

BANCFIRST CORP /OK/
Form 10-Q
May 10, 2010

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 March 31, 2010

OR

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

For the transition period from _____ to _____

Commission File Number 0-14384

BancFirst Corporation

(Exact name of registrant as specified in charter)

Oklahoma
(State or other Jurisdiction of

incorporation or organization)

101 N. Broadway, Oklahoma City, Oklahoma
(Address of principal executive offices)

73-1221379
(I.R.S. Employer

Identification No.)

73102-8405
(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 . No .

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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 April 30, 2010 there were 15,346,800 shares of the registrant's Common Stock outstanding.

PART I FINANCIAL INFORMATION**Item 1. Financial Statements.****BANCFIRST CORPORATION****CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands, except per share data)

	March 31, 2010 (unaudited)	March 31, 2009 (unaudited)	December 31, 2009 (see Note 1)
ASSETS			
Cash and due from banks	\$ 100,436	\$ 123,378	\$ 106,856
Interest-bearing deposits with banks	989,453	381,381	929,654
Federal funds sold			5,000
Securities (market value: \$431,511, \$439,963, and \$418,112, respectively)	430,586	439,220	417,172
Loans:			
Total loans (net of unearned interest)	2,766,304	2,808,499	2,738,654
Allowance for loan losses	(36,780)	(36,765)	(36,383)
Loans, net	2,729,524	2,771,734	2,702,271
Premises and equipment, net	91,329	91,806	91,794
Other real estate owned, net	10,069	5,245	9,505
Intangible assets, net	6,902	7,315	7,144
Goodwill	34,684	34,327	34,684
Accrued interest receivable	22,672	24,472	21,670
Other assets	93,134	79,277	90,365
Total assets	\$ 4,508,789	\$ 3,958,155	\$ 4,416,115
LIABILITIES AND STOCKHOLDERS EQUITY			
Deposits:			
Noninterest-bearing	\$ 1,201,577	\$ 1,000,846	\$ 1,157,688
Interest-bearing	2,807,440	2,470,672	2,771,328
Total deposits	4,009,017	3,471,518	3,929,016
Short-term borrowings	1,000	1,250	100
Accrued interest payable	3,400	4,734	3,886
Other liabilities	31,667	37,468	25,559
Junior subordinated debentures	26,804	26,804	26,804
Total liabilities	4,071,888	3,541,774	3,985,365
Commitments and contingent liabilities			
Stockholders equity:			
Senior preferred stock, \$1.00 par; 10,000,000 shares authorized; none issued			
Cumulative preferred stock, \$5.00 par; 900,000 shares authorized; none issued			
Common stock, \$1.00 par, 20,000,000 shares authorized; shares issued and outstanding: 15,337,050, 15,291,641 and 15,308,741, respectively	15,337	15,292	15,309
Capital surplus	70,728	68,380	69,725
Retained earnings	340,473	319,615	334,693
	10,363	13,094	11,023

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Accumulated other comprehensive income, net of income tax of \$(5,580), \$(7,051) and \$(5,915), respectively

Total stockholders' equity	436,901	416,381	430,750
Total liabilities and stockholders' equity	\$ 4,508,789	\$ 3,958,155	\$ 4,416,115

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2010	2009
INTEREST INCOME		
Loans, including fees	\$ 37,362	\$ 38,268
Securities:		
Taxable	3,010	3,626
Tax-exempt	329	381
Interest-bearing deposits with banks	574	359
Total interest income	41,275	42,634
INTEREST EXPENSE		
Deposits	6,924	10,380
Short-term borrowings		10
Junior subordinated debentures	489	491
Total interest expense	7,413	10,881
Net interest income	33,862	31,753
Provision for loan losses	896	3,365
Net interest income after provision for loan losses	32,966	28,388
NONINTEREST INCOME		
Trust revenue	1,398	1,315
Service charges on deposits	9,063	8,568
Securities transactions	136	339
Income from sales of loans	343	325
Insurance commissions	1,854	1,934
Cash management services	1,576	2,688
Gain on sale of other assets	105	15
Other	1,485	1,438
Total noninterest income	15,960	16,622
NONINTEREST EXPENSE		
Salaries and employee benefits	19,948	20,117
Occupancy and fixed assets expense, net	2,108	2,210
Depreciation	1,811	1,771
Amortization of intangible assets	242	230
Data processing services	1,154	905
Net expense from other real estate owned	87	107
Marketing and business promotion	1,408	1,452
Deposit insurance	1,489	815
Other	6,654	6,922

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Total noninterest expense	34,901	34,529
Income before taxes	14,025	10,481
Income tax expense	(4,722)	(3,356)
Net income	9,303	7,125
Other comprehensive income, net of tax:		
Unrealized losses on securities	(748)	(2,774)
Reclassification adjustment for gains included in net income	88	1,191
Comprehensive income	\$ 8,643	\$ 5,542
NET INCOME PER COMMON SHARE		
Basic	\$ 0.61	\$ 0.47
Diluted	\$ 0.60	\$ 0.46

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended March 31,	
	2010	2009
COMMON STOCK		
Issued at beginning of period	\$ 15,309	\$ 15,281
Shares issued	28	11
Shares acquired and canceled		
Issued at end of period	\$ 15,337	\$ 15,292
CAPITAL SURPLUS		
Balance at beginning of period	\$ 69,725	\$ 67,975
Common stock issued	591	106
Tax effect of stock options	42	33
Stock option expense	370	266
Balance at end of period	\$ 70,728	\$ 68,380
RETAINED EARNINGS		
Balance at beginning of period	\$ 334,693	\$ 315,858
Net income	9,303	7,125
Dividends on common stock	(3,523)	(3,368)
Common stock acquired and canceled		
Balance at end of period	\$ 340,473	\$ 319,615
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Unrealized gains on securities		
Balance at beginning of period	\$ 11,023	\$ 14,677
Net change	(660)	(1,583)
Balance at end of period	\$ 10,363	\$ 13,094
Total stockholders equity	\$ 436,901	\$ 416,381

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

BANCFIRST CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(Dollars in thousands)

	Three Months Ended March 31,	
	2010	2009
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES [1]	\$ (33,416)	\$ 9,940
INVESTING ACTIVITIES		
Purchases of securities:		
Held for investment	(140)	
Available for sale	(34,079)	
Maturities of securities:		
Held for investment	1,388	1,986
Available for sale	16,978	10,654
Proceeds from sales and calls of securities:		
Held for investment	7	9
Available for sale	1,068	839
Net decrease in federal funds sold	5,000	1,000
Purchases of loans	(89)	(18,879)
Proceeds from sales of loans	2,372	2,061
Net other decrease (increase) in loans	16,356	(34,023)
Purchases of premises, equipment and other	(1,531)	(2,319)
Proceeds from the sale of other assets	1,426	1,333
Net cash provided by (used in) investing activities	8,756	(37,339)
FINANCING ACTIVITIES		
Net increase in demand, transaction and savings deposits	95,201	66,975
Net (decrease) increase in certificates of deposits and IRAs	(15,200)	26,935
Net increase (decrease) in short-term borrowings	900	(11,634)
Issuance of common stock	661	150
Cash dividends paid	(3,523)	(3,369)
Net cash provided by financing activities	78,039	79,057
Net increase in cash, due from banks and interest bearing deposits	53,379	51,658
Cash, due from banks and interest bearing deposits at the beginning of the period	1,036,510	453,101
Cash, due from banks and interest bearing deposits at the end of the period	\$ 1,089,889	\$ 504,759
SUPPLEMENTAL DISCLOSURE		
Cash paid during the period for interest	\$ 7,899	\$ 11,975

[1] Includes \$48.1 million net loan originations of loans held for sale for the three months ended March 31, 2010. The accompanying notes are an integral part of these condensed consolidated financial statements.

BANCFIRST CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(1) GENERAL

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

The unaudited interim financial statements contained herein reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the financial position and results of operations of the Company for the interim periods presented. All such adjustments are of a normal and recurring nature. There have been no significant changes in the accounting policies of the Company since December 31, 2009, the date of the most recent annual report.

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.

(2) RECENT ACCOUNTING PRONOUNCEMENTS

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

(3) RECENT DEVELOPMENTS: MERGERS, ACQUISITIONS AND DISPOSALS

In April 2010 the Company elected to cease participation in the Transaction Account Guarantee Program for extended coverage of noninterest bearing transaction deposit accounts. As of March 31, 2010, the Company had approximately \$600 million of deposits covered under this program. The Company's participation in the Transaction Account Guarantee Program will expire on June 30, 2010.

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

On March 21, 2010, Congress passed student loan reform centralizing student lending in a governmental agency, which as of June 30, 2010, will result in an end to the student loan programs provided by the Company. As of March 31, 2010, the Company had approximately \$198 million of student loans with \$136 million held for sale.

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

(4) SECURITIES

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

	March 31, 2010	March 31, 2009	December 31, 2009
Held for investment, at cost (market value; \$29,465, \$33,216 and \$30,736, respectively)	\$ 28,540	\$ 32,473	\$ 29,796
Available for sale, at market value	402,046	406,747	387,376
Total	\$ 430,586	\$ 439,220	\$ 417,172

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

	March 31, 2010	March 31, 2009	December 31, 2009
Contractual maturity of debt securities:			
Within one year	\$ 162,641	\$ 122,977	\$ 69,093
After one year but within five years	245,586	272,772	267,375
After five years	12,472	27,466	70,196
Total debt securities	420,699	423,215	406,664
Equity securities	9,887	16,005	10,508
Total	\$ 430,586	\$ 439,220	\$ 417,172

The Company held 207 and 221 debt securities available for sale that had unrealized gains as of March 31, 2010 and 2009, respectively. These securities had a market value totaling \$293.3 million and \$390.0 million, respectively, and unrealized gains totaling \$14.5 million and \$17.3 million, respectively. The Company also held 26 and 15 debt securities available for sale that had unrealized losses, respectively. These securities had a market value totaling \$76.0 million and \$1.2 million and unrealized losses totaling \$409,000 and \$11,000, respectively. The Company has both the intent and ability to hold these debt securities until the unrealized losses are recovered.

(5) LOANS AND ALLOWANCE FOR LOAN LOSSES

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

	March 31,		March 31,		December 31,	
	2010	2009	2010	2009	2009	2009
	Amount	Percent	Amount	Percent	Amount	Percent
Commercial and industrial	\$ 504,624	18.24%	\$ 533,837	19.01%	\$ 515,762	18.83%
Oil & gas production & equipment	83,351	3.01	86,803	3.09	84,199	3.07
Agriculture	81,943	2.96	82,947	2.96	83,519	3.05
State and political subdivisions:						
Taxable	10,171	0.37	6,154	0.22	12,066	0.44
Tax-exempt	8,329	0.30	8,108	0.29	8,840	0.32
Real Estate:						
Construction	208,136	7.53	237,948	8.47	201,704	7.37
Farmland	83,875	3.03	87,610	3.12	85,620	3.13
One to four family residences	564,189	20.40	551,645	19.64	569,592	20.80
Multifamily residential properties	29,417	1.07	48,575	1.73	29,964	1.09
Commercial	767,946	27.76	760,630	27.08	765,911	27.97
Consumer	396,024	14.32	374,019	13.32	352,477	12.88
Other	28,299	1.01	30,223	1.07	29,000	1.05
Total loans	\$ 2,766,304	100.00%	\$ 2,808,499	100.00%	\$ 2,738,654	100.00%
Loans held for sale (included above)	\$ 142,903		\$ 8,772		\$ 94,140	

The Company's loans are mostly to customers within Oklahoma and over half of the loans are secured by real estate. Credit risk on loans is managed through limits on amounts loaned to individual borrowers, underwriting standards and loan monitoring procedures. The amounts and types of collateral obtained, if any, to secure loans are based upon the Company's underwriting standards and management's credit evaluation. Collateral varies, but may include real estate, 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.

Loans held for sale included \$135.7 million and \$82.4 million of student loans as of March 31, 2010 and December 31, 2009, respectively. Student loans are classified as consumer loans in the preceding table and valued at the lower of cost or market.

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

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

	Three Months Ended	
	March 31,	March 31,
	2010	2009
Balance at beginning of period	\$ 36,383	\$ 34,290
Charge-offs	(638)	(1,068)
Recoveries	139	178
Net charge-offs	(499)	(890)
Provisions charged to operations	896	3,365
Balance at end of period	\$ 36,780	\$ 36,765

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

	Three Months Ended March 31,	
	2010	2009
Commercial, financial and other	\$ 92	\$ 377
Real estate construction	4	135
Real estate mortgage	274	224
Consumer	129	154
Total	\$ 499	\$ 890

(6) NONPERFORMING AND RESTRUCTURED ASSETS

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

	March 31,		December 31,
	2010	2009	2009
Past due over 90 days and still accruing	\$ 589	\$ 867	\$ 853
Nonaccrual	37,801	25,255	37,133
Restructured	1,912	353	1,970
Total nonperforming and restructured loans	40,302	26,475	39,956
Other real estate owned and repossessed assets	10,272	5,576	9,881
Total nonperforming and restructured assets	\$ 50,574	\$ 32,051	\$ 49,837
Nonperforming and restructured loans to total loans	1.46%	0.94%	1.46%
Nonperforming and restructured assets to total assets	1.12%	0.81%	1.13%

(7) INTANGIBLE ASSETS AND GOODWILL

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

	2010		March 31, 2009		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Core deposit intangibles	\$ 7,222	\$ (3,739)	\$			