

BANCFIRST CORP /OK/
Form 10-K
March 16, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2008

Commission File Number 0-14384

BANCFIRST CORPORATION

(Exact name of registrant as specified in its charter)

OKLAHOMA
(State or other jurisdiction of
incorporation or organization)

73-1221379
(I.R.S. Employer Identification No.)

101 North Broadway, Oklahoma City, Oklahoma 73102

(Address of principal executive offices)(Zip Code)

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

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

Common Stock, \$1.00

Par Value Per Share

(Title of Class)

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

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

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

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer

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

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

The aggregate market value of the Common Stock held by nonaffiliates of the registrant computed using the last sale price on June 30, 2008 was approximately \$300,573,000.

As of February 28, 2009, there were 15,291,641 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the May 28, 2009 Annual Meeting of Stockholders of registrant (the 2009 Proxy Statement) to be filed pursuant to Regulation 14A are incorporated by reference into Part III of this report.

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PART I

Item 1. *Business.*

General

BancFirst Corporation (the *Company*) is an Oklahoma business corporation and a financial holding company under Federal law. It conducts virtually all of its operating activities through its principal wholly-owned subsidiary, BancFirst (the *Bank* or *BancFirst*), a state-chartered bank headquartered in Oklahoma City, Oklahoma. The Company also owns 100% of the common securities of BFC Capital Trust II, a Delaware Business Trust, 100% of Council Oak Partners LLC, an Oklahoma limited liability company engaging in investing activities, and 100% of Wilcox, Jones & McGrath, Inc., an Oklahoma business corporation operating as an independent insurance agency.

The Company was incorporated as United Community Corporation in July 1984 for the purpose of becoming a bank holding company. In June 1985, it merged with seven Oklahoma bank holding companies that had operated under common ownership and the Company has conducted business as a bank holding company since that time. Over the next several years the Company acquired additional banks and bank holding companies, and in November 1988 the Company changed its name to BancFirst Corporation. Effective April 1, 1989, the Company consolidated its 12 subsidiary banks and formed BancFirst. Over the intervening decades, the Company has continued to expand through acquisitions and de-novo branches. BancFirst currently has 87 banking locations serving 44 communities throughout Oklahoma.

The Company's strategy focuses on providing a full range of commercial banking services to retail customers and small to medium-sized businesses in both the non-metropolitan trade centers of Oklahoma and the metropolitan markets of Oklahoma City, Tulsa, Lawton, Muskogee, Norman and Shawnee. The Company operates as a super community bank, managing its community banking offices on a decentralized basis, which permits them to be responsive to local customer needs. Underwriting, funding, customer service and pricing decisions are made by Presidents in each market within the Company's strategic parameters. At the same time, the Company generally has a larger lending capacity, broader product line and greater operational scale than its principal competitors in the non-metropolitan market areas (which typically are independently-owned community banks). In the metropolitan markets served by the Company, the Company's strategy is to focus on the needs of local businesses that are not served adequately by larger institutions.

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

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

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

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

Consumer lending activities of the Bank consist of traditional forms of financing for automobiles, residential mortgage loans, home equity loans, and other personal loans. In addition, the Bank is one of Oklahoma's largest providers of guaranteed student loans. Residential loans consist primarily of home loans in non-metropolitan areas which are generally shorter in duration than typical mortgages and reprice within five years.

The Bank's range of deposit services include checking accounts, NOW accounts, savings accounts, money market accounts, sweep accounts, club accounts, individual retirement accounts and certificates of deposit. Overdraft protection and autodraft services are also offered. Deposits of the Bank are insured by the Bank Insurance Fund administered by the Federal Deposit Insurance Corporation (FDIC). In addition, certain Bank employees are licensed insurance agents qualified to offer tax deferred annuities.

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

BancFirst has the following principal subsidiaries: Council Oak Investment Corporation, a small business investment corporation, Council Oak Real Estate, Inc., a real estate investment company, BancFirst Agency, Inc., a credit life insurance agency, Lenders Collection Corporation, which is engaged in collection of troubled loans assigned to it by BancFirst, and BancFirst Community Development Corporation, a certified community development entity. All of these companies are Oklahoma corporations.

The Company had approximately 1,457 and 1,443 full-time equivalent employees as of December 31, 2008 and 2007, respectively. Its principal executive offices are located at 101 North Broadway, Oklahoma City, Oklahoma 73102, telephone number (405) 270-1086.

Market Areas and Competition

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

Management believes the Company is in an advantageous competitive position operating as a super community bank. Under this strategy, the Company provides a broad line of financial products and services to small to medium-sized businesses and consumers through full service community banking offices with decentralized management, while achieving operating efficiency and product scale through product standardization and centralization of processing and other functions. Each full service banking office has senior management with significant lending experience who exercise substantial autonomy over credit and pricing decisions. This decentralized management approach, coupled with continuity of service by the same staff members, enables the Bank to develop long-term customer relationships, maintain high quality service and

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respond quickly to customer needs. The majority of its competitors in the non-metropolitan areas are much smaller, and neither offer the range of products and services nor have the lending capacity of BancFirst. In the metropolitan communities, the Company's strategy is to be more responsive to, and more focused on, the needs of local businesses that are not served effectively by larger institutions. As reported by the FDIC, the Company's market share of deposits for Oklahoma was 5.37% as of June 30, 2008 and 5.52% as of June 30, 2007.

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

Control of the Company

Affiliates of the Company beneficially own approximately 54% of the outstanding shares of the Company's common stock outstanding as of February 28, 2009. Under Oklahoma law, holders of a majority of the outstanding shares of common stock are able to elect all of the directors and approve significant corporate actions, including business combinations. Accordingly, the affiliates have the ability to control the business and affairs of the Company.

Supervision and Regulation

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

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

Regulatory Agencies

As a financial holding company and a bank holding company, the Company is regulated under the Bank Holding Company Act of 1956 (the Bank Holding Company Act), as amended by the 1999 financial modernization legislation known as the Gramm-Leach-Bliley Act (the GLB Act), as well as other federal and state laws governing the banking business. The GLB Act preserves the role of the Federal Reserve Board as the umbrella supervisor for both financial holding companies and bank holding companies while at the same time incorporating a system of functional regulation designed to take advantage of the strengths of the various federal and state regulators. In particular, the GLB Act replaces with more limited exemptions the broad exemption from Securities and Exchange Commission (SEC) regulation that banks previously enjoyed, and it reaffirms that states are the regulators for the insurance activities of all persons who conduct such activities, including banks.

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The Company's banking subsidiary is subject to regulation and supervision by various regulatory authorities, including the Oklahoma State Banking Department and the FDIC. The Company and its subsidiaries and affiliates are also subject to various other laws, regulations, supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of the Company and its ability to make distributions to shareholders.

Additionally, the Company's common stock is registered with the SEC under Section 12(b) of the Securities Exchange Act of 1934, as amended (the Exchange Act). Consequently, the Company is subject to the information, proxy solicitation, insider trading and other restrictions and requirements of the SEC under the Exchange Act and, as a company whose shares are traded on the NASDAQ Global Select Market System, the rules of the NASDAQ Stock Market.

Recent Legislation

Emergency Economic Stabilization Act of 2008

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the EESA) was signed into law. The EESA authorized the Treasury to access up to \$700 billion to protect the U.S. economy and restore confidence and stability to the financial markets. One such program under the Treasury Department's Troubled Asset Relief Program (TARP) was action by Treasury to make significant investments in U.S. financial institutions through the Capital Purchase Program (CPP). The Treasury's stated purpose for implementing the CPP was to improve the capitalization of healthy institutions, which would improve the flow of credit to businesses and consumers, and boost the confidence of depositors, investors, and counterparties alike. All federal banking and thrift regulatory agencies encouraged eligible institutions to participate in the CPP. The Company elected not to participate in the TARP Capital Purchase Program. Management believes that current capital sources are sufficient to support organic growth, acquisitions within our current market areas, cash dividends on our common stock and periodic stock repurchases.

The Federal Reserve has also developed an Asset-Backed Commercial Paper Money Market Fund Liquidity Facility (AMLF) and the Commercial Paper Funding Facility (CPFF). The AMLF provides loans to depository institutions to purchase asset-backed commercial paper from money market mutual funds. The CPFF provides a liquidity backstop to U.S. issuers of commercial paper. These facilities are presently authorized through April 30, 2009.

Financial Stability Plan

On February 10, 2009, Treasury Secretary Timothy Geithner outlined the Financial Stability Plan, a comprehensive plan to restore stability to the U.S. financial system. The Financial Stability Plan addresses the government's strategy to strengthen the economy by getting credit flowing again to families and businesses, while imposing new measures and conditions to strengthen accountability, oversight and transparency on the financial institutions receiving funds from the government. These stronger monitoring conditions will be the new standards applicable to new TARP recipients subsequent to the enactment of the Financial Stability Plan and such conditions do not apply retroactively to TARP recipients under EESA.

American Recovery and Reinvestment Act of 2009

On February 17, 2009, the Congress enacted the American Recovery and Reinvestment Act of 2009 (Stimulus Act). The Stimulus Act includes federal tax cuts, expansion of unemployment benefits and other social welfare provisions, and domestic spending in education, health care, and infrastructure, including the energy sector. The Stimulus Act includes new provisions relating to compensation paid by institutions that receive government assistance under TARP, including institutions that have already received such assistance. The provisions include restrictions on the amounts and forms of compensation payable, provision for possible reimbursement of previously paid compensation and a requirement that compensation be submitted to non-binding say on pay shareholders votes.

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Homeowner Affordability and Stability Plan

Also in February 2009, the U.S. Treasury announced the Homeowner Affordability and Stability Plan, which proposes to provide refinancing for certain homeowners, to support low mortgage rates by strengthening confidence in Fannie Mae and Freddie Mac, and to establish a Homeowner Stability Initiative to reach at-risk homeowners. Among other things, the Homeowner Stability Initiative would offer monetary incentive to mortgage servicers and mortgage holders for certain modifications of at-risk loans, and would establish an insurance fund designed to reduce foreclosures.

Temporary Liquidity Guarantee Program

On November 21, 2008, following a determination by the Secretary of the Treasury that systemic risk existed in the nation's financial sector, the FDIC adopted a Final Rule to implement its Temporary Liquidity Guarantee Program (TLG Program). The TLG Program, designed to avoid or mitigate adverse effects of economic conditions on financial stability, has two primary components: The Debt Guarantee Program, by which the FDIC will guarantee the payment of certain newly issued senior unsecured debt issued by the depository institution, and the Transaction Account Guarantee Program, by which the FDIC will guarantee certain noninterest-bearing transaction accounts. The goal of the TLG Program is to decrease the cost of funding to the bank so that bank lending to consumers and businesses will normalize.

The Debt Guarantee Program temporarily would guarantee all newly issued senior unsecured debt up to prescribed limits issued by participating entities on or after October 14, 2008, through and including June 30, 2009. As a result of this guarantee, the unpaid principal and contract interest of an entity's newly issued senior unsecured debt would be paid by the FDIC upon a payment default. The debt eligible for coverage under the Debt Guarantee Program has to be issued by participating entities on or before June 30, 2009. The FDIC agreed to guarantee such debt until the earlier of the maturity date of the debt or until June 30, 2012.

The Transaction Account Guarantee Program provides for a temporary full guarantee by the FDIC for funds held at FDIC-insured depository institutions in non interest-bearing transaction accounts above the existing deposit insurance limit. This coverage became effective on October 14, 2008, and would continue through December 31, 2009 (assuming that the insured depository institution does not opt-out of this component of the TLG Program). Under the Transaction Account Guarantee Program, a participating institution will be able to provide customers full coverage on non-interest bearing transaction accounts, as defined in the Interim Rule, for an annual fee of 10 basis points. The coverage will be in effect for participating institutions until the end of 2009. After that date, these accounts will be subject to the basic insurance amount.

The Company has elected to participate in the TLG Program with respect to noninterest-bearing deposit accounts and certain interest-bearing checking accounts. The Company currently does not plan to participate in the TLG Program with respect to the guarantee of applicable unsecured obligations.

It is not clear at this time what impact the EESA, the CPP, the TLG Program, the Financial Stability Plan, the Stimulus Act, the Homeowner Affordability and Stability Plan, or other liquidity and funding initiatives will have on the financial markets and the other difficulties described above, including the high levels of volatility and limited credit availability currently being experienced, or on the U.S. banking and financial industries and the broader U.S. and global economies. Failure of these programs to address the issues noted above could have an adverse effect on the Company and its business.

Pending Legislation

Additional legislation and regulations may be enacted or promulgated in the future, and the Company is unable to predict the form such legislation or regulation may take, or the degree to which it would need to modify its businesses or operations to comply with such legislation or regulation. For example, proposed legislation has been introduced in Congress that would amend the federal Bankruptcy Code to permit modifications of certain mortgages that are secured by a Chapter 13 debtor's principal residence.

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Proposed legislation is introduced in almost every legislative session that would dramatically affect the regulation of the banking industry. In light of the 2008 financial crisis and a new administration in the White House, it is anticipated that legislation reshaping the regulatory landscape could be proposed in 2009. The Company cannot predict if any such legislation will be adopted or if it is adopted how it would affect the business of the Company or the Bank. Past history has demonstrated that new legislation or changes to existing laws or regulations usually results in a greater compliance burden and therefore generally increases the cost of doing business.

Bank Holding Company Activities

Financial in Nature Requirement

As a bank holding company that has elected to become a financial holding company pursuant to the Bank Holding Company Act, the Company may affiliate with securities firms and insurance companies and engage in other activities that are financial in nature or incidental or complementary to activities that are financial in nature. Financial in nature activities include securities underwriting, dealing and market making, sponsoring mutual funds and investment companies, insurance underwriting and agency, merchant banking, and other activities that the Federal Reserve Board, in consultation with the Secretary of the U.S. Treasury, determines from time to time to be financial in nature or incidental to such financial activity or is complementary to a financial activity and does not pose a safety and soundness risk.

Federal Reserve Board approval is not required for the Company to acquire a company (other than a bank holding company, bank or savings association) engaged in activities that are financial in nature or incidental to activities that are financial in nature, as determined by the Federal Reserve Board. Prior Federal Reserve Board approval is required before the Company may acquire the beneficial ownership or control of more than 5% of the voting shares or substantially all of the assets of a bank holding company, bank or savings association.

Because the Company is a financial holding company, if its subsidiary bank receives a rating under the Community Reinvestment Act of 1977, as amended (CRA), of less than satisfactory, the Company will be prohibited, until the rating is raised to satisfactory or better, from engaging in new activities or acquiring companies other than bank holding companies, banks or savings associations, except that the Company could engage in new activities, or acquire companies engaged in activities, that are closely related to banking under the Bank Holding Company Act. In addition, if the Federal Reserve Board finds that the Company's subsidiary bank is not well capitalized or well managed, the Company would be required to enter into an agreement with the Federal Reserve Board to comply with all applicable capital and management requirements and which may contain additional limitations or conditions. Until corrected, the Company would not be able to engage in any new activity or acquire companies engaged in activities that are not closely related to banking under the Bank Holding Company Act without prior Federal Reserve Board approval. If the Company fails to correct any such condition within a prescribed period, the Federal Reserve Board could order the Company to divest of its banking subsidiary or, in the alternative, to cease engaging in activities other than those closely related to banking under the Bank Holding Company Act. Although the Company is a financial holding company, it continues to maintain its status as a bank holding company for purposes of other Federal Reserve Board regulations.

Interstate Banking

Under the Riegle-Neal Interstate Banking and Branching Act (the Riegle-Neal Act), a bank holding company may acquire banks in states other than its home state, subject to any state requirement that the bank has been organized and operating for a minimum period of time, not to exceed five years, and the requirement that the bank holding company not control, prior to or following the proposed acquisition, more than 10% of the total amount of deposits of insured depository institutions nationwide or, unless the acquisition is the bank holding company's initial entry into the state, more than 30% of such deposits in the state (or such lesser or greater amount set by the state).

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

Regulatory Approval

In determining whether to approve a proposed bank acquisition, federal bank regulators will consider, among other factors, the effect of the acquisition on competition, financial condition, and future prospects including current and projected capital ratios and levels, the competence, experience, and integrity of management and record of compliance with laws and regulations, the convenience and needs of the communities to be served, including the acquiring institution's record of compliance under the CRA, and the effectiveness of the acquiring institution in combating money laundering activities.

Dividend Restrictions

Various federal and state statutory provisions and regulations limit the amount of dividends the Company's subsidiary bank and certain other subsidiaries may pay without regulatory approval. The payment of dividends by any subsidiary bank may also be affected by other regulatory requirements and policies, such as the maintenance of adequate capital. If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in, or is about to engage in, an unsafe or unsound practice (which, depending on the financial condition of the bank, could include the payment of dividends), such authority may require, after notice and hearing, that such bank cease and desist from such practice. The FDIC has formal and informal policies which provide that insured banks should generally pay dividends only out of current operating earnings.

Holding Company Structure

Transfer of Funds from Subsidiary Bank

The Bank is subject to restrictions under federal law that limit the transfer of funds or other items of value from the Bank to the Company and its nonbank subsidiaries (including affiliates) in so-called covered transactions. In general, covered transactions include loans and other extensions of credit, investments and asset purchases, as well as certain other transactions involving the transfer of value from a subsidiary bank to an affiliate or for the benefit of an affiliate. Unless an exemption applies, covered transactions by a subsidiary bank with a single affiliate are limited to 10% of the subsidiary bank's capital and surplus and, with respect to all covered transactions with affiliates in the aggregate, to 20% of the subsidiary bank's capital and surplus. Also, loans and extensions of credit to affiliates generally are required to be secured in specified amounts. A bank's transactions with its nonbank affiliates are also generally required to be on arm's length terms.

Source of Strength

The Federal Reserve Board has a policy that a bank holding company is expected to act as a source of financial and managerial strength to each of its subsidiary banks and, under appropriate circumstances, to commit resources to support each such subsidiary bank. This support may be required at times when the bank holding company may not have the resources to provide the support.

The FDIC may order the assessment of the Company if the capital of the Bank were to become impaired. If the Company failed to pay the assessment within three months, the FDIC could order the sale of the Company's stock in the Bank to cover the deficiency.

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

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Depositor Preference

The Federal Deposit Insurance Act (the "FDI Act") provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution (including the claims of the FDIC as subrogee of insured depositors) and certain claims for administrative expenses of the FDIC as a receiver will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, nondeposit creditors with respect to any extensions of credit they have made to such insured depository institution.

Capital Requirements

The Federal Reserve Board, the Comptroller and the FDIC have issued substantially similar risk-based and leverage capital guidelines applicable to United States banking organizations. In addition, these regulatory agencies may from time to time require that a banking organization maintain capital above the minimum levels, whether because of its financial condition or actual or anticipated growth. The risk-based guidelines of the FDIC, the regulatory agency with oversight over state nonmember banks such as the Bank, define a three-tier capital framework. Core, or

Tier 1, capital, consists of common and qualifying preferred stockholders' equity, less certain intangibles and other adjustments. Supplementary, or Tier 2, capital includes, among other items, certain other debt and equity investments that do not qualify as Tier 1 capital. Market risk, or Tier 3, capital, includes qualifying unsecured subordinated debt. The sum of Tier 1 and Tier 2 capital less investments in unconsolidated subsidiaries represents qualifying total capital. Risk-based capital ratios are calculated by dividing Tier 1 and total capital by risk-weighted assets. Assets and off-balance sheet exposures are assigned to one of four categories of risk-weights, based primarily on relative credit risk. The minimum Tier 1 capital ratio is 4% and the minimum total capital ratio is 8%.

Applicable banking regulations also require banking organizations such as the Bank to maintain a minimum leverage ratio (Tier 1 capital to adjusted total assets) of 3%. The principal objective of this measure is to place a constraint on the maximum degree to which banks can leverage their equity capital base. These ratio requirements are minimums. Any institution operating at or near those levels would be expected by the regulators to have well-diversified risk, including no undue interest rate risk exposures, excellent asset quality, high liquidity, and good earnings and, in general, would have to be considered a strong banking organization. All other organizations and any institutions experiencing or anticipating significant growth are expected to maintain capital ratios at least one to two percent above the minimum levels, and higher capital ratios can be required if warranted by particular circumstances or risk profile.

The various regulatory agencies have adopted substantially similar regulations that define the five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized) for classifying insured depository institutions, using the total risk-based capital, Tier 1 risk-based capital and leverage capital ratios as the relevant capital measures, and requires the respective federal regulatory agencies to implement systems for prompt corrective action for insured depository institutions that do not meet minimum capital requirements within such categories. Such regulations establish progressively more restrictive constraints on operations, management and capital distributions depending on the category in which an institution is classified.

To be well capitalized under federal bank regulatory agency definitions, a depository institution must have (i) a Tier 1 risk-based capital ratio of 6% or greater, (ii) a total risk-based capital ratio of 10% or greater, and (iii) a leverage ratio of 5% or greater. An adequately capitalized bank is defined as one that has (i) a Tier 1 risk-based capital ratio of 4% or greater, (ii) a total risk-based capital ratio of 8% or greater, and (iii) a leverage ratio of 4% or greater, and an undercapitalized bank is defined as one that has (i) a Tier 1 risk-based capital ratio of less than 4%, (ii) a total risk-based capital ratio of less than 8%, and (iii) a leverage ratio of less than 4%. A bank is considered significantly undercapitalized if the bank has (i) a Tier 1 risk-based capital ratio of less than 3%, (ii) a total risk-based capital ratio of less than 6%, and (iii) a leverage ratio of less than 3%, and

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critically undercapitalized if the bank has a ratio of tangible equity to total assets equal to or less than 2%. The applicable federal regulatory agency for a bank that is well capitalized may reclassify it as an adequately capitalized or undercapitalized institution and subject it to the supervisory actions applicable to the next lower capital category, if it determines that the bank is in an unsafe or unsound condition or deems the bank to be engaged in an unsafe or unsound practice and not to have corrected the deficiency. Under federal banking laws, failure to meet the minimum regulatory capital requirements could subject a banking institution to a variety of enforcement remedies available to federal regulatory authorities, including the termination of deposit insurance by the FDIC and seizure of the institution. As of December 31, 2008, the Bank had a Tier 1 ratio of 11.82%, a combined Tier 1 and Tier 2 ratio of 12.99%, and a leverage ratio of 9.39% and, accordingly, was considered to be well capitalized as of such date.

In addition, the Federal Reserve Board has established minimum risk based capital guidelines and leverage ratio guidelines for bank holding companies that are substantially similar to those adopted by bank regulatory agencies with respect to depository institutions. These guidelines provide for a minimum leverage ratio of 3% for bank holding companies that meet certain specified criteria, including those having the highest regulatory rating. All other bank holding companies generally are required to maintain a leverage ratio of at least 4%. As of December 31, 2008, the Company had a Tier 1 ratio of 12.61%, a combined Tier 1 and Tier 2 ratio of 13.78%, and a leverage ratio of 10.02% and, accordingly, was in compliance with all of the Federal Reserve Board's capital guidelines.

From time to time, the Federal Reserve Board and the Federal Financial Institutions Examination Council propose changes and amendments to, and issue interpretations of, risk-based capital guidelines and related reporting instructions. Such proposals or interpretations could, if implemented in the future, affect the Company's reported capital ratios and net risk-adjusted assets.

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

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

Deposit Insurance Assessments

Under the Federal Deposit Insurance Reform Act of 2005, the FDIC adopted a new risk-based premium system for FDIC deposit insurance, providing for quarterly assessments of FDIC insured institutions based on their respective rankings in one of four risk categories depending upon their examination ratings and capital ratios. Beginning in 2007, well-capitalized institutions with certain CAMELS ratings (under the Uniform Financial Institutions Examination System adopted by the Federal Financial Institutions Examination Council) were grouped in Risk Category I and were assessed for deposit insurance premiums at an annual rate, with the assessment rate for the particular institution to be determined according to a formula based on a weighted average of the institution's individual CAMELS component ratings plus either a set of financial ratios or the average ratings of its long-term debt. Institutions in Risk Categories II, III and IV are assessed premiums at progressively higher rates.

After the passage of the EESA, the FDIC also increased deposit insurance for all deposit accounts up to \$250,000 per account as of October 3, 2008 and ending December 31, 2009. It is possible that legislation could extend the higher deposit insurance limit of \$250,000 per account after this date resulting in higher deposit insurance premium expense. On December 16, 2008, the FDIC Board of Directors determined deposit insurance

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assessment rates for the first quarter of 2009. Risk Category I Institutions were assessed at a rate between 12 and 14 basis points for every \$100 of deposits, an increase from last year's rate range of 5 to 7 basis points. In addition, as a result of the Company's participation in the TLG Program, the Company is required to pay additional insurance premiums to the FDIC in an amount equal to an annualized 10 basis points on balances in non interest-bearing transaction accounts that exceed the \$250,000 deposit insurance limit, determined on a quarterly basis. Effective April 1, 2009, the FDIC will change the way its assessment system differentiates for risk, making corresponding changes to assessment rates beginning with the second quarter of 2009, and make certain technical and other changes to these rules. On February 27, 2009, the FDIC adopted an interim rule to charge banks an emergency special assessment of 20 basis points on insured deposits that would be collected in the third quarter of 2009 and agreed to increase fees it will begin charging banks in April 2009 to a range of 12 to 16 basis points. The interim rule would also permit the FDIC to impose an emergency special assessment after June 30, 2009, of up to 10 basis points if necessary to maintain public confidence in federal deposit insurance. Comments on the interim rule on special assessments are due no later than 30 days after publication in the Federal Register. The Company expects an estimated charge of approximately \$3.4 to \$6.8 million resulting from the emergency special assessment in 2009 assuming an assessment rate of 10 to 20 basis points, respectively. In addition, due to an increase in the regular assessment rate, the Company will experience an increase of approximately \$3.8 million in the deposit insurance premium expense for 2009, as compared to 2008. Due to the declining economy and its impact on financial institutions, it is reasonable to expect that additional increases or assessments or both may be imposed by the FDIC.

In addition, all FDIC-insured depository institutions must pay an annual assessment to provide funds for the payment of interest on bonds issued by the Financing Corporation, a federal corporation chartered under the authority of the Federal Housing Finance Board. The bonds (commonly referred to as FICO bonds) were issued to capitalize the Federal Savings and Loan Insurance Corporation. FDIC-insured depository institutions paid approximately 1.14 basis points on BIF-assessable deposits in 2008. The FDIC established the FICO assessment rate effective for the first quarter of 2009 at 1.14 basis points annually of assessable deposits.

Fiscal and Monetary Policies

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

Privacy Provisions of the GLB Act

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

Regulation of Securities Activities of Banks

The GLB Act also amended the federal securities laws to eliminate the blanket exceptions that banks traditionally have had from the definition of "broker" and "dealer", but provided for certain transactional

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activities that would not be considered brokerage activities, which banks could effect without having to register as a broker. In September 2007, the Federal Reserve Board and the SEC approved Regulation R to clarify the permissible bank securities activities that can be conducted under the transactional exceptions provided by the GLB Act. Regulation R provides exceptions for networking arrangements with third party broker-dealers and authorizes compensation for bank employees who refer bank customers to such broker-dealers. The rules also provide exemptions to banks for effecting securities transactions in a trustee or fiduciary capacity, for sweeping funds into certain money market funds, and for accepting orders to effect securities transactions for custody accounts. Banks that conduct activities outside the exceptions provided by Regulation R had until the first day of their first fiscal year that commences after September 30, 2008 to either register as a broker-dealer or push out their brokerage activities to affiliated broker-dealers. Regulation R did not have an effect on the current securities activities that the Bank currently conducts for customers.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley) implemented a broad range of corporate governance and accounting measures to increase corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies, and to protect investors by improving the accuracy and reliability of disclosures under federal securities laws. The Company is subject to Sarbanes-Oxley because it is required to file periodic reports with the SEC under the Securities and Exchange Act of 1934. Among other things, Sarbanes-Oxley and/or its implementing regulations have established new membership requirements and additional responsibilities for the Company's audit committee, imposed restrictions on the relationship between the Company and its outside independent auditors (including restrictions on the types of non-audit services our independent auditors may provide to us), imposed additional responsibilities for the Company's external financial statements on its chief executive officer and chief financial officer, expanded the disclosure requirements for corporate insiders, required management to evaluate the Company's disclosure controls and procedures and its internal control over financial reporting, and required its auditors to issue a report on the Company's internal control over financial reporting. The NASDAQ has imposed a number of new corporate governance requirements as well.

Patriot Act

The USA Patriot Act of 2001 (the Patriot Act) is intended to strengthen the ability of U.S. law enforcement agencies and intelligence communities to work together to combat terrorism on a variety of fronts. The Patriot Act substantially broadened the scope of the U.S. anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The U.S. Treasury Department has issued a number of implementing regulations which apply various requirements of the Patriot Act to financial institutions such as the Bank. Those regulations impose new obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and has significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The Patriot Act also requires federal bank regulators to evaluate the effectiveness of an applicant in combating money laundering in determining whether to approve a proposed bank acquisition.

Office of Foreign Asset Control

The Company and BancFirst, like all United States companies and individuals, are prohibited from transacting business with certain individuals and entities named on the Office of Foreign Asset Control's list of Specially Designated Nationals and Blocked Persons. Failure to comply may result in fines and other penalties. The Office of Foreign Asset Control has issued guidance directed at financial institutions in which it asserts that it may, in its discretion, examine institutions determined to be high-risk or to be lacking in their efforts to comply with these prohibitions.

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State Regulation

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

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

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

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

Available Information

The Company is subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934, and in accordance therewith, files periodic reports, proxy statement, and other information with the SEC. This Annual Report on Form 10-K and exhibits along with such future periodic reports, proxy statements, and other information may be inspected and copied at the public reference facilities maintained by the SEC at its principal offices at 100 F. Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the public reference facilities by contacting the SEC at 1-800-SEC-0330. Copies of such materials may also be

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obtained at prescribed rates by writing to the SEC. The SEC maintains a website (<http://www.sec.gov>) that contains registration statements, reports, proxy and information statements and other information regarding registrants that file electronically with the SEC.

The Company maintains a website www.bancfirst.com. The Company provides copies of the most recently filed 10-K and proxy statement directly on the website and also provides links to the SEC's website where all of the Company's filings with the SEC can be obtained. You may also request a copy of these filings, at no cost, by writing or telephoning us at the following address:

BancFirst Corporation

101 N. Broadway

Oklahoma City, Oklahoma 73102

ATTENTION: Joe T. Shockley, Jr.

Executive Vice President

(405) 270-1086

Item 1a. Risk Factors

In the course of conducting our business operations, the Company and our subsidiaries are exposed to a variety of risks that are inherent to the financial services industry. The following discusses some of the key inherent risk factors that could affect our business and operations, as well as other risk factors which are particularly relevant to us in the current period of significant economic and market disruption. Other factors besides those discussed below or elsewhere in this report also could adversely affect our business and operations, and these risk factors should not be considered a complete list of potential risks that may affect the Company and our subsidiaries.

Risks Related to Our Industry

The current economic environment poses significant challenges for us and could adversely affect our financial condition and results of operations.

We currently are operating in a challenging and uncertain economic environment, both nationally and in the local markets that we serve. Financial institutions continue to be affected by sharp declines in the value of financial instruments and real estate values, and while we are taking steps to reduce our market and credit risk exposure, we nonetheless are affected by these issues in view of our retaining a securities portfolio and a loan portfolio consisting of commercial and residential construction loans, residential and commercial real estate loans and commercial and industrial loans. Possible declines in the value of our investment securities could result in our recording losses on the other-than-temporary impairment (OTTI) of securities, which would reduce our earnings and therefore our capital. Continued declines in real estate values and home sales, and an increase in the financial stress on borrowers stemming from an uncertain economic environment, including rising unemployment, could have an adverse effect on our borrowers or their customers, which could adversely impact the repayment of the loans we have made. The overall deterioration in economic conditions also could subject us to increased regulatory scrutiny. In addition, a prolonged recession, or further deterioration in local economic conditions, could result in an increase in loan delinquencies; an increase in problem assets and foreclosures; and a decline in the value of the collateral for our loans, which could reduce our customers' borrowing power. Furthermore, a prolonged recession or further deterioration in local economic conditions could drive the level of loan losses beyond the level we have provided for in our loan loss allowance, which could necessitate an increase in our provision for loans losses, which, in turn, would reduce our earnings and capital. Additionally, the demand for our products and services could be reduced, which would adversely impact our liquidity and the level of revenues we generate.

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

Beginning in the fourth quarter of 2008, the U.S. government has responded to the ongoing financial crisis and economic slowdown by enacting new legislation and expanding or establishing a number of programs and initiatives. The U.S. Treasury, the FDIC and the Federal Reserve Board each have developed programs and facilities, including, among others, the TARP Capital Purchase Program and other efforts, designed to increase inter-bank lending, improve funding for consumer receivables and restore consumer and counterparty confidence in the banking sector, as more particularly described in Item 1. Business Supervision and Regulation. In addition, the recently enacted American Recovery and Reinvestment Act (ARRA) is intended to expand and establish government spending programs and provide tax cuts to stimulate the economy. Congress and the U.S. government continue to evaluate and develop various programs and initiatives designed to stabilize the financial and housing markets and stimulate the economy, including the U.S. Treasury's recently announced Financial Stability Plan and the U.S. government's recently announced foreclosure prevention program. Possible changes to bankruptcy legislation, such as the mortgage relief legislation for troubled homeowners, could cause financial institutions to recognize additional losses due to the forced restructuring of certain types of loans by the bankruptcy court. The final form of any such programs or initiatives or related legislation cannot be known at this time. There can be no assurance as to the impact that the Stimulus Act, the Financial Stability Plan or any other such initiatives or governmental programs will have on the financial markets, including the extreme levels of volatility and limited credit availability currently being experienced. The failure of these efforts to stabilize the financial markets, the continuation or worsening of current financial market conditions or unintended long-term consequences of these programs or initiatives could materially and adversely affect our business, financial condition, results of operations, access to credit, or the trading price of our common stock and other equity and debt securities.

Fluctuations in interest rates could reduce our profitability.

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

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

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

We are subject to extensive regulation, supervision and examination by federal and state banking authorities. Any change in applicable regulations or federal or state legislation could have a substantial impact on us and our results of operations. Additional legislation and regulations may be enacted or adopted in the future that could significantly affect our powers, authority and operations, which could have a material adverse effect on our financial condition and results of operations. Further, regulators have significant discretion and power to prevent or remedy unsafe or unsound practices or violations of laws by banks and bank holding companies in the performance of their supervisory and enforcement duties. The exercise of regulatory power may have a negative impact on our results of operations and financial condition.

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Recent changes in laws and regulations may cause us to incur additional costs.

Recently enacted and proposed changes in the laws and regulations affecting public companies, including the provisions of the Sarbanes-Oxley Act of 2002 and rules recently adopted by the Securities and Exchange Commission and NASDAQ Stock Market, Inc., could cause us to incur increased costs as we evaluate the implications of new rules and respond to new requirements. We continue to evaluate and monitor developments with respect to these new and proposed rules, and we cannot predict or estimate the amount of the additional costs, if any, we may incur or the timing of such costs.

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

Our results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve. Actions by monetary and fiscal authorities, including the Federal Reserve, could have an adverse effect on our deposit levels, loan demand or business earnings. See Business-Supervision and Regulation.

Risks Related to Our Business

An investment in our common stock involves risks.

Investors should carefully consider the risks described below in conjunction with the other information in this report, including our consolidated financial statements with related notes and documents incorporated by reference. If any of the following risks or other risks, which have not been identified or which we may believe are immaterial or unlikely, actually occur, our business, financial condition and results of operations could be harmed. The Company has historically paid a common stock dividend. However, in the current stressed financial markets and declining economy, which has resulted in higher FDIC insurance premiums and special assessments on FDIC-insured financial institutions, including the Bank, there can be no certainty that our common dividend will continue to be paid at the current levels. It is possible that our common dividend could be reduced or even cease to be paid. In such case, the trading price of our common stock could decline, and investors may lose all or part of their investment.

Our recent results may not be indicative of future results.

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

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

As a lender, we face the risk that a significant number of our borrowers will fail to pay their loans when due. If borrower defaults cause losses in excess of our allowance for loan losses, it could have an adverse effect on our business, profitability, and financial condition. We have established an evaluation process designed to recognize loan losses as they occur. While this evaluation process uses historical and other objective information, the classification of loans and the estimation of loan losses are dependent to a great extent on our experience and judgment. We cannot assure you that our future loan losses will not have any material adverse effects on our business, profitability or financial condition.

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

Our directors and executive officers, as a group, beneficially owned approximately 54% of the Company's outstanding common stock as of February 28, 2009. As a result of their ownership, the directors and executive

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officers have the ability, by voting their shares in concert, to influence the outcome of any matter submitted to our shareholders for approval, including the election of directors. The directors and executive officers may vote to cause the Company to take actions with which our other shareholders do not agree.

Adverse changes in economic conditions, especially in the State of Oklahoma, could have a material adverse effect on our business, growth, and profitability.

Our bank subsidiary operates exclusively within the State of Oklahoma, and as a result, our financial condition, results of operations and cash flows are subject to changes in the economic conditions in such state. Our continued success is largely dependent upon the continued growth or stability of the communities we serve. A decline in the economies of these communities could negatively impact our net income and profitability. Additionally, declines in the economies of these communities and of the State of Oklahoma in general could affect our ability to generate new loans or to receive repayments of existing loans, and our ability to attract new deposits, adversely affecting our financial condition.

Competition with other financial institutions could adversely affect our profitability.

We face vigorous competition from banks and other financial institutions, including savings and loan associations, savings banks, finance companies and credit unions. Certain of these banks and other financial institutions have substantially greater resources and lending limits, larger branch systems and other banking services that we do not offer. To a limited extent, we also compete with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies and insurance companies. When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market. This competition may reduce or limit our margins on banking and trust services, reduce our market share and adversely affect our results of operations and financial condition. If Regulation Q is repealed and financial institutions are allowed to pay interest on commercial demand deposits, competitive pressures would cause the Company's subsidiary bank to pay interest on demand deposits. Since the Company has a higher than average level of commercial demand deposits, paying interest on commercial demand deposits would have a negative impact on the Company's net interest margin.

The Company's concentration of real estate loans is subject to the local real estate market in which it operates.

Loans secured by real estate have been a large portion of the Company's loan portfolio. At December 31, 2008, this percentage was 61.5%. While our record of asset quality has historically been solid, we cannot guarantee that our record of asset quality will be maintained in future periods. Although we were not, and are not, involved in subprime or Alt-A lending, the ramifications of the subprime lending crisis and the turmoil in the financial and capital markets that followed have been far-reaching, with real estate values declining and unemployment and bankruptcies rising throughout the nation, including the region we serve. The ability of our borrowers to repay their loans could be adversely impacted by the significant change in market conditions, which not only could result in our experiencing an increase in charge-offs, but also could necessitate increasing our provision for loan losses. Either of these events would have an adverse impact on our results of operations were they to occur.

Moreover, our business depends significantly on general economic conditions in the State of Oklahoma, where the majority of the buildings and properties securing our loans and the businesses of our customers are located. Unlike larger national or superregional banks that serve a broader and more diverse geographic region, our lending is primarily concentrated in the State of Oklahoma.

Accordingly, the ability of our borrowers to repay their loans, and the value of the collateral securing such loans, may be significantly affected by economic conditions in the region or by changes in the local real estate market. A significant decline in general economic conditions caused by inflation, recession, unemployment, acts

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of terrorism, or other factors beyond our control could therefore have an adverse effect on our financial condition and results of operations. In addition, because multi-family and CRE loans represent the majority of our real estate loans outstanding, a decline in tenant occupancy due to such factors or for other reasons could adversely impact the ability of our borrowers to repay their loans on a timely basis, which could have a negative impact on our results of operations.

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

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

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

Our completed acquisitions, or any future acquisition, may not produce the revenue, cost savings, earnings or synergies that we anticipated. The process of integrating acquired companies into our business may also result in unforeseen difficulties. Unforeseen operating difficulties may absorb significant management attention, which we might otherwise devote to our existing business. Also, the process may require significant financial resources that we might otherwise allocate to other activities, including the ongoing development or expansion of our existing operations.

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

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

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

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

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

We have businesses other than banking.

In addition to commercial banking services, we provide life and other insurance products, as well as other business and financial services. We may in the future develop or acquire other non-banking businesses. As a result of other such businesses, our earnings could be subject to risks and uncertainties that are different from those to which our commercial banking services are subject.

We have a continuing need for technological change.

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

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

We have a stockholder rights plan that may have the effect of discouraging unsolicited takeover proposals. The rights issued under the stockholder rights plan would cause substantial dilution to a person or group that attempts to acquire us on terms not approved in advance by our board of directors. In addition, Oklahoma corporate law and our amended and restated certificate of incorporation contain provisions that could delay, deter or prevent a change in control of our company or our management. Together, these provisions may discourage transactions that otherwise could provide for the payment of a premium over prevailing market prices of our common stock, and also could limit the price that investors are willing to pay in the future for shares of our common stock.

Item 1b. Unresolved Staff Comments.

None.

Item 2. Properties.

The principal offices of the Company are located at 101 North Broadway, Oklahoma City, Oklahoma 73102. The Company owns substantially all of the properties and buildings in which its various offices and facilities are located. These properties include the main bank and 86 branches. BancFirst also owns properties for future expansion. There are no significant encumbrances on any of these properties.

Table of Contents**Item 3. Legal Proceedings.**

The Company has been named as a defendant in various legal actions arising from the conduct of its normal business activities. Although the amount of any liability that could arise with respect to these actions cannot be accurately predicted, in the opinion of the Company, any such liability will not have a material adverse effect on the consolidated financial position or results of operations of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

There were no matters submitted to a vote of security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the year ended December 31, 2008.

PART II**Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.****Common Stock Market Prices and Dividends**

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

	Price Range		Cash Dividends Declared
	High	Low	
2008			
Fourth Quarter	\$ 53.200	\$ 37.700	\$ 0.22
Third Quarter	\$ 73.100	\$ 40.370	\$ 0.22
Second Quarter	\$ 47.850	\$ 41.740	\$ 0.20
First Quarter	\$ 48.210	\$ 39.690	\$ 0.20
2007			
Fourth Quarter	\$ 48.460	\$ 40.830	\$ 0.20
Third Quarter	\$ 48.950	\$ 38.750	\$ 0.20
Second Quarter	\$ 48.200	\$ 41.940	\$ 0.18
First Quarter	\$ 55.210	\$ 44.160	\$ 0.18

As of February 28, 2009 there were 345 holders of record of the Common Stock.

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

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

Table of Contents**Share-Based Compensation Plans**

Information regarding share-based compensation awards outstanding and available for future grants as of December 31, 2008, segregated between BancFirst Corporation's nonqualified incentive stock option plan (the BancFirst ISOP) and BancFirst Corporation's Non-Employee Director's Stock Option Plan (the BancFirst Director's Stock Option Plan), is presented in the following table. Additional information regarding share-based compensation plans is presented in Note 13 of the Notes to the Consolidated Financial Statements.

Plan Category	Options Outstanding	Weighted Average Exercise Price	Number of Shares Available for Future Grants
BancFirst ISOP	977,453	\$ 28.28	92,160
BancFirst Director's Stock Option Plan	115,000	\$ 23.74	25,000
Total	1,092,453	\$ 27.80	117,160

Stock Repurchase Program

In November 1999, the Company adopted a new Stock Repurchase Program (the SRP) authorizing management to repurchase up to 600,000 shares of the Company's common stock. The SRP was amended in May 2001, August of 2002, and September of 2007 to increase the shares authorized to be purchased by 555,832 shares, 364,530 shares and 366,948 shares, respectively. The SRP may be used as a means to increase earnings per share and return on equity, to purchase treasury stock for the exercise of stock options or for distributions under the Deferred Stock Compensation Plan, to provide liquidity for optionees to dispose of stock from exercises of their stock options, and to provide liquidity for shareholders wishing to sell their stock. The timing, price and amount of stock repurchases under the SRP may be determined by management and must be approved by the Company's Executive Committee. At December 31, 2008 there were 560,000 shares remaining that could be repurchased under the SRP. Below is a summary of the shares repurchased under the program.

	Year Ended December 31,	
	2008	2007
Number of shares repurchased	40,000	53,000
Average price of shares repurchased	\$ 40.70	\$ 46.47

Tender Offer

In September 2007, the Company completed a modified Dutch Auction self-tender offer and purchased 539,453 shares of its common stock for the maximum offering price of \$45.00 per share. Cash on hand was used to pay for the purchase of the stock.

Item 6. Selected Financial Data.

Incorporated by reference from Selected Consolidated Financial Data contained on page A-4 of the attached Appendix.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Incorporated by reference from Financial Review contained on pages A-2 through A-20 of the attached Appendix.

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

Incorporated by reference from Financial Review Market Risk contained on page A-19 and A-20 of the attached Appendix.

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Item 8. *Financial Statements and Supplementary Data.*

The consolidated financial statements of BancFirst Corporation and its subsidiaries, are incorporated by reference from pages A-24 through A-62 of the attached Appendix, and include the following:

- a. Reports of Independent Registered Public Accounting Firm
- b. Consolidated Balance Sheets
- c. Consolidated Statements of Income and Comprehensive Income
- d. Consolidated Statements of Stockholders' Equity
- e. Consolidated Statements of Cash Flow
- f. Notes to Consolidated Financial Statements

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

None.

Item 9A. *Controls and Procedures.*

The Company's Chief Executive Officer, Chief Financial Officer and Disclosure Committee, which includes the Company's Chief Risk Officer, Chief Asset Quality Officer, Chief Internal Auditor, Treasurer, Bank Controller and General Counsel, have evaluated, as of the last day of the period covered by this report, the Company's disclosure controls and procedures. Based on their evaluation they concluded that the disclosure controls and procedures of the Company are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the applicable rules and forms. No changes were made to the Company's internal control over financial reporting during the last fiscal quarter of 2008 that materially affected, or are likely to materially affect, the Company's internal control over financial reporting. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their evaluation.

Management's annual report on internal control over financial reporting is incorporated by reference from page A-24 of the attached Appendix. The independent registered public accounting firm's report on the Company's internal control over financial reporting is incorporated by reference from page A-25 of the attached Appendix.

Item 9B. *Other Information.*

There is no information required to be disclosed in a report on Form 8-K during the fourth quarter of the year that was not reported.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance of the Registrant.*

The information required by Item 401 of Regulation S-K will be contained in the 2009 Proxy Statement under the caption "Election of Directors" and is hereby incorporated by reference. The information required by Item 405 of Regulation S-K will be contained in the 2009 Proxy Statement

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under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934" and is hereby incorporated by reference. The information required by Item 406 of Regulation S-K will be contained in the 2009 Proxy Statement under the caption "Code of Ethics" and is hereby incorporated by reference.

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Item 11. *Executive Compensation.*

The information required by Item 402 of Regulation S-K will be contained in the 2009 Proxy Statement under the caption "Compensation of Directors and Executive Officers" and "Compensation Discussion and Analysis" and is hereby incorporated by reference.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

The information required by Item 201(d) of Regulation S-K will be contained in the 2009 Proxy Statement under the caption "Securities Authorized for Issuance under Equity Compensation Plans" and is hereby incorporated by reference. The information required by Item 403 of Regulation S-K will be contained in the 2009 Proxy Statement under the caption "Security Ownership of Certain Beneficial Owners and Management" and is hereby incorporated by reference.

Item 13. *Certain Relationships, Director Independence and Related Transactions.*

The information required by Item 404 of Regulation S-K will be contained in the 2009 Proxy Statement under the caption "Transactions with Related Persons" and is hereby incorporated by reference.

Item 14. *Principal Accountant Fees and Services.*

The information required by Item 9(e) of Schedule 14A will be contained in the 2009 Proxy Statement under the caption "Ratification of Selection of Independent Registered Public Accounting Firm" and is hereby incorporated by reference.

PART IV

Item 15. *Exhibits and Financial Statement Schedules.*

(a) The following documents are filed as part of this report:

(1) Financial Statements:

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2008 and 2007

Consolidated Statements of Income and Comprehensive Income for the three years ended December 31, 2008

Consolidated Statements of Stockholders' Equity for the three years ended December 31, 2008

Consolidated Statements of Cash Flow for the three years ended December 31, 2008

Notes to Consolidated Financial Statements

The above financial statements are incorporated by reference from pages A-24 through A-62 of the attached Appendix.

(2) All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

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(3) The following Exhibits are filed with this Report or are incorporated by reference as set forth below:

Exhibit

Number	Exhibit
3.1	Second Amended and Restated Certificate of Incorporation of BancFirst Corporation (filed as Exhibit 1 to the Company's 8-A/A filed July 23, 1998 and incorporated herein by reference).
3.2	Certificate of Amendment of the Second Amended and Restated Certificate of Incorporation of BancFirst Corporation (filed as Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2004 and incorporated herein by reference).
3.3	Certificate of Designations of Preferred Stock (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference).
3.4	Amended By-Laws (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 and incorporated herein by reference).
3.5	Amendment to the Second Amended and Restated Certificate of Incorporation (filed as Exhibit 3.5 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005 and incorporated herein by reference).
3.6	Resolution of the Board of Directors amending Section XXVII of the Company's By-Laws (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 26, 2004 and incorporated herein by reference).
3.7	Resolution of the Board of Directors amending Article XVI, Section 1 and Article XVII, Section 1 of the Company's By-Laws (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated February 28, 2008 and incorporated herein by reference).
4.1	Instruments defining the rights of securities holders (see Exhibits 3.1, 3.2, 3.3 and 3.4 above).
4.2	Amended and Restated Declaration of Trust of BFC Capital Trust I dated as of February 4, 1997 (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 4, 1997 and incorporated herein by reference).
4.3	Form of 9.65% Series B Cumulative Trust Preferred Security Certificate for BFC Capital Trust I (included as Exhibit D to Exhibit 4.2).
4.4	Indenture dated as of February 4, 1997, relating to the 9.65% Junior Subordinated Deferrable Interest Debentures of BancFirst Corporation issued to BFC Capital Trust I (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated February 4, 1997 and incorporated herein by reference).
4.5	Form of Certificate of 9.65% Series B Junior Subordinated Deferrable Interest Debenture of BancFirst Corporation (included as Exhibit A to Exhibit 4.4).
4.6	Form of Series B Guarantee of BancFirst Corporation relating to the 9.65% Series B Cumulative Trust Preferred Securities of BFC Capital Trust I (filed as Exhibit 4.7 to the Company's registration statement on Form S-4, File No. 333-25599, and incorporated herein by reference).
4.7	Rights Agreement, dated as of February 25, 1999, between BancFirst Corporation and BancFirst, as Rights Agent, including as Exhibit A the form of Certificate of Designations of the Company setting forth the terms of the Preferred Stock, as Exhibit B the form of Right Certificate and as Exhibit C the form of Summary of Rights Agreement (filed as Exhibit 4.1 to the Company's 8-K dated January 28, 2009 and incorporated herein by reference).
4.8	Amendment No. 1 to Rights Agreement, dated as of February 25, 1999, between BancFirst Corporation and BancFirst, as Rights Agent (filed as Exhibit 4.2 to the Company's 8-K dated January 28, 2009 and incorporated herein by reference).

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Exhibit

Number	Exhibit
4.9	Form of Amended and Restated Trust Agreement relating to the 7.20% Cumulative Trust Preferred Securities of BFC Capital Trust II (filed as Exhibit 4.5 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).
4.10	Form of 7.20% Cumulative Trust Preferred Security Certificate for BFC Capital Trust II (included as Exhibit D to Exhibit 4.8).
4.11	Form of Indenture relating to the 7.20% Junior Subordinated Deferrable Interest Debentures of BancFirst Corporation issued to BFC Capital Trust II (filed as Exhibit 4.1 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).
4.12	Form of Certificate of 7.20% Junior Subordinated Deferrable Interest Debenture of BancFirst Corporation (included as Section 2.2 and Section 2.3 of Exhibit 4.10).
4.13	Form of Guarantee of BancFirst Corporation relating to the 7.20% Cumulative Trust Preferred Securities of BFC Capital Trust II (filed as Exhibit 4.7 to the Company's registration statement on Form S-3, File No. 333-112488, and incorporated herein by reference).
10.1	Eighth Amended and Restated BancFirst Corporation Stock Option Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2006 and incorporated herein by reference).
10.2	Amended and Restated BancFirst Corporation Employee Stock Ownership and Thrift Plan, as amended by amendments dated September 19, 1992, November 21, 2002 and December 18, 2003 (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 and incorporated herein by reference).
10.3	1988 Incentive Stock Option Plan of Security Corporation as assumed by BancFirst Corporation (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
10.4	1993 Incentive Stock Option Plan of Security Corporation as assumed by BancFirst Corporation (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
10.5	1995 Non-Employee Director Stock Plan of AmQuest Financial Corp. as assumed by BancFirst Corporation (filed as Exhibit 4.3 to the Company's Registration Statement on Form S-8, File No. 333-65129 and incorporated herein by reference).
10.6	BancFirst Corporation Non-Employee Directors' Stock Option Plan (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2006 and incorporated herein by reference).
10.7	BancFirst Corporation Directors' Deferred Stock Compensation Plan (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2006 and incorporated herein by reference).
21.1*	Subsidiaries of Registrant.
23.1*	Consent of Grant Thornton LLP.
31.1*	Chief Executive Officer's Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a).
31.2*	Chief Financial Officer's Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a).
32.1*	CEO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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Exhibit

Number	Exhibit
32.2*	CFO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.3	Amended Stock Repurchase Program (filed as Exhibit 99.1 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended September 30, 2007 and incorporated herein by reference).

* Filed herewith.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 16, 2009

BANCFIRST CORPORATION

(Registrant)

/s/ David E. Rainbolt
David E. Rainbolt
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 16, 2009.

/s/ H. E. Rainbolt
H. E. Rainbolt
Chairman of the Board

(Principal Executive Officer)

/s/ Dennis L. Brand
Dennis L. Brand
Chief Executive Officer, BancFirst and Director
(Principal Executive Officer)

William H. Crawford
Director

/s/ K. Gordon Greer
K. Gordon Greer
Vice Chairman of the Board
(Principal Executive Officer)

/s/ John C. Hugon
John C. Hugon
Director

/s/ David R. Lopez
David R. Lopez
Director

/s/ Tom H. McCasland, III
Tom H. McCasland, III
Director

/s/ David E. Rainbolt
David E. Rainbolt
President, Chief Executive Officer and Director

(Principal Executive Officer)

/s/ C. L. Craig, Jr.
C. L. Craig, Jr.
Director

/s/ James R. Daniel
James R. Daniel
Vice Chairman of the Board
(Principal Executive Officer)

/s/ Dr. Donald B. Halverstadt
Dr. Donald B. Halverstadt
Director

/s/ William O. Johnstone
William O. Johnstone
Vice Chairman of the Board
(Principal Executive Officer)

/s/ J. Ralph McCalmont
J. Ralph McCalmont
Director

/s/ Melvin Moran
Melvin Moran
Director

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/s/ Ronald J. Norick
Ronald J. Norick
Director

/s/ David Ragland
David Ragland
Director

/s/ Michael K. Wallace
Michael K. Wallace
Director

/s/ Randy Foraker
Randy Foraker
Executive Vice President and
Chief Risk Officer
(Principal Accounting Officer)

/s/ Paul B. Odom, Jr.
Paul B. Odom, Jr.
Director

/s/ G. Rainey Williams, Jr.
G. Rainey Williams, Jr.
Director

/s/ Joe T. Shockley, Jr.
Joe T. Shockley, Jr.
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

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APPENDIX A

BancFirst Corporation

INDEX TO FINANCIAL STATEMENTS

	Pages
<u>Financial Review</u>	A-2 to A-23
<u>Selected Consolidated Financial Data</u>	A-4
<u>Management's Report on Internal Control Over Financial Reporting</u>	A-24
<u>Reports of Independent Registered Public Accounting Firms</u>	A-25 to A-26
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FINANCIAL REVIEW

The following discussion is an analysis of the financial condition and results of operations of the Company for the three years ended December 31, 2008 and should be read in conjunction with the Consolidated Financial Statements and Notes thereto and the Selected Consolidated Financial Data included herein.

SUMMARY

BancFirst Corporation's net income for 2008 was \$44.4 million, or \$2.85 per diluted share, compared to \$53.1 million, or \$3.33 per diluted share for 2007. The 2008 results included pretax gains of \$1.8 million on the mandatory Visa redemption, \$6.1 million on a bond transaction and \$1.2 million on the sale of an asset. The 2007 results included pretax gains of \$7.8 million on the sale of an investment and a \$3.1 million recovery on an insurance claim that was fully expensed in 2005. The gains in 2007 were offset by a \$1.9 million expense on the redemption of the Company's 9.65% trust preferred securities, a \$1 million donation to the Company's charitable foundation, and approximately \$800,000 of expenses related to the investment gain.

In 2008, net interest income of \$139.1 million decreased \$9.2 million, or 6.2%, compared to 2007. While the net interest spread for the twelve months of 2008 decreased 28 basis points to 3.31%, the net interest margin decreased 58 basis points to 4.05% due to the lower interest rate environment and extensive Federal Reserve intervention. Provision for loan losses in 2008 was \$10.7 million up from \$3.3 million for 2007. Noninterest income was \$74.4 million versus \$71.1 million in 2007, while noninterest expense increased slightly to \$135.0 million from \$134.4 million. The increase in noninterest income in 2008 was due to the Visa redemption, bond transaction, sale of an asset and an increase in cash management and electronic banking services. Noninterest expense in 2007 included the expense on the trust preferred securities redemption, the expenses related to the sale of the investment, the charitable contribution and expenses related to additional banking locations.

Total assets at year end 2008 were \$3.87 billion up from \$3.74 billion at the end of 2007. Total loans at December 31, 2008 were \$2.76 billion versus \$2.49 billion for 2007. Total deposits increased to \$3.38 billion from \$3.29 billion for 2007. The Company's average loans-to-deposits was 78.8% for 2008, compared to 76.0% for 2007. Stockholders' equity was \$414 million, an increase of \$42 million over a year ago. Average stockholders' equity to average assets increased to 10.35% at year-end 2008 from 10.18% at year-end 2007.

Asset quality deteriorated somewhat in 2008 with a ratio of nonperforming and restructured assets to total assets of 0.72% at year-end 2008, up from 0.40% a year ago. The allowance for loan losses equaled 144.5% of nonperforming and restructured loans at December 31, 2008, versus 215.6% at the end of 2007. Net charge-offs for 2008 increased to 0.21% of average loans, compared to 0.08% for 2007.

The financial performance of the Company in 2008 was affected primarily by two factors: first, substantially lower interest rates due to the Federal Reserve's intervention caused a lower net interest margin; and second, a slowing economy caused deterioration in the credit of several customers that necessitated an increase in the loan loss reserve. In response to these items negatively affecting the Company's earnings, management implemented a number of changes designed to lower noninterest expenses including a suspension of branch expansion, a reduction of bonuses and other personnel expenses and a salary freeze for all salaried personnel.

Management expects an increase in deposit insurance premiums and special assessments that could increase expense up to \$10 million compared to 2008. This increased expense combined with the low interest rate environment and credit challenges will negatively impact the Company in 2009.

During 2008, the Company repurchased 40,000 shares of its common stock for \$1.63 million or an average price of \$40.70 per share under its ongoing Stock Repurchase Program (the "SRP"). The Company repurchased 53,000 shares for \$2.46 million or an average price of \$46.47 during 2007. In September 2007, the Company amended the SRP to increase the shares authorized to be purchased by 366,948 leaving the shares remaining that could be repurchased under the SRP at December 31, 2008 at 560,000.

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On November 18, 2008 the Company announced it will not accept funds from the U.S. Treasury's Capital Purchase Program due to current capital levels that exceed well-capitalized guidelines and the potential for additional governmental regulation related to the program. The Company did not elect to participate in the Debt Guarantee Program for newly issued senior unsecured debt. The Company did elect to participate in the Transaction Account Guarantee Program for extended coverage on non-interest bearing transaction deposit accounts.

In April 2008, the Company completed an \$80 million sale of securities resulting in a securities pre-tax gain of \$6.1 million. The transaction resulted in the sale of \$80 million of US Treasury securities and the purchase of Government Sponsored Enterprises (GSE) senior debt securities of similar amounts and maturities. The after-tax impact of these transactions, net of the interest income differential, was approximately \$3.3 million for the year.

In March 2008, the Company, as a member bank of Visa, recorded a \$1.8 million pre-tax gain from the mandatory partial redemption of the Company's Visa shares received in the first quarter initial public offering. The gain was included in gain on sale of other assets.

In September 2007, the Company completed a modified Dutch Auction self-tender offer and purchased 539,453 shares of its common stock for the maximum offering price of \$45.00 per share. Cash on hand was used to pay for the purchase of the stock.

In July 2007, the Company was awarded and received the \$3.1 million bond claim by their fidelity bond carrier for the \$3.3 million cash shortfall that was reported and expensed in the second quarter of 2005.

In June 2007, the Company entered into an agreement to sell one of its investments held by Council Oak Investment Corporation, a wholly-owned subsidiary of BancFirst, which resulted in a one-time gain of approximately \$7.8 million. The transaction was consummated on August 1, 2007 and included in noninterest income securities transactions in the third quarter of 2007. The Company made a \$1 million contribution to its charitable foundation with the funds from the gain. This one-time gain, net of related expenses, income taxes and the contribution had a net income effect of approximately \$3.9 million.

During the first quarter of 2007 the Company entered into an agreement to acquire Armor Assurance Company (Armor), an insurance agency in Muskogee, Oklahoma for cash of approximately \$3.3 million and a \$372,000 note payable in three equal annual installments. The transaction was consummated in April 2007 and the note was prepaid and retired in April 2008. Armor had total assets of approximately \$364,000. As a result of the acquisition, Armor was merged with the Company's existing property and casualty agency, Wilcox & Jones, to form Wilcox, Jones & McGrath, Inc. The acquisition was accounted for as a purchase. Accordingly, the effects of the acquisition are included in the Company's consolidated financial statements from the date of the acquisition forward. The acquisition did not have a material effect on the results of operations of the Company for 2007 or 2008.

In November 2006, the Company announced its intent to exercise the optional prepayment terms of its 9.65% Junior Subordinated Debentures. The securities were redeemed effective January 15, 2007 for a redemption price equal to 104.825% of the aggregate \$25 million liquidation amount of the trust securities plus all accrued and unpaid interest to the redemption date. As a result of the prepayment, the Company incurred a loss of approximately \$1.2 million after taxes during the first quarter of 2007. The loss reflects the premium paid and the acceleration of the unamortized issuance costs.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL DATA**

(Dollars in thousands, except per share data)

	2008	At and for the Year Ended December 31,			2004
		2007	2006	2005	
Income Statement Data					
Net interest income	\$ 139,107	\$ 148,286	\$ 143,688	\$ 131,451	\$ 117,246
Provision for loan losses	10,676	3,329	1,790	4,607	2,699
Noninterest income	74,385	71,138	58,424	54,284	51,855
Noninterest expense	135,006	134,446	124,557	117,164	108,744
Net income	44,358	53,093	49,352	42,836	37,176
Balance Sheet Data					
Total assets	\$ 3,867,204	\$ 3,743,006	\$ 3,418,574	\$ 3,223,030	\$ 3,046,977
Securities	455,568	467,719	432,910	456,222	560,234
Total loans (net of unearned interest)	2,757,854	2,487,099	2,325,548	2,317,426	2,093,515
Allowance for loan losses	34,290	29,127	27,700	27,517	25,746
Deposits	3,377,608	3,288,504	2,974,305	2,804,519	2,657,434
Long-term borrowings		606	1,339	4,118	7,815
Junior subordinated debentures	26,804	26,804	51,804	51,804	51,804
Stockholders' equity	413,791	371,962	348,355	302,349	277,497
Per Common Share Data					
Net income - basic	\$ 2.91	\$ 3.41	\$ 3.14	\$ 2.74	\$ 2.38
Net income - diluted	2.85	3.33	3.07	2.68	2.33
Cash dividends	0.84	0.76	0.68	0.60	0.53
Book value	27.08	24.44	22.10	19.34	17.70
Tangible book value	24.34	21.66	19.57	16.87	15.39
Selected Financial Ratios					
<i>Performance ratios:</i>					
Return on average assets	1.17%	1.49%	1.46%	1.39%	1.22%
Return on average stockholders' equity	11.30	14.66	15.10	14.80	13.83
Cash dividend payout ratio	28.87	22.29	21.73	21.90	22.32
Net interest spread	3.31	3.59	3.80	4.13	3.89
Net interest margin	4.05	4.63	4.75	4.76	4.29
Efficiency ratio	63.24	61.27	61.63	63.08	64.31
<i>Balance Sheet Ratios:</i>					
Average loans to deposits	78.82%	76.04%	79.19%	82.43%	74.47%
Average earning assets to total assets	91.23	90.86	90.20	90.19	91.02
Average stockholders' equity to average assets	10.35	10.18	9.68	9.37	8.85
<i>Asset Quality Ratios:</i>					
Nonperforming and restructured loans to total loans	0.86%	0.54%	0.51%	0.40%	0.58%
Nonperforming and restructured assets to total assets	0.72	0.40	0.40	0.36	0.48
Allowance for loan losses to total loans	1.24	1.17	1.19	1.19	1.23
Allowance for loan losses to nonperforming and restructured loans	144.52	215.57	231.41	293.36	211.05
Net chargeoffs to average loans	0.21	0.08	0.09	0.14	0.16

Table of Contents**CONSOLIDATED AVERAGE BALANCE SHEETS AND INTEREST MARGIN ANALYSIS****Taxable Equivalent Basis (Dollars in thousands)**

	December 31, 2008			December 31, 2007			December 31, 2006		
	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate	Average Balance	Interest Income/Expense	Average Yield/Rate
ASSETS									
Earning assets:									
Loans (1)	\$ 2,612,553	\$ 172,556	6.59%	\$ 2,364,618	\$ 190,173	8.04%	\$ 2,321,459	\$ 180,401	7.77%
Securities taxable	416,587	16,387	3.92	411,443	18,397	4.47	394,140	17,345	4.40
Securities tax exempt	38,000	2,214	5.81	35,657	2,151	6.03	39,121	2,359	6.03
Federal funds sold and Interest-bearing deposits with banks	385,825	7,864	2.03	419,675	21,167	5.04	291,129	14,404	4.95
Total earning assets	3,452,965	199,021	5.75	3,231,393	231,888	7.18	3,045,849	214,509	7.04
Nonearning assets:									
Cash and due from banks	138,002			139,919			161,576		
Interest receivable and other assets	225,879			213,081			197,559		
Allowance for loan losses	(31,939)			(27,890)			(28,310)		
Total nonearning assets	331,942			325,110			330,825		
Total assets	\$ 3,784,907			\$ 3,556,503			\$ 3,376,674		
LIABILITIES AND STOCKHOLDERS EQUITY									
Interest-bearing liabilities:									
Transaction deposits	\$ 423,773	2,126	0.50%	\$ 398,786	2,989	0.75%	\$ 428,620	3,455	0.81%
Savings deposits	1,100,184	24,945	2.26	1,048,935	39,944	3.81	884,714	30,374	3.43
Time deposits	834,712	29,313	3.50	784,405	35,673	4.55	744,252	29,339	3.94
Short-term borrowings	21,322	458	2.14	33,584	1,667	4.96	37,149	1,798	4.84
Long-term borrowings	218	9	4.12	931	50	5.37	2,582	160	6.20
Junior subordinated debentures	26,738	1,966	7.33	27,832	2,140	7.69	51,804	4,412	8.52
Total interest-bearing liabilities	2,406,947	58,817	2.44	2,294,473	82,463	3.59	2,149,121	69,538	3.24
Interest-free funds:									
Noninterest bearing deposits	955,847			877,474			874,013		
Interest payable and other liabilities	30,537			22,426			26,709		
Stockholders equity	391,576			362,130			326,831		
Total interest free-funds	1,377,960			1,262,030			1,227,553		
	\$ 3,784,907			\$ 3,556,503			\$ 3,376,674		

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Total liabilities and
stockholders' equity

Net interest income	\$ 140,204	\$ 149,425	\$ 144,971
Net interest spread	3.31%	3.59%	3.80%
Net interest margin	4.05%	4.63%	4.75%

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

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Table of Contents**RESULTS OF OPERATIONS****Net Interest Income**

In 2008, net interest income, which is the Company's principal source of operating revenue, decreased \$9.2 million to \$139.1 million compared to an increase of \$4.6 million in 2007. The net interest margin on a taxable equivalent basis for 2008 was 4.05%, compared to 4.63% for 2007 and 4.75% for 2006. On a taxable equivalent basis, net interest income decreased \$9.2 million in 2008, compared to an increase of \$4.6 million in 2007. Changes in the volume of earning assets and interest-bearing liabilities, and changes in interest rates determine the changes in net interest income. The Volume/Rate Analysis summarizes the relative contribution of each of these components to the changes in net interest income in 2008 and 2007. Rapidly declining interest rates in 2008 resulted in a significant decrease in net income. The increases due to volume in 2008 and 2007 were due to growth in earning assets, primarily loans. The increase due to volume in 2008 was more than offset by the negative impact due to lower interest rates. Average loans grew \$247.9 million, or 10.5%, in 2008 and \$43.2 million, or 1.9%, in 2007. Average time deposits increased \$50.3 million, or 6.4%, in 2008 and \$40.2 million, or 5.4%, in 2007. Average total deposits increased in both years due in part to the increase in noninterest bearing deposits. Management expects further compression of its net interest margin in 2009 as higher rate assets mature in a continued low interest rate environment.

VOLUME/RATE ANALYSIS**Taxable Equivalent Basis**

	Change in 2008			Change in 2007		
	Total	Due to Volume(1)	Due to Rate (Dollars in thousands)	Total	Due to Volume(1)	Due to Rate
INCREASE (DECREASE)						
Interest Income:						
Loans	\$ (17,617)	\$ 19,655	\$ (37,272)	\$ 9,771	\$ 3,378	\$ 6,393
Investments taxable	(1,857)	30	(1,887)	910	287	623
Investments tax exempt	63	154	(91)	(207)	(206)	(1)
Interest-bearing deposits with banks and Federal funds sold	(13,456)	864	(14,320)	7,095	7,255	(160)
Total interest income	(32,867)	20,703	(53,570)	17,569	10,714	6,855
Interest Expense:						
Transaction deposits	(859)	51	(910)	(466)	(472)	6
Savings deposits	(6,691)	348	(7,039)	2,919	2,167	752
Time deposits	(14,672)	5,107	(19,779)	12,985	7,657	5,328
Short-term borrowings	(1,209)	(616)	(593)	(130)	(169)	39
Long-term borrowings	(41)	(39)	(2)	(110)	(105)	(5)
Junior subordinated debentures	(174)	(84)	(90)	(2,273)	(2,033)	(240)
Total interest expense	(23,646)	4,767	(28,413)	12,925	7,045	5,880
Net interest income	\$ (9,221)	\$ 15,936	\$ (25,157)	\$ 4,644	\$ 3,669	\$ 975

(1) Changes in the mix of earning assets and interest-bearing liabilities have been combined with the changes due to volume. Interest rate sensitivity analysis measures the sensitivity of the Company's net interest margin to changes in interest rates by analyzing the repricing relationship between its earning assets and interest-bearing liabilities. This analysis is limited by the fact that it presents a static position as of a single day and is not necessarily indicative of the Company's position at any other point in time, and does not take into account the sensitivity of

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yields and rates of specific assets and liabilities to changes in market rates. The Company's approach to managing the interest sensitivity gap takes advantage of the Company's stable core deposit base and the relatively short maturity and repricing frequency of its loan portfolio, as well as the historical existence of a positively sloped yield curve, which enhances the net interest margin over the long term.

The Analysis of Interest Rate Sensitivity presents the Company's earning assets and interest-bearing liabilities based on maturity and repricing frequency at December 31, 2008. The Company's cumulative negative gap position in the one year interval increased to \$647 million at December 31, 2008 from \$474 million at December 31, 2007, and increased as a percentage of total earning assets to 18.3% from 14.1%. This negative gap position assumes that the Company's core savings and transaction deposits are immediately rate sensitive. In a falling rate environment, the benefit of the Company's noninterest-bearing funds is decreased, resulting in a decrease in the Company's net interest margin over time.

ANALYSIS OF INTEREST RATE SENSITIVITY**December 31, 2008**

	Interest Rate Sensitive		Noninterest Rate Sensitive		Total
	0 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	
(Dollars in thousands)					
EARNING ASSETS					
Loans	\$ 881,985	\$ 391,662	\$ 1,133,967	\$ 350,240	\$ 2,757,854
Securities	13,223	103,173	289,849	49,323	455,568
Federal funds sold and interest-bearing deposits	295,972	31,274	628		327,874
Total	\$ 1,191,180	\$ 526,109	\$ 1,424,444	\$ 399,563	\$ 3,541,296
FUNDING SOURCES					
Noninterest-bearing demand deposits (1)	\$	\$	\$	\$ 735,958	\$ 735,958
Savings and transaction deposits	1,515,168				1,515,168
Time deposits of \$100 or more	282,862	57,053			339,915
Time deposits under \$100	403,502	93,274			496,776
Short-term borrowings	12,884				12,884
Junior subordinated debentures				26,804	26,804
Stockholders' equity				413,791	413,791
Total	\$ 2,214,416	\$ 150,327	\$	\$ 1,176,553	\$ 3,541,296
Interest sensitivity gap	\$ (1,023,236)	\$ 375,782	\$ 1,424,444	\$ (776,990)	
Cumulative gap	\$ (1,023,236)	\$ (647,454)	\$ 776,990	\$	
Cumulative gap as a percentage of total earning assets	(28.9)%	(18.3)%	21.9%	%	

(1) Represents the amount of demand deposits required to support earning assets in excess of interest-bearing liabilities and stockholders' equity.

Provision for Loan Losses

The provision for loan losses was \$10.68 million for 2008, compared to \$3.33 million for 2007 and \$1.79 million for 2006. The increase in the loan loss provision was required in 2008 due to the deterioration of the credit quality of a small number of specific loans. The decline in quality was the result of declining collateral values and to a lesser extent, nonperformance. Other than the additions in 2008 related to these credits, the amounts provided for the last four years significantly relate to loan growth. The Company establishes an

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allowance as an estimate of the probable inherent losses in the loan portfolio at the balance sheet date which does not include an estimate of further deterioration in the quality of the portfolio. Net loan charge-offs were \$5.51 million for 2008, compared to \$1.90 million for 2007 and \$2.12 million for 2006. The net charge-offs equated to 0.21%, 0.08% and 0.09% of average loans for 2008, 2007 and 2006, respectively. A more detailed discussion of the allowance for loan losses is provided under **Loans**.

Noninterest Income

Total noninterest income grew \$3.2 million to \$74.4 million in 2008, an increase of 4.6%. This compares to increases of \$12.7 million, or 21.8%, in 2007, and \$4.1 million, or 7.6% in 2006. The growth in noninterest income in 2008 was due to the Visa redemption, bond transaction, sale of an asset and an increase in cash management and electronic banking services. The increase in noninterest income in 2007 included a \$7.8 million gain on the sale of an investment and a \$3.1 million recovery on an insurance claim. The Company's fee income has increased in each of the last five years due to improved pricing strategies, enhanced product lines, acquisitions and internal deposit growth.

Service charges on deposits have increased as a result of growth in deposit accounts and overdraft fees combined with the lower earnings credit on deposit balances. Other noninterest income, which includes safe deposit box rentals, cash management services, other service fees and gain on sale of assets increased \$898,000 in 2008, \$142,000 in 2007 and \$2.65 million in 2006.

The Company recognized a net gain on the sale of securities of \$6.94 million in 2008 compared to a gain of \$8.34 million in 2007 and a gain of \$526,000 in 2006. The Company's practice is to maintain a liquid portfolio of securities and not engage in trading activities. The Company has the ability and intent to hold securities classified as available for sale that were in an unrealized loss position until they mature or until fair value exceeds amortized cost. The net gain on sale of securities in 2008 was primarily due to the sale of U.S. Treasuries and simultaneous purchase of senior GSE debt, while the gain in 2007 was primarily related to the \$7.8 million gain on the sale of a venture capital investment by Council Oak Investment Corporation.

The Company earned \$2.1 million on the sale of loans in 2008 compared to \$2.4 million in 2007. The activity in the secondary market for student loans and home mortgage loans has declined and is expected to be lower in 2009, which could lower this component of noninterest income further.

Noninterest Expense

Total noninterest expense nominally increased by \$560,000 to \$135.0 million in 2008. This compares to increases of \$9.9 million, or 7.9%, for 2007, and \$7.4 million, or 6.3% for 2006. The slight increase in noninterest expense in 2008 is due to higher salary and occupancy expense offset by a reduction of bonus and other personnel expense and a suspension of further branch expansion. The increase in 2007 expenses was a result of the \$1 million charitable contribution, \$1.9 million expense on the trust preferred redemption, \$800,000 related to the sale of the investment held by Council Oak Investment Corporation, the acquisition of Armor Assurance Company in the second quarter of 2007 and increased operating expenses due to branch expansion. Salaries and employee benefits increased in 2007 and 2006 due to higher salary levels and benefits costs, additional staff for new product lines and increased loan demand, and acquisitions. Occupancy and fixed assets expense, and depreciation have increased as a result of the addition of facilities from acquisitions and the opening of new branches.

In 2009, all salaried employees are subject to a salary freeze along with a continued suspension of branch expansion. In addition, the Company will experience an increase of \$3.8 million in deposit insurance premium expense due to an increase in the regular assessment rate. Additionally, the Company expects an estimated charge of approximately \$3.4 million to \$6.8 million resulting from the special emergency assessment in 2009, assuming an assessment rate of 10 to 20 basis points, respectively. Management believes it is reasonable to expect additional increases or assessments or both that may be imposed by the FDIC.

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Income Taxes

Income tax expense totaled \$23.5 million in 2008, compared to \$28.6 million for 2007 and \$26.4 million for 2006. The effective tax rates for 2008, 2007 and 2006 were 34.6%, 35.0% and 34.9%, respectively. The primary reasons for the difference between the Company's effective tax rate and the federal statutory rate were tax-exempt income, nondeductible amortization, federal and state tax credits, and state tax expense.

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

Impact of Inflation

The impact of inflation on financial institutions differs significantly from that of industrial or commercial companies. The assets of financial institutions are predominantly monetary, as opposed to fixed or nonmonetary assets such as premises, equipment and inventory. As a result, there is little exposure to inflated earnings by understated depreciation charges or significantly understated current values of assets. Although inflation can have an indirect effect by leading to higher interest rates, financial institutions are in a position to monitor the effects on interest costs and yields and respond to inflationary trends through management of interest rate sensitivity. Inflation can also have an impact on noninterest expenses such as salaries and employee benefits, occupancy, services and other costs.

Impact of Deflation

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

FINANCIAL POSITION

Cash, Federal Funds Sold and Interest Bearing Balances with Banks

Cash consists of cash and cash items on hand, noninterest-bearing deposits and other amounts due from other banks, reserves deposited with the Federal Reserve Bank, and interest-bearing deposits with other banks. Federal funds sold consists of overnight investments of excess funds with other financial institutions. Due to the Federal Reserve Bank's intervention into the Federal funds market that has resulted in near zero overnight fed funds rates, the Company has maintained its excess funds with the Federal Reserve Bank. The Federal Reserve Bank pays interest on these funds based upon the lowest target rate for the maintenance period.

The amount of cash, federal funds sold and interest bearing balances with the Federal Reserve Bank carried by the Company is a function of the availability of funds presented to other institutions for clearing, the Company's requirements for liquidity, operating cash and reserves, available yields, and interest rate sensitivity management. Balances of these items can fluctuate widely based on these various factors. Cash and federal funds sold decreased \$141.4 million in 2008 and increased \$105.5 million in 2007. At year end 2008, the Company had \$39.5 million of brokered CD's it had purchased. All CD's are under the \$250,000 FDIC insured limit and have maturities of less than one year.

Securities

Total securities decreased \$12.2 million to \$455.6 million, a decrease of 2.6%. This compares to an increase of \$34.8 million, or 8.0%, in 2007. Securities available for sale represented 92.4% of the total securities portfolio at year-end 2008, compared to 94.6% at year-end 2007. Securities available for sale had a net unrealized gain of

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\$22.6 million at year-end 2008, compared to a net unrealized gain of \$10.7 million the preceding year. These unrealized gains are included in the Company's stockholders' equity as accumulated other comprehensive income, net of income tax, in the amounts of \$14.7 million and \$6.9 million for 2008 and 2007, respectively.

SECURITIES

	2008	December 31 2007	2006
	(Dollars in thousands)		
Held for Investment (at amortized cost)			
U.S. Treasury and other federal agencies	\$ 1,855	\$ 2,393	\$ 3,084
States and political subdivisions	32,613	22,877	22,968
Total	\$ 34,468	\$ 25,270	\$ 26,052
Estimated market value	\$ 34,975	\$ 25,472	\$ 26,087
Available for Sale (at estimated market value)			
U.S. Treasury and other federal agencies	\$ 372,667	\$ 413,230	\$ 376,005
States and political subdivisions	11,722	15,237	18,327
Other securities	36,711	13,982	12,526
Total	\$ 421,100	\$ 442,449	\$ 406,858
Total Securities	\$ 455,568	\$ 467,719	\$ 432,910

The Company does not engage in securities trading activities. Any sales of securities are for the purpose of executing the Company's asset/liability management strategy, eliminating a perceived credit risk in a specific security, or providing liquidity. Securities that are being held for indefinite periods of time, or that may be sold as part of the Company's asset/liability management strategy, to provide liquidity or for other reasons, are classified as available for sale and are stated at estimated market value. Unrealized gains or losses on securities available for sale are reported as a component of stockholders' equity, net of income tax. Securities for which the Company has the intent and ability to hold to maturity are classified as held for investment and are stated at cost, adjusted for amortization of premiums and accretion of discounts computed under the interest method. Securities that are determined to be impaired, and for which such impairment is determined to be other than temporary, are adjusted to fair value and a corresponding loss is recognized. Gains or losses from sales of securities are based upon the book values of the specific securities sold.

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

Management has the ability and intent to hold the securities classified as held for investment until they mature, at which time the Company will receive full value for the securities. As of December 31, 2008, the Company had net unrealized gains largely due to decreases in market interest rates from the yields available at the time the underlying securities were purchased. The fair value of those securities having unrealized losses is expected to recover as the securities approach their maturity date or repricing date or if market yields for similar investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Furthermore, as of December 31, 2008, management also had the ability and intent to hold all securities classified as available for sale with an unrealized loss for a period of time sufficient for a recovery of cost. Accordingly, as of December 31, 2008, management believes the impairments are temporary and no material

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impairment loss has been realized in the Company's consolidated income statement. At December 31, 2008, and for the years ended December 31, 2007 and 2006, the Company held Class A shares in the Federal Home Loan Bank of Topeka, Kansas. The book value at each year end was \$5.7 million and value of the stock was not considered to be impaired.

The Maturity Distribution of Securities summarizes the maturity and weighted average taxable equivalent yields of the securities portfolio. The Company manages its securities portfolio for liquidity and as a tool to execute its asset/liability management strategy. Consequently, the average maturity of the portfolio is relatively short. Securities maturing within five years represent 90.5% of the total portfolio.

MATURITY DISTRIBUTION OF SECURITIES**December 31, 2008**

	Within One Year		After One Year But Within Five Years		After Five Years But Within Ten Years		After Ten Years		Total	
	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*	Amount	Yield*
Held for Investment										
U.S. Treasury and other federal agencies	\$ 176	3.41%	\$ 877	4.90%	\$ 791	6.57%	\$ 11	0.00%	\$ 1,855	5.44%
State and political subdivisions	6,903	5.59	22,330	5.26	2,855	5.99	525	6.48	32,613	5.42
Total	\$ 7,079	5.54	\$ 23,207	5.25	\$ 3,646	6.12	\$ 536	6.34	\$ 34,468	5.42
Percentage of total	20.5%		67.3%		10.6%		1.6%		100.0%	
Available for Sale										
U.S. Treasury and other federal agencies	\$ 108,433	2.84%	\$ 245,975	4.14%	\$ 18,125	5.47%	\$ 134	5.22%	\$ 372,667	3.83%
State and political subdivisions	1,273	5.11	6,185	5.93	4,264	5.91			11,722	5.84
Other securities			20,366	2.48			16,345	5.26	36,711	3.72
Total	\$ 109,706	2.86	\$ 272,526	4.06	\$ 22,389	5.55	\$ 16,479	5.26	\$ 421,100	3.87
Percentage of total	26.1%		64.7%		5.3%		3.9%		100.0%	
Total securities	\$ 116,785	3.03%	\$ 295,733	4.15%	\$ 26,035	5.63%	\$ 17,015	5.30%	\$ 455,568	3.99%
Percentage of total	25.6%		64.9%		5.7%		3.8%		100.0%	

* Yield on a taxable equivalent basis

Loans

The Company has historically generated loan growth from both internal originations and acquisitions. Total loans increased \$270.8 million to \$2.8 billion, an increase of 10.9%, in 2008, and \$161.6 million, or 7.0%, in 2007.

Composition

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The Company's loan portfolio is diversified among various types of commercial and individual borrowers. Commercial loans are comprised principally of loans to companies in light manufacturing, retail and service industries. Construction and development loans totaled \$246 million, or 8.9% of total loans at the end of 2008, as compared to \$223 million, or 9.0% of total loans at the end of 2007. Real estate loans secured by farmland, multifamily, commercial and one to four family housing represented 52.5% of total loans at December 31, 2008, compared to 51.6% of total loans at December 31, 2007. Consumer loans are comprised primarily of loans to

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