BANCFIRST CORP /OK/
Form 10-K
March 15, 2007
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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, 2006 **Commission File Number 0-14384**

BANCFIRST CORPORATION

(Exact name of registrant as specified in its charter)

OKLAHOMA	**73-1221379**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

101 North Broadway, Oklahoma City, Oklahoma 73102

(Address of principal executive offices) (Zip Code)

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

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

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

Common Stock, $1.00

Par Value Per Share

(Title of Class)

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

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 x

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 x No ¨

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

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

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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

The aggregate market value of the Common Stock held by nonaffiliates of the registrant computed using the last sale price on June 30, 2006 was approximately $339,715,000.

As of February 28, 2007, there were 15,771,460 shares of Common Stock outstanding (post stock split adjustment).

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the Proxy Statement for the May 24, 2007 Annual Meeting of Stockholders of registrant (the 2007 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, 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 86 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.

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, Citibanc Insurance Agency, Inc., a credit life insurance agency, which in turn owns BancFirst Agency, Inc., an 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 1,400 full-time equivalent employees as of December 31, 2006 and 2005. 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 respond quickly to customer needs. The majority of its competitors in the non-metropolitan areas are much

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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 5.61% as of June 30, 2006 and 5.51% as of June 30, 2005.

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 53% of the outstanding shares of the Company s common stock outstanding. 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.

General

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.

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

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and affiliates are also subject to various other laws and regulations and 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(g) 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.

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

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than 3%, (ii) a total risk-based capital ratio of less than 6%, and (iii) a leverage ratio of less than 3%, and 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, 2006, the Bank had a Tier 1 ratio of 11.68%, a combined Tier 1 and Tier 2 ratio of 12.80%, and a leverage ratio of 9.08% 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, 2006, the Company had a Tier 1 ratio of 13.72%, a combined Tier 1 and Tier 2 ratio of 14.83%, and a leverage ratio of 10.64% 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

BancFirst is insured by the FDIC and is required to pay certain fees and premiums to the Bank Insurance Fund (BIF). These deposit insurance premiums are assessed through a risk-based system under which all insured depository institutions are placed into one of nine categories and assessed insurance premiums on deposits based upon their level of capital and supervisory evaluation, with well-capitalized banks with the highest supervisory rating paying lower or no premiums and the critically undercapitalized banks paying up to 0.27% of deposits. BancFirst is currently not assessed a deposit premium as it is considered well-capitalized.

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 1.28 cents per $100 of BIF-assessable deposits in 2006. The FDIC established the FICO assessment rate effective for the first quarter of 2007 at 1.22 cents annually per $100 of assessable deposits.

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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.

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 auditors (including restrictions on the types of non-audit services our 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.

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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.

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 authorize a 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.

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Future Legislation

Various legislation, including proposals to change substantially the financial institution regulatory system, is from time to time introduced in Congress. This legislation may change banking statutes and the operating environment of the Company in substantial and unpredictable ways. If enacted, this legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. The Company cannot predict whether any of this potential legislation will be enacted and, if enacted, the effect that it, or any implementing regulations, would have on the Company s business, results of operations or financial condition.

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 statements, 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 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 at *www.bancfirst.com*. The Company provides links on its website to the SEC s website where 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: Randy Foraker,

Executive Vice President

(405) 270-1086

Item 1a. ***Risk Factors***

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. In such case, the trading price of our common stock could decline, and investors may lose all or part of their investment.

Risks Related to Our Business

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.

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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 53% of the Company s outstanding common stock as of February 28, 2007. As a result of their ownership, the directors and executive 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 don t 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. In 2006, this percentage was 62.17%. The Company is subject to risk of future market fluctuations in property values relating to these loans. The Company attempts to manage this risk through rigorous loan underwriting standards, training of loan officers and close monitoring of the valuation of individual properties collateralizing the loan.

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

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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 controls. 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 controls 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 controls are effective in future periods.

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.

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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.

Risks Related to Our Industry

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.

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.

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

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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 material adverse effect on our business, profitability or 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.

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.

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.

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.

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Item 4. ***Submission of Matters to 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, 2006.

PART II

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

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 (after giving retroactive effect to the registrant s two-for-one stock split effective March 1, 2006) 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
	High	**Low**	**Declared**
2006			
First Quarter	$ 44.000	$ 39.755	$ 0.16
Second Quarter	$ 46.420	$ 42.080	$ 0.16
Third Quarter	$ 48.450	$ 41.890	$ 0.18
Fourth Quarter	$ 55.180	$ 46.100	$ 0.18
2005			
First Quarter	$ 40.125	$ 33.210	$ 0.14
Second Quarter	$ 43.915	$ 31.455	$ 0.14
Third Quarter	$ 45.350	$ 40.980	$ 0.16
Fourth Quarter	$ 42.830	$ 39.170	$ 0.16

As of February 28, 2007 there were approximately 400 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 14 of the Notes to Consolidated Financial Statements for further information regarding limitations on the payment of dividends by BancFirst Corporation and the Bank.

Item 6. ***Selected Financial Data.***

Incorporated by reference from Selected Consolidated Financial Data contained on page A-5 of the attached Appendix.

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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-18 of the attached Appendix.

Item 8. ***Financial Statements and Supplementary Data.***

The consolidated financial statements of BancFirst Corporation and its subsidiaries, are incorporated by reference from pages A-25 through A-59 of the attached Appendix, and include the following:

a. Reports of Independent Registered Public Accounting Firms

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.***

On May 26, 2005, the Company s audit committee elected to dismiss Ernst & Young LLP as its independent registered public accounting firm effective May 31, 2005. In connection with its audit for the 2004 fiscal year and through May 31, 2005, there were no disagreements with Ernst & Young LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements if not resolved to the satisfaction of Ernst & Young LLP would have caused them to make reference thereto in their reports on the financial statements for such years.

Effective on June 7, 2005, the Company engaged Grant Thornton LLP as its new independent registered public accounting firm. Prior to its appointment as independent registered public accounting firm, Grant Thornton LLP had not been consulted by the Company on any of the matters referenced in Regulation S-K Item 304 (a) (2).

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, Senior Vice President of Corporate Finance, Holding Company Controller, 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. 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 attestation report on

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management s assessment of 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 and Executive Officers of the Registrant.***

The information required by Item 401 of Regulation S-K will be contained in the 2007 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 2007 Proxy Statement 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 2007 Proxy Statement under the caption Code of Ethics and is hereby incorporated by reference.

Item 11. ***Executive Compensation.***

The information required by Item 402 of Regulation S-K will be contained in the 2007 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 2007 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 2007 Proxy Statement under the caption Security Ownership of Certain Beneficial Owners and Management and is hereby incorporated by reference.

Item 13. ***Certain Relationships and Related Transactions.***

The information required by Item 404 of Regulation S-K will be contained in the 2007 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 2007 Proxy Statement under the caption Ratification of Selection of Independent Registered Public Accounting Firm and is hereby incorporated by reference.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules.***

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

(1) Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2006 and 2005

Consolidated Statements of Income and Comprehensive Income for the three years ended December 31, 2006

Consolidated Statements of Stockholders Equity for the three years ended December 31, 2006

Consolidated Statements of Cash Flow for the three years ended December 31, 2006

Notes to Consolidated Financial Statements

The above financial statements are incorporated by reference from pages A-25 through A-59 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.

(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).
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).

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Exhibit Number	Exhibit
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 1 to the Company s 8-K dated February 25, 1999 and incorporated herein by reference).
4.8	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).
4.9	Form of 7.20% Cumulative Trust Preferred Security Certificate for BFC Capital Trust II (included as Exhibit D to Exhibit 4.8).
4.10	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).
4.11	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).
4.12	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).

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Exhibit Number	Exhibit
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.
23.2*	Consent of Ernst & Young 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.
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	Stock Repurchase Program (filed as Exhibit 99.1 to the Company s Form 8-K dated November 18, 1999 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 15, 2007	**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 15, 2007.

/s/ H. E. Rainbolt H. E. Rainbolt Chairman of the Board (Principal Executive Officer)	/s/ David E. Rainbolt David E. Rainbolt President, Chief Executive Officer and Director (Principal Executive Officer)
/s/ Dennis L. Brand Dennis L. Brand Chief Executive Officer BancFirst and Director (Principal Executive Officer)	/s/ C. L. Craig Jr. C. L. Craig, Jr. Director
William H. Crawford Director	/s/ James R. Daniel James R. Daniel Vice Chairman of the Board (Principal Executive Officer)
/s/ K. Gordon Greer K. Gordon Greer Vice Chairman of the Board (Principal Executive Officer)	/s/ Robert A. Gregory Robert A. Gregory Vice Chairman of the Board (Principal Executive Officer)
Dr. Donald B. Halverstadt Director	John C. Hugon Director
/s/ William O. Johnstone William O. Johnstone Vice Chairman of the Board (Principal Executive Officer)	David R. Lopez Director

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

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

Melvin Moran
Director

Ronald J. Norick
Director

Paul B. Odom, Jr.
Director

/s/ David Ragland
David Ragland
Director

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

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

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

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APPENDIX A

BancFirst Corporation

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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, 2006 and should be read in conjunction with the Consolidated Financial Statements and Notes thereto and the Selected Consolidated Financial Data included herein. All share and per share amounts included in the following consolidated financial data have been retroactively adjusted to reflect our two-for-one stock split effective March 1, 2006.

SUMMARY

BancFirst Corporation s net income for 2006 was $49.4 million, or $3.07 per diluted share, compared to $42.8 million, or $2.68 per diluted share for 2005. The 2006 results included a pre tax gain on the sale of the Company s 75% owned subsidiary, Century Life Assurance (CLA) of approximately $640,000 and a $630,000 gain on the sale of certain assets. The 2005 results included after tax losses totaling $1.95 million on a $3.25 million cash shortfall at one of our branches recorded during 2005. In 2006, net interest income of $143.7 million increased $12.2 million, or 9.3%, over 2005. This increase in net interest income resulted from an increase in earning assets which produced a positive volume variance, while increasing rates produced a positive rate variance. Provisions for loan losses in 2006 decreased to $1.8 million from $4.6 million for 2005. Noninterest income increased to $58.4 million from $54.3 million, while noninterest expense increased to $125 million from $117 million. The increase in noninterest income was due to the sale of CLA and certain assets, an increase in cash management and electronic banking services and sales of insurance products. Noninterest expense in 2006 included the results of operations of Park State Bank beginning upon acquisition in the fourth quarter of 2005 and for the twelve months ended December 31, 2006. The results of operations of First Bartlesville Bank are also included as of its acquisition in August of 2006 through December 31, 2006.

Total assets increased to $3.42 billion from $3.22 billion at the end of 2005. Total loans at December 31, 2006 were $2.33 billion versus $2.32 billion for 2005. Total deposits increased to $2.97 billion from $2.80 billion for 2005. The Company s average loans-to-deposits was 79.19% for 2006, compared to 82.43% for 2005. Stockholders equity increased to $348 million from $302 million at the end of 2005. Average stockholders equity to average assets increased to 9.68% at year-end 2006 from 9.37% at year-end 2005.

Asset quality remained strong in 2006 with a ratio of nonperforming and restructured assets to total assets of 0.40% at year-end 2006 as compared to 0.36% at year-end 2005. The allowance for loan losses equaled 231.41% of nonperforming and restructured loans at December 31, 2006, versus 293.36% at the end of 2005. Net charge-offs for 2006 were only 0.09% of average loans, compared to 0.14% for 2005.

The Company did not repurchase shares of its common stock under its ongoing Stock Repurchase Program (the SRP) during 2006. In 2005, 130,200 shares were repurchased for $4.58 million or an average of $35.18 per share. At December 31, 2006, there were 286,052 shares remaining that could be repurchased under the SRP.

In January 2004, the Company established BFC Capital Trust II (BFC II), a trust formed under the Delaware Business Trust Act listed on the Nasdaq Global Select Market System (NASDAQ/GS) and is traded under the symbol BANFP . The Company owns all of the common securities of BFC II. In February 2004, BFC II issued $25.0 million of aggregate liquidation amount of 7.20% Cumulative Trust Preferred Securities (the Trust Preferred Securities) to other investors. In March 2004, BFC II issued an additional $1.0 million in Trust Preferred Securities through the execution of an over-allotment option. The proceeds from the sale of the Trust Preferred Securities and the common securities of BFC II were invested in $26.8 million of 7.20% Junior Subordinated Debentures of BancFirst Corporation. Interest payments on the 7.20% Junior Subordinated Debentures are payable January 15, April 15, July 15 and October 15 of each year. The stated maturity date of the 7.20% Junior Subordinated Debentures is March 31, 2034, but they are subject to redemption pursuant to optional prepayment terms.

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In October 2004, the Company completed the acquisition of Wilcox & Jones, Inc., an independent insurance agency headquartered in Tulsa, Oklahoma for $4.8 million. As a result of the acquisition, Wilcox & Jones became a wholly-owned subsidiary of BancFirst Corporation. The acquisition was accounted for as a purchase. Accordingly, the effects of the acquisition have been included in the Company s consolidated financial statements from the date of the acquisition forward.

In December 2005, BancFirst Corporation completed the acquisition of Park State Bank (Park State), Nicoma Park, Oklahoma for cash of approximately $11 million. Park State had total assets of approximately $44 million. As a result of the acquisition, Park State became a wholly-owned subsidiary of BancFirst Corporation and was merged into BancFirst in February 2006. 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 2006 or 2005.

In March 2006, the Company s principal subsidiary, BancFirst, organized Council Oak Real Estate, Inc. and funded the entity with $4.5 million of equity. The entity was created to make equity investments in real estate.

On June 30, 2006, the Company entered into an agreement to sell its 50% ownership in PremierSource, LLC (PremierSource). The Company opted to sell this interest to consolidate its insurance sales platform into a single wholly owned subsidiary. The Company did not have a controlling interest in PremierSource and accounted for the subsidiary on the equity method of accounting. The sale of PremierSource was completed during August 2006 and the Company had an investment in PremierSource of approximately $274,000 at the time of sale. The sale of PremierSource, including future revenue sharing payments, and the loss of future earnings from operating PremierSource did not have a significant impact on the results of the Company s operations for 2006 and is not expected to have a significant impact on the results of the Company s operations for 2007.

In August 2006, the Company completed the acquisition of First Bartlesville Bank (First Bartlesville), Bartlesville, Oklahoma for cash of approximately $5.6 million. First Bartlesville had total assets of approximately $46.6 million. As a result of the acquisition, First Bartlesville became a wholly-owned subsidiary of BancFirst Corporation and was merged into BancFirst in December 2006. 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 2006.

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On September 6, 2006, the Company determined and entered into an agreement to sell the stock of its 75% ownership in Century Life Assurance Company (Century Life) to American Underwriters Life Insurance Company. The Company decided to sell this subsidiary as the product line was not strategic for the Company. The effective date of the sale was October 1, 2006 and was consummated in the fourth quarter of 2006. The Company reported approximately $945,000 of income and $111,000 of after-tax net income for the 3rd quarter of 2006 and a pre-tax gain approximating $640,000 during the 4th quarter of 2006. The resulting gain on the sale and the loss of future earnings from operating Century Life did not have a significant impact on the results of the Company s operations for 2006 and is not expected to have a significant impact on the results of the Company s operations for 2007. The impact of the operations of Century Life on the Company s consolidated income statement for the three years ended December 31, 2006 are as follows:

	December 31,		
	2006	2005	2004
	(Dollars in thousands)		
INTEREST INCOME			
Securities taxable	$ 258	$ 490	$ 510
Total interest income	258	490	510
Net Interest Income	258	490	510
NONINTEREST INCOME			
Securities transactions	179	196	
Insurance commissions and premiums	1,762	2,040	2,000
Other	875	976	1,016
Total noninterest income	2,816	3,212	3,016
NONINTEREST EXPENSE			
Salaries and employee benefits	220	233	239
Occupancy, net	10	17	13
Depreciation	2	4	9
Minority Interest	75	157	97
Other	2,484	2,721	2,787
Total noninterest expense	2,791	3,132	3,145
Income before taxes	283	570	381
Income tax expense	57	102	92
Net Income	226	468	289
Other comprehensive income, net of tax			
Unrealized gain (loss) on securities	14	(190)	(55)
Comprehensive income	$ 240	$ 278	$ 234

In November 2006, the Company made the determination to exercise the optional prepayment terms of the 9.65% Junior Subordinated Debentures. The securities were redeemed on January 15, 2007 for a redemption price equal to 104.825% of the aggregate $25,000,000 liquidation amount of the debentures plus all accrued and unpaid interest to the redemption date. As a result of these transactions, the Company incurred a one-time charge of approximately $1.2 million after taxes at the time of the redemption. The one-time charge reflects the premium paid and the acceleration of the unamortized issuance costs. The one-time charge will be included in the Company s first quarter 2007 results.

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SELECTED CONSOLIDATED FINANCIAL DATA

(Dollars in thousands, except per share data)

	At and for the Year Ended December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
Income Statement Data					
Net interest income	$ 143,688	$ 131,451	$ 117,246	$ 109,117	$ 109,330
Provision for loan losses	1,790	4,607	2,699	3,722	5,276
Noninterest income	58,424	54,284	51,855	48,820	45,212
Noninterest expense	124,557	117,164	108,744	105,382	98,380
Net income	49,352	42,836	37,176	31,882	33,562
Balance Sheet Data					
Total assets	$ 3,418,574	$ 3,223,030	$ 3,046,977	$ 2,921,369	$ 2,796,862
Securities	432,910	456,222	560,234	564,735	565,225
Total loans (net of unearned interest)	2,325,548	2,317,426	2,093,515	1,947,223	1,814,862
Allowance for loan losses	27,700	27,517	25,746	26,148	24,367
Deposits	2,974,305	2,804,519	2,657,434	2,585,960	2,428,648
Long-term borrowings	1,339	4,118	7,815	11,063	34,087
Junior subordinated debentures	51,804	51,804	51,804	25,000	25,000
Stockholders equity	348,355	302,349	277,497	255,372	251,508
Per Common Share Data					
Net income basic	$ 3.14	$ 2.74	$ 2.38	$ 2.04	$ 2.06
Net income diluted	3.07	2.68	2.33	2.00	2.03
Cash dividends	0.68	0.60	0.53	0.47	0.40
Book value	22.10	19.34	17.70	16.32	15.46
Tangible book value	19.57	16.87	15.39	14.26	14.13
Selected Financial Ratios					
Performance ratios:					
Return on average assets	1.46%	1.39%	1.22%	1.12%	1.22%
Return on average stockholders equity	15.10	14.80	13.83	12.74	14.33
Cash dividend payout ratio	21.73	21.90	22.32	23.10	19.42
Net interest spread	3.80	4.13	3.89	3.85	3.87
Net interest margin	4.75	4.76	4.29	4.27	4.45
Efficiency ratio	61.63	63.08	64.31	66.72	63.66
Balance Sheet Ratios:					
Average loans to deposits	79.19%	82.43%	74.47%	73.33%	73.89%
Average earning assets to total assets	90.20	90.19	91.02	91.24	90.82
Average stockholders equity to average assets	9.68	9.37	8.85	8.81	8.53
Asset Quality Ratios:					
Nonperforming and restructured loans to total loans	0.51%	0.40%	0.58%	0.85%	0.77%
Nonperforming and restructured assets to total assets	0.40	0.36	0.48	0.70	0.60
Allowance for loan losses to total loans	1.19	1.19	1.23	1.34	1.34
Allowance for loan losses to nonperforming and restructured loans	231.41	293.36	211.05	158.76	175.16
Net chargeoffs to average loans	0.09	0.14	0.16	0.18	0.31

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CONSOLIDATED AVERAGE BALANCE SHEETS AND INTEREST MARGIN ANALYSIS

Taxable Equivalent Basis (Dollars in thousands)

	December 31, 2006			December 31, 2005			December 31, 2004		
	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)	$ 2,321,459	$ 180,401	7.77%	$ 2,210,737	$ 149,032	6.74%	$ 1,981,918	$ 119,813	6.05%
Securities taxable	394,140	17,345	4.40	479,781	19,949	4.16	530,340	21,144	3.99
Securities tax exempt	39,121	2,359	6.03	33,033	2,044	6.19	35,688	2,239	6.27
Federal funds sold	291,129	14,404	4.95	62,853	1,860	2.96	217,602	2,872	1.32
Total earning assets	3,045,849	214,509	7.04	2,786,404	172,885	6.20	2,765,548	146,068	5.28
Nonearning assets:									
Cash and due from banks	161,576			150,603			126,747		
Interest receivable and other assets	197,559			179,185			171,917		
Allowance for loan losses	(28,310)			(26,639)			(25,937)		
Total nonearning assets	330,825			303,149			272,727		
Total assets	$ 3,376,674			$ 3,089,553			$ 3,038,275		
LIABILITIES AND STOCKHOLDERS EQUITY									
Interest-bearing liabilities:									
Transaction deposits	$ 428,620	$ 3,455	0.81%	$ 379,084	$ 2,453	0.65%	$ 432,116	1,255	0.29%
Savings deposits	884,714	30,374	3.43	788,587	14,377	1.82	746,864	8,284	1.11
Time deposits	744,252	29,339	3.94	682,930	17,538	2.57	717,290	12,989	1.81
Short-term borrowings	37,149	1,798	4.84	36,878	1,130	3.06	27,404	332	1.21
Long-term borrowings	2,582	160	6.20	5,792	344	5.94	8,819	548	6.21
Junior subordinated debentures	51,804	4,412	8.52	51,804	4,413	8.52	47,540	4,111	8.65
Total interest-bearing liabilities	2,149,121	69,538	3.24	1,945,075	40,255	2.07	1,980,033	27,519	1.39
Interest-free funds:									
Noninterest bearing deposits	874,013			831,202			765,011		
Interest payable and other liabilities	26,709			23,907			24,332		
Stockholders equity	326,831			289,369			268,899		
Total interest free-funds	1,227,553			1,144,478			1,058,242		
Total liabilities and stockholders equity	$ 3,376,674			$ 3,089,553			$ 3,038,275		
Net interest income		$ 144,971			$ 132,630			$ 118,549	
Net interest spread			3.80%			4.13%			3.89%
Net interest margin			4.75%			4.76%			4.29%

(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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RESULTS OF OPERATIONS

Net Interest Income

In 2006, net interest income, which is the Company s principal source of operating revenue, increased $12.2 million to $144 million over 2005. The net interest margin on a taxable equivalent basis for 2006 was 4.75%, compared to 4.76% for 2005 and 4.29% for 2004. On a taxable equivalent basis, net interest income increased $12.25 million in 2006, compared to $13.62 million in 2005. 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 2006 and 2005. The increase in 2006 was due to growth in earning assets, primarily loans and federal funds sold and a favorable rate environment. The increase in 2005 was due to loan growth and a favorable rate environment. Average loans grew $110.7 million, or 5.01%, in 2006 and $228.8 million, or 11.55%, in 2005. Average time deposits increased $61.3 million, or 8.98%, in 2006 but decreased $34.4 million, or 4.79%, in 2005. Average total deposits increased in both years due in part to the increase in noninterest bearing deposits.

VOLUME/RATE ANALYSIS

Taxable Equivalent Basis

	Change in 2006			Change in 2005		
	Total	Due to Volume(1)	Due to Rate	Total	Due to Volume(1)	Due to Rate
	(Dollars in thousands)					
INCREASE (DECREASE)						
Interest Income:						
Loans	$ 31,369	$ 7,265	$ 24,104	$ 29,169	$ 13,571	$ 15,598
Investments taxable	(2,661)	(3,959)	1,298	(1,195)	(1,922)	727
Investments tax exempt	315	323	(8)	(219)	(181)	(38)
Federal funds sold	12,571	6,652	5,919	(1,426)	(2,185)	759
Total interest income	41,594	10,281	31,313	26,329	9,283	17,046
Interest Expense:						
Transaction deposits	2,354	1,506	848	963	381	582
Savings deposits	4,334	(988)	5,322	3,163	(741)	3,904
Time deposits	22,111	5,675	16,436	7,691	(570)	8,261
Short-term borrowings	668	18	650	798	124	674
Long-term borrowings	(184)	(196)	12	(203)	(212)	9
Junior subordinated debentures	58	52	6	293	359	(66)
Total interest expense	29,341	6,067	23,274	12,705	(659)	13,364
Net interest income	$ 12,253	$ 4,214	$ 8,039	$ 13,624	$ 9,942	$ 3,682

(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 yields and rates of specific assets and liabilities to changes in market rates. The Company has continued its strategy of creating manageable negative interest sensitivity gaps in the short term. This approach takes advantage of the Company s stable core deposit base and the relatively short maturity and repricing frequency of

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its loan portfolio, as well as the historical existence of a positive yield curve, which enhances the net interest margin over the long term. Although interest rate risk is increased by this position, it is somewhat mitigated by the Company s high level of liquidity.

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, 2006. The Company s cumulative negative gap position in the one year interval decreased to $489 million at December 31, 2006 from $499 million at December 31, 2005, and decreased as a percentage of total earning assets to 15.77% from 17.34%. This negative gap position assumes that the Company s core savings and transaction deposits are immediately rate sensitive. In a rising rate environment, the benefit of the Company s noninterest-bearing funds is increased, resulting in an increase in the Company s net interest margin over time.

ANALYSIS OF INTEREST RATE SENSITIVITY

December 31, 2006

	Interest Rate Sensitive		Noninterest Rate Sensitive		
	0 to 3 Months	4 to 12 Months	1 to 5 Years	Over 5 Years	Total
			(Dollars in thousands)		
EARNING ASSETS					
Loans	$ 883,743	$ 322,348	$ 954,957	$ 164,500	$ 2,325,548
Securities	31,021	64,471	275,721	61,697	432,910
Federal funds sold and interest-bearing deposits	341,470				341,470
Total	$ 1,256,234	$ 386,819	$ 1,230,678	$ 226,197	$ 3,099,928
FUNDING SOURCES					
Noninterest-bearing demand deposits (1)	$	$	$	$ 567,660	$ 567,660
Savings and transaction deposits	1,348,810				1,348,810
Time deposits of $100 or more	207,277	44,673			251,950
Time deposits under $100	415,838	90,920			506,758
Short-term borrowings	23,252				23,252
Long-term borrowings	468	636	235		1,339
Junior subordinated debentures				51,804	51,804
Stockholders equity				348,355	348,355
Total	$ 1,995,645	$ 136,229	$ 235	$ 967,819	$ 3,099,928
Interest sensitivity gap	$ (739,411)	$ 250,590	$ 1,230,443	$ (741,622)	
Cumulative gap	$ (739,411)	$ (488,821)	$ 741,622	$	
Cumulative gap as a percentage of total earning assets	(23.85)%	(15.77)%	23.92%	%	

(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 decreased to $1.79 million for 2006, compared to $4.61 million for 2005 and $2.70 million for 2004. These relatively low levels of provisions reflect the Company s strong asset quality and a strong local economy. The amounts provided for the last three years primarily relate to loan growth. The Company establishes an allowance as an estimate of the probable inherent losses in the loan portfolio at the balance sheet date. Net loan charge-offs were $2.12 million for 2006, compared to $3.14 million for 2005 and

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$3.10 million for 2004. These net charge-offs equated to 0.09%, 0.14% and 0.16% of average loans for 2006, 2005 and 2004, respectively. A more detailed discussion of the allowance for loan losses is provided under Loans.

Noninterest Income

Total noninterest income increased $4.14 million to $58.4 million in 2006, an increase of 7.63%. This compares to increases of $2.43 million, or 4.68%, in 2005, and $3.04 million, or 6.22% in 2004. The increase in noninterest income in 2006 included a gain of approximately $1.27 million resulting from the sale of Century Life and certain assets which were sold during the second half of 2006. Noninterest income was further impacted by the acquisition of Park State Bank during the fourth quarter of 2005 and the acquisition of First Bartlesville Bank during the third quarter of 2006. The increase in 2005 was impacted primarily by the acquisition of Wilcox & Jones which was completed in the fourth quarter of 2004, but was included in all of 2005. Noninterest income has become an increasingly important source of revenue. The Company s fee income has increased each year since 1987 due to improved pricing strategies, enhanced product lines, acquisitions and internal deposit growth. New products and strategies continue to be implemented which are expected to produce continued growth in noninterest income.

Trust revenues have grown due largely to an expanding customer base. Service charges on deposits have increased as a result of strategies implemented to enhance overdraft fees, and because of growth in deposits. Income from sales of loans increased in 2006 due to increased mortgage originations which are sold in the secondary market. Insurance commissions and premiums have increased with the acquisition of Wilcox & Jones in the fourth quarter of 2004. Other noninterest income, which includes safe deposit box rentals, cash management services, other service fees and gain on sale of assets increased $2.65 million in 2006, compared to an decrease of $1.57 million in 2005 and an increase of $5.59 million in 2004. The increase in 2004 was primarily due to gains on sales of assets.

The Company recognized a net gain on the sale of securities of $526,000 in 2006 compared to a net gain of $196,000 in 2005 and net losses of $236,000 in 2004. The Company s practice is to maintain a liquid portfolio of securities and not engage in trading activities. For securities classified as available for sale securities that were in an unrealized loss position, the Company has the ability and intent to hold these securities until they mature or fair value exceeds amortized cost. The net gain on the sale of securities in 2006 was primarily related to distributions received from investments through Council Oak Partners. The net gain in 2005 was related to the loan growth experienced during the year as investments were liquidated to provide partial funding for new loans. The net losses in 2004 were primarily from the impairment of preferred stock investments owned by the Company s small business investment subsidiary.

Noninterest Expense

Total noninterest expense increased in 2006 by $7.39 million to $124.6 million, an increase of 6.31%. This compares to increases of $8.42 million, or 7.74%, for 2005, and $3.36 million, or 3.19% for 2004. The increase in noninterest expense in 2006 stems from the acquisition of Park State Bank in the fourth quarter of 2005 and First Bartlesville in the third quarter of 2006. The increase in noninterest expense in 2005 primarily related to a loss from a $3.25 million cash shortfall, at one of the Company s locations, combined with the acquisition of Wilcox & Jones which was completed in the fourth quarter of 2004. The expenses related to the acquisitions were included in operations for only a portion of 2004, but were included in operations for all of 2005. Salaries and employee benefits have increased over the years 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. Other noninterest expenses decreased $1.71 million in 2006 and increased $4.85 million in 2005.

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Income Taxes

Income tax expense increased to $26.4 million in 2006, compared to $21.1 million for 2005 and $20.5 million for 2004. The effective tax rates for 2006, 2005 and 2004 were 34.9%, 33.0% and 35.5%, respectively. The primary reasons for the difference between the Company s effective tax rate and the federal statutory rate are tax-exempt income, nondeductible amortization, federal and state tax credits, and state tax expense.

Since banks have traditionally carried large amounts of tax-exempt securities and loans, 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 on a taxable equivalent basis have been presented for this purpose.

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.

FINANCIAL POSITION

Cash and Federal Funds Sold

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. The amount of cash and federal funds sold 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 increased $199.5 million in 2006 and $44.2 million in 2005. The increase in Cash and federal funds sold is due primarily to deposit growth.

Securities

Total securities declined $23.3 million to $432.9 million, a decrease of 5.11%. This compares to a decrease of $104.0 million, or 18.57%, in 2005. The decrease in 2006 was primarily due to the maturities and calls on available for sale securities. Securities available for sale represented 94.0% of the total securities portfolio at year-end 2006, compared to 93.3% at year-end 2005. Securities available for sale had a net unrealized gain of $154,000 at year-end 2006, compared to a $4.57 million net unrealized loss the preceding year. These unrealized gains and losses are included in the Company s stockholders equity as accumulated other comprehensive income (loss), net of income tax, in the amounts of $100,000 and $(2.97) million for 2006 and 2005, respectively.

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SECURITIES

	December 31		
	2006	2005	2004
	(Dollars in thousands)		
Held for Investment			
U.S. Treasury and other federal agencies	$ 3,084	$ 3,965	$ 5,296
States and political subdivisions	22,968	26,569	26,864
Total	$ 26,052	$ 30,534	$ 32,160
Estimated market value	$ 26,087	$ 30,781	$ 33,168
Available for Sale			
U.S. Treasury and other federal agencies	$ 376,005	$ 392,288	$ 501,744
States and political subdivisions	18,327	19,903	10,715
Other securities	12,526	13,497	15,615
Total	$ 406,858	$ 425,688	$ 528,074
Total Securities	$ 432,910	$ 456,222	$ 560,234

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 stockholder s 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-to-maturity 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-to-maturity until they mature, at which time the Company will receive full value for the securities. As of December 31, 2006, 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 and an increase in the market value of equity securities. The fair value of those securities having unrealized losses is expected to continue to recover as the securities approach their maturity date or repricing date or if market yields for such investments decline. Management does not believe any of the securities are impaired due to reasons of credit quality. Furthermore, as of December 31, 2006, 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, 2006, management believes the impairments are temporary and no material impairment loss has been realized in the Company s consolidated income statement.

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

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execute its asset/liability management strategy. Consequently, the average maturity of the portfolio is relatively short. Securities maturing within five years represents 88.53% of the total portfolio.

MATURITY DISTRIBUTION OF SECURITIES

December 31, 2006

	Within One Year		After One Year But Within Five Years		After Five Years But Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
					(Dollars in thousands)					
Held for Investment										
U.S. Treasury and other federal agencies	$ 48	8.82%	$ 2,268	5.81%	$ 689	6.67%	$ 79	7.61%	$ 3,084	6.09%
State and political subdivisions	5,464	6.05	12,864	5.88	3,325	6.29	1,315	6.44	22,968	6.02
Total	$ 5,512	6.08	$ 15,132	5.87	$ 4,014	6.36	$ 1,394	6.51	$ 26,052	6.02
Percentage of total	21.16%		58.08%		15.41%		5.35%		100.00%	
Available for Sale										
U.S. Treasury and other federal agencies	$ 88,633	4.19%	$ 264,395	4.09%	$ 22,829	4.87%	$ 148	5.73%	$ 376,005	4.16%
State and political subdivisions	1,905	5.24	7,679	5.38	8,428	5.75	315	5.92	18,327	5.54
Other securities							12,526	12.57	12,526	12.57
Total	$ 90,538	4.21	$ 272,074	4.13	$ 31,257	5.10	$ 12,989	12.57	$ 406,858	4.48
Percentage of total	22.25%		66.87%		7.69%		3.19%		100.00%	
Total securities	$ 96,050	4.32%	$ 287,206	4.22%	$ 35,271	5.25%	$ 14,383	11.77%	$ 432,910	4.24%
Percentage of total	22.19%		66.34%		8.15%		3.32%		100.00%	

Loans

The Company has historically generated loan growth from both internal originations and acquisitions. Total loans increased $8.1 million to $2.33 billion, an increase of 0.35%, in 2006, and $224 million, or 10.70%, in 2005. In 2006, loans remained relatively flat due to large loan principal payments. In the first half of 2006, rising interest rates caused some large real estate borrowers to refinance at long term fixed interest rates, while throughout the year, the strong economy provided cash flow to some commercial loan customers for early paydowns. Also, approximately $27.0 million in growth was attributable to the First Bartlesville Bank acquisition. In 2005, the acquisition of Park State Bank accounted for $12.0 million of loan growth and was complimented by internal expansion in commercial and industrial loans and real estate loans.

Composition

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 $224 million, or 9.61% of total loans at the end of 2006, as compared to $216 million, or 9.32% of total loans at the end of 2005. Total real estate loans are relatively evenly divided between residential mortgages and loans secured by commercial and other types of properties. Real estate mortgage loans represented 52.6% of total loans at December 31, 2006, compared to 50.7% of total loans at December 31, 2005. Consumer loans are comprised primarily of loans to individuals for the purchase of vehicles and student loans.

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Loans secured by real estate, including real estate mortgage loan, real estate one to four family mortgages, and real estate construction and development loans, have been a large portion of the Company s loan portfolio. In 2006, this percentage was 62.2% compared to 60.0% for 2005. The Company is subject to risk of future market fluctuations in property values relating to these loans. The Company attempts to manage this risk through rigorous loan underwriting standards, training of loan officers and monitoring of the valuation of individual properties collateralizing the loan.

LOANS BY CATEGORY

	December 31,									
	2006		2005		2004		2003		2002	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
	(Dollars in thousands)									
Commercial, financial and other	$ 621,675	26.73%	$ 651,176	28.10%	$ 525,306	25.10%	$ 536,901	27.57%	$ 525,592	28.96%
Real estate construction	223,561	9.61	215,965	9.32	152,402	7.28	153,755	7.90	136,539	7.52
Real estate one to four family	516,727	22.22	512,513	22.11	502,015	23.98	441,010	22.65	423,551	23.34
Real estate mortgage	705,452	30.34	661,398	28.54	640,244	30.57	550,120	28.25	468,361	25.81
Consumer	258,133	11.10	276,374	11.93	273,548	13.07	265,437	13.63	260,819	14.37
Total	$ 2,325,548	100.00%	$ 2,317,426	100.00%	$ 2,093,515	100.00%	$ 1,947,223	100.00%	$ 1,814,862	100.00%

The Maturity and Rate Sensitivity of Loans presents maturity and repricing information for commercial, financial and other loans, and real estate loans, excluding one to four family residential loans. Over 66% of the commercial real estate and other commercial loans have maturities of one year or less. However, many of these loans are renewed at existing or similar terms after scheduled principal reductions. Also, over half of the commercial real estate and other commercial loans had adjustable interest rates at year-end 2006. The short maturities and adjustable rates on these loans allow the Company to maintain the majority of its loan portfolio near market interest rates.

MATURITY AND RATE SENSITIVITY OF LOANS

December 31, 2006

	Maturing			
	Within One Year	After One But Within Five Years	After Five Years	Total
	(Dollars in thousands)			
Commercial, financial and other	$ 490,451	$ 106,071	$ 25,153	$ 621,675
Real estate construction	214,404	8,990	167	223,561
Real estate mortgage (excluding loans secured by 1 to 4 family residential properties)	326,766	326,310	52,376	705,452
Total	$ 1,031,621	$ 441,371	$ 77,696	$ 1,550,688
Loans with predetermined interest rates	$ 268,082	$ 211,358	$ 77,696	$ 557,136
Loans with adjustable interest rates	763,539	230,013	0	993,552
Total	$ 1,031,621	$ 441,371	$ 77,696	$ 1,550,688
Percentage of total	66.53%	28.46%	5.01%	100.00%

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The information relating to the maturity and rate sensitivity of loans is based upon contractual maturities and original loan terms and is not adjusted for rollovers. In the ordinary course of business, loans maturing within one year may be renewed, in whole or in part, at interest rates prevailing at the date of renewal.

Nonperforming and Restructured Loans

Nonperforming and restructured assets increased $2.0 million to $13.6 million, an increase of 17.2% in 2006. This compares to a decrease of $2.8 million, or 23.1% in 2005. Nonperforming loans have been relatively low in recent years. Nonperforming and restructured loans as a percentage of total loans was 0.51% at year-end 2006, compared to 0.40% at year-end 2005 and 0.58% at year-end 2004.

Nonaccrual loans negatively impact the Company s net interest margin. A loan is placed on nonaccrual status when, in the opinion of management, the future collectibility of interest and/or principal is in serious doubt. Interest income is recognized on certain of these loans on a cash basis if the full collection of the remaining principal balance is reasonably expected. Otherwise, interest income is not recognized until the principal balance is fully collected. Nonaccrual loans increased $2.03 million to $9.4 million, an increase of 27.6%, in 2006, compared to a decrease of $1.34 million, or 15.5%, in 2005. Total interest income which was not accrued on nonaccrual loans outstanding at year end was approximately $443,000 in 2006 and $805,000 in 2005. Only a small amount of this interest is expected to be ultimately collected.

The classification of a loan as nonperforming does not necessarily indicate that loan principal and interest will ultimately be uncollectible. The Company s experience is that a significant portion of the principal and some of the interest is eventually recovered. However, the above normal risk associated with nonperforming loans is considered in the determination of the allowance for loan losses. At year-end 2006, the allowance for loan losses as a percentage of nonperforming and restructured loans was 231.41%, compared to 293.36% at the end of 2005 and 211.05% at the end of 2004.

At year end 2006, other real estate owned and repossessed assets decreased to $1.68 million from $2.26 million in 2005. Other real estate owned consists of properties acquired through foreclosure proceedings or acceptance of a deed in lieu of foreclosure, and premises held for sale. These properties are carried at the lower of the book values of the related loans or fair market values based upon appraisals, less estimated costs to sell. Losses arising at the time of reclassification of such properties from loans to other real estate owned are charged directly to the allowance for loan losses. Any losses on premises identified to be sold are charged to operating expense at the time of transfer from premises to other real estate owned. Losses from declines in value of the properties subsequent to classification as other real estate owned are charged to operating expense.

NONPERFORMING AND RESTRUCTURED ASSETS

			December 31,		
	2006	2005	2004	2003	2002
			(Dollars in thousands)		
Past due over 90 days and still accruing	$ 1,884	$ 1,455	$ 3,149	$ 2,674	$ 2,515
Nonaccrual	9,371	7,344	8,688	13,381	10,899
Restructured	715	581	362	415	497
Total nonperforming and restructured loans	11,970	9,380	12,199	16,470	13,911
Other real estate owned and repossessed assets	1,675	2,262	2,513	3,939	2,819
Total nonperforming and restructured assets	$ 13,645	$ 11,642	$ 14,712	$ 20,409	$ 16,730
Nonperforming and restructured loans to total loans	0.51%	0.40%	0.58%	0.85%	0.77%
Nonperforming and restructured assets to total assets	0.40%	0.36%	0.48%	0.70%	0.60%

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Potential problem loans are performing loans to borrowers with a weakened financial condition, or which are experiencing unfavorable trends in their financial condition, which causes management to have concerns as to the ability of such borrowers to comply with the existing repayment terms. BancFirst had approximately $32.0 million and $28.8 million of these loans, which were not included in nonperforming and restructured assets, at December 31, 2006 and 2005, respectively. In general, these loans are adequately collateralized and have no identifiable loss potential. Loans which are considered to have identifiable loss potential are placed on nonaccrual status, are allocated a specific allowance for loss or are directly charged-down, and are reported as nonperforming. The Company s nonaccrual loans are primarily commercial and real estate loans.

Allowance for Loan Losses

The allowance for loan losses reflects management s assessment of the risk of loss inherent in the Company s loan portfolio. The allowance and its adequacy is determined through consideration of many factors, including past loan loss experience, evaluations of known impaired loans, levels of adversely classified loans, general economic conditions and other environmental factors. The process of evaluating the adequacy of the allowance for loan losses necessarily involves the exercise of judgment and consideration of numerous subjective factors and, accordingly, there can be no assurance that the current level of the allowance will prove adequate in light of future developments and economic and environmental factors. As loan quality changes with economic and credit cycles, it would be reasonable to expect the Company s net charge-offs and loan loss provisions to return to more historically normal levels. In 2006, the Company s loan portfolio continued to experience good credit quality which resulted in low levels of nonperforming assets. Improved credit quality caused a decrease in the level of provisions.

The Company s net charge-offs continue to remain relatively low. In 2006, the Company recognized $2.12 million of net charge-offs, which represented 0.09% of average loans, compared to $3.14 million, or 0.14% for 2005, and $3.10 million, or 0.16% for 2004. Similarly, the Company s allowance for loan losses to total loans continues to remain close to historically low levels. In 2006, the Company s allowance for loan losses represented 1.19% of total loans, compared to 1.19% for 2005 and 1.23% for 2004.

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ANALYSIS OF ALLOWANCE FOR LOAN LOSSES

	Year Ended December 31,				
	2006	2005	2004	2003	2002
			(Dollars in thousands)		
Balance at beginning of period	$ 27,517	$ 25,746	$ 26,148	$ 24,367	$ 24,531
Charge-offs:					
Commercial	(1,383)	(1,249)	(1,729)	(1,687)	(3,129)
Real estate	(778)	(1,045)	(943)	(1,037)	(1,028)
Consumer	(1,226)	(1,425)	(1,422)	(1,578)	(2,391)
Other	(94)	(125)	(85)	(191)	(4)
Total charge-offs	(3,481)	(3,844)	(4,179)	(4,493)	(6,552)
Recoveries:					
Commercial	277	201	406	370	434
Real estate	686	101	196	496	118
Consumer	342	345	438	408	541
Other	59	60	38	14	19
Total recoveries	1,364	707	1,078	1,288	1,112
Net charge-offs	(2,117)	(3,137)	(3,101)	(3,205)	(5,440)
Provision charged to operations	1,790	4,607	2,699	3,722	5,276
Additions from acquisitions	510	301		1,264	
Balance at end of period	$ 27,700	$ 27,517	$ 25,746	$ 26,148	$ 24,367
Average loans	$ 2,321,459	$ 2,210,737	$ 1,981,918	$ 1,822,895	$ 1,765,795
Total loans	$ 2,325,548	$ 2,317,426	$ 2,093,515	$ 1,947,223	$ 1,814,862
Net charge-offs to average loans	0.09%	0.14%	0.16%	0.18%	0.31%
Allowance to total loans	1.19%	1.19%	1.23%	1.34%	1.34%
Allocation of the allowance by category of loans:					
Commercial, financial and other	$ 7,364	$ 7,738	$ 6,541	$ 7,654	$ 7,602
Real estate construction	2,939	2,726	1,735	1,898	1,594
Real estate mortgage	14,121	13,597	14,139	13,036	11,317
Consumer	3,276	3,456	3,331	3,560	3,139
Unallocated					715
Total	$ 27,700	$ 27,517	$ 25,746	$ 26,148	