BANCFIRST CORP /OK/
Form 10-Q
August 09, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OFTHE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2018

OR

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

Commission File Number 0-14384

BancFirst Corporation

(Exact name of registrant as specified in charter)

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

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

(405) 270-1086

(Registrant’s telephone number, including area code)

N/A

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

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

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

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of July 31, 2018 there were 32,737,715 shares of the registrant's Common Stock outstanding.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

BANCFIRST CORPORATION

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	June 30, 2018 (unaudited)	December 31, 2017 (see Note 1)
ASSETS		
Cash and due from banks	$188,483	$216,104
Interest-bearing deposits with banks	1,579,577	1,541,771
Federal funds sold	22,798	700
Securities (fair value: $462,880 and $470,006, respectively)	462,871	469,995
Loans held for sale	9,553	6,173
Loans (net of unearned interest)	5,007,518	4,721,995
Allowance for loan losses	(52,200)	(51,666)
Loans, net of allowance for loan losses	4,955,318	4,670,329
Premises and equipment, net	146,710	134,088
Other real estate owned	3,616	4,136
Intangible assets, net	18,012	11,082
Goodwill	79,733	54,042
Accrued interest receivable and other assets	156,292	144,736
Total assets	$7,622,963	$7,253,156
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$2,661,316	$2,550,150
Interest-bearing	4,030,858	3,864,895
Total deposits	6,692,174	6,415,045
Short-term borrowings	2,500	900
Accrued interest payable and other liabilities	34,318	29,623
Junior subordinated debentures	31,959	31,959
Total liabilities	6,760,951	6,477,527
Stockholders' equity:		
Senior preferred stock, $1.00 par; 10,000,000 shares authorized; none issued	—	—
Cumulative preferred stock, $5.00 par; 900,000 shares authorized; none issued	—	—
Common stock, $1.00 par, 40,000,000 shares authorized; shares issued and	32,731	31,895

outstanding: 32,731,215 and 31,894,563, respectively		
Capital surplus	148,494	107,481
Retained earnings	684,425	638,580
Accumulated other comprehensive loss, net of income tax of $(1,243) and $(795), respectively	(3,638)	(2,327)
Total stockholders' equity	862,012	775,629
Total liabilities and stockholders' equity	$7,622,963	$7,253,156

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(Dollars in thousands, except per share data)

	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
INTEREST INCOME				
Loans, including fees	$65,604	$54,763	$128,523	$108,398
Securities:				
Taxable	1,956	1,906	3,854	3,667
Tax-exempt	162	178	333	365
Federal funds sold	95	1	199	1
Interest-bearing deposits with banks	7,325	4,425	13,107	7,865
Total interest income	75,142	61,273	146,016	120,296
INTEREST EXPENSE				
Deposits	9,710	4,300	16,979	8,025
Short-term borrowings	8	4	43	7
Junior subordinated debentures	544	530	1,079	1,057
Total interest expense	10,262	4,834	18,101	9,089
Net interest income	64,880	56,439	127,915	111,207
Provision for loan losses	1,225	1,841	1,539	1,913
Net interest income after provision for loan losses	63,655	54,598	126,376	109,294
NONINTEREST INCOME				
Trust revenue	3,396	2,894	6,525	5,846
Service charges on deposits	17,537	16,448	34,190	32,226
Securities transactions (includes accumulated other comprehensive income reclassifications of $0, $(142), $0 and $(142), respectively)	115	(330)	101	(330)
Income from sales of loans	802	816	1,453	1,448
Insurance commissions	3,927	3,728	9,126	8,291
Cash management	3,381	2,799	6,402	5,553
Gain (loss) on sale of other assets	127	(25)	153	(49)
Other	1,152	1,653	2,597	3,083
Total noninterest income	30,437	27,983	60,547	56,068
NONINTEREST EXPENSE				
Salaries and employee benefits	34,776	31,547	68,966	62,201
Occupancy, net	3,396	2,992	6,798	5,966
Depreciation	2,429	2,392	4,839	4,812
Amortization of intangible assets	759	547	1,492	1,094
Data processing services	1,195	1,097	2,398	2,292
Net expense from other real estate owned	19	202	45	252
Marketing and business promotion	1,649	1,559	4,001	3,774
Deposit insurance	640	542	1,259	1,130
Other	9,393	8,075	20,348	17,020

Total noninterest expense	54,256	48,953	110,146	98,541
Income before taxes	39,836	33,628	76,777	66,821
Income tax expense	9,250	10,446	16,571	21,589
Net income	$30,586	$23,182	$60,206	$45,232
NET INCOME PER COMMON SHARE				
Basic	$0.93	$0.73	$1.84	$1.43
Diluted	$0.91	$0.71	$1.80	$1.39
OTHER COMPREHENSIVE (LOSS)/INCOME				
Unrealized (losses)/gains on securities, net of tax of $179, $(280), $653 and $(167), respectively	(541)	443	(1,929)	265
Reclassification adjustment for losses included in net income, net of tax of $0, $(55), $0 and $(55), respectively	—	87	—	87
Other comprehensive (losses)/gains, net of tax of $179, $(335), $448 and $(222), respectively	(541)	530	(1,929)	352
Comprehensive income	$30,045	$23,712	$58,277	$45,584

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)

(Dollars in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
COMMON STOCK				
Issued at beginning of period	$32,708	$31,782	$31,895	$31,622
Shares issued for stock options	23	36	103	196
Shares issued for acquisitions	—	—	733	—
Issued at end of period	$32,731	$31,818	$32,731	$31,818
CAPITAL SURPLUS				
Balance at beginning of period	$147,762	$102,605	$107,481	$101,730
Common stock issued for stock options	410	2,592	1,620	3,245
Common stock issued for acquisitions	—	—	38,765	—
Stock-based compensation arrangements	322	243	628	465
Balance at end of period	$148,494	$105,440	$148,494	$105,440
RETAINED EARNINGS				
Balance at beginning of period	$660,723	$593,631	$638,580	$577,648
Net income	30,586	23,182	60,206	45,232
Cumulative effect of change in accounting principle	—	—	(618)	—
Dividends on common stock ($0.21, $0.19, $0.42 and $0.38 per share, respectively)	(6,884)	(6,055)	(13,743)	(12,122)
Balance at end of period	$684,425	$610,758	$684,425	$610,758
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Unrealized gains on securities:				
Balance at beginning of period	$(3,097)	$(84)	$(2,327)	$94
Net change	(541)	530	(1,929)	352
Cumulative effect of change in accounting principle	—	—	618	—
Balance at end of period	$(3,638)	$446	$(3,638)	$446
Total stockholders' equity	$862,012	$748,462	$862,012	$748,462

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

BANCFIRST CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOW

(Unaudited)

(Dollars in thousands)

	Six Months Ended June 30, 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$60,206	$45,232
Adjustments to reconcile to net cash provided by operating activities:		
Provision for loan losses	1,539	1,913
Depreciation and amortization	6,331	5,906
Net amortization of securities premiums and discounts	(77)	(103)
Realized securities (gains)/losses	(101)	330
Gain on sales of loans	(1,453)	(1,448)
Cash receipts from the sale of loans originated for sale	95,713	97,146
Cash disbursements for loans originated for sale	(97,676)	(95,477)
Deferred income tax benefit	(604)	(723)
(Gain)/loss on other assets	(156)	62
Increase in interest receivable	(2,618)	(1,107)
Increase in interest payable	575	126
Amortization of stock-based compensation arrangements	628	465
Excess tax benefit from stock-based compensation arrangements	(898)	(1,784)
Other, net	(5,678)	3,234
Net cash provided by operating activities	$55,731	$53,772
INVESTING ACTIVITIES		
Net cash received from acquisitions, net of cash paid	$6,248	$ —
Net decrease in federal funds sold	750	700
Purchases of held for investment securities	(225)	(220)
Purchases of available for sale securities	(60,604)	(42,006)
Proceeds from maturities, calls and paydowns of held for investment securities	509	644
Proceeds from maturities, calls and paydowns of available for sale securities	59,235	60,360
Proceeds from sales of available for sale securities	1,467	—
Purchase of equity securities	(1,709)	—
Proceeds from paydowns and sales of equity securities	1,080	—
Net change in loans	24,177	(181,851)
Purchases of premises, equipment and computer software	(16,631)	(6,568)
Proceeds from the sale of other real estate owned and other assets	3,231	2,088
Net cash provided by/(used in) investing activities	17,528	(166,853)
FINANCING ACTIVITIES		
Net change in deposits	(52,831)	(12,375)
Net increase in short-term borrowings	1,600	500
Issuance of common stock in connection with stock options, net	1,723	3,441
Cash dividends paid	(13,566)	(12,046)

Net cash used in financing activities	(63,074)	(20,480)
Net increase/(decrease) in cash, due from banks and interest-bearing deposits	10,185	(133,561)
Cash, due from banks and interest-bearing deposits at the beginning of the period	1,757,875	1,850,461
Cash, due from banks and interest-bearing deposits at the end of the period	$1,768,060	$1,716,900
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for interest	$17,525	$8,963
Cash paid during the period for income taxes	$16,150	$20,450
Noncash investing and financing activities:		
Stock issued in acquisitions	$39,498	$—
Cash consideration for acquisitions	$24,722	$—
Fair value of assets acquired in acquisitions	$377,320	$—
Liabilities assumed in acquisitions	$338,860	$—
Unpaid common stock dividends declared	$6,870	$6,045

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

BANCFIRST CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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

The accounting and reporting policies of BancFirst Corporation and its subsidiaries (the “Company”) conform to accounting principles generally accepted in the United State of America (U.S. GAAP) and general practice within the banking industry. A summary of significant accounting policies can be found in Note (1) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Basis of Presentation

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

The accompanying unaudited interim consolidated financial statements and notes are presented in accordance with the instructions for Form 10-Q. The information contained in the financial statements and footnotes included in BancFirst Corporation’s Annual Report on Form 10-K for the year ended December 31, 2017, should be referred to in connection with these unaudited interim consolidated financial statements. Operating results for the interim periods disclosed herein are not necessarily indicative of the results that may be expected for a full year or any future period.

The unaudited interim consolidated financial statements contained herein reflect all adjustments which are, in the opinion of management, necessary to provide a fair statement of the financial position and results of operations of the Company for the interim periods presented. All such adjustments are of a normal and recurring nature. There have been no significant changes in the accounting policies of the Company since December 31, 2017, the date of the most recent annual report.

Reclassifications

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

Use of Estimates in the Preparation of Financial Statements

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

Recent Accounting Pronouncements

Standards Adopted During Current Period:

In February 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-2, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. ASU 2018-2 allows a reclassification from accumulated other comprehensive income (loss) to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act. ASU 2018-2 is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company elected to early adopt the provisions of ASU 2018-2 and the amount to reclassify was immaterial to the Company's financial statements. The Company's policy is to release material stranded tax effects on a specific identification basis.

In May 2017, the FASB issued ASU No. 2017-09, "Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting." The amendments in this update provide guidance about types of changes to the terms of conditions of share-based payment awards that would require an entity to apply modification accounting under ASC 718. ASU 2017-09 was adopted on January 1, 2018 and did not have a significant impact on the Company's financial statements and no prior periods were adjusted.

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.” ASU 2017-04 removes the second step of goodwill testing. ASU 2017-04 is effective for fiscal years beginning after December 31, 2019 with early adoption permitted. The Company elected to early adopt ASU 2017-4 and it did not have a significant impact on the Company’s financial statements.

In January 2017, the FASB issued ASU No. 2017-01, “Business Combinations (Topic 805): Clarifying the Definition of a Business.” ASU 2017-01 clarifies the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of a business. ASU 2017-01 was adopted on January 1, 2018 and did not have a significant impact on the Company’s financial statements.

In October 2016, the FASB issued ASU No. 2016-16, “Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory.” ASU 2016-16 provides guidance stating that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. ASU 2016-16 was adopted on January 1, 2018 and did not have a significant impact on the Company’s financial statements and no prior periods were adjusted.

In August 2016, the FASB issued ASU No. 2016-15, “Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” ASU 2016-15 is intended to reduce the diversity in practice around how certain transactions are classified within the statement of cash flows. ASU 2016-15 was adopted on January 1, 2018 and did not have a significant impact on the Company’s financial statements.

In January 2016, the FASB issued ASU No. 2016-01, “Financial Instruments – Overall (Subtopic 825-10).” ASU 2016-01 requires all equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in the fair value recognized through net income. The adoption of the guidance resulted in a $618,000 decrease to retained earnings and a $618,000 increase to accumulated other comprehensive income. Additional income of $41,200 was recorded in the consolidated statement of comprehensive income during 2018 as a result of changes to the accounting for equity investments. Further, the Company’s securities disclosures in Note (3) have been revised to exclude equity investments in 2018 and fair value disclosures in Note (9) have incorporated the revised disclosure requirements for financial investments. ASU 2016-01 also emphasizes the existing requirement to use exit prices to measure fair value for disclosure purposes and clarifies that entities should not make use of a practicability exception in determining the fair value of loans. Accordingly, we refined the calculation used to determine the disclosed fair value of the Company’s loans held for investment as part of adopting this standard. The refined calculation did not have a significant impact on the Company’s fair value disclosures. ASU 2016-01 was adopted on January 1, 2018 and did not have a significant impact on the Company’s financial statements.

In January 2014, the FASB issued ASU No. 2014-09, “Revenue from Contracts with Customer (Topic 606).” ASU 2014-09 implements a comprehensive new revenue recognition standard that will supersede substantially all existing revenue recognition guidance. The new standard’s core principle is that a company will recognize revenue when it transfers promised goods or services to customers in a manner that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The guidance does not apply to revenue associated with financial instruments, including loans and securities that are accounted for under other GAAP, which comprises a significant portion of the Company’s revenue stream. ASU 2014-09 was adopted on January 1, 2018 and did not have a significant impact on the Company’s financial statements.

Standards Not Yet Adopted:

In June 2016, the FASB issued ASU No. 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” ASU 2016-13 requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 requires enhanced disclosures related to the significant estimates and judgements used in estimating credit losses, as well as the credit quality and underwriting standards of an organization's portfolio. In addition, ASU 2016-13 amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 will be effective for the Company on January 1, 2020. The Company is currently evaluating the potential impact of ASU 2016-13 on its financial statements. In that regard, the Company has formed a task force under the direction of its Chief Financial Officer. The Company is currently developing an implementation plan to include assessment of process, portfolio segmentation, model development, system requirements and the identification of data and resource need, among other things.

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

(2) RECENT DEVELOPMENTS, INCLUDING MERGERS AND ACQUISITIONS

On January 11, 2018, the Company acquired First Wagoner Corp. and its subsidiary bank, First Bank & Trust Company, with locations in Carney, Grove, Ketchum, Luther, Tulsa and Wagoner. First Bank & Trust Company had approximately $290 million in total assets, $247 million in loans, $251 million in deposits and $36 million in equity capital. First Bank & Trust Company operated as a subsidiary of BancFirst Corporation until it was merged into BancFirst on February 16, 2018. As a result of the acquisition, the Company recorded a core deposit intangible of approximately $6.3 million and goodwill of approximately $19.1 million. These fair value estimates are considered preliminary and are subject to change for up to one year after the closing date of the acquisition as additional information becomes available. The effect of this acquisition was included in the consolidated financial statements of the Company from the date of acquisition forward. The acquisition did not have a material effect on the Company’s consolidated financial statements. The acquisition of First Wagoner Corp. and its subsidiary bank, First Bank & Trust Company complements the Company’s community banking strategy by adding five communities to its banking network in Oklahoma.

On January 11, 2018, the Company acquired First Chandler Corp. and its subsidiary bank, First Bank of Chandler, with two locations in Chandler. First Bank of Chandler had approximately $88 million in total assets, $66 million in loans, $79 million in deposits and $11 million in equity capital. The bank will operate as First Bank of Chandler until it is merged into BancFirst, which is expected to be during the third quarter of 2018. As a result of the acquisition, the Company recorded a core deposit intangible of approximately $2.2 million and goodwill of approximately $6.6 million. These fair value estimates are considered preliminary and are subject to change for up to one year after the closing date of the acquisition as additional information becomes available. The effect of this acquisition was included in the consolidated financial statements of the Company from the date of acquisition forward. The acquisition did not have a material effect on the Company’s consolidated financial statements. The acquisition of First Chandler Corp. and its subsidiary bank, First Bank of Chandler complements the Company’s community banking strategy by increasing its banking network in Oklahoma.

On July 31, 2017, the Company completed a two-for-one stock split of the Company’s outstanding shares of common stock. The stock was payable in the form of a dividend on or about July 31, 2017 to shareholders of record of the outstanding common stock as of the close of business record date of July 17, 2017. Stockholders received one additional share for each share held on that date. This was the second stock split for the Company since going public. All share and per share amounts in these consolidated financial statements and related notes have been retroactively adjusted to reflect this stock split for all periods presented.

(3) SECURITIES

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

	June 30, 2018	December 31, 2017

	(Dollars in thousands)	
Held for investment, at cost (fair value: $2,017 and $2,303, respectively)	$2,008	$2,292
Available for sale, at fair value	460,863	467,703
Total	$462,871	$469,995

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2018	(Dollars in thousands)			
Mortgage backed securities (1)	$158	$ 6	$ —	$ 164
States and political subdivisions	1,350	3	—	1,353
Other securities	500	—	—	500
Total	$2,008	$ 9	$ —	$ 2,017
December 31, 2017				
Mortgage backed securities (1)	$187	$ 10	$ —	$ 197
States and political subdivisions	1,605	3	(2)	1,606
Other securities	500	—	—	500
Total	$2,292	$ 13	$ (2)	$ 2,303

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

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
June 30, 2018	(Dollars in thousands)			
U.S. treasuries	$324,661	$ 108	$ (4,574)	$320,195
U.S. federal agencies	84,649	2	(222)	84,429
Mortgage backed securities (1)	16,828	137	(559)	16,406
States and political subdivisions	39,606	347	(120)	39,833
Total	$465,744	$ 594	$ (5,475)	$460,863
December 31, 2017				
U.S. treasuries	$314,905	$ —	$ (2,103)	$312,802
U.S. federal agencies	89,098	82	(329)	88,851
Mortgage backed securities (1)	18,358	204	(586)	17,976
States and political subdivisions	41,937	554	(121)	42,370
Equity securities (2)	6,527	71	(894)	5,704
Total	$470,825	$ 911	$ (4,033)	$467,703

(1) Primarily consists of FHLMC, FNMA, GNMA and mortgage backed securities through U.S. agencies.
(2) Consisted of equity securities that are included in other assets in 2018.

The maturities of securities held for investment and available for sale are summarized in the following table using contractual maturities. Actual maturities may differ from contractual maturities due to obligations that are called or prepaid. For purposes of the maturity table, mortgage-backed securities, which are not due at a single maturity date, have been presented at their contractual maturity.

	June 30, 2018		December 31, 2017	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(Dollars in thousands)			
Held for Investment				
Contractual maturity of debt securities:				
Within one year	$975	$978	$1,036	$1,034
After one year but within five years	428	428	623	627
After five years but within ten years	599	605	625	633
After ten years	6	6	8	9
Total	$2,008	$2,017	$2,292	$2,303
Available for Sale				

Contractual maturity of debt securities:				
Within one year	$114,086	$113,828	$113,225	$112,974
After one year but within five years	296,057	291,843	289,038	287,058
After five years but within ten years	6,129	6,306	6,222	6,500
After ten years	49,472	48,886	55,813	55,467
Total debt securities	465,744	460,863	464,298	461,999
Equity securities	—	—	6,527	5,704
Total	$465,744	$460,863	$470,825	$467,703

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

	June 30, 2018	December 31, 2017
	(Dollars in thousands)	
Book value of pledged securities	$439,030	$440,069

(4) LOANS AND ALLOWANCE FOR LOAN LOSSES

The following is a schedule of loans outstanding by category:

	June 30, 2018		December 31, 2017	
	Amount	Percent	Amount	Percent
	(Dollars in thousands)			
Commercial and financial:				
Commercial and industrial	$1,083,958	21.65 %	$995,207	21.08 %
Oil & gas production and equipment	95,777	1.91	95,574	2.02
Agriculture	130,961	2.62	141,249	2.99
State and political subdivisions:				
Taxable	65,745	1.31	73,827	1.56
Tax-exempt	54,400	1.09	48,626	1.03
Real estate:				
Construction	456,062	9.11	437,277	9.26
Farmland	215,835	4.31	195,162	4.13
One to four family residences	978,196	19.53	875,766	18.55
Multifamily residential properties	66,488	1.33	46,030	0.98
Commercial	1,514,304	30.24	1,487,927	31.51
Consumer	309,011	6.17	284,373	6.02
Other (not classified above)	36,781	0.73	40,977	0.87
Total loans	$5,007,518	100.00%	$4,721,995	100.00%

The Company’s loans are mostly to customers within Oklahoma and over 60% of the loans are secured by real estate. Credit risk on loans is managed through limits on amounts loaned to individual and related borrowers, underwriting standards and loan monitoring procedures. The amounts and types of collateral obtained, if any, to secure loans are based upon the Company’s underwriting standards and management’s credit evaluation. Collateral varies, but may include real estate, equipment, accounts receivable, inventory, livestock and securities. The Company’s interest in collateral is secured through filing mortgages and liens, and in some cases, by possession of the collateral.

The Company’s commercial and industrial loan category includes a small percentage of loans to companies that provide ancillary services to the oil and gas industry, such as transportation, preparation contractors and equipment manufacturers. The balance of these loans was approximately $79 million at June 30, 2018 and approximately $81 million at December 31, 2017.

Accounting policies related to appraisals, nonaccruals and charge-offs are disclosed in Note (1) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

Nonperforming and Restructured Assets

The following is a summary of nonperforming and restructured assets:

	June 30, 2018	December 31, 2017
	(Dollars in thousands)	
Past due 90 days or more and still accruing	$2,916	$ 2,893

Nonaccrual	30,149	31,943
Restructured	14,527	4,720
Total nonperforming and restructured loans	47,592	39,556
Other real estate owned and repossessed assets	3,847	4,424
Total nonperforming and restructured assets	$51,439	$ 43,980

Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $1.1 million for the six months ended June 30, 2018 and approximately $886,000 for the six months ended June 30, 2017.

The Company charges interest on principal balances outstanding on restructured loans during deferral periods. The current and future financial effects of the recorded balance of loans considered to be restructured were not considered to be material.

Loans are segregated into classes based upon the nature of the collateral and the borrower. These classes are used to estimate the allowance for loan losses. The following table is a summary of amounts included in nonaccrual loans, segregated by class of loans. Residential real estate refers to one-to-four family real estate.

	June 30, 2018	December 31, 2017
	(Dollars in thousands)	
Real estate:		
Non-residential real estate owner occupied	$1,225	$ 1,108
Non-residential real estate other	8,892	9,809
Residential real estate permanent mortgage	978	781
Residential real estate all other	5,121	3,980
Commercial and financial:		
Non-consumer non-real estate	7,357	7,785
Consumer non-real estate	362	250
Other loans	525	5,596
Acquired loans	5,689	2,634
Total	$30,149	$ 31,943

Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. The following table presents an age analysis of past due loans, segregated by class of loans:

	Age Analysis of Past Due Loans						
	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due Loans	Current Loans	Total Loans	Accruing Loans 90 Days or More Past Due
	(Dollars in thousands)						
As of June 30, 2018							
Real estate:							
Non-residential real estate owner occupied	$547	$824	$968	$2,339	$637,279	$639,618	$ 118
Non-residential real estate other	475	56	1,755	2,286	1,127,444	1,129,730	171
Residential real estate permanent mortgage	4,333	644	1,219	6,196	323,487	329,683	852
Residential real estate all other	2,414	754	2,649	5,817	788,538	794,355	1,129
Commercial and financial:							
Non-consumer non-real estate	1,768	1,659	2,650	6,077	1,298,337	1,304,414	198
Consumer non-real estate	1,549	359	421	2,329	298,798	301,127	331
Other loans	412	237	324	973	136,378	137,351	—
Acquired loans	3,248	681	2,550	6,479	364,761	371,240	117
Total	$14,746	$5,214	$12,536	$32,496	$4,975,022	$5,007,518	$ 2,916

As of December 31, 2017							
Real estate:							
Non-residential real estate owner occupied	$998	$68	$977	$2,043	$639,575	$641,618	$ 84
Non-residential real estate other	2,905	271	2,112	5,288	1,121,303	1,126,591	432
Residential real estate permanent mortgage	2,211	403	977	3,591	326,743	330,334	584
Residential real estate all other	1,739	749	1,377	3,865	781,790	785,655	973
Commercial and financial:							
Non-consumer non-real estate	2,210	706	1,785	4,701	1,279,704	1,284,405	403
Consumer non-real estate	2,085	670	293	3,048	285,872	288,920	194
Other loans	506	103	3,916	4,525	139,920	144,445	—
Acquired loans	753	192	713	1,658	118,369	120,027	223
Total	$13,407	$3,162	$12,150	$28,719	$4,693,276	$4,721,995	$ 2,893

Impaired Loans

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

The following table presents impaired loans, segregated by class of loans. During the period ended June 30, 2018 no material amount of interest income was recognized on impaired loans subsequent to their classification as impaired. During the period ended June 30, 2017, $2.3 million of interest income was recognized on impaired loans subsequent to their classification as impaired.

	Impaired Loans			
	Unpaid Principal Balance	Recorded Investment with Allowance	Related Allowance	Average Recorded Investment
	(Dollars in thousands)			
As of June 30, 2018				
Real estate:				
Non-residential real estate owner occupied	$7,718	$ 7,636	$ 301	$ 7,387
Non-residential real estate other	9,881	9,633	521	9,730
Residential real estate permanent mortgage	2,252	2,047	155	1,819
Residential real estate all other	7,724	7,417	2,445	6,920
Commercial and financial:				
Non-consumer non-real estate	20,876	13,639	2,662	13,048
Consumer non-real estate	794	755	136	780
Other loans	760	525	55	1,084
Acquired loans	11,065	8,075	4	6,870
Total	$61,070	$ 49,727	$ 6,279	$ 47,638
As of December 31, 2017				
Real estate:				
Non-residential real estate owner occupied	$2,011	$ 1,945	$ 141	$ 1,858
Non-residential real estate other	10,323	10,240	496	3,975
Residential real estate permanent mortgage	1,745	1,542	146	1,440
Residential real estate all other	5,837	5,549	2,135	5,258
Commercial and financial:				
Non-consumer non-real estate	18,101	11,158	2,412	11,131
Consumer non-real estate	545	514	127	541
Other loans	6,092	5,595	178	7,439
Acquired loans	4,737	3,145	12	3,539
Total	$49,391	$ 39,688	$ 5,647	$ 35,181

Credit Risk Monitoring and Loan Grading

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

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

The general characteristics of the risk grades are disclosed in Note (5) to the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

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

	Internal Loan Grading Grade					
	1	2	3	4	5	Total
	(Dollars in thousands)					
As of June 30, 2018						
Real estate:						
Non-residential real estate owner occupied	$492,984	$126,220	$18,995	$1,419	$—	$639,618
Non-residential real estate other	929,230	181,759	9,701	9,040	—	1,129,730
Residential real estate permanent mortgage	282,347	37,534	7,350	2,452	—	329,683
Residential real estate all other	622,575	154,192	10,681	6,907	—	794,355
Commercial and financial:						
Non-consumer non-real estate	1,029,512	249,253	18,716	6,933	—	1,304,414
Consumer non-real estate	278,585	20,078	1,675	789	—	301,127
Other loans	131,903	5,054	336	58	—	137,351
Acquired loans	215,415	117,064	32,547	6,214	—	371,240
Total	$3,982,551	$891,154	$100,001	$33,812	$—	$5,007,518
As of December 31, 2017						
Real estate:						
Non-residential real estate owner occupied	$520,641	$105,696	$13,852	$1,429	$—	$641,618
Non-residential real estate other	931,295	178,282	14,290	2,724	—	1,126,591
Residential real estate permanent mortgage	289,200	33,033	6,352	1,749	—	330,334
Residential real estate all other	621,401	149,201	9,418	5,635	—	785,655
Commercial and financial:						
Non-consumer non-real estate	1,018,172	234,884	24,322	6,997	30	1,284,405
Consumer non-real estate	268,826	17,499	2,038	557	—	288,920
Other loans	136,617	5,668	1,203	957	—	144,445
Acquired loans	65,685	34,418	17,113	2,811	—	120,027
Total	$3,851,837	$758,681	$88,588	$22,859	$30	$4,721,995

Allowance for Loan Losses Methodology

The allowance for loan losses (“ALL”) methodology is disclosed in Note (5) to the Company’s Annual Report on Form 10-K for the year ended December 31, 2017.

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

	ALL Balance at beginning of period	Charge-offs	Recoveries	Net charge-offs	Provisions charged to operations	Balance at end of period
	(Dollars in thousands)					
Three Months Ended June 30, 2018						
Real estate:						
Non-residential real estate owner occupied	$6,650	$ —	$ —	$ —	$ (224)	$6,426
Non-residential real estate other	10,548	—	—	—	157	10,705
Residential real estate permanent mortgage	3,281	(6)	23	17	9	3,307
Residential real estate all other	9,831	(151)	3	(148)	440	10,123
Commercial and financial:						
Non-consumer non-real estate	14,785	(153)	10	(143)	427	15,069
Consumer non-real estate	2,699	(194)	44	(150)		