $0, $1,279, $39 and $1,513, respectively	—	(2,027)	(61)	(2,399)
Other comprehensive gains (losses), net of tax of $(345), $1,563, $(680) and $1,097, respectively	546	(2,480)	1,076	(1,741)
Comprehensive income	$18,039	$16,073	$35,148	$33,071

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,	
	2016	2015	2016	2015
COMMON STOCK				
Issued at beginning of period	$15,528	$15,512	$15,597	$15,504
Shares issued	32	50	63	58
Shares acquired and canceled	—	—	(100)	—
Issued at end of period	$15,560	$15,562	$15,560	$15,562
CAPITAL SURPLUS				
Balance at beginning of period	$103,978	$97,477	$102,865	$96,841
Common stock issued	996	1,080	1,867	1,316
Tax effect of stock options	252	355	43	291
Stock-based compensation arrangements	450	290	901	754
Balance at end of period	$105,676	$99,202	$105,676	$99,202
RETAINED EARNINGS				
Balance at beginning of period	$541,098	$503,758	$535,521	$492,776
Net income	17,493	18,553	34,072	34,812
Dividends on common stock ($0.36, $0.34, $0.72 and $0.68 per share, respectively)	(5,600)	(5,283)	(11,179)	(10,560)
Common stock acquired and canceled	—	—	(5,423)	—
Balance at end of period	$552,991	$517,028	$552,991	$517,028
ACCUMULATED OTHER COMPREHENSIVE INCOME				
Unrealized gains on securities:				
Balance at beginning of period	$2,057	$4,932	$1,527	$4,193
Net change	546	(2,480)	1,076	(1,741)
Balance at end of period	$2,603	$2,452	$2,603	$2,452
Total stockholders' equity	$676,830	$634,244	$676,830	$634,244

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, 2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$34,072	$34,812
Adjustments to reconcile to net cash provided by operating activities:		
Provision for loan losses	6,907	2,605
Depreciation and amortization	6,258	5,802
Net amortization of securities premiums and discounts	184	445
Realized securities gains	(35)	(7,121)
Gain on sales of loans	(1,257)	(989)
Cash receipts from the sale of loans originated for sale	86,121	84,029
Cash disbursements for loans originated for sale	(81,566)	(87,635)
Deferred income tax benefit	(1,917)	(1,464)
Gain on other assets	(1,316)	(65)
Increase in interest receivable	(1,040)	(740)
Increase/(decrease) in interest payable	14	(14)
Amortization of stock-based compensation arrangements	901	754
Other, net	(4,867)	343
Net cash provided by operating activities	$42,459	$30,762
INVESTING ACTIVITIES		
Purchases of held for investment securities	(215)	—
Purchases of available for sale securities	(8,553)	(30,923)
Proceeds from maturities, calls and paydowns of held for investment securities	690	670
Proceeds from maturities, calls and paydowns of available for sale securities	102,677	12,979
Proceeds from sales of available for sale securities	300	8,576
Net change in loans	(98,555)	(10,312)
Purchases of premises, equipment and computer software	(5,048)	(4,797)
Proceeds from the sale of other assets	7,020	3,647
Net cash provided by (used in) investing activities	(1,684)	(20,160)
FINANCING ACTIVITIES		
Net change in deposits	(29,376)	(96,483)
Net increase/(decrease) in short-term borrowings	3,000	(1,907)
Issuance of common stock, net	1,973	1,665
Common stock acquired	(5,523)	—
Cash dividends paid	(11,204)	(10,544)
Net cash used in financing activities	(41,130)	(107,269)
Net decrease in cash, due from banks and interest-bearing deposits	(355)	(96,667)
Cash, due from banks and interest-bearing deposits at the beginning of the period	1,598,177	1,913,895
Cash, due from banks and interest-bearing deposits at the end of the period	$1,597,822	$1,817,228
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		

Cash paid during the period for interest	$7,207	$6,078
Cash paid during the period for income taxes	$17,900	$17,230
Noncash investing and financing activities:		
Unpaid common stock dividends declared	$5,590	$5,281

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

BANCFIRST CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

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

Basis of Presentation

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

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

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

Reclassifications

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

Use of Estimates in the Preparation of Financial Statements

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

Recent Accounting Pronouncements

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

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

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

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

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

(2) RECENT DEVELOPMENTS, INCLUDING MERGERS AND ACQUISITIONS

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

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

(3) SECURITIES

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

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Held for investment, at cost (fair value: $8,372 and $8,850, respectively)	$ 8,312	$ 8,789
Available for sale, at fair value	410,926	544,160
Total	$ 419,238	$ 552,949

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

June 30, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
Mortgage backed securities (1)	$301	$ 24	$ —	$ 325
States and political subdivisions	7,511	36	—	7,547
Other securities	500	—	—	500
Total	$8,312	$ 60	$ —	$ 8,372
December 31, 2015				
Mortgage backed securities (1)	$347	$ 25	$ —	$ 372
States and political subdivisions	7,942	36	—	7,978
Other securities	500	—	—	500
Total	$8,789	$ 61	$ —	$ 8,850

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

June 30, 2016	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(Dollars in thousands)			
U.S. treasuries	$204,183	$ 2,343	$ —	$206,526
U.S. federal agencies	125,083	618	(51)	125,650
Mortgage backed securities (1)	20,966	403	(555)	20,814
States and political subdivisions	46,460	1,644	(67)	48,037
Other securities (2)	9,989	142	(232)	9,899
Total	$406,681	$ 5,150	$ (905)	$410,926
December 31, 2015				
U.S. treasuries	$328,965	$ 776	$ (45)	$329,696
U.S. federal agencies	131,522	527	(153)	131,896
Mortgage backed securities (1)	21,973	425	(543)	21,855
States and political subdivisions	49,521	1,447	(48)	50,920
Other securities (2)	9,689	249	(145)	9,793
Total	$541,670	$ 3,424	$ (934)	$544,160

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

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

At June 30, 2016, $40.4 million of matured securities, which represent fair value, remained in other assets because of pledging requirements that were cleared the following day and transferred to cash. As of June 30, 2016 these were considered non-cash items and reduced the amount of proceeds from available for sale securities.

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, 2016		December 31, 2015	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Held for Investment				
Contractual maturity of debt securities:				
Within one year	$4,987	$4,997	$5,168	$5,174
After one year but within five years	2,543	2,569	2,800	2,829
After five years but within ten years	760	784	795	319
After ten years	22	22	26	528
Total	$8,312	$8,372	$8,789	$8,850
Available for Sale				
Contractual maturity of debt securities:				
Within one year	$182,254	$182,608	$272,820	$272,779
After one year but within five years	140,232	143,197	178,617	180,145
After five years but within ten years	7,986	8,610	8,483	9,075
After ten years	69,695	70,104	75,522	75,853
Total debt securities	400,167	404,519	535,442	537,852
Equity securities	6,514	6,407	6,228	6,308
Total	$406,681	$410,926	$541,670	$544,160

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

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Book value of pledged securities	$379,267	$493,540

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category:

	June 30, 2016	December 31, 2015

	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial and financial:				
Commercial and industrial	$800,313	18.50 %	$795,803	18.80 %
Oil & gas production and equipment	79,930	1.85	87,304	2.06
Agriculture	142,303	3.29	150,620	3.56
State and political subdivisions:				
Taxable	33,187	0.77	17,605	0.42
Tax-exempt	42,788	0.99	33,575	0.79
Real estate:				
Construction	405,417	9.37	403,664	9.54
Farmland	189,820	4.39	184,707	4.36
One to four family residences	843,081	19.48	821,251	19.41
Multifamily residential properties	58,815	1.36	65,477	1.55
Commercial	1,421,075	32.84	1,356,430	32.05
Consumer	272,387	6.29	283,636	6.70
Other (not classified above)	37,520	0.87	31,976	0.76
Total loans	$4,326,636	100.00%	$4,232,048	100.00%

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The Company's commercial and industrial loan category includes a small percentage of loans to companies that provide ancillary services to the oil and gas industry, such as transportation, preparation contractors and equipment manufacturers. The balance of these loans at June 30, 2016 was approximately $52 million.

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

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

Nonperforming and Restructured Assets

The following is a summary of nonperforming and restructured assets:

	June 30, 2016	December 31, 2015
	(Dollars in thousands)	
Past due 90 days or more and still accruing	$2,695	$ 1,841
Nonaccrual	30,063	30,096
Restructured	1,974	15,143
Total nonperforming and restructured loans	34,732	47,080
Other real estate owned and repossessed assets	4,469	8,214
Total nonperforming and restructured assets	$39,201	$ 55,294

Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $982,000 for the six months ended June 30, 2016 and approximately $922,000 for the six months ended June 30, 2015.

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

Loans are segregated into classes based upon the nature of the collateral and the borrower. These classes are used to estimate the credit risk component in the allowance for loan losses.

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

June 30,

	2016	December 31, 2015
	(Dollars in thousands)	
Real estate:		
Non-residential real estate owner occupied	$ 279	$ 261
Non-residential real estate other	4,179	3,957
Residential real estate permanent mortgage	735	656
Residential real estate all other	6,302	1,833
Commercial and financial:		
Non-consumer non-real estate	6,246	10,159
Consumer non-real estate	291	312
Other loans	8,910	9,381
Acquired loans	3,121	3,537
Total	$ 30,063	$ 30,096

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

	Age Analysis of Past Due Loans						
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
	(Dollars in thousands)						
As of June 30, 2016							
Real estate:							
Non-residential real estate owner occupied	$686	$170	$240	$1,096	$518,872	$519,968	$ 70
Non-residential real estate other	1,248	—	278	1,526	1,140,659	1,142,185	207
Residential real estate permanent mortgage	2,725	418	590	3,733	330,668	334,401	86
Residential real estate all other	2,691	569	5,798	9,058	710,143	719,201	268
Commercial and financial:							
Non-consumer non-real estate	1,961	608	2,024	4,593	1,000,014	1,004,607	1,477
Consumer non-real estate	1,948	695	573	3,216	273,495	276,711	418
Other loans	1,277	775	3,284	5,336	148,364	153,700	119
Acquired loans	1,407	171	465	2,043	173,820	175,863	50
Total	$13,943	$3,406	$13,252	$30,601	$4,296,035	$4,326,636	$ 2,695
As of December 31, 2015							
Real estate:							
Non-residential real estate owner occupied	$441	$179	$183	$803	$502,094	$502,897	$ —
Non-residential real estate other	1,149	108	568	1,825	1,108,935	1,110,760	521
Residential real estate permanent mortgage	2,840	636	648	4,124	328,477	332,601	493
Residential real estate all other	2,842	609	824	4,275	672,414	676,689	193
Commercial and financial:							
Non-consumer non-real estate	2,278	161	187	2,626	982,136	984,762	152
Consumer non-real estate	2,237	772	349	3,358	265,511	268,869	278
Other loans	3,565	295	1,761	5,621	156,995	162,616	132
Acquired loans	1,052	71	918	2,041	190,813	192,854	72
Total	$16,404	$2,831	$5,438	$24,673	$4,207,375	$4,232,048	$ 1,841

Impaired Loans

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

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

	Impaired Loans			
	Unpaid Principal Balance	Recorded Investment with Allowance	Related Allowance	Average Recorded Investment
	(Dollars in thousands)			
As of June 30, 2016				
Real estate:				
Non-residential real estate owner occupied	$546	$ 457	$ 14	$ 484
Non-residential real estate other	6,420	4,387	164	4,368
Residential real estate permanent mortgage	1,078	878	79	1,131
Residential real estate all other	7,063	6,800	1,517	5,725
Commercial and financial:				
Non-consumer non-real estate	13,862	8,948	1,900	7,930
Consumer non-real estate	877	843	168	707
Other loans	10,896	9,029	924	8,930
Acquired loans	5,529	3,584	—	3,894
Total	$46,271	$ 34,926	$ 4,766	$ 33,169
As of December 31, 2015				
Real estate:				
Non-residential real estate owner occupied	$507	$ 383	$ 14	$ 446
Non-residential real estate other	21,068	19,052	357	19,655
Residential real estate permanent mortgage	1,401	1,209	81	1,125
Residential real estate all other	2,498	2,235	242	1,958
Commercial and financial:				
Non-consumer non-real estate	13,897	10,312	2,062	11,786
Consumer non-real estate	738	715	181	652
Other loans	10,722	9,513	331	10,335
Acquired loans	6,295	4,248	—	4,564
Total	$57,126	$ 47,667	$ 3,268	$ 50,521

Credit Risk Monitoring and Loan Grading

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

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

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

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

	Internal Loan Grading Grade					
	1	2	3	4	5	Total
	(Dollars in thousands)					
As of June 30, 2016						
Real estate:						
Non-residential real estate owner occupied	$429,378	$79,044	$11,251	$295	$—	$519,968
Non-residential real estate other	951,915	181,582	4,302	4,386	—	1,142,185
Residential real estate permanent mortgage	295,151	31,233	7,049	968	—	334,401
Residential real estate all other	591,982	111,956	8,566	6,697	—	719,201
Commercial and financial:						
Non-consumer non-real estate	831,214	139,601	27,372	6,420	—	1,004,607
Consumer non-real estate	258,257	15,094	1,853	1,507	—	276,711
Other loans	144,008	5,577	1,720	2,395	—	153,700
Acquired loans	131,830	28,611	11,985	3,437	—	175,863
Total	$3,633,735	$592,698	$74,098	$26,105	—	$4,326,636
As of December 31, 2015						
Real estate:						
Non-residential real estate owner occupied	$417,529	$76,749	$8,304	$315	$—	$502,897
Non-residential real estate other	945,993	156,159	4,580	4,028	—	1,110,760
Residential real estate permanent mortgage	295,265	29,793	6,315	1,228	—	332,601
Residential real estate all other	554,007	111,879	9,109	1,694	—	676,689
Commercial and financial:						
Non-consumer non-real estate	821,394	140,384	12,687	10,297	—	984,762
Consumer non-real estate	251,994	14,433	1,779	662	1	268,869
Other loans	153,416	5,851	872	2,477	—	162,616
Acquired loans	165,305	12,566	11,049	3,858	76	192,854
Total	$3,604,903	$547,814	$54,695	$24,559	$77	$4,232,048

Allowance for Loan Losses Methodology

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

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

	ALL Balance at beginning of period	Charge-offs	Recoveries	Net charge-offs	Provisions charged to operations	Balance at end of period
	(Dollars in thousands)					
Three Months Ended June 30, 2016						
Real estate:						
Non-residential real estate owner occupied	$4,832	$(9)	$ —	$ (9)	$ 73	$4,896
Non-residential real estate other	10,211	(3)	1	(2)	93	10,302
Residential real estate permanent mortgage	3,164	(49)	21	(28)	67	3,203
Residential real estate all other	7,989	(70)	7	(63)	367	8,293
Commercial and financial:						
Non-consumer non-real estate	12,813	(502)	35	(467)	1,095	13,441
Consumer non-real estate	2,553	(134)	38	(96)	292	2,749
Other loans	2,790	(149)	7	(142)	729	3,377
Acquired loans	219	(13)	11	(2)	88	305
Total	$44,571	$(929)	$ 120	$ (809)	$ 2,804	$46,566
Six Months Ended June 30, 2016						
Real estate:						
Non-residential real estate owner occupied	$4,661	$(10)	$ —	$ (10)	$ 245	$4,896
Non-residential real estate other	9,921	(4)	2	(2)	383	10,302
Residential real estate permanent mortgage	3,148	(99)	38	(61)	116	3,203
Residential real estate all other	6,725	(137)	11	(126)	1,694	8,293
Commercial and financial:						
Non-consumer non-real estate	11,754	(1,305)	46	(1,259)	2,946	13,441
Consumer non-real estate	2,642	(355)	76	(279)	386	2,749
Other loans	2,648	(282)	13	(269)	998	3,377
Acquired loans	167	(17)	16	(1)	139	305
Total	$41,666	$(2,209)	$ 202	$ (2,007)	$ 6,907	$46,566

	ALL Balance at beginning of period	Charge-offs	Recoveries	Net charge-offs	Provisions charged to operations	Balance at end of period
	(Dollars in thousands)					
Three Months Ended 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

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

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

	impairment	impairment	impairment	impairment
	(Dollars in thousands)			
Real estate:				
Non-residential real estate owner occupied.	$433	$ 4,463	$323	$ 4,338
Non-residential real estate other	436	9,866	323	9,598
Residential real estate permanent mortgage	436	2,767	399	2,749
Residential real estate all other	2,102	6,191	839	5,886
Commercial and financial:				
Non-consumer non-real estate	4,769	8,672	3,365	8,389
Consumer non-real estate	572	2,177	445	2,197
Other loans	895	2,482	291	2,357
Acquired loans	—	305	—	167
Total	$9,643	$ 36,923	$5,985	$ 35,681

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

	Loans June 30, 2016 Individually evaluated for impairment	Collectively evaluated for impairment	Loans acquired with deteriorated credit quality	December 31, 2015 Individually evaluated for impairment	Collectively evaluated for impairment	Loans acquired with deteriorated credit quality
	(Dollars in thousands)					
Real estate:						
Non-residential real estate owner occupied	$11,546	$508,422	$ —	$8,619	$494,278	$ —
Non-residential real estate other	8,688	1,133,497	—	8,608	1,102,152	—
Residential real estate permanent mortgage	8,016	326,385	—	7,543	325,058	—
Residential real estate all other	15,263	703,938	—	10,803	665,886	—
Commercial and financial:						
Non-consumer non-real estate	33,792	970,815	—	22,983	961,779	—
Consumer non-real estate	3,282	273,429	—	2,416	266,453	—
Other loans	2,235	151,465	—	2,323	160,293	—
Acquired loans	—	160,443	15,420	—	177,871	14,983
Total	$82,822	$4,228,394	$ 15,420	$63,295	$4,153,770	$ 14,983

Transfers from Loans

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

	Six Months Ended June 30, 2016	2015
	(Dollars in thousands)	
Other real estate owned	$1,210	$2,522
Repossessed assets	750	424
Total	$1,960	$2,946

(5) INTANGIBLE ASSETS

The following is a summary of intangible assets:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
	(Dollars in thousands)		
As of June 30, 2016			
Core deposit intangibles	$18,659	$ (6,892)	$11,767
Customer relationship intangibles	5,699	(3,242)	2,457
Mortgage servicing intangibles	506	(245)	261
Total	$24,864	$ (10,379)	$14,485
As of December 31, 2015			
Core deposit intangibles	$20,333	$ (7,586)	$12,747
Customer relationship intangibles	5,699	(3,061)	2,638
Mortgage servicing intangibles	538	(228)	310
Total	$26,570	$ (10,875)	$15,695

The following is a summary of goodwill by business segment:

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

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

(6) STOCK-BASED COMPENSATION

The Company adopted a nonqualified incentive stock option plan (the "BancFirst ISOP") in May 1986. The Company amended the BancFirst ISOP to increase the number of shares to be issued under the plan to 3,200,000 shares in May 2016. At June 30, 2016, 205,735 shares were available for future grants. The BancFirst ISOP will terminate on December 31, 2019. The options are exercisable beginning four years from the date of grant at the rate of 25% per year for four years. Options expire at the end of fifteen years from the date of grant. Options outstanding as of June 30, 2016 will become exercisable through the year 2023. The option price must be no less than 100% of the fair value of the stock relating to such option at the date of grant.

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

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

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

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

Options granted	25,000	56.44		
Options exercised	(61,299)	30.61		
Options canceled, forfeited, or expired	(15,000)	51.51		
Outstanding at June 30, 2016	966,850	41.57	8.76 Yrs	$ 18,125
Exercisable at June 30, 2016	476,175	33.92	5.62 Yrs	$ 12,571

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

Three Months Ended June 30,		Six Months Ended June 30,
2016	2015	