# Small businesses are the *heart of our communities.*


"BancFirst helped us keep 30 staff members employed."

Casa Romo Cocina Mexicana


"With the PPP loan we kept all of our employees working so they could provide for their families."

IQ Car Wash


"After 10 successful years, we wouldn't have been able to stay open without PPP funding."

Rocky Mountain Chocolate Factory

"The PPP loan allowed us to treat our employees how we would want to be treated in this situation."

Silverleaf Shotgun Sports

"After a loss of 90% of our revenue, the PPP loan allowed me to open curbside service using the employees I called back."

B&B Catering and Event Center

"Thanks to BancFirst and the PPP, here at Indaco Metals we proudly retained all employees."

Indaco Metals

**BancFirst CORPORATION | 2020 ANNUAL REPORT**

# FINANCIAL HIGHLIGHTS

| (DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA) | 2020 | %CHANGE | 2019 | %CHANGE | 2018 |
|---|---|---|---|---|---|
| **PROFITABILITY** | | | | | |
| Net interest income | $306,668 | 8.8 | $281,921 | 8.2 | $260,476 |
| Provision for credit losses | 62,648 | 656.0 | 8,287 | 118.0 | 3,802 |
| Noninterest income | 137,222 | 0.0 | 137,229 | 9.6 | 125,199 |
| Noninterest expense | 257,730 | 6.8 | 241,301 | 8.6 | 222,121 |
| Net income | 99,586 | -26.2 | 134,879 | 7.2 | 125,814 |
| **PER SHARE DATA** | | | | | |
| Net income – diluted | $ 3.00 | -25.9 | $ 4.05 | 7.7 | $3.76 |
| Cash dividends | 1.32 | 6.5 | 1.24 | 21.6 | 1.02 |
| Book value | 32.64 | 6.2 | 30.74 | 11.0 | 27.69 |
| Tangible book value | 27.47 | 7.7 | 25.50 | 3.1 | 24.74 |
| **AT YEAR END** | | | | | |
| Total assets | $9,212,357 | 7.5 | $8,565,758 | 13.1 | $7,574,258 |
| Portfolio debt securities | 555,196 | 12.9 | 491,626 | -36.3 | 772,132 |
| Total loans (net of unearned interest) | 6,448,225 | 13.7 | 5,673,144 | 13.8 | 4,984,150 |
| Deposits | 8,064,704 | 7.8 | 7,483,635 | 13.3 | 6,605,495 |
| Stockholders' equity | 1,067,885 | 6.3 | 1,004,989 | 11.3 | 902,789 |
| **KEY RATIOS** | | | | | |
| Return on average assets | 1.06% | | 1.69% | | 1.66% |
| Return on average stockholders' equity | 9.52 | | 14.04 | | 14.59 |
| Net interest margin | 3.57 | | 3.85 | | 3.70 |
| Average loans to deposits | 78.28 | | 76.06 | | 74.63 |
| Average stockholders' equity to average assets | 11.17 | | 12.06 | | 11.37 |
| Nonperforming and restructured assets to total assets | 0.90 | | 0.63 | | 0.59 |
| Allowance for credit losses to total loans | 1.42 | | 0.96 | | 1.03 |
| Allowance for credit losses to nonperforming and restructured loans | 182.26 | | 113.45 | | 136.29 |
| Net charge-offs to average loans | 0.35 | | 0.10 | | 0.08 |
| **CASH EARNINGS DATA**[1] | | | | | |
| Cash net income | $103,401 | -25.2 | $138,245 | 7.3 | $128,823 |
| Cash net income per share - diluted | 3.11 | -25.1 | 4.15 | 7.8 | 3.85 |
| Cash return on average stockholders' equity | 9.91 | | 14.39 | | 14.93 |

(1) Excludes amortization of intangible assets.

# UNITED STATES
# 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, 2020**

**or**

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

**For the transition period from ____to____**

**Commission file number 0-14384**

# BANCFIRST CORPORATION
**(Exact name of registrant as specified in 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:**

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Common Stock, $1.00 Par Value Per Share | BANF | NASDAQ Global Select Market System |

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| 7.2% Cumulative Trust Preferred Securities | BANFP | NASDAQ Global Select Market System |

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

| | | | |
|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ |
| Non-accelerated filer | ☐ | 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

The aggregate market value of the Common Stock held by nonaffiliates of the registrant computed using the last sale price on June 30, 2020 was approximately $767,536,284.

As of January 31, 2021, there were 32,746,513 shares of Common Stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:**

**Portions of the Proxy Statement for the 2021 Annual Meeting of Stockholders of the registrant (the "2021 Proxy Statement") to be filed pursuant to Regulation 14A are incorporated by reference into Part III of this report.**

**BANCFIRST CORPORATION**
**ANNUAL REPORT ON FORM 10-K**

## TABLE OF CONTENTS

## PART I

### Item 1. *Business.*

### General

BancFirst Corporation (the “Company”) is a financial holding company headquartered in Oklahoma City, Oklahoma and registered under the Bank Holding Company Act of 1956, as amended (the “BHC Act”). It conducts a vast majority of its operating activities through its wholly-owned subsidiary, BancFirst (“BancFirst”), an Oklahoma state-chartered bank headquartered in Oklahoma City, Oklahoma. The Company also conducts operating activities through its wholly-owned subsidiary, Pegasus Bank (“Pegasus Bank”), a Texas state-chartered bank headquartered in Dallas, Texas. In addition, the Company 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 BancFirst Insurance Services, Inc., an Oklahoma business corporation operating as an independent insurance agency.

The Company was incorporated as United Community Corporation in July 1984 to become 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. The Company currently has 106 banking locations serving 58 communities throughout Oklahoma and 3 banking locations in Dallas, Texas.

BancFirst’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 and cities in the metropolitan statistical areas of Oklahoma. BancFirst 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 BancFirst’s strategic parameters. At the same time, BancFirst 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 BancFirst, the Company’s strategy is to focus on the needs of local businesses that seek more responsive services than are available at larger institutions.

BancFirst maintains a strong community orientation by, among other things, selecting members of the communities in which BancFirst’s branches operate to local consulting boards that assist in marketing and providing feedback on BancFirst’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, BancFirst’s lending and investing activities are funded almost entirely by core deposits.

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

BancFirst provides a wide range of retail and commercial banking services, including: commercial, real estate, energy, agricultural and consumer lending; depository and funds transfer services; collections; safe deposit boxes; cash management services; trust services; and other services tailored for both individual and corporate customers. Through its Technology and Operations Center, BancFirst provides item processing, research and other correspondent banking services to financial institutions and governmental units.

BancFirst’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, commercial and residential real estate development and construction, 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, BancFirst offers Small Business Administration (“SBA”) guaranteed loans through BancFirst Commercial Capital, a division established in 1991.

Consumer lending activities of BancFirst consist of traditional forms of financing for automobiles, home equity loans and other personal loans. Residential loans consist primarily of home loans in non-metropolitan areas, which are generally shorter in duration than typical mortgages and reprice within five years.

BancFirst's range of deposit services include checking accounts, Negotiable Order of Withdrawal ("NOW") accounts, savings accounts, money market accounts, sweep accounts, club accounts, individual retirement accounts and certificates of deposit. Overdraft protection and auto draft services are also offered. Deposits of BancFirst are insured by the Deposit Insurance Fund ("DIF") administered by the Federal Deposit Insurance Corporation ("FDIC").

Trust services offered through BancFirst'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. In addition, the Trust Division serves as bond trustee and paying agent for various Oklahoma municipalities and governmental entities.

Insurance services offered through BancFirst Insurance Services, Inc. consists of business and personal insurance, employee benefits, surety bonds and claims and risk management.

BancFirst has the following principal subsidiaries: Council Oak Investment Corporation, a small business investment corporation, Council Oak Real Estate, Inc., a real estate investment company, BancFirst Agency, Inc., a credit life insurance agency, BFC-PNC, LLC, an operating subsidiary to hold other real estate owned, and BFTower, LLC (which owns a 49% ownership interest in SFPG, LLC, a parking garage, and a 50% ownership interest in ParcFirst@Bricktown, LLC, a surface parking lot). All of these companies are Oklahoma corporations.

Pegasus Bank's lending activities include private banking, energy, commercial and residential real estate and commercial and industrial loans. The bank has a full complement of deposit products including sweep accounts and securities investment products. The bank provides a wide range of banking services to individual and corporate customers and is subject to competition from other local, regional, and national financial institutions.

**Human Capital Resources**

As of December 31, 2020, the Company employed 2,036 full time equivalent employees. None of its employees are represented by collective bargaining agreements. The Company views its employees as a differentiator, meeting customers' needs through highly trained and motivated employees. The Company's approach to human capital resources focuses on objectives that include, but are not limited to, providing fair and equitable compensation, training employees to reach heightened skill sets and standards of motivation, identifying and developing the proficiencies of all employees, and enhancing ongoing diversity, equity, and inclusion initiatives.

The Company recognizes the importance of maintaining a culture of feedback and employee recognition, and asks its supervisors to focus on ensuring that the Company's employees feel a sense of belonging at work, fostering peer-to-peer connections and appropriate subordinate/supervisor relationships and communications. The Company provides its employees with competitive compensation and benefits packages. The Company encourages its employees to be alert for opportunities to improve quality and efficiency. In addition, the Company affords its employees opportunities to learn how their work fits into the bigger picture, to gain a deeper appreciation for how they are making an impact within and outside the Company. Training resources and educational assistance are readily available, and the Company strives to promote, where practical, from within. The Company identifies high potential candidates and provides specifically tailored plans for actualizing their development goals and career trajectories.

The Company views diversity, equity, and inclusion as a cultural and business imperative that must permeate its culture. By affirmatively recruiting, promoting, and developing an increasingly diverse group of prospective and current employees into managerial roles, the Company works to create a more appealing work environment for attracting and retaining larger numbers of diverse employees. The Company is committed to a policy of consistent treatment and equal employment opportunity in all recruitment and employment practices and is an affirmative action employer.

The Company focused heavily on its employees' health and safety in assessing the impact of COVID-19 on its workplaces. From the onset of the pandemic, the Company recognized the importance of constant and consistent communication with its employees on its plans and maintaining safe operations. The Company also recognized the importance of providing both moral and economic support to its employees by incentivizing them through this period. Although not subject to the Families First Coronavirus

Response Act, the Company created and initiated a variety of compensation and incentive strategies for the benefit of employees affected by the COVID-19 pandemic.

**Market Areas and Competition**

The banking environment in Oklahoma is very competitive. The geographic dispersion of the BancFirst'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 BancFirst 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 lines and quality of service.

Management believes BancFirst is in an advantageous competitive position operating as a "super community bank." Under this strategy, BancFirst provides a broad line of financial products and services for 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 BancFirst 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 smaller, and do not offer the range of products and services nor have the lending capacity of BancFirst. In the metropolitan communities, BancFirst'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 within the state of Oklahoma was 6.83% as of June 30, 2020 and 7.28% as of June 30, 2019.

Marketing to existing and potential customers is performed through a variety of media advertising, direct mail and direct personal contacts. BancFirst 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, compliance and product training are coordinated with incentive programs to sell BancFirst's products and services.

The banking environment in North Texas is one of the most competitive in the nation. Pegasus Bank's marketing avoids media campaigns and its growth is dependent on the experience, knowledge and contacts of its relationship officers and directors.

**Operating Segments**

The Company has five principal business units: metropolitan banks, community banks, Pegasus Bank, other financial services and executive operations and support. For more information on the Company's Operating Segments, see Note (22), "Segment Information," to the Company's Consolidated Financial Statements.

**Control of Company**

Affiliates of the Company beneficially own approximately 42% of the outstanding shares of the Company's common stock as of January 31, 2021. Under the Company's Bylaws, 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, while the Company's affiliates do not have legal control, i.e., a majority of the outstanding shares of common stock, they have effective control of the Company.

**Supervision and Regulation**

Banking is a complex, highly regulated industry. The growth and earnings performance of the Company, BancFirst and Pegasus Bank can be affected by management decisions, general and local economic conditions, statutes, and the regulations and policies administered by 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 FDIC, the Oklahoma State Banking Department and the Texas Department of Banking.

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

***Regulatory Agencies***

In the U.S., banking is regulated at both the federal and state level. Commercial banks in the United States are able to choose to organize as national banks with a charter issued by the Office of the Comptroller of the Currency (“OCC”) or as state banks with a charter issued by a state government. The choice of charter determines which agency will supervise the bank: the primary supervisor of nationally chartered banks is the OCC, whereas state-chartered banks are supervised jointly by their state chartering authority and either the FDIC or the Federal Reserve Board, depending upon whether the state-chartered bank is a member of the Federal Reserve System. BancFirst is chartered by the State of Oklahoma and at the state level is supervised and regulated by the Oklahoma State Banking Department under the Oklahoma Banking Code. Pegasus Bank is chartered by the State of Texas and at the state level is supervised and regulated by the Texas Department of Banking. BancFirst and Pegasus Bank have elected not to be members of the Federal Reserve System and, consequently, are supervised and regulated by the FDIC at the federal level. Their deposits are insured by the DIF of the FDIC to the extent provided by law.

As a financial holding company and a bank holding company, the Company is subject to comprehensive regulation by the Federal Reserve Board under the BHC Act, as amended by the Gramm-Leach-Bliley Act of 1999 (the “GLB Act”), the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), and other legislation, as well as other federal and state laws governing the banking business. The BHC Act provides generally for regulation of financial holding companies and bank holding companies such as the Company by the Federal Reserve Board, and for functional regulation of banking activities by bank regulators, securities activities by securities regulators, and insurance activities by insurance regulators. Additionally, the Company is under the jurisdiction of the Securities and Exchange Commission (“SEC”) and is subject to the periodic reporting, information, proxy solicitation, insider trading, corporate governance and other restrictions and requirements of the SEC under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The Company’s common stock is listed on the NASDAQ Global Select Market System under the trading symbol “BANF,” and is subject to the listing and marketplace rules of the NASDAQ Stock Market, Inc. (the “NASDAQ”).

The Federal Reserve Board supervises non-banking activities conducted by companies directly and indirectly owned by the Company. In addition, the Company’s non-banking subsidiaries are subject to various other laws, regulations, supervision and examination by other regulatory agencies, all of which directly or indirectly affect the operations and management of the Company and its ability to make distributions to stockholders.

***Bank Holding Company and Financial Holding Company Activities***

The BHC Act generally limits the activities in which the Company and its non-banking subsidiaries may engage, to managing or controlling banks and to a range of activities that are considered to be closely related to banking. The list of activities permitted by the Federal Reserve Board includes, among other things: lending; operating a savings institution, mortgage company, finance company, credit card company or factoring company; performing certain data processing operations; providing certain investment and financial advice; underwriting and acting as an insurance agent for certain types of credit-related insurance; leasing property on a full-payout, non-operating basis; selling money orders; real estate and personal property appraising; providing tax planning and preparation services; and, subject to certain limitations, providing securities brokerage services for customers. These activities may also be affected by other federal legislation.

Bank holding companies that have elected to be treated as financial holding companies, such as the Company, may engage in a broader range of activities considered "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.

To maintain financial holding company status, a financial holding company and all of its depository institution subsidiaries must be "well capitalized" and "well managed." A depository institution subsidiary is considered "well capitalized" if it satisfies the requirements for this status discussed in the section captioned "Capital Requirements," included elsewhere in this item. A depository institution subsidiary is considered "well managed" if it received a composite rating and management rating of at least "satisfactory" in its most recent examination. A financial holding company's status will also depend upon it maintaining its status as "well capitalized" and "well managed" under applicable Federal Reserve Board regulations. If a financial holding company ceases to meet these capital and management requirements, the Federal Reserve Board's regulations provide that the financial holding company must enter into an agreement with the Federal Reserve Board to comply with all applicable capital and management requirements. Until the financial holding company returns to compliance, the Federal Reserve Board may impose limitations or conditions on the conduct of its activities, and the company may not commence any of the broader financial activities permissible for financial holding companies or acquire a company engaged in such financial activities without prior approval of the Federal Reserve Board. If the company does not return to compliance within 180 days, the Federal Reserve Board may require divestiture of the holding company's depository institutions. Bank holding companies and banks must also be both well capitalized and well managed in order to acquire banks located outside their home state.

In order for a financial holding company to commence any new activity permitted by the BHC Act or to acquire a company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the Community Reinvestment Act. See the section captioned "Community Reinvestment Act" included elsewhere in this item.

The Federal Reserve Board has the power to order any bank holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when the Federal Reserve Board has reasonable grounds to believe that continuation of such activity or such ownership or control constitutes a serious risk to the financial soundness, safety or stability of any bank subsidiary of the bank holding company.

Federal and state laws impose notice and approval requirements for mergers and acquisitions of other depository institutions or bank holding companies. The BHC Act requires the prior approval of the Federal Reserve Board for the direct or indirect acquisition by a bank holding company of more than 5% of the voting shares or substantially all of the assets of a commercial bank or its parent holding company (including a financial holding company). Additionally, under the Bank Merger Act, the prior approval of the Federal Reserve Board or other appropriate bank regulatory authority is required for a bank to merge with another bank, purchase the assets or assume the deposits of another bank. In determining whether to approve a proposed bank acquisition or merger, bank regulatory authorities will consider, among other factors, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the risks to the stability of the U.S. banking or financial system, the applicant's performance record under the Community Reinvestment Act (see the section captioned "Community Reinvestment Act" included elsewhere in this item) and its compliance with fair housing and other consumer protection laws and the effectiveness of the subject organizations in combating money laundering activities.

### *Dividend Restrictions*

The principal source of the Company's liquidity is dividends from BancFirst. Various federal and state statutory provisions and regulations limit the amount of dividends the Company's subsidiary banks and certain other subsidiaries may pay without regulatory approval. The payment of dividends by its subsidiary banks 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 appropriate federal regulatory authorities have stated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings. In addition, in the current financial and economic environment, the Federal Reserve Board has indicated that bank holding companies should carefully review their dividend policy and has discouraged payment ratios that are at maximum allowable levels unless both asset quality and capital are very strong.

### *Transactions with Affiliates*

The Company, BancFirst and Pegasus Bank are deemed affiliates of each other within the meaning of the Federal Reserve Act, and covered transactions between affiliates are subject to certain restrictions, including compliance with Sections 23A and 23B of the Federal Reserve Act and their implementing regulations. These regulations limit the types and amounts of covered transactions engaged in by a financial institution and its affiliates, and generally require those transactions to be on an arm's-length basis. "Covered transactions" are defined by statute to include a loan or extension of credit, as well as a purchase of securities issued by an affiliate, a purchase of assets (unless otherwise exempted by the Federal Reserve Board) from the affiliate, certain derivative transactions that create a credit exposure to an affiliate, the acceptance of securities issued by the affiliate as collateral for a loan and the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate. In general, these regulations require that any such transaction by a financial institution with an affiliate must be secured by designated amounts of specified collateral and must be limited to certain thresholds on an individual and aggregate basis.

Federal law also limits a bank's authority to extend credit to its directors, executive officers and 10% stockholders, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. In addition, the terms of such extensions of credit may not involve more than the normal risk of non-repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons individually and in the aggregate.

### *Source of Strength*

Federal Reserve Board policy requires bank holding companies to act as a source of financial and managerial strength to their 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. If a bank holding company was unable to pay mandated assessments in support of its subsidiary banks, the FDIC could order the sale of the bank holding company's stock in the subsidiary banks to cover the deficiency.

Capital loans by a bank holding company to its subsidiary banks are subordinate in right of payment to deposits and certain other indebtedness of the subsidiary banks. 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 banks will be assumed by the bankruptcy trustee and entitled to priority of payment.

### *Capital Requirements*

The Company, BancFirst and Pegasus Bank are each required to comply with applicable capital adequacy standards established by the Federal Reserve Board and the FDIC. The current risk-based capital standards applicable to the Company, BancFirst and Pegasus Bank are based on the Basel III Capital Rules established by the Basel Committee on Banking Supervision (the "Basel Committee"). The Basel Committee is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply. The requirements are intended to ensure that banking organizations have adequate capital given the risk levels of assets and off-balance sheet financial instruments.

As an additional means to identify problems in the financial management of depository institutions, the Federal Deposit Insurance Act (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 Basel III Capital Rules, among other things, (i) include a capital measure called "Common Equity Tier 1" ("CET1"), (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting specified requirements, (iii) define CET1 narrowly by requiring that most deductions/adjustments to regulatory capital measures be made to CETI and not to the other components of capital, and (iv) require certain deductions/adjustments to capital.

Under the Basel III Capital Rules, the initial minimum capital ratios are as follows:

- 4.5% CET1 to risk-weighted assets.
- 6.0% Tier 1 capital to risk-weighted assets.
- 8.0% Total capital to risk-weighted assets.
- 4.0% Tier 1 capital to average quarterly assets (known as the "leverage ratio").

The Basel III Capital Rules also require a "capital conservation buffer", composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is 2.5%. The Basel III Capital Rules also provide for a "countercyclical capital buffer" that is only applicable to certain covered institutions and does not have any current applicability to the Company, BancFirst or Pegasus Bank. The capital conservation buffer is designed to absorb losses during periods of economic stress and effectively increases the minimum required risk-weighted capital ratios. Banking institutions with a ratio of CET1 to risk-weighted assets below the effective minimum (4.5% plus the capital conservation buffer and, if applicable, the countercyclical capital buffer) will face constraints on dividends, equity repurchases and compensation based on the amount of the shortfall.

The Basel III Capital Rules require the Company, BancFirst and Pegasus Bank to maintain an additional capital conservation buffer of 2.5% of CET1, effectively resulting in minimum ratios of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, (iii) a minimum ratio of total capital to risk-weighted assets of at least 10.5%; and (iv) a minimum leverage ratio of 4%. For more information on the Company's Capital Ratios, see Note (15), "Stockholders' Equity," to the Company's Consolidated Financial Statements.

***Liquidity Coverage Ratio***

The liquidity framework under the Basel III Capital Rules (the "Basel III liquidity framework") applies a balance sheet perspective to establish quantitative standards designed to ensure that a banking organization is appropriately positioned to satisfy its short- and long-term funding needs. One test to address short-term liquidity risk is referred to as the liquidity coverage ratio ("LCR"), designed to calculate the ratio of a banking entities' ratio of high-quality liquid assets to its total net cash flows over a 30-day time horizon. The other test, referred to as the net stable funding ratio ("NSFR"), is designed to promote more medium- and long-term asset funding by incenting banking entities to increase their holdings of U.S. Treasury securities and other sovereign debt, as well as increase the use of long-term debt as a funding source. Rules applicable to certain large banking organizations have been implemented for LCR and for NSFR; however, based on our asset size, these rules do not currently apply to the Company, BancFirst and Pegasus Bank.

***Prompt Corrective Action***

The FDI 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.

Under this system, the federal banking regulators have established five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized, in which all depository institutions are placed. The federal banking regulators have specified by regulation the relevant capital levels for each of the categories. Under certain circumstances, a well-capitalized, adequately capitalized or undercapitalized institution may be treated as if the institution were in the next lower capital category. Federal banking regulators are required to take various mandatory supervisory actions and are authorized to take other discretionary actions with respect to institutions in the three undercapitalized categories. The severity of the action depends upon the capital category in which the institution is placed. A depository institution that is undercapitalized is required to submit a capital restoration plan. Failure to meet capital guidelines could subject a bank to a variety of enforcement remedies by federal bank regulatory agencies, including termination of deposit insurance by the FDIC, restrictions on certain business activities and appointment of the FDIC as conservator or receiver. Generally, subject to a narrow exception, the banking regulator must appoint a receiver or conservator for an institution that is critically undercapitalized.

A bank will be (i) "well capitalized" if the institution has a total risk-based capital ratio of 10.0% or greater, a CET1 capital ratio of 6.5% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, and a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (ii) "adequately capitalized" if the institution has a total risk-based capital ratio of 8.0% or greater, a CET1 capital ratio of 4.5% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 4.0% or greater and is not "well capitalized"; (iii) "undercapitalized" if the institution has a total risk-based capital ratio that is less than 8.0%, a CET1 capital ratio less than 4.5%, a Tier 1 risk-based capital ratio of less than 6.0% or a leverage ratio of less than 4.0%; (iv) "significantly undercapitalized" if the institution has a total risk-based capital ratio of less than 6.0%, a CET1 capital ratio less than 3.0%, a Tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 3.0%; and (v) "critically undercapitalized" if the institution's tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. A bank's capital category is determined solely for applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects for other purposes.

The FDI Act generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be "undercapitalized." "Undercapitalized" institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan. The bank holding company must also provide appropriate assurances of performance. The aggregate liability of the parent holding company is limited to the lesser of (i) an amount equal to 5.0% of the depository institution's total assets at the time it became undercapitalized and (ii) the amount which is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is "significantly undercapitalized."

"Significantly undercapitalized" depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become "adequately capitalized," requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. "Critically undercapitalized" institutions are subject to the appointment of a receiver or conservator.

The appropriate federal banking agency may, under certain circumstances, reclassify a well-capitalized insured depository institution as adequately capitalized. The FDIA provides that an institution may be reclassified if the appropriate federal banking agency determines (after notice and opportunity for hearing) that the institution is in an unsafe or unsound condition or deems the institution to be engaging in an unsafe or unsound practice. The appropriate agency is also permitted to require an adequately capitalized or undercapitalized institution to comply with the supervisory provisions as if the institution were in the next lower category (but not treat a significantly undercapitalized institution as critically undercapitalized) based on supervisory information other than the capital levels of the institution.

The Company believes that, as of December 31, 2020, both BancFirst and Pegasus Bank were "well capitalized" based on the ratios provided in Note (15), "Stockholders' Equity," in the notes to consolidated financial statements included in Item 8.

***Deposit Insurance Assessments***

The deposits of BancFirst and Pegasus Bank are insured by the FDIC. This insurance is funded through assessments on insured depository institutions. The FDIC's risk-based assessment system requires members to pay varying assessment rates into the DIF, depending upon the level of the institution's capital and the degree of supervisory concern over the institution.

The FDIC insures the deposits of federally insured banks up to prescribed statutory limits for each depositor, currently $250,000 per depositor for each account ownership category. The amount of FDIC assessments paid by each insured depository institution is based on its relative risk of default as measured by regulatory capital ratios and other supervisory factors. The FDIC's deposit insurance premium assessment is based on an institution's average consolidated total assets minus average tangible equity. At least semi-annually, the FDIC will update its loss and income projections for the DIF and, if needed, will increase or decrease assessment rates, following notice-and-comment rulemaking, if required. If there are additional bank or financial institution failures or if the FDIC otherwise determines to increase assessment rates, BancFirst and Pegasus Bank may be required to pay higher FDIC insurance premiums. Any future increases in FDIC insurance premiums may have a material and adverse effect on BancFirst's and Pegasus Bank's, and hence the Company's, earnings.

The Company's FDIC insurance expense totaled $2.1 million, $1.1 million and $2.4 million in 2020, 2019 and 2018, respectively. FDIC insurance expense includes deposit insurance assessments as well as Financing Corporation ("FICO") assessments.

All FDIC-insured depository institutions were required to pay an annual FICO assessment to provide funds for the payment of interest on bonds issued by FICO during the 1980s to resolve the thrift bailout. The final collection of FICO assessments was in March 2019.

As insurer, the FDIC is authorized to conduct examinations of and to require reporting by DIF-insured institutions. It also may prohibit any DIF-insured institution from engaging in any activity the FDIC determines by regulation or order to pose a serious threat to the DIF. The FDIC also has the authority to take enforcement actions against insured institutions.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged or is engaging in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC or written agreement entered into with the FDIC. The Company does not know of any practice, condition or violation that might lead to termination of deposit insurance for its banking subsidiary.

***Safety and Soundness Standards***

The FDI Act requires the federal bank regulatory agencies to prescribe standards, by regulations or guidelines, relating to internal controls, information systems and internal audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, asset quality, earnings, stock valuation and compensation, fees and benefits and such other operational and managerial standards as the agencies deem appropriate. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal stockholder. In addition, the agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of the FDI Act. See "--Prompt Corrective Action" above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

***Federal Banking Agency Compensation Guidelines***

The Federal Reserve Board reviews, as part of its regular, risk-focused examination process, the incentive compensation arrangements of banking organizations, such as the Company, that are not "large, complex banking organizations." These reviews are tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. The findings of this supervisory initiative will be included in reports of examination. Deficiencies will be incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

Guidance issued by the Federal Reserve Board, OCC and FDIC is intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, either individually or as part of a group, is based upon the key principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk-management and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

During 2016, the U.S. financial regulators, including the Federal Reserve Board and the SEC, proposed revised rules on incentive-based payment arrangements at specified regulated entities having at least $1 billion in total assets (which would include the Company and BancFirst). The proposed revised rules would establish general qualitative requirements applicable to all covered entities, which would include (i) prohibiting incentive arrangements that encourage inappropriate risks by providing excessive compensation; (ii) prohibiting incentive arrangements that encourage inappropriate risks that could lead to a material financial loss; (iii) establishing requirements for performance measures to appropriately balance risk and reward; (iv) requiring board of director oversight of incentive arrangements; and (v) mandating appropriate record-keeping. Under the proposed rule, larger financial institutions with total consolidated assets of at least $50 billion would be subject to additional requirements applicable to such institutions' "senior executive officers" and "significant risk-takers." These additional requirements, in which federal regulators were reported still to be interested in 2019, would not be applicable to the Company, BancFirst or Pegasus Bank.

The scope, content and application of the U.S. banking regulators' policies on incentive compensation continue to evolve. It cannot be determined at this time whether compliance with such policies will adversely affect the ability of the Company, BancFirst and Pegasus Bank to hire, retain and motivate key employees.

### *Cybersecurity*

Federal regulators have issued statements regarding cybersecurity. Financial institutions were expected to design multiple layers of security controls to establish lines of defense and to ensure that their risk management processes also address the risk posed by compromised customer credentials, including security measures, to reliably authenticate customers accessing internet-based services of the financial institution. Management is expected to maintain sufficient business continuity planning processes to ensure the rapid recovery, resumption and maintenance of the institution’s operations after a cyber-attack involving destructive malware. A financial institution is also expected to develop appropriate processes to enable recovery of data and business operations and address rebuilding network capabilities and restoring data if the institution or its critical service providers fall victim to this type of cyber-attack. Failure to observe the regulatory guidance could subject the Company, BancFirst and Pegasus Bank to various regulatory sanctions, including financial penalties.

In the ordinary course of business, the Company, BancFirst and Pegasus Bank rely on electronic communications and information systems to conduct operations and to store sensitive data. They employ an in-depth, layered, defensive approach that leverages people, processes and technology to manage and maintain cybersecurity controls. The Company, BancFirst and Pegasus Bank employ a variety of preventative and detective tools to monitor, block, and provide alerts regarding suspicious activity, as well as to report on any suspected advanced persistent threats. Notwithstanding the strength of their defensive measures, the threat from cyber-attacks is severe, attacks are sophisticated and increasing in volume, and attackers respond rapidly to changes in defensive measures. While to date, the Company, BancFirst and Pegasus Bank have not detected a significant compromise, significant data loss or any material financial losses related to cybersecurity attacks, the Company, BancFirst and Pegasus Bank’s systems and those of their customers and third-party service providers are under constant threat and it is possible that the Company, BancFirst and Pegasus Bank could experience a significant event in the future.

In December 2020, federal banking regulators, including the Federal Reserve Board and the FDIC, issued a notice of proposed rulemaking that would impose rapid notification requirements on banking organizations and bank service providers following “significant” computer-security incidents.

### *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.

### *Durbin Amendment*

The Durbin Amendment is part of the Dodd-Frank Act that limits transaction fees imposed upon merchants by debit card issuers. Interchange fees or "debit card swipe fees" are paid to banks by acquirers for the privilege of accepting payment cards. The Durbin Amendment applies to banks with over $10 billion in assets, and presently does not apply to the Company. Additional information regarding the Durbin Amendment is presented in Item 1A. Risk Factors.

### *Anti-Money Laundering and the Patriot Act*

The USA Patriot Act of 2001 (the "Patriot Act") facilitates 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 imposes significant compliance and due diligence obligations, specifies crimes and penalties and establishes 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 BancFirst and Pegasus Bank. Those regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing, and have 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. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all of the relevant laws or regulations, could have serious legal and reputational consequences for the institution, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

### *Office of Foreign Assets Control Regulation*

The U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, administers and enforces economic and trade sanctions against targeted foreign countries and regimes, under authority of various laws, including designated foreign countries, nationals and others. OFAC publishes lists of specially designated targets and countries.

Banking regulators examine banks for compliance with the economic sanctions regulations administered by OFAC. Financial institutions are responsible for, among other things, blocking accounts of, and transactions with, such targets and countries, prohibiting unlicensed trade and financial transactions with them and reporting blocked transactions after their occurrence. Failure to comply with these sanctions could have serious financial, legal and reputational consequences, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and civil money penalties against institutions found to be violating these obligations.

### *Community Reinvestment Act*

The Community Reinvestment Act of 1977 (the "CRA"), requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practices. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low- and moderate-income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings. In order for a financial holding company to commence any new activity permitted by the BHC Act, or to acquire any company engaged in any new activity permitted by the BHC Act, each insured depository institution subsidiary of the financial holding company must have received a rating of at least "satisfactory" in its most recent examination under the CRA. Furthermore, banking regulations take into account the CRA rating when considering approval of a proposed transaction. During its last examination in 2018, a rating of "satisfactory" was received by BancFirst. During its last examination in 2020, a rating of "satisfactory" was received by Pegasus Bank. In April 2018, the U.S. Department of Treasury issued a memorandum to the federal banking regulators with recommended changes to the CRA's implementing regulations to reduce their complexity and associated burden on banks. The Company will continue to evaluate the impact of any changes to the regulations implementing the CRA.

### *Consumer Laws and Regulations*

Banks and other financial institutions are subject to numerous laws and regulations intended to protect consumers in their transactions with banks. These laws include the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Truth in Savings Act, the Electronic Fund Transfer Act, the Expedited Funds Availability Act, the Home Mortgage Disclosure Act, the Fair Housing Act, the Real Estate Settlement Procedures Act, the Fair Debt Collection Practices Act, the Service Members Civil Relief Act and these laws' respective state-law counterparts, as well as state usury laws and laws regarding unfair and deceptive acts and practices. These and other federal laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive practices, restrict the Company's ability to raise interest rates and subject the Company to substantial regulatory oversight. Violations of applicable consumer protection laws can result in significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees. Federal bank regulators, state attorneys general and state and local consumer protection agencies may also seek to enforce consumer protection requirements and obtain these and other remedies, including regulatory sanctions, customer rescission rights, action by the state and local attorneys general in each jurisdiction in which the Company operates and civil money penalties. Failure to comply with consumer protection requirements may also result in the Company's failure to obtain any required bank regulatory approval for merger or acquisition transactions the Company may wish to pursue or its prohibition from engaging in such transactions even if approval is not required.

The Consumer Financial Protection Bureau ("CFPB") is a federal agency responsible for implementing, examining and enforcing compliance with federal consumer protection laws. The CFPB focuses on:

- Risks to consumers and compliance with the federal consumer financial laws, when it evaluates the policies and practices of a financial institution.
- The markets in which firms operate and risks to consumers posed by activities in those markets.
- Depository institutions that offer a wide variety of consumer financial products and services.
- Depository institutions with a more specialized focus.
- Non-depository companies that offer one or more consumer financial products or services.

The CFPB has broad rulemaking authority for a wide range of consumer financial laws that apply to all banks, including, among other things, the authority to prohibit "unfair, deceptive or abusive" acts and practices. Abusive acts or practices are defined as those that materially interfere with a consumer's ability to understand a term or condition of a consumer financial product or service or take unreasonable advantage of a consumer's (i) lack of financial savvy, (ii) inability to protect himself in the selection or use of consumer financial products or services, or (iii) reasonable reliance on a covered entity to act in the consumer's interests. The CFPB can issue cease-and-desist orders against banks and other entities that violate consumer financial laws. The CFPB may also institute a civil action against an entity in violation of federal consumer financial law in order to impose a civil penalty or injunction. The CFPB has examination and enforcement authority over all banks with more than $10 billion in assets, as well as their affiliates. Banking regulators take into account compliance with consumer protection laws when considering approval of a proposed transaction.

***Interstate Banking and Branching***

Under the Riegle-Neal Interstate Banking and Branching Efficiency Act, as amended by the Dodd-Frank 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, prior to or following the proposed acquisition, control no more than 10% of the total amount of deposits of insured depository institutions nationwide and no more than 30% of such deposits in that state (or such amount as set by the state if such amount is lower than 30%).

The Riegle-Neal Act also authorizes banks to merge across state lines, thereby creating interstate branches. Banks are also permitted to either acquire existing banks or to establish new branches in other states where authorized under the laws of those states. The Dodd-Frank Act also requires that a bank holding company or bank be well-capitalized and well-managed (rather than simply adequately capitalized and adequately managed) in order to take advantage of these interstate banking and branching provisions.

***Depositor Preference***

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, non-deposit creditors with respect to any extensions of credit they have made to such insured depository institution.

***Changes in Laws, Regulations or Policies***

Banking is a heavily regulated industry. Additional initiatives may be proposed or introduced before Congress and other government bodies in the future. Such proposals, if enacted, may further alter the structure, regulation and competitive relationship among financial institutions and may subject the Company to increased supervision and disclosure and reporting requirements. In addition, the various bank regulatory agencies often adopt new rules, regulations, and policies to implement and enforce existing legislation. It cannot be predicted whether, or in what form, any such legislation or regulatory changes in policy may be enacted or the extent to which the business of the Company would be affected thereby.

### *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 Office of the Comptroller of the Currency, unless otherwise prohibited or limited by the Oklahoma Banking Commissioner or the Oklahoma 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.

Pegasus Bank is a Texas-chartered state bank. Accordingly, Pegasus Bank's operations are subject to various requirements and restrictions of Texas state law relating to loans, lending limits, interest rates payable on deposits, investments, mergers and acquisitions, borrowings, dividends, capital adequacy and other matters. However, Texas banking law specifically empowers a state-chartered bank such as Pegasus Bank 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 Office of the Comptroller of the Currency, unless otherwise prohibited or limited by the Texas Banking Commissioner or the Texas Finance Commission. Accordingly, unless a specific provision of Texas 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 and Pegasus Bank, 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 Oklahoma 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 Banking 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 State 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 State 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.

As a state nonmember bank, Pegasus Bank is subject to primary supervision, periodic examination and regulation by the Texas Department of Banking and the FDIC, and Texas law provides that Pegasus Bank must maintain reserves against deposits as required by the FDI Act. The Texas Department of Banking is authorized by statute to accept an FDIC examination in lieu of a state examination. In practice, the FDIC and the Texas Department of Banking alternate examinations of Pegasus Bank. If, as a result of an examination of a bank, the Texas Department of Banking 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 Texas Department of Banking.

In addition to the provisions of the GLB Act that authorize 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, Federal Deposit Insurance Corporation Improvement Act ("FDICIA") provides that FDIC-insured state banks such as BancFirst and Pegasus Bank 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 DIF and the bank is in compliance with its applicable capital standards.

***Securities Laws***

The Company's common stock is publicly held and listed on the NASDAQ Global Select Market, and the Company is subject to the periodic reporting, information, proxy solicitation, insider trading, corporate governance and other requirements and restrictions of the Securities Exchange Act of 1934 and the regulations of the SEC promulgated thereunder as well as listing requirements of the NASDAQ. In addition, the Dodd-Frank Act includes provisions that affect corporate governance and executive compensation at most United States publicly traded companies, including the Company.

The Company is also subject to the accounting oversight and corporate governance requirements of the Sarbanes-Oxley Act of 2002, including:

- required executive certification of financial presentation;
- increased requirements for board audit committees and their members;
- enhanced disclosures of controls and procedures and internal control over financial reporting;
- enhanced controls over, and reporting of, insider trading and
- increased penalties for financial crimes and forfeiture of executive bonuses in certain circumstances.

***Available Information***

The Company maintains a website at www.bancfirst.bank. The Company provides copies of the most recently filed 10-K, 10-Q and proxy statements, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files the material with, or furnishes it to, the SEC. The website also provides links to the SEC's website (http://www.sec.gov) where all of the Company's filings with the SEC can be obtained immediately upon filing. You may also request a copy of the Company's filings, at no cost, by writing or telephoning the Company at the following address:

BancFirst Corporation
101 N. Broadway
Oklahoma City, Oklahoma 73102
ATTENTION: Randy Foraker
Executive Vice President
(405) 270-1044

**1A. *Risk Factors***

In the course of conducting our business operations, we are exposed to a variety of risks that are inherent to the financial services industry. The following discusses some of the key inherent risk factors that could affect our business and operations. The risks and uncertainties described below are not the only ones we are facing. Other factors besides those discussed below or elsewhere in this report also could adversely affect our business and operations, and the risk factors discussed below should not be considered a complete list of potential risks that may affect us. Further, to the extent that any of the information contained in this report constitutes forward-looking statements, the risk factors set forth below also are cautionary statements identifying important factors that could cause our actual results to differ materially from those expressed in any forward-looking statements made by or on behalf of us.

## Risks Related to Our Business

### Interest Rate Risks

***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 either could positively or negatively affect our net interest income and our profitability, depending on the magnitude, direction and duration of the change. If interest rates decline, our net interest margin could experience compression.

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

### Credit and Lending Risks

***We may be adversely affected by declining energy prices.***

Recent years have been marked by significant volatility in market oil prices. Decreased market oil prices have compressed margins for many U.S. and Oklahoma-based oil producers, particularly those that utilize higher-cost production technologies such as hydraulic fracking and horizontal drilling, as well as oilfield service providers, energy equipment manufacturers and transportation suppliers, among others. At one point during 2020, the price per barrel of crude was trading below zero. As of December 31, 2020, the price per barrel of crude oil was approximately $49 compared to a high of over $100 in 2014. If oil prices drop below the marginal cost of production for an extended period, we would expect to experience weaker energy loan demand and increased losses within our energy portfolio. Furthermore, a prolonged period of low oil prices could also have a negative impact on the energy producing economies and, in particular, the economies of states such as Oklahoma, where the energy industry is a significant driver of economic activity. Although as of December 31, 2020, reserve-based and service energy loans comprised approximately 7% of our loan portfolio, the impact of lower oil prices could have an indirect impact on our other loan portfolio segments, for example, commercial real estate ("CRE").

***A substantial portion of our loan portfolio is secured by real estate, in particular commercial real estate. Deterioration in the real estate markets could lead to losses, which could have a material negative effect on our financial condition and results of operations.***

Loans secured by real estate constitute a significant portion of our loan portfolio. At December 31, 2020, this percentage was approximately 58%. While our record of asset quality has historically been solid, we cannot guarantee that our record of asset quality will be maintained in future periods. The ability of our borrowers to repay their loans could be adversely impacted by a significant change in market conditions, which not only could result in our experiencing an increase in charge-offs, but also could necessitate increasing our provision for credit losses. In addition, because one to four family residential and commercial real estate loans represent the majority of our real estate loans outstanding, a decline in tenant occupancy due to such factors or for other reasons could adversely impact the ability of our borrowers to repay their loans on a timely basis, which could have a negative impact on our financial condition and results of operations.

***We are subject to environmental liability risk associated with lending activities.***

A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations.

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

There are inherent risks associated with our lending activities. As a lender, we face the risk that a significant number of our borrowers will fail to pay their loans because of other factors, including the impact of changes in interest rates and changes in the economic conditions in the markets where we operate. If borrower defaults cause losses in excess of our allowance for credit losses, it could have an adverse effect on our business, profitability and financial condition. We have established an evaluation process designed to recognize credit losses as they occur. While this evaluation process uses historical and other objective information, the classification of loans and the estimation of credit losses are dependent to a great extent on our experience and judgment. If charge-offs in future periods exceed the allowance for credit losses, we will need additional provisions to increase the allowance for credit losses. Any increases in the allowance for credit losses will result in a decrease in net income and capital, and may have a material adverse effect on our financial condition and results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" located elsewhere in this report for further discussion related to our process for determining the appropriate level of the allowance for credit losses. We cannot assure you that our future credit losses will not have any material adverse effects on our business, profitability or financial condition.

## External and Market-Related Risks

***Changes in economic conditions, especially in the State of Oklahoma, pose significant challenges for us and could adversely affect our financial condition and results of operations.***

Our business is affected by conditions outside our control, including the rate of economic growth in general, the level of unemployment, increases in inflation and the level of interest rates. Economic conditions affect the level of demand for and the profitability of our products and services. A slowdown in the general economic activity, particularly in Oklahoma, could negatively impact our business. BancFirst operates exclusively within the State of Oklahoma and, unlike larger national or superregional banks that serve a broader and more diverse geographic region; BancFirst lending is also primarily concentrated in the State of Oklahoma. As a result, our financial condition, results of operations and cash flows are subject to changes in the economic conditions in our 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.

***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.

***Changes in consumer use of banks and changes in consumer spending and savings habits could adversely affect our financial results.***

Technology and other changes now allow many customers to complete financial transactions without using banks. For example, consumers can pay bills and transfer funds directly without going through a bank. This process of eliminating banks as intermediaries could result in the loss of fee income, as well as the loss of customer deposits and income generated from those deposits. In addition, changes in consumer spending and savings habits could adversely affect our operations, and we may be unable to timely develop competitive new products and services in response to these changes.

***The soundness of other financial institutions could have a material adverse effect on our business, growth and profitability.***

Financial services institutions are interrelated because of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and routinely execute transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks and other institutional clients. Many of these transactions expose our business to credit risk in the event of a default by a counterparty or client. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to us. Any such losses could have a material adverse effect on our financial condition and results of operations.

***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. A portion of these banks and other financial institutions have substantially greater resources and lending limits, larger branch systems and other banking services that we do not offer. To a limited extent, we also compete with other providers of financial services, such as money market mutual funds, brokerage firms, consumer finance companies and insurance companies. When new competitors seek to enter one of our markets, or when existing market participants seek to increase their market share, they sometimes undercut the pricing and/or credit terms prevalent in that market. This competition may reduce or limit our margins on banking and trust services, reduce our market share and adversely affect our results of operations and financial condition.

***Failure to keep pace with technological change could adversely affect our results of operations and financial condition.***

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving our customers, the effective use of technology increases our efficiency and enables us 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.

## Compliance and Regulatory Risks

***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. Changes to statutes, regulations or regulatory policies or supervisory guidance, including changes in interpretation or implementation of statutes, regulations, policies or supervisory guidance, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, policies or supervisory guidance could result in enforcement and other legal actions by federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, the revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties and/or reputational damage. In this regard, government authorities, including the bank regulatory agencies, are pursuing aggressive enforcement actions with respect to compliance and other legal matters involving financial activities, which heightens the risks associated with actual and perceived compliance failures. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

See the section captioned “Supervision and Regulation” included in Item 1. Business, located elsewhere in this report.

***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 Board. Actions by monetary and fiscal authorities, including the Federal Reserve Board, could have an adverse effect on our deposit levels, loan demand or business earnings. See “Item 1 - Business-Supervision and Regulation.” Our profitability is greatly dependent upon our earning a positive interest spread between our loan and securities portfolio, and our funding deposits and borrowings. Changes in the level of interest rates, a prolonged unfavorable interest rate environment or a decrease in our level of deposits that increases our cost of funds could negatively affect our profitability and financial condition.

**Acquisition Related Risk**

***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. Additionally, we may be exposed to potential asset quality issues or unknown or contingent liabilities of the banks, businesses, assets and liabilities we acquire. If these issues or liabilities exceed our estimates, our results of operations and financial condition may be negatively affected.

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 and be required to record an impairment of goodwill or any combination of the foregoing.

**Liquidity Risk**

***We are subject to liquidity risk.***

Liquidity is the ability to fund increases in assets and meet obligations as they come due, all without incurring unacceptable losses. Banks are especially vulnerable to liquidity risk because of their role in the transformation of demand or short-term deposits into longer-term loans or other extensions of credit. We, like other financial-services companies, rely to a significant extent on external sources of funding (such as deposits and borrowings) for the liquidity needed in the conduct of our business. A number of factors beyond our control, however, could have a detrimental impact on the level or cost of that funding and thus on our liquidity. These include market disruptions, changes in our credit ratings or the sentiment of our investors, the loss of substantial deposit relationships and reputational damage. Unexpected declines or limits on the dividends declared and paid by our subsidiaries also could adversely affect our liquidity position. While our policies and controls are designed to ensure that we maintain adequate liquidity to conduct our business in the ordinary course even in a stressed environment, there can be no assurance that our liquidity position will never become compromised. In such an event, we may be required to sell assets at a loss in order to continue our operations. This could damage the performance and value of our business, prompt regulatory intervention and harm our reputation, and if the condition were to persist for any appreciable period of time, our viability as a going concern could be threatened. See "Quantitative and Qualitative Disclosures About Market Risk—Liquidity Risk" in Part II, Item 7A for a discussion of how we monitor and manage liquidity risk.

**COVID-19 Risk**

***The COVID-19 pandemic has impacted our business, and the ultimate impact on our business and financial results will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic.***

With the lack of precedent, we are unable to predict with a high level of confidence how the Coronavirus Disease 2019 ("COVID-19") pandemic will affect our business. The COVID-19 pandemic has negatively impacted the global economy, disrupted global supply chains, created significant volatility and disruption in financial markets, and increased unemployment levels. In addition, the pandemic has resulted in closures of many businesses. As a result, the demand for our products and services may be significantly impacted. Furthermore, the COVID-19 pandemic has influenced and could further influence the recognition of credit losses in our loan portfolios and has increased and could further increase our allowance for credit losses, particularly if businesses remain closed or otherwise adversely affected for an extended period of time, or even permanently. In addition, we are and expect to be in the future a lender for the Paycheck Protection Program ("PPP") of the SBA and other SBA, Federal Reserve or United States Treasury programs that have been or may be created in the future in response to the pandemic. These programs are new, the terms are subject to political influence and their effects on our business are uncertain. Through December 31, 2020, we approved 8,476 PPP loans with a current balance totaling approximately $652.7 million, net of unamortized processing fees of $14.5 million. The extent to which the COVID-

19 pandemic impacts our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted.

In addition, due to the impacts of the COVID-19 pandemic, the Company had approximately $81.7 million in modified loans, most of which are secured by commercial real estate, as of December 31, 2020. These modifications were undertaken in response to Section 4013 of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and the regulatory intent outlined in the Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus and to provide businesses financial flexibility until the economy has time to recover to a more normal level of activity. However, these modifications, which typically involve payment modifications and forbearance, also have the effect of delaying recognition of loans that may ultimately not be collected in full. The timing and extent of such consequences are impossible to ascertain at this time and are dependent on the duration of the COVID-19 pandemic, the level and success of the government's economic stimulus, and further regulatory guidance.

Significant uncertainties as to future economic conditions exist, and we have taken deliberate actions in response. Additionally, the economic pressures have contributed to an increased provision for credit losses for 2020. We continue to monitor the impact of the COVID-19 pandemic closely, as well as any effects that may result from the CARES Act; however, the extent to which the COVID-19 pandemic will impact our operations and financial results going forward is highly uncertain.

## Operational Risks

***Our accounting estimates and risk-management processes may not be effective in mitigating risk and loss.***

We maintain an enterprise risk-management program that is designed to identify, quantify, monitor, report and control the risks that it faces. These include interest-rate risk, credit risk, liquidity risk, operational risk, reputational risk and compliance and litigation risk. While we assess and improve this program on an ongoing basis, there can be no assurance that its approach and framework for risk-management and related controls will effectively mitigate risk and limit losses in our business. To comply with generally accepted accounting principles, management must sometimes exercise judgment in selecting, determining and applying accounting methods, assumptions and estimates. This can arise, for example, in determining the allowance for credit losses or the fair value of assets or liabilities. The judgments required of management can involve difficult, subjective, or complex matters with a high degree of uncertainty, and several different judgments could be reasonable under the circumstances and yet result in significantly different results being reported. See "Critical Accounting Policies and Estimates" in Part II, Item 7. If management's judgments later prove to have been inaccurate, we may experience unexpected losses that could be substantial.

Additionally, the processes we use to estimate our probable credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on our financial condition and results of operations, depends upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models we use for interest rate risk and asset-liability management are inadequate, we may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the models we use for determining our probable credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge-offs. If the models we use to measure the fair value of financial instruments are inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what we could realize upon sale or settlement of such financial instruments. Any such failure in our analytical or forecasting models could have a material adverse effect on our business, financial condition and results of operations.

***Technological advances in payment processing is expected to negatively impact our interchange revenue.***

Interchange fees, or "swipe" fees, are charges that merchants pay to the processors who, in turn, share that revenue with us and other card-issuing banks for processing electronic payment transactions. Rapid, significant technological changes continue to confront the payments industry. Technological advances and the growth of e-commerce have made it possible for non-depository institutions to offer products and services that traditionally were banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions for processing electronic payment transactions. These include developments in smart cards, e-commerce, mobile and radio frequency and proximity payment devices, such as contactless cards. Ongoing or increased competition in payment processing may restrict our ability to generate interchange revenue in the future. For the year ended December 31, 2020, debit card interchange revenue represented 26.9% of our noninterest income.

***Consumer protection laws and the Durbin Amendment may reduce our noninterest income.***

We are subject to a number of federal and state consumer protection laws that extensively govern our relationship with our customers. The Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB") with powers to supervise and enforce consumer protection laws. The CFPB has broad rule-making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit "unfair, deceptive or abusive acts and practices." The CFPB also has examination and enforcement authority over all banks and savings institutions with more than $10 billion in assets for certain designated consumer laws and regulations. The other federal banking agencies enforce such consumer laws and regulations for banks and savings institutions under $10 billion in assets. These and other federal laws, among other things, require disclosures of the cost of credit and terms of deposit accounts, provide substantive consumer rights, prohibit discrimination in credit transactions, regulate the use of credit report information, provide financial privacy protections, prohibit unfair, deceptive and abusive practices and restrict our ability to raise interest rates and charge NSF fees. A significant portion of our noninterest income is derived from service charge income, including NSF fees, which represented 19.4% of our noninterest income for the year ended December 31, 2020. Violations of applicable consumer protection laws could result in enforcement actions and significant potential liability from litigation brought by customers, including actual damages, restitution and attorneys' fees.

In addition, the Durbin Amendment is a provision in the larger Dodd-Frank Act that gave the Federal Reserve the authority to establish rates on debit card transactions. The Durbin Amendment aims to control debit card interchange fees and restrict anti-competitive practices. The law applies to banks with over $10 billion in assets and limits these banks on what they charge for debit card interchange fees. If the Company's assets exceed $10 billion, the Durbin Amendment will reduce the Company's income from debit card interchange fees by approximately $17 to $20 million annually in subsequent years based on current volume.

Prior to the COVID-19 pandemic, there was little or no likelihood that the Company would surpass $10 billion in total assets for several years. However, with the CARES Act, including PPP loans, stimulus payments to households, and artificially high household savings rates, our deposits and assets have grown dramatically beyond any reasonably foreseeable levels and the Federal Reserve has indicated that it is looking at the resulting regulatory challenges. To the extent the COVID-19 pandemic continues and the government response to it continue in the same or similar manner without legislative or regulatory relief, the Company has an increased possibility of exceeding $10 billion in total assets at December 31, 2021.

***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. In developing and marketing new lines of business and/or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, financial condition and results of operations.

***Our information systems may experience an interruption or breach in security.***

We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan and other systems. Information security breaches and cybersecurity-related incidents may include, but are not limited to, attempts to access information, including customer and company information, malicious code, computer viruses and denial of service attacks that could result in unauthorized access, misuse, loss or destruction of data (including confidential customer information), account takeovers, unavailability of service or other events. These types of threats may derive from human error, fraud or malice on the part of external or internal parties, or may result from accidental technological failure. Further, to access our products and services our customers may use computers and mobile devices that are beyond our security control systems. Our technologies, systems, networks and software and those of other financial institutions have been, and are likely to continue to be, the target of cybersecurity threats and attacks, which may range from uncoordinated individual attempts to sophisticated and targeted measures directed at us. The risk of a security breach or disruption, particularly through cyber-attack or cyber intrusion, has increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

Our business requires the collection and retention of large volumes of customer data, including personally identifiable information in various information systems that we maintain and in those maintained by third parties with whom we contract to provide data services. We also maintain important internal company data such as personally identifiable information about our employees and information relating to our operations. The integrity and protection of that customer and company data is important to us. Our collection of such customer and company data is subject to extensive regulation and oversight, which may increase in complexity and extent in the future. Our customers and employees have been, and will continue to be, targeted by parties using fraudulent e-mails and other communications in attempts to misappropriate passwords, bank account information or other personal information or to introduce viruses or other malware through "Trojan horse" programs to our information systems and/or our customers' computers. Though we endeavor to mitigate these threats through product improvements, use of encryption and authentication technology and customer and employee education, such cyber-attacks against us or our merchants and our third party service providers remain a serious issue. The pervasiveness of cybersecurity incidents in general and the risks of cybercrime are complex and continue to evolve. More generally, publicized information concerning security and cyber-related problems could inhibit the use or growth of electronic or web-based applications or solutions as a means of conducting commercial transactions.

Although we make significant efforts to maintain the security and integrity of our information systems and have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because attempted security breaches, particularly cyber-attacks and intrusions, or disruptions will occur in the future, and because the techniques used in such attempts are constantly evolving and generally are not recognized until launched against a target, and in some cases are designed not to be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is virtually impossible for us to entirely mitigate this risk. While we maintain specific "cyber" insurance coverage, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not be covered under our cyber insurance coverage. A security breach or other significant disruption of our information systems or those related to our customers, merchants and our third party vendors, including as a result of cyber-attacks, could (i) disrupt the proper functioning of our networks and systems and therefore our operations and/or those of certain of our customers; (ii) result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of confidential, sensitive or otherwise valuable information of ours or our customers; (iii) result in a violation of applicable privacy, data breach and other laws, subjecting us to additional regulatory scrutiny and expose us to civil litigation, enforcement action, governmental fines and possible financial liability; (iv) require significant management attention and resources to remedy the damages that result; or (v) harm our reputation or cause a decrease in the number of customers that choose to do business with us. The occurrence of any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

## Risks Associated with Our Common Stock

***The trading volume in our common stock is less than that of other larger financial services companies.***

Although our common stock is listed for trading on the NASDAQ Global Select Market, the trading volume in our common stock is generally less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of our common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which we have no control. Given the lower trading volume of our common stock, significant sales of our common stock, or the expectation of these sales, could cause our stock price to fall.

***We may not continue to pay dividends on our common stock in the future.***

We have historically paid a common stock dividend. However, as a bank holding company, our ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve Board regarding capital adequacy and dividends. Additionally, our ability to declare or pay dividends on our common stock may also be subject to certain restrictions in the event that we elect to defer the payment of interest on our junior subordinated deferrable interest debentures. There can be no certainty that our common dividend will continue to be paid at the current levels. It is possible that our common dividend could be reduced or even cease to be paid. In such case, the trading price of our common stock could decline, and investors may lose all or part of their investment.

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

Our directors and executive officers, as a group, beneficially owned approximately 38% of our outstanding common stock as of January 31, 2021. As a result of their ownership, the directors and executive officers have the ability for all practical purposes, by voting their shares in concert, to control the outcome of any matter submitted to our stockholders for approval, including the election of directors, which requires only a majority vote. The directors and executive officers may vote to cause us to take actions with which our other stockholders do not agree.

***Our amended certificate of incorporation, as well as certain provisions of banking law and Oklahoma corporate law, could make it difficult for a third party to acquire our company.***

Oklahoma corporate law and our amended certificate of incorporation contain provisions that could delay, deter or prevent a change in control of our management or us. 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. Additionally, provisions of federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. These provisions effectively inhibit a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

***An investment in our common stock is not an insured deposit.***

Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund or by any other public or private entity. Investment in our common stock inherently involves risk for the reasons described in this "Risk Factors" section and elsewhere in this report and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you could lose some or all of your investment.

***Our stock price can be volatile.***

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things: actual or anticipated variations in quarterly results of operations; recommendations by securities analysts; operating and stock price performance of other companies that investors deem comparable to us; news reports relating to trends, concerns and other issues in the financial services industry; perceptions in the marketplace regarding us and/or our competitors; new technology used, or services offered by competitors; significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; failure to integrate acquisitions or realize anticipated benefits from acquisitions; changes in government regulations; and geopolitical conditions such as acts or threats of terrorism or military conflicts.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause our stock price to decrease regardless of our operating results.

## General Risk Factors

***We rely on certain external vendors.***

We are reliant upon certain external vendors to provide products and services necessary to maintain our day-to-day operations. These third party vendors are sources of operational and informational security risk to us, including risks associated with operational errors, information system interruptions or breaches and unauthorized disclosures of sensitive or confidential client or customer information. If these vendors encounter any of these issues, or if we have difficulty communicating with them, we could be exposed to disruption of operations, loss of service or connectivity to customers, reputational damage and enforcement and litigation risk that could have a material adverse effect on our business and, in turn, our financial condition and results of operations.

***Changes in accounting standards could impact our financial statements and reported earnings.***

Accounting standard-setting bodies, such as the Financial Accounting Standards Board, periodically change the financial accounting and reporting standards that affect the preparation of the consolidated financial statements. These changes are beyond our control and could have a meaningful impact on our consolidated financial statements.

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

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. The Sarbanes-Oxley Act of 2002 requires management and our auditors to evaluate and assess the effectiveness of our internal control over financial reporting. These requirements may be modified, supplemented or amended from time to time. Implementing these changes may take a significant amount of time and may require specific compliance training of our personnel. We have in the past discovered, and may in the future discover, areas of our internal control over financial reporting that need improvement. If our auditors or we 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 expansion through acquisitions present challenges to maintaining the internal control and disclosure control standards applicable to public companies. If we fail to maintain effective internal controls, we could be subject to regulatory scrutiny and sanctions, our ability to recognize revenue could be impaired and investors could lose confidence in the accuracy and completeness of our financial reports. We cannot assure you that we will continue to fully comply with the requirements of the Sarbanes-Oxley Act or that management or our auditors will conclude that our internal control over financial reporting is effective in future periods.

***We may need to raise additional capital in the future, and such capital may not be available when needed or at all.***

We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, particularly if our asset quality or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control and our financial performance. Economic conditions and the loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter-bank borrowings, repurchase agreements and borrowings from the discount window of the Federal Reserve Board.

We cannot assure that such capital will be available on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors or counterparties participating in the capital markets, or a downgrade of our debt ratings, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital, and we would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our businesses, financial condition and results of operations.

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

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

## **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's wholly-owned subsidiary, BFTower, LLC, owns BancFirst Tower in Oklahoma City. BancFirst Tower is under renovation and the Company plans to move its headquarters to this location as soon as renovations are complete. BancFirst Tower is located at 100 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, 105 additional BancFirst branches in Oklahoma, and a technology and operations center in Oklahoma. The Company also owns properties in Oklahoma for future expansion. There are no significant encumbrances on any of these properties.

The Company's wholly-owned subsidiary, Pegasus Bank has three banking location in Dallas Texas. The main bank is located at 4515 W Mockingbird Ln, Dallas, TX 75209

(See Note 6 - “Premises and Equipment, Net and Other Assets” to the Consolidated Financial Statements for further information on the Company’s 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 statements of the Company.

### Item 4. *Mine Safety Disclosures.*

None.

## PART II

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

#### *Common Stock Market Prices and Dividends*

The Company’s Common Stock is listed on the NASDAQ Global Select Market System (“NASDAQ/GS”) and is traded under the symbol “BANF”. As of January 31, 2021, there were 279 holders of record of our Common Stock. At that date, there were approximately 8,000 beneficial owners of our 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, BancFirst and Pegasus 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 BancFirst and Pegasus Bank, and its ability to pay dividends is substantially dependent upon dividend payments received from BancFirst. Various laws, regulations and regulatory policies limit BancFirst’s ability to pay dividends to BancFirst Corporation, as well as BancFirst Corporation’s ability to pay dividends to its stockholders. See “Liquidity and Funding” and “Capital Resources” under “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Item 1 - Business-Supervision and Regulation.” and Note (15) of the Notes to Consolidated Financial Statements for further information regarding limitations on the payment of dividends by BancFirst Corporation and BancFirst.

#### *Stock Repurchases*

In November 1999, the Company adopted a Stock Repurchase Program (the “SRP”). The SRP may be used as a means to increase earnings per share and return on equity, to purchase treasury stock for the exercise of stock options or for distributions under the Deferred Stock Compensation Plan, to provide liquidity for optionees to dispose of stock from exercises of their stock options and to provide liquidity for stockholders wishing to sell their stock. All shares repurchased under the SRP have been retired and not held as treasury stock. The timing, price and amount of stock repurchases under the SRP may be determined by management and approved by the Company’s Executive Committee. At December 31, 2020, there were 62,782 shares remaining that could be repurchased under the Company’s November 1999 Stock Repurchase Program. The amount approved is subject to amendment. The Stock Repurchase Program will remain in effect until all shares are repurchased.

No purchases were made by or on behalf of the Company or any “affiliated purchaser” (as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934), of the Company’s common stock during the three months ended December 31, 2020.

### Equity Compensation Plan Information

Information regarding stock-based compensation awards outstanding and available for future grants as of December 31, 2020 is presented in the table below. All of the Company’s stock-based compensation plans have been approved by the Company’s stockholders. Additional information regarding stock-based compensation plans is presented in Note (13) – Stock-Based Compensation in the notes to consolidated financial statements included in Item 8. Financial Statements and Supplementary Data located elsewhere in this report.

| Plan Category | (a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights | (b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights | (c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 1,491,358 | $ 33.03 | 242,443 |

#### *Performance Graph*

The Company’s performance graph is incorporated by reference from “Company Performance” contained on the last page of this 10-K report.

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

Not applicable.

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

*The following discussion and analysis presents factors that the Company believes are relevant to an assessment and understanding of the Company's financial position and results of operations for the three years ended December 31, 2020. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto and the selected consolidated financial data included herein.*

## FORWARD-LOOKING STATEMENTS

The Company may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 with respect to earnings, credit quality, corporate objectives, interest rates and other financial and business matters. Forward-looking statements include estimates and give management's current expectations or forecasts of future events. The Company cautions readers that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, including economic conditions; the performance of financial markets and interest rates; legislative and regulatory actions and reforms; competition; as well as other factors, all of which change over time. Examples of forward-looking statements include, but are not limited to: (i) projections of revenues, expenses, income or loss, earnings or loss per share, the payment or nonpayment of dividends, capital structure and other financial items; (ii) statements of plans, objectives and expectations, including those relating to products or services; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements. Words such as "believes", "anticipates", "expects", "intends", "targeted", "continue", "remain", "will", "should", "may" and other similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Forward-looking statements involve risks and uncertainties that may cause actual results to differ materially from those in such statements. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to:

- The COVID-19 pandemic's adverse effects on us and our customers, employees and third-party service providers; the adverse impacts of the pandemic on our business, financial position, operations and prospects may be material. It is not possible to accurately predict the extent, severity or duration of the pandemic or when normal economic and operation conditions will return.
- The effect of governments' stimulus programs.
- Local, regional, national and international economic conditions and the impact they may have on the Company and its customers and the Company's assessment of that impact.
- Changes in the mix of loan geographies, sectors and types or the level of non-performing assets and charge-offs.
- Inflation, interest rates, energy prices, securities markets and monetary fluctuations.
- The effect of changes in laws and regulations (including laws and regulations concerning taxes, banking, securities and insurance) with which the Company must comply.
- Impairment of the Company's goodwill or other intangible assets.
- Changes in consumer spending, borrowing and savings habits.
- Changes in the financial performance and/or condition of the Company's borrowers.
- Technological changes.
- Acquisitions and integration of acquired businesses.
- The effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.
- The Company's success at managing the risks involved in the foregoing items.

Actual results may differ materially from forward-looking statements.

## THE COVID-19 PANDEMIC

Since the latter half of the first quarter of 2020, the COVID-19 pandemic and actions taken in response to it have negatively impacted the global economy and all financial markets. Since March 31, 2020, these conditions and the related financial impact have continued and, in some cases, worsened. Although the Company is not able to estimate the impact of the COVID-19 pandemic and the resultant economic circumstances on a long-term basis at this time, the COVID-19 pandemic could materially affect the Company's financial and operational results. See Item 1.A. Risk Factors for further discussion.

The Company is closely monitoring its loan portfolio for effects related to COVID-19. The decline in economic activity as a result of the COVID-19 pandemic caused volatility in crude oil prices since February 2020. This volatility could negatively impact the energy industry and the overall economies of our markets and could lead to increased credit stress in the Company's energy portfolio, increased losses associated with that portfolio and reduced demand for energy lending.

If the negative impacts due to COVID-19 continue coupled with volatile energy prices, it is possible that the Company's goodwill could become impaired in future periods.

## SUMMARY

The Company's net income for 2020 was $99.6 million, or $3.00 per diluted share, compared to $134.9 million, or $4.05 per diluted share for 2019 and $125.8 million, or $3.76 per diluted share for 2018. The results for 2020 were negatively impacted by a higher provision for credit losses. Net income for the year ended December 31, 2020 includes the entire year of net income of Pegasus Bank in Dallas, Texas, which was acquired on August 15, 2019, and the income and expenses associated with the purchase of assets and assumption of liabilities on March 5, 2020, from The Citizens State Bank of Okemah ("Citizens'"). The results for 2019 include Pegasus Bank acquisition related expenses of approximately $3.1 million. The results for 2018 include acquisitions related expenses of approximately $2.6 million.

In 2020, net interest income was $306.7 million, compared to $281.9 million in 2019 and $260.5 million in 2018. Net interest income increased in 2020 due to a full year of net interest income from Pegasus Bank, loan growth, PPP fee income of approximately $15.6 million and a decrease in interest rates paid on deposits. The Company's net interest margin decreased to 3.57% for 2020, compared to 3.85% for 2019 and 3.70% for 2018. The provision for credit losses was $62.6 million in 2020 compared to $8.3 million in 2019 and $3.8 million in 2018. The increase in the provision for credit losses in 2020 related to reserve build up for expected credit losses stemming from the COVID-19 pandemic and low energy prices. The ratio of net charge-offs to average loans for 2020 was 0.35%, compared to 0.10% for 2019 and 0.08% for 2018. Noninterest income totaled $137.2 million in 2020 compared to $137.2 million in 2019 and $125.2 million in 2018. Noninterest expense was $257.7 million in 2020 compared to $241.3 million in 2019 and $222.1 million in 2018. The increase in noninterest expense in 2020 was due to a full year of noninterest expenses of Pegasus Bank, which added approximately $9.0 million. In addition, noninterest expense increased in 2020 due to COVID-19 pandemic related salary expenses, net occupancy and depreciation from the Company's new corporate headquarters, and acquisition expense related to the purchase of assets from Citizens, partially offset by $2.4 million in gains on sales of property carried in other real estate owned and a decrease in marketing and business promotions.

The Company's assets at year-end 2020 totaled $9.2 billion, compared to $8.6 billion at December 31, 2019. Debt securities were $555.2 million, an increase of $63.6 million from December 31, 2019. Loans totaled $6.4 billion compared to $5.7 billion for 2019. Total deposits were $8.1 billion for 2020 compared to $7.5 billion for 2019. The increase in assets, loans and deposits were primarily related to the PPP and other government stimulus. At December 31, 2020, the Company had PPP loans held for investment of $652.7 million, net of unamortized processing fees of $14.5 million. The Company's total stockholders' equity was $1.1 billion, an increase of $62.9 million over December 31, 2019.

Nonaccrual loans represented 0.58% of total loans at December 31, 2020, up from 0.32% at year-end 2019. Non-performing assets represented 0.90% of total assets at December 31, 2020, up from 0.63% at December 31, 2019 as a result of a migration from loans to other real estate owned during 2020. The allowance for credit losses to total loans was 1.42% at December 31, 2020, up from 0.96% at year-end 2019. The allowance for credit losses to nonaccrual loans was 243.35% compared to 301.91% at year-end 2019.

See Note (2) of the Notes to Consolidated Financial Statements for disclosure regarding the Company's recent developments, including mergers and acquisitions.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's significant accounting policies are described in Note (1) to the consolidated 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, which affect the amounts reported in the financial statements and the related disclosures. These estimates relate principally to the allowance for credit losses, income taxes, intangible assets and the fair value of financial instruments. Such estimates and assumptions may change over time and actual amounts realized may differ from those reported. The following is a summary of the accounting policies and estimates that management believes are the most critical.

### *Allowance for Credit losses*

On January 1, 2020, the Company adopted Accounting Standards Codification ("ASC") 326, which replaces the incurred loss methodology for determining its provision for credit losses and allowance for credit losses with an expected loss methodology that is referred to as the CECL model. The allowance for credit losses is management's estimate of the expected credit losses on financial assets measured at amortized cost.

The allowance for credit losses is increased by provisions charged to operating expense and is reduced by net loan charge-offs. The amount of the allowance for credit losses is measured using relevant information about past events, including historical credit loss experience on financial assets with similar risk characteristics, current conditions, and reasonable and supportable forecasts that affect the collectability of the remaining cash flows over the contractual term of the financial assets. A loan is considered collateral-dependent when the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower is experiencing financial difficulty based on the entity's assessment as of the reporting date. For collateral dependent loans, the standard allows institutions to use, as a practical expedient, the fair value of the collateral to measure expected credit losses on collateral-dependent financial assets. This amount is included in the allowance for credit losses.

The amount of the allowance for credit losses is first estimated by each business unit's management based on its evaluation of the unit's portfolio. This evaluation involves identifying collateral dependent and adversely classified loans. Specific allowances for losses are determined for collateral dependent loans based on either the loans' estimated discounted cash flows or the fair values of the collateral. An allowance is estimated for loans using a historical loss percentage based on losses arising specifically from each respective loan category, adjusted for various economic and environmental factors that are considered reasonable and supportable related to the underlying loans. Each month the Company's Senior Loan Committee reviews each business unit's allowance, and the aggregate allowance for the Company and, on a quarterly basis, adjusts and approves the appropriateness of the allowance. In addition, annually or more frequently as needed, the Senior Loan Committee evaluates and establishes the loss percentages used in the estimates of the allowance based on historical loss data, and giving consideration to their assessment of current economic and environmental conditions and reasonable and supportable forecasts. To facilitate the Senior Loan Committee's evaluation, the Company's Asset Quality Department performs periodic reviews of each of the Company's business units and reports on the adequacy of management's identification of collateral dependent and adversely classified loans, and their adherence to the Company's loan policies and procedures.

The process of evaluating the appropriateness of the allowance for credit losses necessarily involves the exercise of judgment and consideration of numerous subjective factors and, accordingly, there can be no assurance that the estimate of expected losses will not change in light of future developments and economic conditions. Changes in assumptions and conditions could result in a materially different amount for the allowance for credit losses.

### *Income Taxes*

The Company files a consolidated income tax return. Deferred taxes are recognized under the balance sheet method based upon the future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities, using the tax rates expected to apply to taxable income in the periods when the related temporary differences are expected to be realized.

The amount of accrued current and deferred income taxes is based on estimates of taxes due or receivable from taxing authorities either currently or in the future. Changes in these accruals are reported as tax expense, and involve estimates of the various components included in determining taxable income, tax credits, other taxes and temporary differences. Changes periodically occur in the estimates due to changes in tax rates, tax laws and regulations and implementation of new tax planning strategies. The process of determining the accruals for income taxes necessarily involves the exercise of considerable judgment and consideration of numerous subjective factors.

Management performs an analysis of the Company's tax positions annually and believes it is more likely than not that all of its tax positions will be utilized in future years.

*Intangible Assets and Goodwill*

Core deposit intangibles are amortized on a straight-line basis over the estimated useful lives of seven to ten years and customer relationship intangibles are amortized on a straight-line basis over the estimated useful life of three to eighteen years. Goodwill is not amortized, but is evaluated at a reporting unit level at least annually for impairment or more frequently if other indicators of impairment are present. At least annually in the fourth quarter, intangible assets, are evaluated for possible impairment. Impairment losses are measured by comparing the fair values of the intangible assets with their recorded amounts. Any impairment losses are reported in the statement of comprehensive income.

The evaluation of remaining core deposit intangibles for possible impairment involves reassessing the useful lives and the recoverability of the intangible assets. The evaluation of the useful lives is performed by reviewing the levels of core deposits of the respective branches acquired. The actual life of a core deposit base may be longer than originally estimated due to more successful retention of customers, or may be shorter due to more rapid runoff. Amortization of core deposit intangibles would be adjusted, if necessary, to amortize the remaining net book values over the remaining lives of the core deposits. The evaluation for recoverability is only performed if events or changes in circumstances indicate that the carrying amount of the intangibles may not be recoverable.

The evaluation of goodwill for possible impairment is performed by comparing the fair values of the related reporting units with their carrying amounts including goodwill. The fair values of the related business units are estimated using market data for prices of recent acquisitions of banks and branches.

The evaluation of intangible assets and goodwill for the year ended December 31, 2019 resulted in an impairment of customer relationship intangibles of approximately $353,000 related to BancFirst Insurance Services, Inc. The evaluation of intangible assets and goodwill for the year ended December 31, 2020 resulted in no impairments.

*Fair Value of Financial Instruments*

Debt 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 fair value. Unrealized gains or losses on debt securities available for sale are reported as a component of stockholders' equity, net of income tax.

The Company reviews its portfolio of debt securities in an unrealized loss position at least quarterly. The Company first assesses whether it intends to sell, or it is more-likely-than-not that it will be required to sell, the securities before recovery of the amortized cost basis. If either of these criteria is met, the securities amortized cost basis is written down to fair value as a current period expense. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making this assessment, the Company considers, among other things, the period of time the security has been in an unrealized loss position, and performance of any underlying collateral and adverse conditions specifically related to the security. At December 31, 2020 and December 31, 2019 approximately 95% of the available for sale debt securities held by the Company were issued by the U.S. Treasury, or U.S. government-sponsored entities and agencies. The Company does not consider the unrealized position of these securities to be the result of credit factors, because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery. Therefore, the Company has not recorded an allowance for credit losses against its debt securities portfolio, as the credit risk is not material.

The estimates of fair values of debt securities and other financial instruments are based on a variety of factors. In some cases, fair values represent quoted market prices for identical or comparable instruments. In other cases, fair values have been estimated based on assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates reflecting varying degrees of risk. Accordingly, the fair values may not represent actual values of the financial instruments that could have been realized as of year-end or that will be realized in the future.

**Future Application of Accounting Standards**

See Note (1) of the Notes to Consolidated Financial Statements for a discussion of recently issued accounting pronouncements and their expected impact on the Company's financial statements.

**Segment Information**

See Note (22) of the Notes to Consolidated Financial Statements for disclosure regarding the Company's operating business segments.

## RESULTS OF OPERATIONS

### *Average Balances, Income Expenses and Rates*

The following table depicts, for the periods indicated, certain information related to our average balance sheet and our average yields on assets and average costs of liabilities. Such yields are derived by dividing income or expense by the average balance of the corresponding assets or liabilities. Average balances are derived from daily averages.

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

| | December 31, 2020 | | | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| | 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) | $6,432,455 | $312,514 | 4.85% | $5,273,632 | $292,152 | 5.54% | $4,966,965 | $263,577 | 5.31% |
| Debt securities – taxable | 556,931 | 8,591 | 1.54 | 588,207 | 13,308 | 2.26 | 448,271 | 8,808 | 1.96 |
| Debt securities – tax exempt | 28,969 | 616 | 2.12 | 20,219 | 580 | 2.87 | 25,677 | 771 | 3.00 |
| Federal funds sold and interest-bearing deposits with banks | 1,562,383 | 6,049 | 0.39 | 1,455,799 | 31,372 | 2.15 | 1,609,030 | 30,694 | 1.91 |
| Total earning assets | 8,580,738 | 327,770 | 3.81 | 7,337,857 | 337,412 | 4.60 | 7,049,943 | 303,850 | 4.31 |
| Nonearning assets: | | | | | | | | | |
| Cash and due from banks | 220,995 | | | 180,339 | | | 185,380 | | |
| Interest receivable and other assets | 611,966 | | | 500,487 | | | 405,730 | | |
| Allowance for credit losses | (76,501) | | | (53,975) | | | (52,087) | | |
| Total nonearning assets | 756,460 | | | 626,851 | | | 539,023 | | |
| Total assets | $9,337,198 | | | $7,964,708 | | | $7,588,966 | | |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | | | | |
| Interest-bearing liabilities: | | | | | | | | | |
| Transaction deposits | $ 744,632 | $ 940 | 0.13% | $ 751,140 | $ 2,573 | 0.34% | $ 790,587 | $ 2,461 | 0.31% |
| Savings deposits | 3,273,903 | 9,385 | 0.29 | 2,782,086 | 39,170 | 1.41 | 2,513,244 | 29,462 | 1.17 |
| Time deposits | 695,637 | 8,147 | 1.17 | 690,636 | 10,995 | 1.59 | 746,189 | 8,539 | 1.14 |
| Short-term borrowings | 2,745 | 8 | 0.30 | 1,458 | 32 | 2.19 | 5,159 | 95 | 1.84 |
| Long-term borrowings | 1,107 | — | — | — | — | — | — | — | — |
| Junior subordinated debentures | 26,804 | 1,966 | 7.31 | 26,804 | 1,966 | 7.34 | 31,747 | 2,171 | 6.84 |
| Total interest-bearing liabilities | 4,744,828 | 20,446 | 0.43 | 4,252,124 | 54,736 | 1.29 | 4,086,926 | 42,728 | 1.05 |
| Interest-free funds: | | | | | | | | | |
| Noninterest-bearing deposits | 3,503,187 | | | 2,709,510 | | | 2,605,280 | | |
| Interest payable and other liabilities | 46,048 | | | 42,219 | | | 34,198 | | |
| Stockholders' equity | 1,043,135 | | | 960,855 | | | 862,562 | | |
| Total interest free funds | 4,592,370 | | | 3,712,584 | | | 3,502,040 | | |
| Total liabilities and stockholders' equity | $9,337,198 | | | $7,964,708 | | | $7,588,966 | | |
| Net interest income | | $307,324 | | | $282,676 | | | $261,122 | |
| Net interest spread | | | 3.38% | | | 3.31% | | | 3.26% |
| Effect of interest free funds | | | 0.19% | | | 0.54% | | | 0.44% |
| Net interest margin | | | 3.57% | | | 3.85% | | | 3.70% |

For these computations, information is shown on a taxable-equivalent basis assuming a 21% tax rate.

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

The following table depicts, for the periods indicated, selected income statement data and other selected data:

**BANCFIRST CORPORATION**
**SELECTED CONSOLIDATED FINANCIAL DATA**
**(Dollars in thousands, except per share data)**

| | At and for the Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| **Income Statement Data** | | | |
| Net interest income | $ 306,668 | $ 281,921 | $ 260,476 |
| Provision for credit losses | 62,648 | 8,287 | 3,802 |
| Noninterest income | 137,222 | 137,229 | 125,199 |
| Noninterest expense | 257,730 | 241,301 | 222,121 |
| Net income | 99,586 | 134,879 | 125,814 |
| **Per Common Share Data** | | | |
| Net income – basic | $ 3.05 | $ 4.13 | $ 3.85 |
| Net income – diluted | 3.00 | 4.05 | 3.76 |
| Cash dividends | 1.32 | 1.24 | 1.02 |
| **Selected Financial Ratios** | | | |
| *Performance ratios:* | | | |
| Return on average assets | 1.06% | 1.69% | 1.66% |
| Return on average stockholders' equity | 9.52 | 14.04 | 14.59 |
| Cash dividends payout ratio | 43.28 | 30.02 | 26.49 |
| Net interest spread | 3.38 | 3.31 | 3.26 |
| Net interest margin | 3.57 | 3.85 | 3.70 |
| Efficiency ratio | 58.06 | 57.57 | 57.59 |

## Net Interest Income

Net interest income, which is the Company's principal source of operating revenue, increased in 2020 by $24.7 million, to a total of $306.7 million, compared to an increase of $21.4 million in 2019. Net interest income increased in 2020 due to a full year of net interest income from Pegasus Bank, loan growth, PPP fee income of approximately $15.6 million and a decrease in interest rates paid on deposits. In 2019, net interest income increased primarily due to the higher average rates on federal funds and loans throughout 2019 compared to 2018 and loan growth during 2019, slightly offset by higher deposit rates throughout 2019 compared to 2018.

Net interest margin is the ratio of taxable-equivalent net interest income to average earning assets for the period. The Company's net interest margin decreased to 3.57% for 2020, compared to 3.85% for 2019 and 3.70% for 2018. The decrease in the net interest margin in 2020 is primarily due to the lower average rates on federal funds and securities during the year. The increase in the net interest margin in 2019 is due to the increase in net interest income described above.

The Company's net interest income and net interest margin have been, and the Company currently expects them to continue to be, impacted by the decreases in market interest rates and the expectation that interest rates will remain at these low levels for some period of time in light of the on-going response in Federal Reserve policy driven by the economic disruption arising from the COVID-19 pandemic.

Changes in the volume of earning assets and interest-bearing liabilities and changes in interest rates, determine the changes in net interest income. The following volume/rate analysis summarizes the relative contribution of each of these components to the changes in net interest income in 2020 and 2019. See "Maturity and Rate Sensitivity of Loans" for additional discussion.

**VOLUME/RATE ANALYSIS**

**Taxable Equivalent Basis**

| | Change in 2020 | | | Change in 2019 | | |
|---|---|---|---|---|---|---|
| | Total | Due to Volume(1) | Due to Rate | Total | Due to Volume(1) | Due to Rate |
| | (Dollars in thousands) | | | | | |
| **INCREASE (DECREASE)** | | | | | | |
| **Interest Income:** | | | | | | |
| Loans | $ 20,362 | $ 67,533 | $ (47,171) | $ 28,575 | $ 15,797 | $ 12,778 |
| Investments—taxable | (4,717) | (677) | (4,040) | 4,500 | 2,605 | 1,895 |
| Investments—tax exempt | 36 | 638 | (602) | (191) | (174) | (17) |
| Interest-bearing deposits with banks and federal funds sold | (25,323) | 2,351 | (27,674) | 678 | (2,980) | 3,658 |
| Total interest income | (9,642) | 69,845 | (79,487) | 33,562 | 15,248 | 18,314 |
| **Interest Expense:** | | | | | | |
| Transaction deposits | (1,633) | 431 | (2,064) | 112 | (216) | 328 |
| Savings deposits | (29,785) | 5,124 | (34,909) | 9,708 | 3,951 | 5,757 |
| Time deposits | (2,848) | (439) | (2,409) | 2,456 | (597) | 3,053 |
| Short-term borrowings | (24) | 28 | (52) | (63) | (68) | 5 |
| Junior subordinated debentures | — | — | — | (205) | (337) | 132 |
| Total interest expense | (34,290) | 5,144 | (39,434) | 12,008 | 2,733 | 9,275 |
| Net interest income | $ 24,648 | $ 64,701 | $ (40,053) | $ 21,554 | $ 12,515 | $ 9,039 |

(1) The effects of changes in the mix of earning assets and interest-bearing liabilities have been combined with the changes due to volume.

**Provision for Credit Losses**

The Company's provision for credit losses was $62.6 million for 2020, compared to $8.3 million for 2019 and $3.8 million for 2018. The increase in the provision in 2020 was related to reserve build up for expected credit losses stemming from the COVID-19 pandemic and low energy prices. The Company's provision in 2020 was based on the Company's evaluation of the level of uncertainty and lack of clarity of the timing of an end to the COVID-19 pandemic, as well as the magnitude of the government's stimulus response to it. To the extent the amount of time the economy remains adversely affected is more extended than the Company's current projection, the Company could see a continuation of higher than normal provision in future periods. The Company establishes an allowance as an estimate of the expected credit losses in the loan portfolio at the balance sheet date. Management believes the allowance for credit losses is appropriate based upon management's best estimate of expected losses within the existing loan portfolio. Should any of the factors considered by management in evaluating the appropriate level of the allowance for credit losses change, the Company's estimate of expected credit losses could also change, which could affect the amount of future provisions for credit losses. Net loan charge-offs were $22.8 million for 2020 compared to $5.4 million for 2019 and $4.1 million for 2018. The net charge-offs equated to 0.35%, 0.10% and 0.08% of average loans for 2020, 2019 and 2018, respectively. Net charge-offs increased in 2020 primarily due to three loans. The rate of net charge-offs to average total loans continues to be at a low level. A more detailed discussion of the allowance for credit losses is provided under "Loans."

**Noninterest Income**

Noninterest income was $137.2 million in 2020, compared to $137.2 million in 2019 and $125.2 million in 2018. Total noninterest income was flat in 2020. During 2020, the Company had an increase in sales of loans and debit card usage fees, which were primarily offset by a decrease in deposit service charges resulting from government stimulus. This compares to an increase of $12.0 million in 2019, or 9.6%. The increase in noninterest income in 2019 was due to growth in debit card usage fees, sweep fees, insurance commissions and equity security gains. The Company's operating noninterest income has generally increased due to enhanced product lines, acquisitions and internal deposit growth. The Company had fees from debit card usage totaling $36.9 million, $33.9 million and $29.8 million for the years 2020, 2019 and 2018, respectively. This represents 26.9%, 24.7% and 23.8% of the Company's noninterest income for the years 2020, 2019 and 2018, respectively. In addition, the Company had non-sufficient funds fees totaling $26.6 million, $33.5 million and $31.3 million in 2020, 2019 and 2018, respectively. This represents 19.4%, 24.4%, and 25.0% of the Company's noninterest income for the years 2020, 2019 and 2018, respectively.

Prior to the COVID-19 pandemic, there was little or no likelihood that the Company would surpass $10 billion in total assets for several years. However, with the CARES Act, including PPP loans, stimulus payments to households, and artificially high household savings rates, our deposits and assets have grown dramatically beyond reasonably foreseeable levels. To the extent the COVID-19 pandemic continues and the government response to it continues on the same or similar basis, the Company has an increasingly heightened possibility of exceeding $10 billion in total assets at December 31, 2021. Pursuant to the Durbin Amendment of the Dodd-Frank Act, this would trigger an approximate loss of income from debit card interchange fees between $17 to $20 million in subsequent years.

The Company recognized a net loss of $389,000 during 2020, a net gain of $812,000 during 2019, and a net gain of $47,000 during 2018, primarily due to transactions of equity securities. These losses and gains were primarily due to the Accounting Standard Update 2016-01 adopted on January 1, 2018, which requires the change in fair value of equity securities to be recognized through net income. The Company's practice is to maintain a liquid portfolio of securities and not engage in trading activities. The Company has the ability and intent to hold debt securities classified as available for sale that were in an unrealized loss position until they mature or until fair value exceeds amortized cost.

The Company earned $6.1 million on the sale of loans in 2020 compared $3.4 million in 2019 and $2.9 million in 2018. The income from sales of loans increased in 2020 due to the volume increase related to record low mortgage rates. The Company expects sales from mortgage loans during 2021 to be less than in 2020, but greater than in 2019.

**Noninterest Expense**

Total noninterest expense increased by $16.4 million, or 6.8% to $257.7 million for 2020. This compares to an increase of $19.2 million, or 8.6%, for 2019. The increase in noninterest expense in 2020 was due to a full year of noninterest expenses of Pegasus Bank, which added approximately $9.0 million. In addition, noninterest expense increased in 2020 due to COVID-19 pandemic related salary expenses, net occupancy and depreciation from the Company's new corporate headquarters, and acquisition expense related to the purchase of assets from Citizens, partially offset by $2.4 million in gains on sales of property carried in other real estate owned and a decrease in marketing and business promotions. The increase in noninterest expense in 2019 was primarily due to salary increases and acquisition related expenses. Acquisition related expenses were $3.1 million in 2019.

Noninterest expense included deposit insurance expense, which totaled $2.1 million for the year ended December 31, 2020, compared to $1.1 million for the year ended December 31, 2019 and $2.4 million for the year ended December 31, 2018. Deposit insurance expense was lower for the year ended December 31, 2019 due to a one-time credit given by the FDIC in 2019 upon reaching a reserve ratio in the insurance fund.

**Income Taxes**

Income tax expense totaled $23.9 million in 2020, compared to $34.7 million in 2019 and $33.9 million in 2018. The effective tax rates for 2020, 2019 and 2018 were 19.4%, 20.5% and 21.2% respectively. The primary reasons for the difference between the Company's effective tax rate and the federal statutory rate were tax-exempt income, nondeductible amortization, federal and state tax credits and state tax expense.

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

**Impact of Inflation**

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

### Impact of Deflation

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

## FINANCIAL POSITION

**BANCFIRST CORPORATION**
**SELECTED CONSOLIDATED FINANCIAL DATA**
**(Dollars in thousands, except per share data)**

| | At and for the Year Ended December 31, | |
|---|---|---|
| | 2020 | 2019 |
| **Balance Sheet Data** | | |
| Total assets | $ 9,212,357 | $ 8,565,758 |
| Debt securities | 555,196 | 491,626 |
| Total loans (net of unearned interest) | 6,448,225 | 5,673,144 |
| Allowance for credit losses | 91,366 | 54,238 |
| Deposits | 8,064,704 | 7,483,635 |
| Junior subordinated debentures | 26,804 | 26,804 |
| Stockholders' equity | 1,067,885 | 1,004,989 |
| Book value per share | 32.64 | 30.74 |
| Tangible book value per shares (non-GAAP)(1) | 27.47 | 25.50 |
| **Reconciliation of Tangible Book Value per Common Share (non-GAAP)(2)** | | |
| Stockholders' equity | $ 1,067,885 | $ 1,004,989 |
| Less goodwill | 149,922 | 148,604 |
| Less intangible assets, net | 18,999 | 22,608 |
| Tangible stockholders' equity (non-GAAP) | $ 898,964 | $ 833,777 |
| Common shares outstanding | 32,719,852 | 32,694,268 |
| Tangible book value per share (non-GAAP) | $ 27.47 | $ 25.50 |
| **Selected Financial Ratios** | | |
| *Performance Ratios:* | | |
| Return on average assets | 1.06% | 1.69 % |
| Return on average stockholders' equity | 9.52 | 14.04 |
| Cash dividends payout ratio | 43.28 | 30.02 |
| Net interest spread | 3.38 | 3.31 |
| Net interest margin | 3.57 | 3.85 |
| Efficiency ratio | 58.06 | 57.57 |
| *Balance Sheet Ratios:* | | |
| Average loans to deposits | 78.28% | 76.06 % |
| Average earning assets to total assets | 91.90 | 92.13 |
| Average stockholders' equity to average assets | 11.17 | 12.06 |
| *Asset Quality Ratios:* | | |
| Nonaccrual loans to total loans | 0.58% | 0.32 % |
| Nonperforming and restructured loans to total loans | 0.78 | 0.84 |
| Nonperforming and restructured assets to total assets | 0.90 | 0.63 |
| Allowance for credit losses to total loans | 1.42 | 0.96 |
| Allowance for credit losses to nonperforming and restructured loans | 182.26 | 113.45 |
| Allowance for credit losses to nonaccrual loans | 243.35 | 301.91 |
| Net charge-offs to average loans | 0.35 | 0.10 |

(1) Refer to the "Reconciliation of Tangible Book Value per Common Share (non-GAAP)" Table
(2) Tangible book value per common share is stockholders' equity less goodwill and intangible assets, net, divided by common shares outstanding. This amount is a non-GAAP financial measure but has been included as it is considered to be a critical metric with which to analyze and evaluate the financial condition and capital strength of the Company. This measure should not be considered a substitute for operating results determined in accordance with GAAP.

### Cash, Federal Funds Sold and Interest-Bearing Deposits with Banks

Cash consists of cash and cash items on hand, noninterest-bearing deposits and amounts due from other banks, reserves deposited with the Federal Reserve Bank, and interest-bearing deposits with other banks. Federal funds sold consist of overnight investments of excess funds with other financial institutions. Due to the Federal Reserve Bank's intervention into the funds market that has resulted in a low overnight funds rate, the Company has continued to maintain the majority of its excess funds with the Federal Reserve Bank. The Federal Reserve Bank pays interest on these funds based upon the lowest target rate for the maintenance period, which decreased 1.50% during 2020 from 1.75% to 0.25% and decreased 0.75% during 2019 from 2.50% to 1.75%.

The amount of cash, federal funds sold and interest-bearing deposits with the Federal Reserve Bank carried by the Company is a function of the availability of funds presented to other institutions for clearing, and 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. The aggregate of cash and due from banks, interest-bearing deposits with banks and federal funds sold decreased $252.4 million from December 31, 2019 to December 31, 2020. The decrease was primarily due to the funding of PPP loans.

**Securities**

For the year ended December 31, 2020, total debt securities increased $63.6 million, or 12.9%, to $555.2 million. Debt securities available for sale represented 99.5% of the total debt securities portfolio at December 31, 2020, compared to 99.6% of total debt securities portfolio at December 31, 2019. Debt securities available for sale had a net unrealized gain of $9.9 million at December 31, 2020, compared to a net unrealized gain of $4.6 million at December 31, 2019. These unrealized gains are included in the Company's stockholders' equity as accumulated other comprehensive income, net of income tax, in the amounts of a gain of $7.4 million and a gain of $3.5 million for December 31, 2020 and 2019, respectively.

The Company does not engage in securities trading activities. Any sales of debt 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. Debt 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 fair value. Unrealized gains or losses on debt securities available for sale are reported as a component of stockholders' equity, net of income tax. Debt 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.

Management has the ability and intent to hold the debt securities classified as held for investment until they mature, at which time the Company will receive full value for the securities. Furthermore, the Company also has the ability and intent to hold the debt securities classified as available for sale for a period of time sufficient for a recovery of cost. As of December 31, 2020, the Company had net unrealized gains largely due to decreases in market interest rates over the yields available at the time the underlying securities were purchased. The fair value of those securities having unrealized losses is expected to recover as the securities approach their maturity date or repricing date, or if market yields for similar investments decline. Furthermore, as of December 31, 2020, management had no intent or requirement to sell before the recovery of the unrealized loss.

The Company invests in equity securities without readily determinable fair values. These equity securities are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The realized and unrealized gains and losses are reported as securities transactions in the noninterest income section of the consolidated statements of comprehensive income. Equity securities are reported in other assets on the balance sheet. The balance of equity securities was $10.1 million for December 31, 2020 and 2019, respectively. The Company reviews its portfolio of equity securities for impairment at least quarterly.

See Note (3) of the Notes to Consolidated Financial Statements for disclosures regarding the Company's Securities.

## WEIGHTED AVERAGE YIELD OF DEBT SECURITIES

The following table summarizes weighted average taxable equivalent yields of the debt securities portfolio at December 31, 2020. The Company manages its debt securities portfolio for liquidity, as a tool to execute its asset/liability management strategy, and for pledging requirements for public funds. For the interest rate sensitivity of debt securities see the table in item 7A.

| | Amount | Yield* |
|---|---|---|
| **Held for Investment** | | |
| Mortgage-backed securities | $ 59 | 5.58% |
| State and political subdivisions | 2,405 | 2.94 |
| Other securities | 500 | 2.63 |
| Total | $ 2,964 | 2.94% |
| **Available for Sale** | | |
| U.S. Treasury, other federal agencies and mortgage-backed securities | $ 510,570 | 1.40% |
| State and political subdivisions | 28,948 | 1.96 |
| Asset backed securities | 12,714 | 0.99 |
| Total | $ 552,232 | 1.42% |
| Total debt securities | $ 555,196 | 1.43% |

* Yield on a taxable equivalent basis

## Loans

The Company has historically generated loan growth from both internal originations and bank acquisitions. Total loans held for investment increased $732.4 million, or 12.9%, to $6.4 billion in 2020. The increase in 2020 was primarily due to PPP loans.

### *Composition*

BancFirst's loan portfolio was diversified among various types of commercial and individual borrowers. Commercial loans were comprised principally of loans to companies in real estate, light manufacturing, retail and service industries. Consumer non-real estate loans were comprised primarily of loans to individuals for automobiles.

Pegasus Bank's loan portfolio was diversified among various types of commercial and individual borrowers. Pegasus Bank's loans were made up of approximately 49% in real estate loans, approximately 47% in commercial and agricultural non-real estate loans and approximately 4% in consumer non-real estate loans.

See Note (1) and Note (4) of the Notes to Consolidated Financial Statements for disclosures regarding the Company's loan portfolio segments.

## MATURITY AND RATE SENSITIVITY OF LOANS

The following table presents the Maturity and Rate Sensitivity of Loans held for investment at December 31, 2020. Many of the loans with maturities of one year or less are renewed at existing or similar terms after scheduled principal reductions. Also approximately 36% of loans had adjustable interest rates at December 31, 2020.

| | Maturing | | | | |
|---|---|---|---|---|---|
| | Within One Year | After One But Within Five Years | After Five Years through Fifteen Years | After Fifteen Years | Total |
| | (Dollars in thousands) | | | | |
| **BancFirst** | | | | | |
| Real estate: | | | | | |
| Commercial real estate owner occupied | $ 65,903 | $ 233,598 | $ 287,152 | $ 55,334 | $ 641,987 |
| Commercial real estate non-owner occupied | 206,005 | 396,182 | 336,978 | 31,993 | 971,158 |
| Construction and development < 60 months | 151,411 | 41,348 | 30,968 | 5,888 | 229,615 |
| Construction residential real estate < 60 months | 192,131 | 12,204 | 1,795 | 65 | 206,195 |
| Residential real estate first lien | 112,788 | 171,349 | 308,080 | 261,099 | 853,316 |
| Residential real estate all other | 48,764 | 65,941 | 35,739 | 17,637 | 168,081 |
| Farmland | 47,043 | 49,972 | 82,387 | 73,556 | 252,958 |
| Commercial and agricultural non-real estate | 560,857 | 475,529 | 105,620 | 17,804 | 1,159,810 |
| Consumer non-real estate | 30,969 | 259,175 | 63,859 | 1,402 | 355,405 |
| Oil and gas | 129,457 | 36,798 | 13,100 | — | 179,355 |
| Other loans | 26,122 | 674,670 | 79,678 | 41,608 | 822,078 |
| **Pegasus Bank** | 253,477 | 211,895 | 51,977 | 37,199 | 554,548 |
| Total loans | $1,824,927 | $2,628,661 | $1,397,333 | $543,585 | $6,394,506 |
| Loans with predetermined interest rates | $ 808,579 | $1,996,359 | $ 782,294 | $507,989 | $4,095,221 |
| Loans with adjustable interest rates | 1,016,348 | 632,302 | 615,039 | 35,596 | 2,299,285 |
| Total | $1,824,927 | $2,628,661 | $1,397,333 | $543,585 | $6,394,506 |
| Percentage of total | 28.5% | 41.1% | 21.9% | 8.5% | 100.0% |

The information relating to the maturity and rate sensitivity of loans is based upon contractual maturities and original loan terms. 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 ASSETS

The following table summarizes nonperforming and restructured assets.

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (Dollars in thousands) | |
| Past due 90 days or more and still accruing | $ 4,802 | $ 11,834 |
| Nonaccrual | 37,545 | 17,965 |
| Restructured | 7,784 | 18,010 |
| Total nonperforming and restructured loans | 50,131 | 47,809 |
| Other real estate owned and repossessed assets | 32,480 | 6,073 |
| Total nonperforming and restructured assets | $ 82,611 | $ 53,882 |

### *Nonperforming and Restructured Assets*

During 2020, nonperforming and restructured assets increased $28.7 million to $82.6 million. The Company's level of nonperforming and restructured assets has continued to be relatively low, equating to 0.90% and 0.63% of total assets at December 31, 2020 and 2019, respectively.

Nonaccrual loans increased $19.6 million in 2020 due to the impact of the COVID-19 pandemic and low energy prices. The Company's nonaccrual loans are primarily commercial and agricultural non-real estate and farmland. 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 collectability of both interest and principal is in 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. Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $2.8 million for 2020, $1.7 million for 2019 and $2.3 million for 2018. Only a small amount of this interest is expected to be ultimately collected. Approximately $7.8 million of nonaccrual loans are guaranteed by government agencies as of December 31, 2020.

Restructured loans decreased $10.2 million in 2020 due primarily to the overall improvement in restructured loans. The Company charges interest on principal balances outstanding during deferral periods. As a result, the current and future financial effects of the recorded balance of loans considered troubled debt restructurings whose terms were modified during the period were not considered material.

The classification of a loan as nonperforming does not necessarily indicate that loan principal and interest will ultimately be uncollectible; although, in an economic downturn, the Company's experience has been that the level of collections decline. The above normal risk associated with nonperforming loans has been considered in the determination of the allowance for credit losses. At December 31, 2020, the allowance for credit losses as a percentage of nonperforming and restructured loans was 182.26%, compared to 113.45%, at the end of 2019. The level of nonperforming loans and credit losses could rise over time as a result of adverse economic conditions.

Other real estate owned and repossessed assets totaled $32.5 million at December 31, 2020, compared to $6.1 million at December 31, 2019. Other real estate owned and repossessed assets increased during 2020 primarily due to the loan migration of one commercial real estate property valued at approximately $27.5 million. 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 values based upon appraisals, less estimated costs to sell. Write-downs arising at the time of reclassification of such properties from loans to other real estate owned are charged directly to the allowance for credit losses. Any losses on bank premises designated to be sold are charged to operating expense at the time of transfer from premises to other real estate owned. Decreases in values of properties subsequent to their classification as other real estate owned are charged to operating expense.

### *Allowance for Credit Losses/Fair Value Adjustments on Acquired Loans*

On January 1, 2020, the Company adopted ASC 326, which replaces the incurred loss methodology with an expected loss methodology that is referred to as CECL. As a result, the Company recorded a decrease to the allowance for credit losses of $3.2 million at January 1, 2020. At December 31, 2020, the allowance for credit losses to total loans represented 1.42% of total loans, compared to 0.96% at December 31, 2019. The increase in the allowance for credit losses related to reserve build up for expected credit losses stemming from the COVID-19 pandemic and low energy prices.

The overall credit quality of the Company's loan portfolio has remained strong. Net charge-offs were $22.8 million and $5.4 million for the years ended 2020 and 2019, respectively. The amount of net loan charge-offs is relatively low, equating to 0.35% and 0.10% of average total loans for the years ended December 31, 2020 and 2019, respectively. If unforeseen adverse changes occur in the national or local economy, or in the credit markets, it would be reasonable to expect that the allowance for credit losses would increase in future periods.

## ANALYSIS OF ALLOWANCE FOR CREDIT LOSSES

The following table is a break-out of the allowance for credit losses:

| | Year Ended December 31, 2020 | Year Ended December 31, 2019 |
|---|---|---|
| | (Dollars in thousands) | |
| **BancFirst** | | |
| Real estate: | | |
| Commercial real estate owner occupied | $ 7,035 | $ 5,625 |
| Commercial real estate non-owner occupied | 11,842 | 8,358 |
| Construction and development < 60 months | 2,560 | 2,214 |
| Construction residential real estate < 60 months | 627 | 1,933 |
| Residential real estate first lien | 2,570 | 8,692 |
| Residential real estate all other | 2,230 | 2,767 |
| Farmland | 3,136 | 2,821 |
| Commercial and agricultural non-real estate | 32,400 | 13,462 |
| Consumer non-real estate | 3,377 | 3,252 |
| Oil and gas | 17,851 | 1,883 |
| Other loans | 3,182 | 2,632 |
| **Pegasus Bank** | 4,556 | 599 |
| Total | $ 91,366 | $ 54,238 |

The following table is a break-out of net charge-offs/(recoveries) and the break-out of the percent of average loans in each category:

| | 2020 Amount | 2020 % of Avg Loans | 2019 Amount | 2019 % of Avg Loans |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **BancFirst** | | | | |
| Real estate: | | | | |
| Commercial real estate owner occupied | $ 763 | 0.01% | $ 109 | —% |
| Commercial real estate non-owner occupied | 3,609 | 0.06 | 55 | — |
| Construction and development < 60 months | (64) | — | 19 | — |
| Construction residential real estate < 60 months | 29 | — | 230 | — |
| Residential real estate first lien | 421 | 0.01 | 367 | 0.01 |
| Residential real estate all other | 72 | — | 2,352 | 0.04 |
| Farmland | 2,055 | 0.03 | 7 | — |
| Commercial and agricultural non-real estate | 3,204 | 0.05 | 1,644 | 0.03 |
| Consumer non-real estate | 918 | 0.01 | 775 | 0.02 |
| Oil and gas | 11,245 | 0.17 | — | — |
| Other loans | 158 | — | (90) | — |
| **Pegasus Bank** | 417 | 0.01 | (30) | — |
| Total | $ 22,827 | 0.35% | $ 5,438 | 0.10% |

The fair value adjustment on BancFirst and Pegasus Bank acquired loans consists of an interest rate component to adjust the effective rates on the loans to market rates and a credit component to adjust for estimated credit exposures in the acquired loans. The interest rate component was fully accreted at December 31, 2020 and a $1.7 million premium at December 31, 2019. The credit component of the adjustment was a $1.7 million discount at December 31, 2020 and a $6.8 million discount at December 31, 2019. These fair value adjustments will be accreted to income over the remaining life of the loans. The BancFirst acquired loans outstanding were $6.3 million and $154.7 million, at December 31, 2020 and 2019, respectively. The Pegasus Bank acquired loans were approximately $255.4 million at December 31, 2020 and $339.5 million at December 31, 2019.

***Intangible Assets, Goodwill and Other Assets***

Identifiable intangible assets and goodwill totaled $168.9 million and $171.2 million at December 31, 2020 and 2019, respectively.

Other assets includes the cash surrender value of key-man life insurance policies. The balance of cash surrender value of key-man life insurance policies was $80.7 million at December 31, 2020 and $78.2 million at December 31, 2019. In addition, other assets includes approximately $11.1 million in equity interest of a previous borrower in the oil and gas industry, which was received through bankruptcy proceedings in the fourth quarter of 2020. This asset is carried at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

**Low Income Housing and New Market Tax Credit Commitments**

See Note (6) of the Notes to Consolidated Financial Statements for disclosures regarding the Company's low income housing tax credit investments and new market tax credit investments, which are included in other assets on the Company's balance sheet.

**Liquidity and Funding**

The Company's principal source of liquidity and funding is its broad deposit base generated from customer relationships. The availability of deposits is affected by economic conditions, competition with other financial institutions and alternative investments available to customers. Through interest rates paid, service charge levels and services offered, the Company can affect its level of deposits to a limited extent. The level and maturity of funding necessary to support the Company's lending and investment functions is determined through the Company's asset/liability management process. The Company currently does not rely heavily on long-term borrowings and does not utilize brokered CDs. The Company maintains federal funds lines of credit with other banks and could also utilize the sale of loans, securities and liquidation of other assets as sources of liquidity and funding.

Historically, BancFirst has more liquidity than its peers do. This liquidity positions BancFirst to respond to increased loan demand and other requirements for funds, or to decreases in funding sources. The liquidity of BancFirst Corporation, however, is dependent upon dividend payments from BancFirst and its ability to obtain financing. Banking regulations limit bank dividends based upon net earnings retained by BancFirst and minimum capital requirements. Dividends in excess of these limits require regulatory approval. At January 1, 2021, BancFirst had approximately $102.1 million of equity available for dividends to BancFirst Corporation without regulatory approval. During 2020, BancFirst declared four common stock dividends totaling $44.9 million and two preferred stock dividends totaling $1.9 million. While Pegasus Bank had net income of $4.7 million in 2020, the Company intends to provide additional capital to increase Pegasus Bank's ability to approve larger loans and allow Pegasus Bank to continue to grow their assets.

***Deposits***

Total deposits increased $581.1 million to $8.1 billion, an increase of 7.8% in 2020. The increase in deposits during 2020 was primarily related to deposits of proceeds from the PPP and inflow of existing customer deposits. The Company's core deposits provide it with a stable, low-cost funding source. The Company's core deposits as a percentage of total deposits were 98.2% and 98.4% at December 31, 2020 and 2019, respectively. Noninterest-bearing deposits to total deposits were 47.0% at December 31, 2020, compared to 39.5% at December 31, 2019.

### ANALYSIS OF AVERAGE DEPOSITS

| | Year Ended December 31, 2020 | 2019 |
|---|---|---|
| | (Dollars in thousands) | |
| **Average Balances** | | |
| Demand deposits | $ 3,503,187 | $ 2,709,510 |
| Interest-bearing transaction deposits | 744,632 | 751,140 |
| Savings deposits | 3,273,903 | 2,782,086 |
| Time deposits | 695,637 | 690,636 |
| Total deposits | $ 8,217,359 | $ 6,933,372 |

### PERCENTAGE OF TOTAL AVERAGE DEPOSITS AND AVERAGE RATES PAID

| | 2020 % of Total | 2020 Rate | 2019 % of Total | 2019 Rate |
|---|---|---|---|---|
| Demand deposits | 42.63% | | 39.08% | |
| Interest-bearing transaction deposits | 9.06 | 0.13% | 10.83 | 0.34% |
| Savings deposits | 39.84 | 0.29 | 40.13 | 1.41 |
| Time deposits | 8.47 | 1.24 | 9.96 | 1.59 |
| Total deposits | 100.00% | | 100.00% | |
| Average rate paid on interest-bearing deposits | | 0.39% | | 1.25% |

### MATURITY OF TIME DEPOSITS

The following table shows the maturity of time deposits greater than $250,000:

| | December 31, 2020 (Dollars in thousands) |
|---|---|
| Three months or less | $ 33,212 |
| Over three months through six months | 27,026 |
| Over six months through twelve months | 56,452 |
| Over twelve months | 26,206 |
| Total | $ 142,896 |

At December 31, 2020, 81.7% of the Company’s time deposits greater than $250,000 mature in one year or less.

#### *Short-Term Borrowings*

See Note (9) of the Notes to Consolidated Financial Statements for a discussion of short-term borrowings.

#### *Lines of Credit*

See Note (10) of the Notes to Consolidated Financial Statements for a discussion of the Company’s lines of credit.

### Capital Resources

Stockholders’ equity totaled $1.1 billion at December 31, 2020, compared to $1.0 billion at December 31, 2019. In addition to net income of $99.6 million, other changes in stockholders’ equity during the year ended December 31, 2020 included $1.8 million related to common stock issuances, $1.5 million related to stock-based compensation, $2.3 million change in accounting principle related to CECL and a $4.0 million increase in other comprehensive income, that were partially offset by $43.1 million in dividends and $3.1 million in common stock repurchases. The Company’s average stockholders’ equity to average assets for 2020 was 11.17%

compared to 12.06% for 2019. The Company's leverage ratio and total risk-based capital ratios at December 31, 2020 were well in excess of the regulatory requirements. Banking institutions are generally expected to maintain capital well above the minimum levels. Junior subordinated debentures are included in BancFirst Corporation's Tier I capital.

See Note (15) of the Notes to Consolidated Financial Statements for a discussion of capital ratio requirements.

See Note (11) of the Notes to Consolidated Financial Statements for disclosures regarding the Company's Junior Subordinated Debentures.

On January 20, 2017, the Company filed with the Securities and Exchange Commission ("SEC") an automatic shelf registration statement on Form S-3, which became effective upon filing with the SEC. Under the shelf registration, the Company may offer and sell, from time to time, an indeterminate amount of its common stock in one or more future offerings.

The Company has had a Stock Repurchase Program (the "SRP") since November 1999. The SRP may be used as a means to increase earnings per share and return on equity, to purchase treasury stock for the exercise of stock options or for distributions under the Deferred Stock Compensation Plan, to provide liquidity for optionees to dispose of stock from exercises of their stock options and to provide liquidity for stockholders wishing to sell their stock. All shares repurchased under the SRP have been retired and not held as treasury stock. The timing, price and amount of stock repurchases under the SRP may be determined by management and approved by the Company's Executive Committee. At December 31, 2020, there were 62,782 shares remaining that could be repurchased under the SRP. For the year ended December 31, 2020, the Company repurchased 59,284 shares of its common stock for $3.1 million at an average price of $52.26 per share under the SRP. For the year ended December 31, 2019, the Company repurchased 26,670 shares of its common stock for $1.6 million at an average price of $60.04 per share under the SRP. For the year ended December 31, 2018, the Company repurchased 151,264 shares of its common stock for $7.9 million at an average price of $52.32 per share under the SRP.

Future dividend payments will be determined by the Company's Board of Directors considering the earnings, financial condition and capital needs of the Company, BancFirst, and Pegasus Bank, applicable governmental policies and regulations and such other factors as the Board of Directors deems appropriate. While no assurance can be given as to the Company's ability to pay dividends, management believes that, based upon the anticipated performance of the Company, regular dividend payments will continue in 2021.

**Related Party Transactions**

See Note (18) of the Notes to Consolidated Financial Statements for disclosures regarding the Company's related party transactions.

**Liquidity Risk and Off-Balance Sheet Arrangements**

Liquidity is the ability to meet financial obligations through the maturity or sale of existing assets or the acquisition of additional funds. Various financial obligations, including contractual obligations and commercial commitments, may require future cash payments by the Company. Certain obligations are recognized on the Consolidated Balance Sheets, while others are off-balance sheet under U.S. generally accepted accounting principles. The Company currently has junior subordinated debentures, operating lease payments, time deposit payments and low income housing partnership commitments. The Company's time deposits require the majority of cash obligations in the next twelve months. The Company's junior subordinated debentures mature on March 31, 2034. The Company has consistently generated positive net income and the Company currently expects to have positive net income for 2021. Management does not currently know of any trends that would cause the Company to be unable to provide for current obligations in the next twelve months.

Refer to Notes 6, 8, 11, 19 and 20 to the consolidated financial statements for further information regarding these contractual obligations.

The Company is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loan commitments and standby letters of credit, which involve elements of credit and interest-rate risk to varying degrees. The Company's exposure to credit loss in the event of nonperformance by the other party to the instrument is represented by the instrument's contractual amount. To control this credit risk, the Company uses the same underwriting standards as it uses for loans recorded on the balance sheet. The Company had $1.8 billion and $1.6 billion in loan commitments at December 31, 2020 and 2019, respectively. The Company had $96.3 million and $64.7 million in stand-by letters of credit at December 31, 2020 and 2019, respectively. Loan commitments are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Stand-by letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These instruments generally have fixed expiration dates or other termination clauses. Since many of the instruments are expected to expire without being drawn upon, the total amounts do not necessarily represent commitments that will be funded in the future.

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

Market risk refers to the risk of loss arising from adverse changes in interest rates, foreign currency exchange rates, commodity prices and other relevant market rates and prices, such as equity prices. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future earnings. Due to the nature of its operations, the Company is primarily exposed to interest rate risk arising principally from its lending, investing, deposit and borrowing activities and, to a lesser extent, liquidity risk.

Interest rate risk on the Company's balance sheet consists of repricing, option and basis risks. Repricing risk results from the differences in the maturity or repricing of asset and liability portfolios. Option risk arises from "embedded options" present in many financial instruments such as loan prepayment options, deposit early withdrawal options and interest rate options. These options allow customers opportunities to benefit when market interest rates change, which typically results in higher costs or lower revenue for the Company. Basis risk refers to the potential for changes in the underlying relationship between market rates and indices, which subsequently result in a narrowing of the profit spread on an earning asset or liability. Basis risk is also present in administered rate liabilities, such as savings accounts, negotiable order of withdrawal accounts and money market accounts where historical pricing relationships to market rates may change due to the level or directional change in market interest rates.

The Company seeks to reduce volatility in its net interest margin and net interest income through periods of changing interest rates. Accordingly, the Company's interest rate sensitivity and liquidity are monitored on an ongoing basis by its Asset and Liability Committee ("ALCO"). ALCO establishes risk measures, limits and policy guidelines for managing the amount of interest rate risk and its effect on net interest income and capital. A variety of tools are used to evaluate the magnitude of interest rate risk, the distribution of risk, the level of risk over time and the exposure to changes in certain interest rate relationships.

The ALCO also utilizes an earnings simulation model as a quantitative tool in measuring the amount of interest rate risk associated with changing market rates. The model quantifies the effects of various interest rate scenarios on projected net interest income over the next 12 months. These simulations incorporate assumptions regarding changes in interest rates and the maturity and repricing of earning assets and interest-bearing liabilities.

The ALCO uses gap analysis to monitor interest rate sensitivity based on the maturity and repricing frequencies of its earning assets and interest-bearing liabilities. This analysis indicates that the Company's position is asset-sensitive, with a positive gap of $611 million for the zero to 12-month interval at December 31, 2020, which was 7.69% of total assets, compared to a positive gap of $172 million for the zero to 12-month interval at December 31, 2019, which was 2.30% of total assets.

The ALCO continuously monitors and manages the balance between interest rate-sensitive assets and liabilities. The objective is to manage the impact of fluctuating market rates on net interest income within acceptable levels. In order to meet this objective, management may lengthen or shorten the duration of assets or liabilities.

As of December 31, 2020, the model simulations projected that a 100 and 200 basis point increase would result in positive variance in net interest income of 1.10% and 2.91%, respectively, relative to the base case over the next 12 months.

The following table presents the Company's financial instruments that are sensitive to changes in interest rates, their expected maturities and their estimated fair values at December 31, 2020.

| | Avg. Rate | Expected Maturity / Principal Repayments at December 31, 2021 | 2022 | 2023 | 2024 | 2025 | Thereafter | Balance | Fair Value |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | (Dollars in thousands) | | | | |
| **Interest Sensitive Assets** | | | | | | | | | |
| Loans | 4.85% | $ 2,904,975 | $ 1,194,924 | $ 779,546 | $ 516,355 | $ 489,868 | $ 508,838 | $ 6,394,506 | $ 6,439,169 |
| Debt securities | 1.57 | 340,559 | 39,953 | 91,594 | 31,641 | 1,304 | 40,202 | 545,253 | 555,216 |
| Federal funds sold and interest-bearing deposits | 0.39 | 1,336,394 | — | — | — | — | — | 1,336,394 | 1,336,394 |
| **Interest Sensitive Liabilities** | | | | | | | | | |
| Savings and transaction deposits | 0.26 | 3,600,820 | — | — | — | — | — | 3,600,820 | 3,612,797 |
| Time deposits | 1.17 | 489,398 | 100,196 | 41,245 | 23,696 | 18,419 | 30 | 672,984 | 678,309 |
| Short-term borrowings | 0.30 | 1,100 | — | — | — | — | — | 1,100 | 1,100 |
| Junior subordinated debentures | 7.31 | — | — | — | — | — | 26,804 | 26,804 | 30,535 |
| **Off Balance Sheet Items** | | | | | | | | | |
| Loan commitments | | — | — | — | — | — | — | — | 3,115 |
| Letters of credit | | — | — | — | — | — | — | — | 722 |

The expected maturities and principal repayments are based upon the contractual terms of the instruments. Debt securities are stated at par value. Prepayments have been estimated for certain instruments with predictable prepayment rates. Savings and transaction deposits are assumed to mature all in the first year as they are not subject to withdrawal restrictions and any assumptions regarding decay rates would be very subjective. The actual maturities and principal repayments for the financial instruments could vary substantially from the contractual terms and assumptions used in the analysis.

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

**Report of Independent Registered Public Accounting Firm**

Stockholders, Board of Directors and Audit Committee
BancFirst Corporation
Oklahoma City, Oklahoma

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of BancFirst Corporation (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of comprehensive income, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 26, 2021, expressed an unqualified opinion thereon.

**Adoption of New Accounting Standard**

As discussed in Notes 1 and 5 to the financial statements, the Company has changed its method of accounting for credit losses effective January 1, 2020, due to the adoption of Topic 326, *Financial Instruments – Credit Losses*. As discussed below, the allowance for credit losses is considered a critical audit matter.

**Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

**Critical Audit Matters**

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Allowance for Credit losses - Loans**

*Description of the Matter*

As more fully described in Note 1 to the financial statements, the allowance for credit losses (ACL) is an estimate of lifetime expected credit losses for loans. The estimate of ACL considers historic credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation.

The Company measures expected credit losses of loans on a pool basis when the loans share similar characteristics. Historical loss rates are analyzed and applied to their respective loan segments comprised of loans not subject to individual evaluation. The Company elected to utilize a methodology known as vintage loss analysis for substantially all of its loan portfolio. Vintage loss analysis measures impairment based on the age of the accounts and the historical asset performance of assets with similar risk characteristics. Vintage loss analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool over the expected pool's life. Historical loss rates are adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions on loss recognition, as well as for certain known model limitations. Forecast factors are developed based on information obtained from external sources, as well as consideration of other internal information, and are included in the ACL model for a reasonable and supportable forecast period, with loss factors reverting back to historic loss rates. Management continually re-evaluates the other subjective and forecast factors included in its ACL analysis.

We identified the valuation of the ACL as a critical audit matter. The primary reason for our determination that the ACL is a critical audit matter is that auditing the estimated ACL involved significant judgment and complex review. Auditing the ACL involved a high degree of subjectivity in evaluating management's estimates, such as evaluating management's model selections, segmentation, weighted average life calculations, assessment of economic conditions, and other environmental factors and assessment of forecast factors.

*How We Addressed the Matter in Our Audit*

We obtained an understanding of the Company's process for establishing the ACL, which involves a high degree of subjectivity. We evaluated management's process to assess economic conditions and other environmental factors, evaluated the adequacy of specific allowances associated with individually evaluated loans, and appropriateness of loan grades and other data used to calculate and estimate the various components of the ACL.

Our primary audit procedures related to the ACL and adoption of Topic 326 included the following, among others:

- Testing the design and operating effectiveness of controls, including those related to technology, over the ACL, including data completeness and accuracy; classifications of loans by loan pool; verification of historical net loss data and calculated net loss rates; the establishment of qualitative and economic forecast adjustments, loan grades, and risk classification of loans; and establishment of specific allowances associated with individually evaluated loans;
- Testing of completeness and accuracy of the information utilized in ACL;
- Testing the model's computational accuracy;
- Evaluating the relevance and reliability of data and assumptions used in the estimate;
- Evaluating the qualitative and economic forecast adjustments to the historical loss rates, including assessing the basis for the adjustments and the reasonableness of the significant assumptions, including consideration of the impact of COVID-19;
- Testing the internal loan review function and evaluating the reasonableness of loan grades and specific impairments, if any;
- Assessing the reasonableness of specific allowances associated with individually evaluated loans.

We have served as the Company's auditor since 2013.

/s/ BKD, LLP

Oklahoma City, Oklahoma
February 26, 2021

## BANCFIRST CORPORATION
## CONSOLIDATED BALANCE SHEETS
## (Dollars in thousands)

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| ASSETS | | |
| Cash and due from banks | $ 280,518 | $ 222,043 |
| Interest-bearing deposits with banks | 1,336,394 | 1,646,238 |
| Federal funds sold | — | 1,000 |
| Debt securities held for investment (fair value: $2,984 and $1,903, respectively) | 2,964 | 1,903 |
| Debt securities available for sale at fair value | 552,232 | 489,723 |
| Loans held for sale | 53,719 | 11,001 |
| Loans (net of unearned interest) | 6,394,506 | 5,662,143 |
| Allowance for credit losses | (91,366) | (54,238) |
| Loans, net of allowance for credit losses | 6,303,140 | 5,607,905 |
| Premises and equipment, net | 261,677 | 206,275 |
| Other real estate owned | 32,179 | 5,607 |
| Intangible assets, net | 18,999 | 22,608 |
| Goodwill | 149,922 | 148,604 |
| Accrued interest receivable and other assets | 220,613 | 202,851 |
| Total assets | $ 9,212,357 | $ 8,565,758 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Noninterest-bearing | $ 3,790,900 | $ 2,956,370 |
| Interest-bearing | 4,273,804 | 4,527,265 |
| Total deposits | 8,064,704 | 7,483,635 |
| Short-term borrowings | 1,100 | 1,100 |
| Accrued interest payable and other liabilities | 51,864 | 49,230 |
| Junior subordinated debentures | 26,804 | 26,804 |
| Total liabilities | 8,144,472 | 7,560,769 |
| Commitments and contingent liabilities (Note 19) | | |
| 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 outstanding: 32,719,852 and 32,694,268, respectively | 32,720 | 32,694 |
| Capital surplus | 156,574 | 153,353 |
| Retained earnings | 871,161 | 815,488 |
| Accumulated other comprehensive income, net of income tax of $2,513 and $1,187, respectively | 7,430 | 3,454 |
| Total stockholders' equity | 1,067,885 | 1,004,989 |
| Total liabilities and stockholders' equity | $ 9,212,357 | $ 8,565,758 |

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

**BANCFIRST CORPORATION**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
**(Dollars in thousands, except per share data)**

| | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| **INTEREST INCOME** | | | |
| Loans, including fees | $ 311,987 | $ 291,519 | $ 263,093 |
| Debt securities: | | | |
| Taxable | 8,591 | 13,308 | 8,808 |
| Tax-exempt | 487 | 458 | 609 |
| Federal funds sold | — | 4 | 291 |
| Interest-bearing deposits with banks | 6,049 | 31,368 | 30,403 |
| Total interest income | 327,114 | 336,657 | 303,204 |
| **INTEREST EXPENSE** | | | |
| Deposits | 18,472 | 52,738 | 40,462 |
| Short-term borrowings | 8 | 32 | 95 |
| Junior subordinated debentures | 1,966 | 1,966 | 2,171 |
| Total interest expense | 20,446 | 54,736 | 42,728 |
| Net interest income | 306,668 | 281,921 | 260,476 |
| Provision for credit losses | 62,648 | 8,287 | 3,802 |
| Net interest income after provision for credit losses | 244,020 | 273,634 | 256,674 |
| **NONINTEREST INCOME** | | | |
| Trust revenue | 13,130 | 13,599 | 12,829 |
| Service charges on deposits | 74,438 | 76,581 | 70,847 |
| Securities transactions (includes accumulated other comprehensive income reclassifications of $0, $0 and $9, respectively) | (389) | 812 | 47 |
| Income from sales of loans | 6,067 | 3,619 | 2,902 |
| Insurance commissions | 20,996 | 20,296 | 18,926 |
| Cash management | 15,411 | 16,866 | 13,123 |
| Gain/(loss) on sale of other assets | 130 | (39) | 575 |
| Other | 7,439 | 5,495 | 5,950 |
| Total noninterest income | 137,222 | 137,229 | 125,199 |
| **NONINTEREST EXPENSE** | | | |
| Salaries and employee benefits | 164,727 | 153,024 | 139,547 |
| Occupancy, net | 16,421 | 12,704 | 13,491 |
| Depreciation | 14,609 | 12,623 | 10,537 |
| Amortization of intangible assets | 3,815 | 3,366 | 3,009 |
| Data processing services | 6,753 | 5,843 | 4,956 |
| Net (income)/expense from other real estate owned | (1,531) | (785) | 239 |
| Marketing and business promotion | 6,996 | 8,554 | 8,028 |
| Deposit insurance | 2,081 | 1,143 | 2,427 |
| Other | 43,859 | 44,829 | 39,887 |
| Total noninterest expense | 257,730 | 241,301 | 222,121 |
| Income before taxes | 123,512 | 169,562 | 159,752 |
| Income tax expense | 23,926 | 34,683 | 33,938 |
| Net income | $ 99,586 | $ 134,879 | $ 125,814 |
| **NET INCOME PER COMMON SHARE** | | | |
| Basic | $ 3.05 | $ 4.13 | $ 3.85 |
| Diluted | $ 3.00 | $ 4.05 | $ 3.76 |
| **OTHER COMPREHENSIVE GAIN/(LOSS)** | | | |
| Unrealized gains/(losses) on securities, net of tax of $(1,326), $(1,918) and $139, respectively | $ 3,976 | $ 5,593 | $ (423) |
| Reclassification adjustment for gains included in net income, net of tax of $0, $0 and $2, respectively | — | — | (7) |
| Other comprehensive gain/(loss), net of tax of $(1,326), $(1,918) and $141, respectively | 3,976 | 5,593 | (430) |
| Comprehensive income | $ 103,562 | $ 140,472 | $ 125,384 |

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

**BANCFIRST CORPORATION**
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(Dollars in thousands, except share data)**

| | Year Ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2019 | | 2018 | |
| | Shares | Amount | Shares | Amount | Shares | Amount |
| **COMMON STOCK** | | | | | | |
| Issued at beginning of period | 32,694,268 | $ 32,694 | 32,603,926 | $ 32,604 | 31,894,563 | $ 31,895 |
| Shares issued for stock options | 84,868 | 85 | 117,012 | 117 | 127,816 | 127 |
| Shares issued for acquisitions | — | — | — | — | 732,811 | 733 |
| Shares acquired and canceled | (59,284) | (59) | (26,670) | (27) | (151,264) | (151) |
| Issued at end of period | 32,719,852 | $ 32,720 | 32,694,268 | $ 32,694 | 32,603,926 | $ 32,604 |
| **CAPITAL SURPLUS** | | | | | | |
| Balance at beginning of period | | $ 153,353 | | $ 149,709 | | $ 107,481 |
| Common stock issued for stock options | | 1,705 | | 2,367 | | 2,111 |
| Common stock issued for acquisitions | | — | | — | | 38,765 |
| Stock-based compensation arrangements | | 1,516 | | 1,277 | | 1,352 |
| Balance at end of period | | $ 156,574 | | $ 153,353 | | $ 149,709 |
| **RETAINED EARNINGS** | | | | | | |
| Balance at beginning of period | | $ 815,488 | | $ 722,615 | | $ 638,580 |
| Net income | | 99,586 | | 134,879 | | 125,814 |
| Cumulative effect of change in accounting principle, net of tax of $925 in 2020 (Note 1) | | 2,270 | | — | | (618) |
| Dividends on common stock ($1.32, $1.24 and $1.02 per share, respectively) | | (43,144) | | (40,432) | | (33,398) |
| Common stock acquired and canceled | | (3,039) | | (1,574) | | (7,763) |
| Balance at end of period | | $ 871,161 | | $ 815,488 | | $ 722,615 |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME** | | | | | | |
| Unrealized gains/(losses) on securities: | | | | | | |
| Balance at beginning of period | | $ 3,454 | | $ (2,139) | | $ (2,327) |
| Net change | | 3,976 | | 5,593 | | (430) |
| Cumulative effect of change in accounting principle | | — | | — | | 618 |
| Balance at end of period | | $ 7,430 | | $ 3,454 | | $ (2,139) |
| Total stockholders' equity | | $1,067,885 | | $1,004,989 | | $ 902,789 |

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

**BANCFIRST CORPORATION**
**CONSOLIDATED STATEMENTS OF CASH FLOW**
(Dollars in thousands)

| | December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income | $ 99,586 | $ 134,879 | $ 125,814 |
| Adjustments to reconcile to net cash provided by operating activities: | | | |
| Provision for credit losses | 62,648 | 8,287 | 3,802 |
| Depreciation and amortization | 18,424 | 15,989 | 13,546 |
| Net amortization of securities premiums and discounts | (94) | (4,282) | (421) |
| Realized securities losses (gains) | 389 | (812) | (47) |
| Gain on sales of loans | (6,067) | (3,619) | (2,902) |
| Cash receipts from the sale of loans originated for sale | 415,589 | 238,324 | 187,461 |
| Cash disbursements for loans originated for sale | (430,653) | (237,543) | (186,632) |
| Deferred income tax (benefit) provision | (9,491) | 1,148 | 3,155 |
| Gain on other assets | (2,345) | (1,372) | (596) |
| (Increase)/decrease in interest receivable | (325) | 887 | (3,390) |
| (Decrease)/increase in interest payable | (1,641) | (17) | 1,179 |
| Amortization of stock-based compensation arrangements | 1,516 | 1,277 | 1,352 |
| Excess tax benefit from stock-based compensation arrangements | (500) | (928) | (1,112) |
| Other, net | 7,305 | 6,740 | (1,199) |
| Net cash provided by operating activities | 154,341 | 158,958 | 140,010 |
| **INVESTING ACTIVITIES** | | | |
| Net cash received from acquisitions, net of cash paid | 18,397 | 77,672 | 6,248 |
| Net decrease/(increase) in federal funds sold | 1,000 | (1,000) | 23,548 |
| Purchases of held for investment debt securities | (1,395) | (1,010) | (225) |
| Purchases of available for sale debt securities | (605,069) | (174,090) | (465,684) |
| Proceeds from maturities, calls and paydowns of held for investment debt securities | 561 | 535 | 1,089 |
| Proceeds from maturities, calls and paydowns of available for sale debt securities | 547,729 | 508,293 | 126,909 |
| Proceeds from sales of available for sale debt securities | — | — | 31,285 |
| Purchase of equity securities | (811) | (3,966) | (3,190) |
| Proceeds from paydowns and sales of equity securities | 445 | 2,178 | 1,484 |
| Net change in loans | (798,024) | (310,053) | 49,354 |
| Purchases of premises, equipment and computer software | (66,446) | (27,054) | (51,863) |
| Purchase of tax credits | (2,200) | (29,025) | (8,864) |
| Other, net | 7,820 | 7,867 | (3,890) |
| Net cash (used in) provided by investing activities | (897,993) | 50,347 | (293,799) |
| **FINANCING ACTIVITIES** | | | |
| Net change in deposits | 536,063 | 274,218 | (139,510) |
| Net change in short-term borrowings | — | (575) | 775 |
| Proceeds from long-term borrowings | 3,000 | — | — |
| Paydown of long-term borrowings | (3,000) | — | — |
| Issuance of common stock in connection with stock options, net | 1,790 | 2,484 | 2,238 |
| Common stock acquired | (3,098) | (1,601) | (7,914) |
| Redemption of Junior Subordinated debentures | — | — | (5,155) |
| Cash dividends paid | (42,472) | (39,805) | (30,265) |
| Net cash provided by (used in) financing activities | 492,283 | 234,721 | (179,831) |
| Net (decrease)/increase in cash, due from banks and interest-bearing deposits | (251,369) | 444,026 | (333,620) |
| Cash, due from banks and interest-bearing deposits at the beginning of the period | 1,868,281 | 1,424,255 | 1,757,875 |
| Cash, due from banks and interest-bearing deposits at the end of the period | $ 1,616,912 | $ 1,868,281 | $ 1,424,255 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:** | | | |
| Cash paid during the period for interest | $ 22,056 | $ 54,602 | $ 41,549 |
| Cash paid during the period for income taxes | $ 26,525 | $ 30,975 | $ 27,952 |
| Noncash investing and financing activities: | | | |
| Stock issued in acquisitions | $ — | $ — | $ 39,498 |
| Cash consideration for acquisitions | $ 2,861 | $ 123,457 | $ 24,722 |
| Fair value of assets acquired in acquisitions | $ 47,838 | $ 729,378 | $ 377,320 |
| Liabilities assumed in acquisitions | $ 45,040 | $ 605,921 | $ 338,860 |
| Unpaid common stock dividends declared | $ 11,125 | $ 10,453 | $ 9,826 |

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

## BANCFIRST CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### (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 States of America (U.S. GAAP) and general practice within the banking industry. A summary of the significant accounting policies follows.

**Nature of Operations**

BancFirst Corporation 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 ("BancFirst"), an Oklahoma state-chartered bank headquartered in Oklahoma City, Oklahoma. The Company also conducts operating activities through its wholly-owned subsidiary, Pegasus Bank ("Pegasus Bank"), a Texas state-chartered bank headquartered in Dallas, Texas. BancFirst and Pegasus Bank provide 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; and other services tailored for both individual and corporate customers. BancFirst also offers trust services and acts as executor, administrator, trustee, transfer agent and in various other fiduciary capacities. Through its Technology and Operations Center, BancFirst provides item processing, research and other correspondent banking services to financial institutions and governmental units. The Company's wholly-owned subsidiary, BancFirst Insurance Services, Inc., an independent insurance agency, offers a variety of commercial and personal insurance products. In addition, the Company's wholly-owned subsidiary, Council Oak Partners, LLC, an Oklahoma limited liability company, engages in investing activities.

**Basis of Presentation**

The accompanying consolidated financial statements include the accounts of BancFirst Corporation, Council Oak Partners, LLC, BancFirst Insurance Services, Inc., BancFirst Risk & Insurance Company (consolidated financials include a full year of operations for BancFirst Risk & Insurance Company; however it was dissolved as of December 31, 2020), Pegasus Bank, and BancFirst and its subsidiaries. The principal operating subsidiaries of BancFirst are Council Oak Investment Corporation, Council Oak Real Estate Inc., BFTower, LLC, BFC-PNC LLC, 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 consolidated financial statements. Certain amounts from 2019 and 2018 have been reclassified to conform to the 2020 presentation. These reclassifications were not material to the Company's financial statements.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with U.S. GAAP 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 credit 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.

**Securities**

The Company invests in debt securities. Any sales of debt 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. Debt 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 fair value. Unrealized gains or losses on debt securities available for sale are reported as a component of stockholders' equity, net of income tax. Gains or losses from sales of debt securities are based upon the book values of the specific debt securities sold. Debt 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. The Company reviews its portfolio of debt securities in an unrealized loss position at least quarterly. The Company first assesses whether it intends to sell or it is more-likely-than-not that it will be required to sell the securities before recovery of the amortized cost basis. If either of these criteria is met, the securities amortized cost basis is written down to fair value as a current period expense. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making this assessment, the Company considers, among other things, the period of time the security has been in an unrealized loss position, and performance of any underlying collateral and adverse conditions specifically related to the security. The Company does not consider the unrealized position of its debt securities to be the result of credit factors, because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery. Therefore, the Company has not recorded an allowance for credit losses against its debt securities portfolio, as the credit risk is not material. The Company does not engage in securities trading activities.

The Company invests in equity securities without readily determinable fair values and utilizes Level 3 inputs. These securities are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The realized and unrealized gains and losses are reported as securities transactions in the noninterest income section of the consolidated statements of comprehensive income. Equity securities are reported in other assets on the balance sheet. The Company reviews its portfolio of equity securities for impairment at least quarterly.

Prior to the adoption of ASC 326, declines in the fair value of held-to-maturity and available-for-sale securities below their cost that were deemed to be other than temporary were reflected in earnings as realized losses. In estimating other-than-temporary impairment losses prior to January 1, 2020, management considered, among other things, (i) the length of time and the extent to which the fair value had been less than cost, (ii) the financial condition and near-term prospects of the issuer and (iii) the intent and our ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

**Loans**

The lending function is governed by written policies and procedures, as determined by senior management and approved by the Board of Directors. The policies and procedures set the standards for lending in each major loan category by collateral type and use of loan proceeds. The objectives of these policies and procedures are to identify profitable markets, determine appropriate risk tolerance levels for each type of loan, establish limits for loan officer approval, set concentration limits, establish loan-to-value thresholds, set repayment terms and loan structure guidelines and adhere to documentation requirements. Interest rate risk is controlled by the use of variable rate provisions, the vast majority of which have a rate floor, limits on fixing rates for longer periods and the use of prepayment penalties.

Residential real estate loans are made in accordance with underwriting policies and are fully documented. Credit worthiness is assessed based on significant credit characteristics including credit history and residential and employment stability. The Company does not engage in any hybrid loan programs. In addition, the Company does not have any exposure to loans with negative amortization, interest rate carryover or discounting of the initial rates (teaser rates).

Loans originated within the Company are stated at the principal amount outstanding, net of unearned interest, loan fees and allowance for credit losses. Interest on all performing loans is recognized, on a simple interest basis, based upon the principal amount outstanding. See Note (5) for loan disclosures.

An updated appraisal of the collateral is obtained when a loan is first identified as a problem loan. Appraisals are reviewed annually and are updated as needed, or are updated more frequently if significant changes are believed to have occurred in the collateral or market conditions. Appraisals of other real estate owned are also reviewed and updated consistent with this policy.

When a loan deteriorates to the point that the account officer or the Loan Committee concludes it no longer represents a viable asset, it will be charged off. Similarly, any portion of a loan that is deemed to no longer be a viable asset will be charged off. A loan will not be charged off unless such action has been approved by the branch President.

**Acquired Loans**

Loans acquired through business combinations are required to be carried at fair value as of the date of the combination. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date. An allowance for credit loss is recorded for these acquired loans depending on whether the acquired loans are purchase credit deteriorated or non-purchase credit deteriorated. An allowance for credit loss for non-purchase credit deteriorated loans is determined and recorded in a manner consistent with originated loans. That is, the allowance for credit loss is calculated based on the loan's amortized cost basis (i.e., the acquisition date fair value in a business combination) and is established through a charge to provision expense at the acquisition date. An allowance for credit loss for purchase credit deteriorated loans is recorded as an adjustment to the loans, in addition to the fair value amount recorded, as of the acquisition date, and not through provision expense. The acquisition date fair value plus the allowance for credit loss equals the loans new amortized cost basis as of the acquisition date. The difference between the new amortized cost basis and the unpaid principal balance of the loan represents the non-credit purchase discount/premium recorded. The difference between the fair value of loans which do not have specific evidence of deterioration of credit quality since origination and their principal balance is recognized in interest income on a level-yield method over the life of the loans. For loans which it is probable, at acquisition, that the Company will be unable to collect all contractually required payments (as determined by the present value of expected future cash flows), the difference between the undiscounted cash flows expected at acquisition and the investment in the loan, or the "accretable yield," is recognized in interest income on a level-yield method over the life of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "nonaccretable difference," are not recognized as yield adjustments or as loss accruals or valuation allowances. Increases in expected cash flows subsequent to the initial investment are recognized prospectively through adjustment of the yield on the loan over its remaining life. Decreases in expected cash flows are recognized as impairments. Any probable loss due to subsequent credit deterioration of the loans since acquisition is provided for in the allowance for credit losses.

**Loans Held For Sale**

The Company originates mortgage loans to be sold. At the time of origination, the acquiring bank has already been determined and the terms of the loan, including the interest rate, have already been set by the acquiring bank allowing the Company to originate the loan at fair value. Mortgage loans are generally sold within 30 days of origination. Loans held for sale are carried at the lower of cost or fair value. Gains or losses recognized upon the sale of the loans are determined on a specific identification basis. The Company does not sell residential mortgage loans with recourse other than obligations under standard representations and warranties or for fraud. These obligations relate to loan performance for the life of the loan. The amount of loans repurchased since the inception of the program is not considered to be material, and therefore, no reserve has been required. At December 31, 2020, loans held for sale included loans at its Hugo, Oklahoma branch that it has entered into an agreement to sell to AmeriState Bank in Atoka, Oklahoma.

**Allowance for Credit Losses**

The allowance for credit losses is a valuation account that is deducted from the loans amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. The allowance for credit losses is increased by provisions charged to operating expense and is reduced by net loan charge-offs. The allowance is estimated using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as the political, legal, and regulatory environment, technology and consumer preferences. Historical loss information is also adjusted for reasonable and supportable changes in national and local economic conditions. If a loan is individually evaluated a specific allowance is provided, if necessary, so that the loan is reported net, at the fair value of collateral. Interest payments on collateral dependent loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Loans, or portions thereof, are charged off when deemed uncollectible.

Prior to the adoption of ASC 326, the allowance for credit losses on loans was a contra-asset valuation account established through a provision for loan losses charged to expense, which represented management's best estimate of inherent losses that had been incurred within the existing portfolio of loans. The allowance for credit losses on loans included allowance allocations calculated in accordance with ASC Topic 310, "Receivables" and allowance allocations calculated in accordance with ASC Topic 450, "Contingencies." Loans were reported as impaired when, based on then current information and events, it was probable we would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impairment was evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. If a loan was impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis. Impaired loans, or portions thereof, were charged off when deemed uncollectible.

**Nonaccrual Policy**

A loan is placed on nonaccrual status when, in the opinion of management, the future collectability of both interest and principal is not probable. When interest accrual is discontinued, all unpaid accrued interest is reversed. 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.

The Company does not accrue interest on (1) any loan upon which a default of principal or interest has existed for a period of 90 days or over unless the collateral margin or guarantor support are such that full collection of principal and interest are not in doubt, and an orderly plan for collection is in process; and (2) any other loan for which it is expected full collection of principal and interest is not probable.

A nonaccrual loan may be restored to an accrual status when none of its principal and interest are past due and unpaid or otherwise becomes well secured and in the process of collection and when prospects for collection of future contractual payments are no longer in doubt. With the exception of a formal debt forgiveness agreement, no loan which has had principal charged-off shall be restored to accrual status unless the charged-off principal has been recovered.

**Premises and Equipment**

Premises and equipment are stated at cost, less accumulated depreciation. Depreciation is charged to operating expense and is computed using the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred while improvements are capitalized. Premises and equipment is tested for impairment if events or changes in circumstances occur that indicate that the carrying amount of any premises and equipment may not be recoverable. Impairment losses are measured by comparing the fair values of the premises and equipment with their recorded amounts. Premises that are identified to be sold are transferred to other real estate owned at the lower of their carrying amounts or their fair values less estimated costs to sell. Any losses on premises identified to be sold are charged to operating expense. When premises and equipment are transferred to other real estate owned, sold, or otherwise retired, the cost and applicable accumulated depreciation are removed from the respective accounts and any resulting gains or losses are reported in the statement of comprehensive income. Construction in progress includes all the costs of construction associated with the building of fixed long-term assets and is included in premises and equipment, net as an asset. When construction is completed, the asset is reclassified as buildings or leasehold improvements and depreciated over its applicable useful life.

**Leases**

Certain operating leases are included as right of use lease assets in accrued interest receivable and other assets on the balance sheet and a related lease liability is included in accrued interest payable and other liabilities on the balance sheet. Right of use assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. The lease liability is measured as the present value of the unpaid lease payments, and the right of use assets value is derived from the calculation of the lease liability. To calculate the discount rate for each lease, the Company uses the rate implicit in the lease if available, otherwise an appropriate FHLB advance borrowing rate is used that correlates with the term of the lease.

**Other Real Estate Owned**

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 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 credit 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.

**Intangible Assets and Goodwill**

Core deposit intangibles are amortized on a straight-line basis over the estimated useful lives of seven to ten years and customer relationship intangibles are amortized on a straight-line basis over the estimated useful life of three to eighteen years. Goodwill is not amortized, but is evaluated at a reporting unit level at least annually for impairment, or more frequently if other indicators of impairment are present. At least annually in the fourth quarter, intangible assets are evaluated for possible impairment. Impairment losses are measured by comparing the fair values of the intangible assets with their recorded amounts. Any impairment losses are reported in the statement of comprehensive income.

**Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs for the year ended December 31, 2020 were $3.3 million. Advertising costs for the years ended December 31, 2019 and 2018 were $3.8 million and $3.5 million, respectively.

**Stock-based Compensation**

The Company recognizes stock-based compensation as compensation expense in the statement of comprehensive income based on the fair value of the Company's stock options on the measurement date, which, for the Company, is the date of the grant. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model and is based on certain assumptions including risk-free rate of return, dividend yield, stock price volatility and the expected term. The fair value of each option is expensed over its vesting period.

**Income Taxes**

The Company files a consolidated income tax return with its subsidiaries. Federal and state income tax expense or benefit has been allocated to subsidiaries on a separate return basis. Deferred taxes are recognized under the balance sheet method based upon the future tax consequences of temporary differences between the carrying amounts and tax basis of assets and liabilities, using the tax rates expected to apply to taxable income in the periods when the related temporary differences are expected to be realized. Realization of deferred tax assets is dependent upon the generation of a sufficient level of future taxable income and recoverable taxes paid in prior years. Although realization is not assured, management believes it is more likely than not that all of the deferred tax assets will be realized.

**Earnings Per Common Share**

Basic earnings per common share is computed by dividing net income, less any preferred dividends requirement, by the weighted average of common shares outstanding. Diluted earnings per common share reflects the potential dilution that could occur if options, convertible securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company.

**Revenue Recognition**

In addition to lending and related activities, the Company offers various services to customers that generate revenue. Contract performance typically occurs in one year or less. Incremental costs of obtaining a contract are expensed when incurred when the amortization period is one year or less.

**Sales of real estate**

The sale of real estate property is generally recognized, along with any associated gain or loss, when control of the property transfers to the buyer.

**Service and transaction fees on depository accounts**

Customers often pay certain fees to the bank to access the cash on deposit including certain non-transactional fees such as account maintenance or dormancy fees, and certain transaction based fees such as ATM, wire transfer, or foreign exchange fees. Revenue is recognized when the transactions occur or as services are performed over primarily monthly or quarterly periods. Payment is typically received in the period the transactions occur, or in some cases, within 90 days of the service period.

**Interchange Fees**

Interchange fees, or "swipe" fees, are charges that merchants pay to the processors who, in turn, share that revenue with us and other card-issuing banks for processing electronic payment transactions. Interchange fees represent the portion of the debit card transaction amount that the card issuer retains to compensate it for processing transactions and providing rewards. Interchange fees are settled and recognized on a daily or monthly basis.

**Insurance Commissions and Fees**

Insurance commissions are received on the sale of insurance products, and revenue is recognized upon the placement date of the insurance policies or when such commissions are received. Payment is normally received within the policy period. In addition to placement, the Company also provides insurance policy related risk management services. Revenue is recognized as these services are provided. Performance-based commissions are recognized when received or earlier when, upon consideration of past results and current condition, the revenue is deemed not probable of reversal.

For accounts billed by BancFirst Insurance Services, Inc., commission revenue is recognized at the later of the billing date or the effective date of the related insurance policies. Commission revenue, for accounts that are directly billed by the insurance company to the insured, is recognized when determinable by BancFirst Insurance Services, Inc., which is generally when such commissions are received.

BancFirst Insurance Services, Inc. also receives contingent commissions from insurance companies as additional incentive for achieving specified premium volume goals and/or loss experience parameters relating to the insurance they place. Contingent commissions from insurance companies are recognized when determinable, which is generally when such commissions are received.

#### Trust

BancFirst offers trust services and acts as executor, administrator, trustee, transfer agent and in various other fiduciary capacities. There are four basic types of fees that are included in the trust department income. Administrative fees are assessed for managing trust accounts. Shareholder fees are received in connection with holding specific fund share classes. In return for these services, the mutual fund (or its distributor or investment advisor) pay a fee to BancFirst. Oil and gas fees are assessed for management of oil and gas related activities. There are also other types of fees charged on a one time basis such as those related to opening and closing trust accounts. BancFirst records trust fees on a monthly, quarterly or annual basis based on the size of the asset being managed. Fees may be fixed or, where applicable, based on a percentage of transaction size of managed assets. These fees are recorded as revenue at the time the fee is billed, according to the agreement with the customer.

### Comprehensive Income

Comprehensive income includes all changes in stockholders' equity during a period, except those resulting from transactions with stockholders. Besides net income, other components of the Company's comprehensive income includes the after tax effect of changes in the net unrealized gain/loss on debt securities available for sale.

### Statement of Cash Flows

For purposes of the statement of cash flows, the Company considers cash and due from banks and interest-bearing deposits with banks as cash equivalents.

### Recent Accounting Pronouncements

#### Standards Adopted During Current Period:

In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, "Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (Topic 820)." ASU 2018-13 modifies disclosure requirements on fair value measurements in Topic 820. ASU No. 2018-13 was adopted on January 1, 2020 and did not have a significant impact on the Company's financial statements.

On January 1, 2020, the Company adopted ASU No. 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." Accounting Standards Codification ("ASC") 326 replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for purchased loans and securities with credit deterioration and available-for-sale debt securities. In connection with the adoption of ASC 326, the Company revised certain accounting policies and implemented accounting policy elections.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Operating results for periods from January 1, 2020 are presented in accordance with ASC 326 while prior period amounts continue to be reported in accordance with previously applicable standards and the accounting policies described in our 2019 Form 10-K. The Company recorded a net increase to retained earnings of $2.3 million, net of tax of $925,000, as of January 1, 2020 for the cumulative effect of adopting ASC 326. The Company's results of operations were materially affected due to the increase in provisions related to the adoption of ASC 326 and the impact to the Company's cash flows was not material.

The Company adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration (PCD) that were previously classified as purchased credit impaired (PCI) and accounted for under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2020, the amortized cost basis of the PCD assets was adjusted to reflect the addition of approximately $1.2 million to the allowance for credit losses.

The Company has not recorded an allowance for credit losses against its available-for-sale securities, as the credit risk is not material. The following table illustrates the impact of ASC 326 on the allowance for credit losses on the Company's loans as of January 1, 2020.

| | January 1, 2020 | | |
|---|---|---|---|
| | As Reported Under ASC 326 | Pre ASC 326 Adoption | Impact of ASC 326 Adoption |
| | | (Dollars in thousands) | |
| BancFirst | | | |
| Real estate: | | | |
| Commercial real estate owner occupied | $ 2,819 | $ 5,625 | $ (2,806) |
| Commercial real estate non-owner occupied | 2,851 | 8,358 | (5,507) |
| Construction and development < 60 months | 1,158 | 2,214 | (1,056) |
| Construction residential real estate < 60 months | 1,155 | 1,933 | (778) |
| Residential real estate first lien | 4,861 | 8,692 | (3,831) |
| Residential real estate all other | 1,359 | 2,767 | (1,408) |
| Farmland | 1,413 | 2,821 | (1,408) |
| Commercial and agricultural non-real estate | 26,657 | 13,462 | 13,195 |
| Consumer non-real estate | 2,630 | 3,252 | (622) |
| Oil and gas | 537 | 1,883 | (1,346) |
| Other loans | 2,516 | 2,632 | (116) |
| Pegasus Bank | 3,087 | 599 | 2,488 |
| Allowance for credit losses on loans | $ 51,043 | $ 54,238 | $ (3,195) |

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. In order to estimate expected losses using historical loss information, the Company elected to utilize a methodology known as vintage loss analysis for substantially all of our loan portfolio. Vintage loss analysis measures impairment based on the age of the accounts and the historical asset performance of assets with similar risk characteristics. Vintage loss analysis accounts for expected losses by allowing the Company to calculate the cumulative loss rates of a given loan pool and in so doing, determine the loan pool's lifetime expected loss experience. This includes a reasonable approximation of probable and estimable future losses determined by applying historical net charge off information to forward looking qualitative and environmental factors. First, the Company determined the appropriate type of financial assets that share similar risk characteristics, and then the Company developed a cumulative loss curve for the applicable financial assets based on historical data using different "vintages" analyzed by year of origination. This is done by dividing each year's net charge-offs by the original principal balance. The respective vintage's original principal balance remains the denominator in each annual calculation, as it references the specific vintage's original balance. The loss experience of this original balance is tracked annually and summed over the life of the loan for each separate loan pool leaving a cumulative, life of credit loss rate based on historic averages weighted towards more recent loss experience. In addition to life of credit loss data, primary drivers like macroeconomic indicators of qualitative factors are used as adjustments to the expected loss calculation to reach a forecast supported by both quantitative and qualitative data points. The intent is to express the impact of changes in external factors while incorporating analysis of where the loan pool is in its loss history.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not included in the collective evaluation. The Company has made the accounting policy election to use the fair value of the collateral to measure expected credit losses on collateral-dependent financial assets. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate.

In connection with the adoption of ASC 326, the Company revised certain accounting policies and implemented accounting policy elections. The revised accounting policies are described below.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts. Accrued interest receivable totaled $26.0 million at December 31, 2020 and $24.5 million at December 31, 2019 and was reported in accrued interest receivable and other assets on the consolidated balance sheets. The Company has made the accounting policy election to exclude accrued interest receivable on loans from the estimate of credit losses. Interest income is accrued on the unpaid principal balance using the simple-interest method on the daily balances of the principal amounts outstanding.

Interest income on consumer and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Consumer loans are charged off at 180 days past due and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Troubled debt restructurings are loans on which, due to the borrower's financial difficulties, the Company has granted a concession that the Company would not otherwise consider for borrowers of similar credit quality. This may include a transfer of real estate or other assets from the borrower, a modification of loan terms, or a combination of the two. Modifications of terms that could potentially qualify as a restructuring include reduction of contractual interest rate, extension of the maturity date at a contractual interest rate lower than the current rate for new debt with similar risk, and a reduction of the face amount of debt or forgiveness of either principal or accrued interest. A loan continues to qualify as restructured until a consistent payment history or change in the borrower's financial condition has been evidenced, generally for no less than twelve months. If the restructuring agreement specifies an interest rate at the time of the restructuring that is greater than or equal to the rate that the Company is willing to accept for a new extension of credit with comparable risk, then the loan is no longer considered a restructured loan if it is in compliance with the modified terms in calendar years after the year of restructure.

Purchased Credit Deteriorated (PCD) Loans: The Company has purchased loans, some of which have experienced more than insignificant credit deterioration since origination. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through provision expense.

Allowance for Credit Losses - Loans: The allowance for credit losses is a valuation account that is deducted from the loans amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. In connection with our adoption of ASC 326, changes were made to our primary portfolio segments to align with the methodology applied in determining the allowance under CECL. The Company has identified the following portfolio segments, which includes the applicable weighted average remaining life, and measures the allowance for credit losses using the vintage loss analysis adjusted for qualitative factors:

| Loan Segment | Life (in years) |
|---|---|
| BancFirst | |
| Real estate: | |
| Commercial real estate owner occupied | 9 |
| Commercial real estate non-owner occupied | 6 |
| Construction and development < 60 months | 3 |
| Construction residential real estate < 60 months | 1 |
| Residential real estate first lien | 13 |
| Residential real estate all other | 6 |
| Farmland | 12 |
| Commercial and agricultural non-real estate | 3 |
| Consumer non-real estate | 4 |
| Oil and gas | 1 |
| Other loans | 8 |
| Pegasus Bank | 4 |

These portfolio segments are separately identified because they exhibit distinctive risk characteristics, such as financial asset types, loan purpose, collateral, and industry of the borrower. A summary of our primary portfolio segments is as follows:

*Commercial real estate owner occupied.* Commercial real estate owner occupied are nonresidential property loans for which the primary source of repayment is the cash flow from the ongoing operations and activities conducted by the entity, or an affiliate of the entity, who owns the property. This category includes, among other loans, loans secured by office buildings, garden office buildings, manufacturing facilities, warehouse and flex warehouse facilities, hospitals, and car washes unless the property is owned by an investor who leases the property to the operator who, in turn, is not related to or affiliated with the investor.

*Commercial real estate non-owner occupied.* Commercial real estate non-owner occupied are nonresidential property loans where the primary source of repayment is derived from rental income associated with the property or the proceeds of the sale, refinancing, or permanent financing of the property. This category includes, among other loans, loans secured by shopping centers, office buildings, hotels/motels, nursing homes, assisted-living facilities, mini-storage warehouse facilities, and similar properties.

*Construction and development < 60 months*. Residential development loans include loans to develop raw land into a residential development. Advances on the loans typically include land costs, hard costs (grading, utilities, roads, etc.), soft costs (engineering fees, development fees, entitlement fees, etc.) and carrying costs until the development is completed. Upon completion of the development, the loan is typically repaid through the sale of lots to homebuilders.

*Construction residential real estate < 60 months.* Residential construction includes loans to builders for speculative or custom homes, as well as direct loans to individuals for construction of their personal residence. Custom construction and self-construction loans typically will have commitments in place for long-term financing at the completion of construction. Speculative construction loans generally will have periodic curtailment plans beginning after completion of construction and a reasonable time for sales to have occurred.

*Residential real estate first lien.* Residential real estate first lien loans includes all closed-end loans secured by first liens on 1-to-4 family residential properties. This category includes property containing 1-to-4 dwelling units (including vacation homes) or more than four dwelling units if each is separated from other units by dividing walls that extend from ground to roof. This category also includes individual condominium dwelling units and loans secured by an interest in individual cooperative housing units, even if in a building with five or more dwelling units.

*Residential real estate all other.* Residential real estate all other loans includes loans secured by junior (i.e., other than first) liens on 1-to-4 family residential properties. This category includes loans secured by junior liens even if the Company also holds a loan secured by a first lien on the same 1-to-4 family residential property.

*Farmland.* This category includes loans secured by all land known to be used or usable for agricultural purposes, such as crop and livestock production. Farmland includes grazing or pasture land, whether tillable or not and whether wooded or not.

*Commercial and agricultural non-real estate.* Commercial and agricultural non-real estate represent loans for working capital, facilities acquisition or expansion, purchase of equipment and other needs of commercial customers primarily located within Oklahoma. Loans in this category include commercial and industrial, agriculture and state and political subdivisions.

*Consumer non-real estate.* Consumer loans are loans to individuals for household, family and other personal expenditures. Commonly, such loans are made to finance purchases of consumer goods, such as automobiles, boats, household goods, vacations and education.

*Oil and gas.* Oil and gas loans represent loans for producing oil and gas properties and any other mineral interests that may be pumped, mined, quarried or otherwise extracted from the earth primarily located within Oklahoma.

*Other loans.* Other loans consist of loans approved by the Small Business Administration ("SBA"), which include loans funded through the Paycheck Protection Program ("PPP"). Since PPP loans are fully guaranteed by the SBA, there is no expected credit loss related to these loans.

*Pegasus Bank.* Pegasus Bank's loans are commercial and consumer loans mostly to customers within Texas secured by real estate. Pegasus Bank also includes commercial and industrial loans, which includes loans to companies in the oil and gas industry.

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.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as the political, legal, and regulatory environment, technology and consumer preferences. Historical loss information is also adjusted for reasonable and supportable changes in national and local economic conditions, such as oil and gas prices, national and local unemployment, real gross domestic product ("GDP"), house price index ("HPI"), consumer price index ("CPI"), rental vacancies, and retail sales. Economic conditions are forecast as "current conditions" over the forecast period. Forecast models were used to validate credit performance during the forecast period. Beyond the reasonable and supportable forecast, the economic expectation reverts to the historical average, which is determined by the weighted average life of each loan pool.

Determining the Contractual Term: Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that a troubled debt restructuring will be executed with an individual borrower or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

Troubled Debt Restructurings (TDRs): The allowance for credit loss on a TDR is measured using the same method as all other loans held for investment, except when the value of a concession cannot be measured using a method other than the discounted cash flow method. When the value of a concession is measured using the discounted cash flow method, the allowance for credit loss is determined by discounting the expected future cash flows at the original interest rate of the loan.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The allowance for credit losses on off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life. Based on a low likelihood that funding will occur and the Company's ability to manage the extension of credit to our borrowers, the allowance for credit losses on off-balance sheet credit exposure is not material.

Allowance for Credit Losses - Available-for-Sale Debt Securities: The Company reviews its portfolio of debt securities in an unrealized loss position at least quarterly. The Company first assesses whether it intends to sell or it is more-likely-than-not that it will be required to sell the securities before recovery of the amortized cost basis. If either of these criteria is met, the securities amortized cost basis is written down to fair value as a current period expense. If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making this assessment, the Company considers, among other things, the period of time the security has been in an unrealized loss position, and performance of any underlying collateral and adverse conditions specifically related to the security. At December 31, 2020 and December 31, 2019 approximately 95% of the available for sale debt securities held by the Company were issued by the U.S. Treasury, or U.S. government-sponsored entities and agencies. The Company does not consider the unrealized loss position of these securities to be the result of credit factors, because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and the Company does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery. Therefore, the Company has not recorded an allowance for credit losses against its debt securities portfolio, as the credit risk is not material.

PPP Fee Income Policy: The PPP, established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, provides that the SBA will pay processing fees of up to 5% to lenders based on the volume of the PPP loans disbursed. The fee is based on the balance of each PPP loan outstanding at the time of full disbursement. As of December 31, 2020, the Company had received approximately $30.2 million in processing fees from the SBA. The unamortized balance of these fees on each loan is reported on the Company's balance sheet as part of the loan balance to which it relates and is recognized over the remaining life of the loan as an adjustment of yield. Upon notification from the SBA of the amount of the PPP loan to be forgiven the acceleration of recognition of deferred loan fee will occur for the percentage of the loan forgiven.

## (2) RECENT DEVELOPMENTS, INCLUDING MERGERS AND ACQUISITIONS

Section 4013 of the CARES Act and the Interagency Statement on Loan Modifications by Financial Institutions provides temporary relief from the accounting and reporting requirements for TDRs regarding certain loan modifications related to the Coronavirus Disease 2019 ("COVID-19") that are offered by financial institutions.

Specifically, the CARES Act provides that a financial institution may elect to suspend (1) the requirements under U.S. GAAP for certain loan modifications that would otherwise be categorized as a TDR and (2) any determination that such loan modifications would be considered a TDR, including the related impairment for accounting purposes. The modifications that would qualify for this exception include any modification involving a loan that was not more than 30 days past due as of December 31, 2019, that occurs during the "applicable period," including any of the following:

- A forbearance arrangement.
- An interest rate modification.
- A repayment plan.
- Any other similar arrangement that defers or delays the payment of principal or interest.

The exception does not apply to any adverse impact on the credit of a borrower that is not related to the COVID-19 pandemic. Furthermore, even when the exception is applied, an entity may determine that it is appropriate to place the loan on nonaccrual status.

As of December 31, 2020, the Company has identified $81.7 million in loans that have been modified according to the CARES Act terms. As of December 31, 2020, these loans have not been deemed nonaccrual loans.

On March 5, 2020 the Company purchased approximately $47.8 million in total assets, which included $22.9 million in loans, and assumed approximately $45.0 million in deposits and certain other obligations of The Citizens State Bank of Okemah, Oklahoma ("Citizens") for a purchase price of $2.9 million. As a result of the purchase, the Company recorded a core deposit intangible of approximately $206,000 and goodwill of approximately $1.3 million. The effect of this purchase was included in the consolidated financial statements of the Company from the date of purchase forward. The purchase did not have a material effect on the Company's consolidated financial statements. Citizens was an Oklahoma state-chartered bank with banking locations in Okemah and Paden, Oklahoma. These banking locations became branches of BancFirst.

On August 15, 2019 BancFirst Corporation acquired Pegasus Bank, for an aggregate cash purchase price of $123.5 million. Pegasus Bank is a Texas state-charted bank with three banking locations in Dallas, Texas. At acquisition, Pegasus Bank had approximately $651.1 million in total assets, $389.9 million in loans and $603.9 million in deposits. Pegasus Bank will continue to operate as "Pegasus Bank" under a separate Texas state-charter and remain an independent subsidiary of BancFirst Corporation. BancFirst Corporation intends to provide an appropriate amount of capital or other support to increase Pegasus Bank's ability to approve larger loans and allow Pegasus to continue to grow their assets. As a result of the acquisition, the Company recorded a core deposit intangible of approximately $9.9 million and goodwill of approximately $68.9 million. The effect of this acquisition was included in the consolidated financial statements of the Company from the date of acquisition forward. The acquisition did not have a material effect on the Company's consolidated financial statements. The acquisition of Pegasus Bank complements the Company by expanding into the high-growth Dallas market.

On August 31, 2018 BFTower, LLC, a wholly-owned subsidiary of BancFirst purchased Cotter Ranch Tower in Oklahoma City for the Company's corporate headquarters for $21.0 million. Cotter Ranch Tower was subsequently renamed BancFirst Tower. BancFirst Tower consists of an aggregate of 507,000 square feet, has 36 floors and is the second tallest building in Oklahoma City.

The BancFirst Tower will remain an income producing property as approximately 55% is currently, and is intended to continue to be, leased to outside tenants. BancFirst Tower will allow the Company to consolidate operations from three locations to one and will improve operational efficiencies. Upon consolidation, the Company expects to occupy approximately 35% of BancFirst Tower, resulting in approximately 90% total occupancy. Renovations on BancFirst Tower are expected to be completed by the fourth quarter of 2022 and are expected to cost approximately $70 million. The renovation costs include substantial deferred maintenance including HVAC, plumbing, electrical, elevators, building skin and roof while also including much needed improvements to both the interior and exterior common areas including the lobby, underground and outdoor plaza. The Company started depreciating certain components of the renovation in December 2019 and has started depreciating other components of the renovation as they are put into service. The Company estimates spending approximately $10 million on tenant improvements for the approximate 165,000 square feet that the Company will occupy. The total purchase price, renovation costs, and Company tenant improvement costs were determined to be favorable to other alternatives, such as constructing a new corporate headquarter or leasing space. On December 14, 2018, BFTower LLC, purchased a 42.6% ownership interest in SFPG, LLC, which is the owner of a parking garage adjacent to BancFirst Tower. During 2020, BFTower LLC increased its ownership interest in SFPG, LLC to 49%. The total amount paid for the interest in SFPG, LLC was $11.3 million. In addition, on December 31, 2019, BFTower LLC, purchased a 50% ownership interest in ParcFirst@Bricktown, LLC, which is the owner of an outdoor surface parking lot in close proximity to BancFirst Tower, for $1.5 million.

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 and $251 million in deposits. 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. 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 an additional 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 and $79 million in deposits. First Bank of Chandler operated as a subsidiary of BancFirst Corporation until it was merged into BancFirst on September 7, 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. 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.

## (3) CASH, DUE FROM BANKS, INTEREST-BEARING DEPOSITS AND FEDERAL FUNDS SOLD

The Company maintains accounts with the Federal Reserve Bank and various other financial institutions primarily for the purpose of holding excess liquidity and clearing cash items. It may also sell federal funds to certain of these institutions on an overnight basis. At December 31, 2020 and 2019, the Company had no significant concentrations of credit risk with other financial institutions. The Company maintained vault cash and funds on deposit with the Federal Reserve Bank, which is included in the table below.

On March 26, 2020, the Federal Reserve Board reduced reserve requirement ratios to zero percent, effectively eliminating reserve requirements for all depository institutions. Prior to this date, the Company was required, as a matter of law, to maintain a reserve balance in the form of vault cash or cash on deposit with the Federal Reserve Bank. The average amount of required reserves for December 31, 2019 is included in the following table:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (Dollars in thousands) | |
| Vault cash and funds on deposit with the Federal Reserve Bank | $ 1,429,410 | $ 1,738,523 |
| Average required reserves | — | 63,842 |

**(4) SECURITIES**

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

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **December 31, 2020** | | | | |
| Mortgage backed securities (1) | $ 59 | $ 3 | $ — | $ 62 |
| States and political subdivisions | 2,405 | 18 | (1) | 2,422 |
| Other securities | 500 | — | — | 500 |
| Total | $ 2,964 | $ 21 | $ (1) | $ 2,984 |
| **December 31, 2019** | | | | |
| Mortgage backed securities (1) | $ 93 | $ 4 | $ — | $ 97 |
| States and political subdivisions | 1,310 | 1 | (5) | 1,306 |
| Other securities | 500 | — | — | 500 |
| Total | $ 1,903 | $ 5 | $ (5) | $ 1,903 |

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

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Fair Value |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| **December 31, 2020** | | | | |
| U.S. treasuries | $ 465,416 | $ 9,820 | $ — | $ 475,236 |
| U.S. federal agencies | 19,697 | 1 | (60) | 19,638 |
| Mortgage backed securities (1) | 15,268 | 428 | — | 15,696 |
| States and political subdivisions | 28,571 | 377 | — | 28,948 |
| Asset backed securities | 13,337 | — | (623) | 12,714 |
| Total | $ 542,289 | $ 10,626 | $ (683) | $ 552,232 |
| **December 31, 2019** | | | | |
| U.S. treasuries | $ 409,488 | $ 4,974 | $ (13) | $ 414,449 |
| U.S. federal agencies | 23,039 | 23 | (38) | 23,024 |
| Mortgage backed securities (1) | 16,941 | 128 | (64) | 17,005 |
| States and political subdivisions | 22,294 | 282 | (45) | 22,531 |
| Asset backed securities | 13,320 | — | (606) | 12,714 |
| Total | $ 485,082 | $ 5,407 | $ (766) | $ 489,723 |

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

The maturities of debt 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.

| | December 31, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Amortized Cost | Estimated Fair Value | Amortized Cost | Estimated Fair Value |
| | (Dollars in thousands) | | | |
| **Held for Investment** | | | | |
| Contractual maturity of debt securities: | | | | |
| Within one year | $ 807 | $ 809 | $ 300 | $ 300 |
| After one year but within five years | 2,091 | 2,110 | 1,058 | 1,055 |
| After five years but within ten years | 65 | 64 | 543 | 546 |
| After ten years | 1 | 1 | 2 | 2 |
| Total | $ 2,964 | $ 2,984 | $ 1,903 | $ 1,903 |
| **Available for Sale** | | | | |
| Contractual maturity of debt securities: | | | | |
| Within one year | $ 339,752 | $ 341,102 | $ 186,373 | $ 186,539 |
| After one year but within five years | 162,401 | 171,135 | 252,519 | 257,430 |
| After five years but within ten years | 3,753 | 3,910 | 5,873 | 6,008 |
| After ten years | 36,383 | 36,085 | 40,317 | 39,746 |
| Total debt securities | $ 542,289 | $ 552,232 | $ 485,082 | $ 489,723 |

The following is a detail of proceeds from sales and realized securities losses, on available for sale debt securities:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (Dollars in thousands) | | |
| Proceeds | $ — | $ — | $ 31,285 |
| Gross losses realized | — | — | 109 |

Realized gains/losses on debt and equity securities are reported as securities transactions within the noninterest income section of the consolidated statement of comprehensive income.

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

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (Dollars in thousands) | |
| Book value of pledged securities | $ 490,833 | $ 445,702 |

The following table summarizes debt securities with unrealized losses, segregated by the duration of the unrealized loss, at December 31, 2020 and 2019 respectively:

| | Less than 12 Months | | More than 12 Months | | Total | |
|---|---|---|---|---|---|---|
| | Estimated Fair Value | Unrealized Losses | Estimated Fair Value | Unrealized Losses | Estimated Fair Value | Unrealized Losses |
| | (Dollars in thousands) | | | | | |
| **December 31, 2020** | | | | | | |
| **Held for Investment** | | | | | | |
| States and political subdivisions | $ 119 | $ 1 | $ — | $ — | $ 119 | $ 1 |
| Total | $ 119 | $ 1 | $ — | $ — | $ 119 | $ 1 |
| **Available for Sale** | | | | | | |
| U.S. federal agencies | $ 12,236 | $ 41 | $ 2,184 | $ 19 | $ 14,420 | $ 60 |
| Asset backed securities | — | — | 12,714 | 623 | 12,714 | 623 |
| Total | $ 12,236 | $ 41 | $ 14,898 | $ 642 | $ 27,134 | $ 683 |
| **December 31, 2019** | | | | | | |
| **Held for Investment** | | | | | | |
| Mortgage backed securities | $ — | $ — | $ 3 | $ — | $ 3 | $ — |
| States and political subdivisions | 1,016 | 5 | — | — | 1,016 | 5 |
| Total | $ 1,016 | $ 5 | $ 3 | $ — | $ 1,019 | $ 5 |
| **Available for Sale** | | | | | | |
| U.S. treasuries | $ 8,999 | $ 10 | $ 19,988 | $ 3 | $ 28,987 | $ 13 |
| U.S. federal agencies | 10,362 | 19 | 2,700 | 19 | 13,062 | 38 |
| Mortgage backed securities | 15,165 | 64 | — | — | 15,165 | 64 |
| States and political subdivisions | 3,890 | 45 | — | — | 3,890 | 45 |
| Asset backed securities | — | — | 12,714 | 606 | 12,714 | 606 |
| Total | $ 38,416 | $ 138 | $ 35,402 | $ 628 | $ 73,818 | $ 766 |

Management has the ability and intent to hold the debt securities classified as held for investment until they mature, at which time the Company will receive full value for the debt securities. Furthermore, as of December 31, 2020 and 2019, the Company also had the ability and intent to hold the debt securities classified as available for sale for a period of time sufficient for a recovery of cost. The unrealized losses are due to increases in market interest rates over the yields available at the time the underlying debt securities were purchased. The fair value of those debt securities having unrealized losses is expected to recover as the securities approach their maturity date or repricing date, or if market yields for such investments decline. Management has no intent or requirement to sell before the recovery of the unrealized loss; therefore, no significant impairment loss was realized in the Company's consolidated statement of comprehensive income.

## (5) LOANS HELD FOR INVESTMENT AND ALLOWANCE FOR CREDIT LOSSES ON LOANS

In connection with our adoption of ASC 326, changes were made to our primary portfolio segments to align with the methodology applied in determining the allowance under CECL. Loans held for investment are summarized by portfolio segment as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | Amount | Amount |
| | (Dollars in thousands) | |
| **BancFirst** | | |
| Real estate: | | |
| Commercial real estate owner occupied | $ 641,987 | $ 621,188 |
| Commercial real estate non-owner occupied | 971,158 | 851,200 |
| Construction and development < 60 months | 229,615 | 287,138 |
| Construction residential real estate < 60 months | 206,195 | 189,480 |
| Residential real estate first lien | 853,316 | 834,849 |
| Residential real estate all other | 168,081 | 187,647 |
| Farmland | 252,958 | 246,988 |
| Commercial and agricultural non-real estate | 1,159,810 | 1,315,005 |
| Consumer non-real estate | 355,405 | 359,529 |
| Oil and gas | 179,355 | 184,399 |
| Other loans (2) | 822,078 | 154,015 |
| **Pegasus Bank** | 554,548 | 430,705 |
| Total loans (1) | $ 6,394,506 | $ 5,662,143 |

(1) Excludes accrued interest receivable of $26.0 million at December 31, 2020 and $24.5 million at December 31, 2019, that is recorded in accrued interest receivable and other assets.

(2) Includes PPP loans of $652.7 million, net of unamortized processing fees of $14.5 million at December 31, 2020.

BancFirst's loans are mostly to customers within Oklahoma and approximately 58% 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.

BancFirst's commercial and agricultural non-real estate and oil and gas loan categories include upstream and midstream energy loans and loans to companies that provide ancillary services to the energy industry, such as transportation, preparation contractors and equipment manufacturers. The balance of these upstream energy loans was approximately $191 million at December 31, 2020 and approximately $189 million at December 31, 2019. The balance of midstream energy loans was approximately $50 million at December 31, 2020 and approximately $41 million at December 31, 2019. The balance of the ancillary services energy loans was approximately $59 million at December 31, 2020 and approximately $90 million at December 31, 2019.

Pegasus Bank's loans are mostly to customers within Texas and approximately $272 million or 49% of the loans are secured by real estate at December 31, 2020. Pegasus Bank's commercial and agricultural non-real estate loans were approximately $262 million at December 31, 2020, and approximately $172 million at December 31, 2019. Pegasus Bank's commercial and agricultural non-real estate loan category includes upstream energy loans and loans to companies that provide ancillary services to the energy industry, such as transportation, preparation contractors and equipment manufacturers. The balance of upstream energy loans was approximately $107 million at December 31, 2020 and approximately $57 million at December 31, 2019. The balance of midstream energy loans was approximately $11 million at December 31, 2020 and zero at December 31, 2019. The balance of the ancillary services energy loans was approximately $13 million at December 31, 2020 and approximately $7 million at December 31, 2019.

As of December 31, 2020, the Company had $652.7 million in PPP loans held for investment, net of unamortized processing fees of $14.5 million. Through December 31, 2020, $15.6 million of processing fees were recognized as interest income.

**Troubled Debt Restructurings, Other Real Estate Owned and Repossessed Assets and Held for Sale Assets**

The following is a summary of troubled debt restructurings and other real estate owned and repossessed assets:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (Dollars in thousands) | |
| Troubled debt restructurings | $ 7,784 | $ 18,010 |
| Other real estate owned and repossessed assets | $ 32,480 | $ 6,073 |

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

During 2020, the Company sold property held in other real estate owned for a total gain of $2.4 million compared to gains of $1.4 million in 2019 and $23,500 in 2018.

At December 31, 2020, the Company's principal subsidiary bank, BancFirst, had approximately $21.6 million in loans at its Hugo, Oklahoma branch that it has entered into an agreement to sell to AmeriState Bank in Atoka, Oklahoma. Accordingly, as of December 31, 2020, the Company has transferred $21.6 million from loans held for investment (net of unearned interest) to loans held for sale.

**Nonaccrual loans**

Had nonaccrual loans performed in accordance with their original contractual terms, the Company would have recognized additional interest income of approximately $2.8 million in 2020, $1.7 million in 2019 and $2.3 million in 2018.

Approximately $7.8 million of nonaccrual loans are guaranteed by government agencies as of December 31, 2020.

The following table is a summary of amounts included in nonaccrual loans, segregated by portfolio segment.

| | December 31, 2020 |
|---|---|
| | (Dollars in thousands) |
| **BancFirst** | |
| Real estate: | |
| Commercial real estate owner occupied | $ 1,404 |
| Commercial real estate non-owner occupied | 4,719 |
| Construction and development < 60 months | 95 |
| Construction residential real estate < 60 months | — |
| Residential real estate first lien | 3,615 |
| Residential real estate all other | 1,362 |
| Farmland | 7,901 |
| Commercial and agricultural non-real estate | 12,782 |
| Consumer non-real estate | 268 |
| Oil and gas | — |
| Other loans | 5,399 |
| **Pegasus Bank** | — |
| Total | $ 37,545 |

| | December 31, 2019 |
|---|---|
| | (Dollars in thousands) |
| **BancFirst** | |
| Real estate: | |
| Non-residential real estate owner occupied | $ 2,275 |
| Non-residential real estate other | 1,815 |
| Residential real estate permanent mortgage | 1,206 |
| Residential real estate other | 3,060 |
| Non-consumer non-real estate | 2,915 |
| Consumer other | 264 |
| Other loans | 1,083 |
| Acquired loans | 4,496 |
| **Pegasus Bank** | 851 |
| Total | $ 17,965 |

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 our loans held for investment:

| | 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 December 31, 2020** | | | | | | | |
| **BancFirst** | | | | | | | |
| Real estate: | | | | | | | |
| Commercial real estate owner occupied | $ 1,096 | $ 108 | $ 1,164 | $ 2,368 | $ 639,619 | $ 641,987 | $ — |
| Commercial real estate non-owner occupied | 323 | — | 34 | 357 | 970,801 | 971,158 | 35 |
| Construction and development < 60 months | 511 | 86 | — | 597 | 229,018 | 229,615 | — |
| Construction residential real estate < 60 months | 1,106 | — | 282 | 1,388 | 204,807 | 206,195 | 282 |
| Residential real estate first lien | 5,428 | 1,463 | 2,978 | 9,869 | 843,447 | 853,316 | 945 |
| Residential real estate all other | 520 | 55 | 1,606 | 2,181 | 165,900 | 168,081 | 384 |
| Farmland | 1,297 | 344 | 6,223 | 7,864 | 245,094 | 252,958 | 135 |
| Commercial and agricultural non-real estate | 2,788 | 1,794 | 4,345 | 8,927 | 1,150,883 | 1,159,810 | 465 |
| Consumer non-real estate | 2,154 | 501 | 534 | 3,189 | 352,216 | 355,405 | 386 |
| Oil and gas | — | — | — | — | 179,355 | 179,355 | — |
| Other loans | 951 | 1,223 | 6,618 | 8,792 | 813,286 | 822,078 | 2,170 |
| **Pegasus Bank** | — | — | — | — | 554,548 | 554,548 | — |
| Total | $ 16,174 | $ 5,574 | $ 23,784 | $ 45,532 | $6,348,974 | $6,394,506 | $ 4,802 |
| **As of December 31, 2019** | | | | | | | |
| **BancFirst** | | | | | | | |
| Real estate: | | | | | | | |
| Non-residential real estate owner occupied | $ 1,600 | $ 967 | $ 5,159 | $ 7,726 | $ 699,690 | $ 707,416 | $ 3,799 |
| Non-residential real estate other | 971 | — | 1,228 | 2,199 | 1,134,976 | 1,137,175 | — |
| Residential real estate permanent mortgage | 4,705 | 973 | 2,215 | 7,893 | 332,679 | 340,572 | 1,660 |
| Residential real estate other | 4,496 | 1,028 | 2,541 | 8,065 | 912,767 | 920,832 | 549 |
| Non-consumer non-real estate | 2,290 | 1,446 | 1,763 | 5,499 | 1,448,894 | 1,454,393 | 354 |
| Consumer other | 2,829 | 858 | 592 | 4,279 | 358,075 | 362,354 | 491 |
| Other loans | 1,670 | 8 | 4,613 | 6,291 | 147,724 | 154,015 | 4,426 |
| Acquired loans | 2,167 | 1,376 | 3,447 | 6,990 | 147,691 | 154,681 | 555 |
| **Pegasus Bank** | — | — | 851 | 851 | 429,854 | 430,705 | — |
| Total | $ 20,728 | $ 6,656 | $ 22,409 | $ 49,793 | $5,612,350 | $5,662,143 | $ 11,834 |

Due to the impacts of the COVID-19 pandemic, the Company has approximately $81.7 million in modified loans, most of which are secured by commercial real estate, as of December 31, 2020. These modifications were undertaken in response to Section 4013 of the CARES Act and the regulatory intent outlined in the Interagency Statement on Loan Modifications by Financial Institutions Working with Customers Affected by the Coronavirus and to provide businesses financial flexibility until the economy has time to recover to a more normal level of activity. However, these modifications, which typically involve payment modifications and forbearance, also have the effect of delaying recognition of loans that may ultimately be permanently impaired. The timing and extent of such consequences are difficult to ascertain at this time and are dependent on the duration of the COVID-19 pandemic, the level and success of the government's economic stimulus, and further regulatory guidance. These modified loans are included in current loans in the table above as of December 31, 2020.

**BancFirst Credit Quality Indicators**

The Company considers credit quality indicators to monitor the credit risk in the loan portfolio including volume and severity of loan delinquencies, nonaccrual loans, internal grading of loans, historical credit 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 as follows:

*Grade 1 – Acceptable* - Loans graded 1 represent reasonable and satisfactory credit risk which requires normal attention and supervision. Capacity to repay through primary and/or secondary sources is not questioned.

*Grade 2 – Acceptable - Increased Attention* - This category consists of loans that have credit characteristics deserving management's close attention. These complexities or potential weaknesses could result in deterioration of the repayment prospects for the loan or BancFirst's credit position at some future date. Such credit characteristics include loans to highly leveraged borrowers in cyclical industries, adverse financial trends which could potentially weaken repayment capacity, loans that have fundamental structure complexity or deficiencies, loans lacking secondary sources of repayment where prudent, and loans with deficiencies in essential documentation, including financial information.

*Grade 3 – Loans with Problem Potential* - This category consists of performing loans which are considered to exhibit problem potential. Loans in this category would generally include, but not be limited to, borrowers with a weakened financial condition or poor performance history, past dues, loans restructured to reduce payments to an amount that is below market standards and/or loans with severe documentation problems. In general, these loans have no identifiable loss potential in the near future, however; the possibility of a loss developing is heightened.

*Grade 4 - Problem Loans/Assets – Nonperforming* - This category consists of nonperforming loans/assets which are considered to be problems. Nonperforming loans are described as being 90 days and over past due and still accruing, and loans that are nonaccrual. The government guaranteed portion of SBA loans is excluded.

*Grade 5 - Loss Potential* - This category consists of loans/assets which are considered to possess loss potential. While the loss may not occur in the current year, management expects that loans/assets in this category will ultimately result in a loss, unless substantial improvement occurs.

*Grade 6 - Charge Off* - This category consists of loans that are considered uncollectible and other assets with little or no value.

**Pegasus Bank Credit Quality Indicators**

Pegasus Bank categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt, including current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. Pegasus Bank analyzes loans individually by classifying the loans as to credit risk. Pegasus Bank uses the following definitions for risk ratings:

*Pass* – Loans classified as a pass are loans with low to average risk. These loans are included in grade 1 and 2 for the purposes for the following table:

*Special Mention* – Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of Pegasus Bank's credit position at some future date. These loans are included in grade 3 for the purposes of the following table:

*Substandard* – Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Pegasus Bank will sustain some loss if the deficiencies are not corrected. These loans are included in grade 4 for the purposes of the following table:

*Doubtful* – Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. These loans, if any, would be included in grade 5 for the purposes of the following table:

The Company's revolving loans that are converted to term loans are not material and therefore have not been presented.

The following table summarizes our gross loans held for investment by year of origination and internally assigned credit grades:

| | Term Loans Amortized Cost Basis by Origination Year | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Revolving Loans Amortized Cost Basis | Total |
| | | | | (Dollars in thousands) | | | | |
| **As of December 31, 2020** | | | | | | | | |
| **BancFirst** | | | | | | | | |
| Commercial real estate owner occupied | | | | | | | | |
| Grade 1 | $ 142,574 | $ 91,493 | $ 73,845 | $ 42,289 | $ 37,097 | $ 88,724 | $ 17,153 | $ 493,175 |
| Grade 2 | 42,375 | 31,314 | 11,516 | 9,644 | 13,316 | 25,574 | 4,393 | 138,132 |
| Grade 3 | 4,226 | 32 | 333 | 704 | 1,259 | 2,671 | — | 9,225 |
| Grade 4 | 37 | 66 | 742 | — | 251 | 52 | 307 | 1,455 |
| Total commercial real estate owner occupied loans | 189,212 | 122,905 | 86,436 | 52,637 | 51,923 | 117,021 | 21,853 | 641,987 |
| Commercial real estate non-owner occupied | | | | | | | | |
| Grade 1 | 256,128 | 157,526 | 83,869 | 69,864 | 82,088 | 81,499 | 13,206 | 744,180 |
| Grade 2 | 60,607 | 48,751 | 26,441 | 18,070 | 8,755 | 41,491 | 4,454 | 208,569 |
| Grade 3 | 7,718 | 3,137 | 472 | 1,937 | 40 | 148 | 149 | 13,601 |
| Grade 4 | 4,719 | 89 | — | — | — | — | — | 4,808 |
| Total commercial real estate non-owner occupied loans | 329,172 | 209,503 | 110,782 | 89,871 | 90,883 | 123,138 | 17,809 | 971,158 |
| Construction and development < 60 months | | | | | | | | |
| Grade 1 | 115,399 | 56,369 | 12,821 | 4,582 | 1,438 | 2,048 | 7,850 | 200,507 |
| Grade 2 | 11,528 | 10,002 | 1,589 | 764 | 157 | 540 | 582 | 25,162 |
| Grade 3 | 3,842 | — | 9 | — | — | — | — | 3,851 |
| Grade 4 | — | 64 | 9 | 22 | — | — | — | 95 |
| Total construction and development < 60 months | 130,769 | 66,435 | 14,428 | 5,368 | 1,595 | 2,588 | 8,432 | 229,615 |
| Construction residential real estate < 60 months | | | | | | | | |
| Grade 1 | 159,431 | 4,214 | 69 | 21 | 33 | 23 | 11,449 | 175,240 |
| Grade 2 | 27,400 | 580 | 112 | — | — | 468 | 390 | 28,950 |
| Grade 3 | 1,885 | 120 | — | — | — | — | — | 2,005 |
| Total construction residential real estate < 60 months | 188,716 | 4,914 | 181 | 21 | 33 | 491 | 11,839 | 206,195 |
| Residential real estate first lien | | | | | | | | |
| Grade 1 | 241,771 | 134,184 | 80,793 | 64,392 | 48,686 | 136,059 | — | 705,885 |
| Grade 2 | 28,305 | 19,425 | 21,742 | 11,666 | 12,365 | 34,312 | — | 127,815 |
| Grade 3 | 2,754 | 2,029 | 1,375 | 2,073 | 1,213 | 5,194 | — | 14,638 |
| Grade 4 | 730 | 733 | 478 | 210 | 1,186 | 1,590 | — | 4,927 |
| Grade 5 | — | — | — | — | 51 | — | — | 51 |
| Total residential real estate first lien | 273,560 | 156,371 | 104,388 | 78,341 | 63,501 | 177,155 | — | 853,316 |
| Residential real estate all other | | | | | | | | |
| Grade 1 | 21,493 | 13,944 | 10,854 | 6,265 | 5,381 | 10,984 | 28,047 | 96,968 |
| Grade 2 | 3,694 | 1,675 | 1,268 | 1,809 | 450 | 2,335 | 55,433 | 66,664 |
| Grade 3 | 384 | 461 | 328 | 116 | 119 | 221 | 993 | 2,622 |
| Grade 4 | 204 | 217 | 570 | 65 | 34 | 715 | 22 | 1,827 |
| Total residential real estate all other | 25,775 | 16,297 | 13,020 | 8,255 | 5,984 | 14,255 | 84,495 | 168,081 |
| Farmland | | | | | | | | |
| Grade 1 | 51,284 | 26,391 | 18,994 | 13,821 | 13,368 | 27,100 | 8,160 | 159,118 |
| Grade 2 | 15,264 | 30,684 | 6,639 | 6,391 | 4,763 | 8,916 | 7,140 | 79,797 |
| Grade 3 | 3,681 | 290 | 151 | 1,055 | 703 | 551 | 1,955 | 8,386 |
| Grade 4 | 414 | 14 | 4,058 | 296 | 340 | 223 | 312 | 5,657 |
| Total farmland | 70,643 | 57,379 | 29,842 | 21,563 | 19,174 | 36,790 | 17,567 | 252,958 |
| Commercial and agricultural non-real estate | | | | | | | | |
| Grade 1 | 206,515 | 136,254 | 124,657 | 74,719 | 46,453 | 33,471 | 270,426 | 892,495 |
| Grade 2 | 49,467 | 34,659 | 27,239 | 6,566 | 7,054 | 22,710 | 63,894 | 211,589 |
| Grade 3 | 24,793 | 1,511 | 1,466 | 789 | 271 | 327 | 14,577 | 43,734 |
| Grade 4 | 7,231 | 1,607 | 652 | 241 | 1,139 | 163 | 959 | 11,992 |
| Total commercial and agricultural non-real estate | 288,006 | 174,031 | 154,014 | 82,315 | 54,917 | 56,671 | 349,856 | 1,159,810 |
| Consumer non-real estate | | | | | | | | |
| Grade 1 | 166,934 | 93,232 | 41,449 | 13,157 | 4,471 | 1,768 | 7,673 | 328,684 |
| Grade 2 | 12,773 | 5,902 | 3,399 | 796 | 499 | 266 | 328 | 23,963 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Grade 3 | 445 | 840 | 450 | 175 | 75 | 63 | 2 | 2,050 |
| Grade 4 | 89 | 287 | 144 | 94 | 47 | 40 | 7 | 708 |
| Total consumer non-real estate | 180,241 | 100,261 | 45,442 | 14,222 | 5,092 | 2,137 | 8,010 | 355,405 |
| Oil and gas | | | | | | | | |
| Grade 1 | 104,622 | 66 | 82 | — | — | 4,679 | 16,529 | 125,978 |
| Grade 2 | 42,713 | 745 | — | — | — | — | 9,919 | 53,377 |
| Total oil and gas | 147,335 | 811 | 82 | — | — | 4,679 | 26,448 | 179,355 |
| Other loans | | | | | | | | |
| Grade 1 | 685,426 | 32,392 | 25,707 | 20,638 | 16,378 | 10,341 | 22,976 | 813,858 |
| Grade 2 | — | — | 17 | 2,936 | 1,126 | 2,179 | 692 | 6,950 |
| Grade 3 | — | — | 78 | — | 53 | 67 | 36 | 234 |
| Grade 4 | — | — | — | 124 | 208 | 33 | 671 | 1,036 |
| Total other loans | 685,426 | 32,392 | 25,802 | 23,698 | 17,765 | 12,620 | 24,375 | 822,078 |
| **Pegasus Bank** | | | | | | | | |
| Grade 1 | 100,631 | 66,875 | 27,235 | 19,025 | 12,414 | 44,237 | 113,824 | 384,241 |
| Grade 2 | 28,187 | 26,733 | 6,774 | 23,367 | 3,822 | 5,300 | 74,671 | 168,854 |
| Grade 3 | 123 | — | — | — | — | 1,330 | — | 1,453 |
| Total Pegasus Bank | 128,941 | 93,608 | 34,009 | 42,392 | 16,236 | 50,867 | 188,495 | 554,548 |
| Total loans held for investment | $ 2,637,796 | $ 1,034,907 | $ 618,426 | $ 418,683 | $ 327,103 | $ 598,412 | $ 759,179 | $ 6,394,506 |

The following table presents internal loan grading by class of loans as of December 31, 2019:

| | Internal Loan Grading Grade | | | | | |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | Total |
| | (Dollars in thousands) | | | | | |
| **As of December 31, 2019** | | | | | | |
| BancFirst | | | | | | |
| Real estate: | | | | | | |
| Non-residential real estate owner occupied | $ 554,942 | $ 130,783 | $ 15,191 | $ 6,500 | $ — | $ 707,416 |
| Non-residential real estate other | 861,108 | 252,134 | 23,048 | 868 | 17 | 1,137,175 |
| Residential real estate permanent mortgage | 289,350 | 41,754 | 6,975 | 2,442 | 51 | 340,572 |
| Residential real estate other | 722,983 | 179,951 | 14,382 | 3,446 | 70 | 920,832 |
| Non-consumer non-real estate | 1,166,155 | 261,003 | 25,276 | 1,959 | — | 1,454,393 |
| Consumer other | 335,916 | 23,407 | 2,327 | 704 | — | 362,354 |
| Other loans | 148,692 | 3,631 | 1,564 | 128 | — | 154,015 |
| Acquired loans | 88,205 | 55,087 | 6,800 | 4,446 | 143 | 154,681 |
| Pegasus Bank | 295,243 | 133,324 | 1,287 | 851 | — | 430,705 |
| Total | $ 4,462,594 | $ 1,081,074 | $ 96,850 | $ 21,344 | $ 281 | $ 5,662,143 |

**Allowance for Credit Losses Methodology**

On January 1, 2020, the Company adopted ASC 326, which replaces the incurred loss methodology for determining its provision for credit losses and allowance for credit losses with an expected loss methodology that is referred to as the CECL model. See Note (1) for additional information regarding the factors that influenced the Company's current estimate of expected credit losses. Upon adoption, the allowance for credit losses was decreased by $3.2 million, with no impact to the consolidated statement of income. Subsequent to the adoption of ASC 326, the Company recorded a $62.6 million provision for credit losses for year ended December 31, 2020 utilizing the newly adopted CECL methodology, a significant increase from the year ended December 31, 2019. The increase resulted primarily from the anticipated impact on our loan portfolio resulting from the economic outlook related to the COVID-19 pandemic and the decline in energy prices and to a lesser degree, loan growth during 2020. Prolonged low energy prices will not only have a direct impact on the energy portfolio; it will have an indirect effect on the economies of Oklahoma and the Dallas, Texas market, including higher unemployment, with a residual effect on land values and real estate prices.

The following table details activity in the allowance for credit losses on 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.

| | Allowance for Credit Losses | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Balance at beginning of period | Impact of CECL adoption | Initial allowance on loans purchased with credit deterioration | Charge-offs | Recoveries | Net charge-offs | Provision for credit losses on loans | Balance at end of period |
| | (Dollars in thousands) | | | | | | | |
| **Year ended December 31, 2020** | | | | | | | | |
| **BancFirst** | | | | | | | | |
| Real estate: | | | | | | | | |
| Commercial real estate owner occupied | $ 5,625 | $ (2,806) | $ 432 | $ (773) | $ 10 | $ (763) | $ 4,547 | $ 7,035 |
| Commercial real estate non-owner occupied | 8,358 | (5,507) | — | (3,609) | — | (3,609) | 12,600 | 11,842 |
| Construction and development < 60 months | 2,214 | (1,056) | — | (59) | 123 | 64 | 1,338 | 2,560 |
| Construction residential real estate < 60 months | 1,933 | (778) | — | (29) | — | (29) | (499) | 627 |
| Residential real estate first lien | 8,692 | (3,831) | 7 | (465) | 44 | (421) | (1,877) | 2,570 |
| Residential real estate all other | 2,767 | (1,408) | — | (126) | 54 | (72) | 943 | 2,230 |
| Farmland | 2,821 | (1,408) | 1 | (2,055) | — | (2,055) | 3,777 | 3,136 |
| Commercial and agricultural non-real estate | 13,462 | 13,195 | 62 | (3,320) | 116 | (3,204) | 8,885 | 32,400 |
| Consumer non-real estate | 3,252 | (622) | — | (1,142) | 224 | (918) | 1,665 | 3,377 |
| Oil and gas | 1,883 | (1,346) | — | (11,245) | — | (11,245) | 28,559 | 17,851 |
| Other loans | 2,632 | (116) | — | (168) | 10 | (158) | 824 | 3,182 |
| **Pegasus Bank** | 599 | 2,488 | — | (841) | 424 | (417) | 1,886 | 4,556 |
| Total | $ 54,238 | $ (3,195) | $ 502 | $ (23,832) | $ 1,005 | $ (22,827) | $ 62,648 | $ 91,366 |
| **Year ended December 31, 2019** | | | | | | | | |
| **BancFirst** | | | | | | | | |
| Real estate: | | | | | | | | |
| Non-residential real estate owner occupied | $ 6,328 | $ — | $ — | $ (34) | $ 25 | $ (9) | $ 721 | $ 7,040 |
| Non-residential real estate other | 11,027 | — | — | (67) | 42 | (25) | 155 | 11,157 |
| Residential real estate permanent mortgage | 3,261 | — | — | (146) | 22 | (124) | 250 | 3,387 |
| Residential real estate other | 10,673 | — | — | (2,697) | 30 | (2,667) | 2,143 | 10,149 |
| Non-consumer non-real estate | 13,151 | — | — | (514) | 272 | (242) | 2,432 | 15,341 |
| Consumer other | 3,065 | — | — | (868) | 218 | (650) | 904 | 3,319 |
| Other loans | 2,423 | — | — | — | 90 | 90 | 119 | 2,632 |
| Acquired loans | 1,461 | — | — | (2,060) | 219 | (1,841) | 994 | 614 |
| **Pegasus Bank** | — | — | — | — | 30 | 30 | 569 | 599 |
| Total | $ 51,389 | $ — | $ — | $ (6,386) | $ 948 | $ (5,438) | $ 8,287 | $ 54,238 |

The following table details the amount of allowance for credit losses by class of loans for the period presented, on the basis of impairment methodology used by the Company:

| | Allowance for Credit Losses December 31, 2019 Individually evaluated for impairment | Allowance for Credit Losses December 31, 2019 Collectively evaluated for impairment |
|---|---|---|
| | (Dollars in thousands) | |
| BancFirst | | |
| Real estate: | | |
| Non-residential real estate owner occupied | $ 900 | $ 6,140 |
| Non-residential real estate other | 990 | 10,167 |
| Residential real estate permanent mortgage | 531 | 2,856 |
| Residential real estate other | 2,026 | 8,123 |
| Non-consumer non-real estate | 2,902 | 12,439 |
| Consumer other | 343 | 2,976 |
| Other loans | 13 | 2,619 |
| Acquired loans | — | 614 |
| Pegasus Bank | — | 599 |
| Total | $ 7,705 | $ 46,533 |

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

| | Loans December 31, 2019 Individually evaluated for impairment | Loans December 31, 2019 Collectively evaluated for impairment | Loans December 31, 2019 Loans acquired with deteriorated credit quality |
|---|---|---|---|
| | (Dollars in thousands) | | |
| BancFirst | | | |
| Real estate: | | | |
| Non-residential real estate owner occupied | $ 21,690 | $ 685,726 | $ — |
| Non-residential real estate other | 23,933 | 1,113,242 | — |
| Residential real estate permanent mortgage | 9,468 | 331,104 | — |
| Residential real estate other | 17,898 | 902,934 | — |
| Non-consumer non-real estate | 27,016 | 1,427,377 | — |
| Consumer other | 3,090 | 359,264 | — |
| Other loans | 231 | 153,784 | — |
| Acquired loans | 10,470 | 143,351 | 860 |
| Pegasus Bank | — | 428,567 | 2,138 |
| Total | $ 113,796 | $ 5,545,349 | $ 2,998 |

### Purchased Credit Deteriorated Loans

The Company has purchased loans, for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The purchased credit deteriorated loans for the period are as follows:

| | Loans acquired with deteriorated credit quality |
|---|---|
| | (Dollars in thousands) |
| **For the year ended December 31, 2020** | |
| Purchase price of loans at acquisition | $ 1,761 |
| Allowance for credit losses at acquisition | 502 |
| Par value of acquired loans at acquisition | $ 2,263 |

### Collateral Dependent Loans

A loan is considered collateral-dependent when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. During the year ended December 31, 2020, no material amount of interest income was recognized on collateral-dependent loans subsequent to their classification as collateral-dependent. The following table summarizes collateral-dependent gross loans held for investment by collateral type and the related specific allocation as follows:

| | Collateral Type | | | | | |
|---|---|---|---|---|---|---|
| As of December 31, 2020 | Real Estate | Business Assets | Energy Reserves | Other Assets | Total | Specific Allocation |
| | (Dollars in thousands) | | | | | |
| **BancFirst** | | | | | | |
| Real estate: | | | | | | |
| Commercial real estate owner occupied | $ 848 | $ — | $ — | $ — | $ 848 | $ 226 |
| Commercial real estate non-owner occupied | 4,719 | — | — | — | 4,719 | 1,000 |
| Construction and development < 60 months | — | — | — | — | — | — |
| Construction residential real estate < 60 months | — | — | — | — | — | — |
| Residential real estate first lien | 860 | — | — | — | 860 | 151 |
| Residential real estate all other | 866 | — | — | — | 866 | 616 |
| Farmland | 3,258 | — | — | — | 3,258 | 1,114 |
| Commercial and agricultural non-real estate | — | 8,460 | — | 413 | 8,873 | 2,813 |
| Consumer non-real estate | — | — | — | 109 | 109 | 58 |
| Oil and gas | — | — | — | — | — | — |
| Other loans | — | 13 | — | — | 13 | 12 |
| **Pegasus Bank** | 1,257 | — | — | — | 1,257 | 222 |
| Total collateral-dependent loans held for investment | $ 11,808 | $ 8,473 | $ — | $ 522 | $ 20,803 | $ 6,212 |

### Impaired Loans

Prior to the adoption of ASC 326, loans were considered impaired when, based on current information and events, it was probable the Company would 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 was impaired, a specific valuation allowance may be allocated, if necessary, so that the loan was reported, net of allowance for credit loss, at the present value of future cash flows using the loan's existing rate, or the fair value of collateral if repayment was expected solely from the collateral. During the year ended December 31, 2019 no material amount of interest income was recognized on impaired loans subsequent to their classification as impaired.

The following table presents impaired loans, segregated by class of loans.

| | Impaired Loans | | | |
|---|---|---|---|---|
| | Unpaid Principal Balance | Recorded Investment with Allowance | Related Allowance | Average Recorded Investment |
| | (Dollars in thousands) | | | |
| **As of December 31, 2019** | | | | |
| BancFirst | | | | |
| Real estate: | | | | |
| Non-residential real estate owner occupied | $ 13,253 | $ 13,000 | $ 514 | $ 12,868 |
| Non-residential real estate other | 3,973 | 3,678 | 300 | 3,946 |
| Residential real estate permanent mortgage | 3,445 | 3,129 | 242 | 2,968 |
| Residential real estate other | 7,117 | 4,487 | 946 | 5,567 |
| Non-consumer non-real estate | 11,598 | 11,012 | 1,005 | 11,085 |
| Consumer other | 969 | 836 | 97 | 844 |
| Other loans | 5,711 | 5,510 | 105 | 1,130 |
| Acquired loans | 6,421 | 5,108 | 2 | 5,472 |
| Pegasus Bank | 2,960 | 2,138 | — | 2,161 |
| Total | $ 55,447 | $ 48,898 | $ 3,211 | $ 46,041 |

**Non-Cash Transfers from Loans and Premises and Equipment**

Transfers from loans and premises and equipment to other real estate owned, repossessed assets, and other assets are non-cash transactions, and are not included in the statements of cash flow.

Transfers from loans and premises and equipment to other real estate owned, repossessed assets, and other assets during the periods presented are summarized as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (Dollars in thousands) | | |
| Other real estate owned | $ 32,093 | $ 3,941 | $ 5,437 |
| Repossessed assets | 1,418 | 1,473 | 1,122 |
| Other assets | 11,105 | — | — |
| Total | $ 44,616 | $ 5,414 | $ 6,559 |

**Related Party Loans**

The Company has made loans in the ordinary course of business to the executive officers and directors of the Company and to certain affiliates of these executive officers and directors. Management believes that all such loans were made on substantially the same terms as those prevailing at the time for comparable transactions with other persons and do not represent more than a normal risk of collectability or present other unfavorable features. A summary of these loans is as follows:

| Year Ended December 31, | Balance Beginning of the Period | Additions | Collections/ Terminations | Balance End of the Period |
|---|---|---|---|---|
| | (Dollars in thousands) | | | |
| 2020 | $ 20,281 | $ 19,682 | $ (17,906) | $ 22,057 |
| 2019 | 19,891 | 12,371 | (11,981) | 20,281 |
| 2018 | 24,001 | 7,986 | (12,096) | 19,891 |

## (6) PREMISES AND EQUIPMENT, NET AND OTHER ASSETS

The following is a summary of premises and equipment by classification:

| | Estimated Useful Lives | December 31, 2020 | December 31, 2019 |
|---|---|---|---|
| | | (Dollars in thousands) | |
| Land | | $ 45,792 | $ 45,561 |
| Buildings | 10 to 40 years | 201,606 | 190,193 |
| Furniture, fixtures and equipment | 3 to 15 years | 87,001 | 81,225 |
| Construction in progress | | 61,300 | 12,760 |
| Accumulated depreciation | | (134,022) | (123,464) |
| Premises and equipment, net | | $ 261,677 | $ 206,275 |

### Non-cash items in Premises and Equipment, Net

As of December 31, 2020, the Company had approximately $2.4 million in construction in progress for retainage payable. Retainage payable is not remitted to the vendor until completion of the project and is therefore not included in the statement of cash flow.

### Construction in Progress

Construction in progress included in the table above is primarily related to the construction of BancFirst Tower described in Note (2). When construction is completed, the asset will be reclassified as buildings and depreciated over its applicable useful life.

### Other Assets

The Company recorded approximately $11.1 million in equity interest of a previous borrower in the oil and gas industry, which was received through bankruptcy proceedings in the fourth quarter of 2020. This asset is carried at cost less impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. This equity interest is included in other assets on the balance sheet.

### Low Income Housing Tax Credit Investments

The Company invests in affordable housing projects that qualify for the low income housing tax credit (LIHTC), which is designed to promote private development of low income housing. These investments generate a return primarily through realization of federal tax credits, and also through a tax deduction generated by operating losses of the investments. The investments are amortized through tax expense using the proportional amortization method as related tax credits are utilized. The Company is periodically required to provide additional contributions at the discretion of the project sponsors. Although in some cases the Company's investment may exceed 50% of the equity interest in an entity, the Company does not consolidate these structures as variable interest entities due to the project sponsor's ability to manage the projects, which is indicative of power in them.

Total LIHTC investments were $18.1 million and $20.4 million at December 31, 2020 and 2019, respectively and are included in other assets on the balance sheet. The Company recognized tax credits and other tax benefits of $5.6 million, $5.4 million and $5.4 million in 2020, 2019 and 2018, respectively and amortization expense of $4.6 million, $4.5 million and $4.4 million in 2020, 2019 and 2018, respectively resulting from LIHTC investments. Additional contributions are committed during the investment periods through the year 2032. Unfunded commitments to these investments as of December 31, 2020 totaled $19.4 million.

### New Market Tax Credit Investments

The Company also invests in active low income community businesses that qualify for New Market Tax Credits (NMTC). NMTC investments are made through Community Development Entities (CDE) and such entities are qualified through the US Department of the Treasury. NMTCs are earned for a qualified entity investment made by a taxpayer in CDEs if substantially all of the investment is used by the CDE to make qualified investments. It is through its equity contributions into the CDE entities that the Company is able to receive the benefits of the NMTCs. The amount of the NMTC is equal to 39% of the qualified investment taken over a seven year period. The investments are amortized through other noninterest expense using the effective yield method as related tax credits are utilized. The Company does not consolidate these CDEs as variable interest entities due to the control the allocatee of the tax credits has over the entity.

Total NMTC investments were $18.5 million and $21.8 million at December 31, 2020 and 2019, respectively and are included in other assets on the balance sheet. The Company recognized tax credits of $4.0 million, $4.5 million and $1.8 million in 2020, 2019 and 2018, respectively and amortization expense of $3.3 million, $3.7 million, and $1.4 million in 2020, 2019 and 2018, respectively resulting from NMTC investments. NMTC investments are funded in full in the year they begin. There are no unfunded commitments.

### (7) INTANGIBLE ASSETS AND GOODWILL

The following is a summary of intangible assets:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| | (Dollars in thousands) | | |
| **As of December 31, 2020** | | | |
| Core deposit intangibles | $ 33,411 | $ (15,076) | 18,335 |
| Customer relationship intangibles | 3,350 | (2,686) | 664 |
| Total | $ 36,761 | $ (17,762) | $ 18,999 |
| **As of December 31, 2019** | | | |
| Core deposit intangibles | $ 35,856 | $ (14,131) | $ 21,725 |
| Customer relationship intangibles | 3,391 | (2,508) | 883 |
| Total | $ 39,247 | $ (16,639) | $ 22,608 |

The evaluation of intangible assets for the year ended December 31, 2019 resulted in an impairment of customer relationship intangibles of approximately $353,000 related to BancFirst Insurance Services, Inc.

Estimated amortization of intangible assets for the next five years, as of December 31, 2020, is as follows (dollars in thousands):

| Estimated Amortization | |
|---|---|
| 2021 | $ 2,977 |
| 2022 | 2,710 |
| 2023 | 2,693 |
| 2024 | 2,693 |
| 2025 | 2,476 |

At December 31, 2020, the weighted-average remaining life of all intangible assets was approximately 7.2 years which consisted of customer relationship intangibles with a weighted-average life of 4.0 years and core deposit intangibles with a weighted-average life of 7.3 years.

The following is a summary of goodwill by business segment:

| | Metropolitan Banks | Community Banks | Pegasus Bank | Other Financial Services | Executive, Operations & Support | Consolidated |
|---|---|---|---|---|---|---|
| | | | (Dollars in thousands) | | | |
| **Year Ended December 31, 2020** | | | | | | |
| Balance at beginning of period | $ 13,767 | $ 59,894 | $ 68,855 | $ 5,464 | $ 624 | $ 148,604 |
| Acquisitions | — | 1,318 | — | — | — | 1,318 |
| Balance at end of period | $ 13,767 | $ 61,212 | $ 68,855 | $ 5,464 | $ 624 | $ 149,922 |
| **Year Ended December 31, 2019** | | | | | | |
| Balance at beginning of period | $ 13,767 | $ 59,894 | $ — | $ 5,464 | $ 624 | $ 79,749 |
| Acquisitions | — | — | 68,855 | — | — | 68,855 |
| Balance at end of period | $ 13,767 | $ 59,894 | $ 68,855 | $ 5,464 | $ 624 | $ 148,604 |

The Company acquired Citizens on March 5, 2020, which added $1.3 million in goodwill.

The Company acquired Pegasus Bank on August 15, 2019, which added $68.9 million in goodwill. The Company did not apply push down accounting and therefore the goodwill associated with this acquisition is included at the holding company level.

## (8) TIME DEPOSITS

Time deposits include certificates of deposit and individual retirement accounts.

At December 31, 2020, the scheduled maturities of all time deposits are as follows (Dollars in thousands):

| | |
|---|---|
| 2021 | $489,397 |
| 2022 | 100,196 |
| 2023 | 41,245 |
| 2024 | 23,696 |
| 2025 | 18,419 |
| Thereafter | 31 |
| Total | $672,984 |

The following table is a summary of time deposits that meet or exceed the current FDIC insurance limit for the periods presented:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | (Dollars in thousands) | |
| Time deposits of $250,000 or more | $ 154,646 | $ 153,987 |

## (9) SHORT-TERM BORROWINGS

The following is a summary of short-term borrowings:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (Dollars in thousands) | |
| Federal funds purchased | $ 1,100 | $ 1,100 |
| Weighted average interest rate | 0.30% | 2.19% |
| End of period interest rate | 0.05% | 1.45% |

Federal funds purchased represent borrowings of overnight funds from other financial institutions.

## (10) LINES OF CREDIT

The Company has a line of credit from the Federal Home Loan Bank ("FHLB") of Topeka, Kansas to use for liquidity or to match-fund certain long-term fixed rate loans. The Company's assets, including residential first mortgages of $838.3 million, are pledged as collateral for the borrowings under the line of credit. As of December 31, 2020, the Company had the ability to draw up to $651.3 million on the FHLB line of credit based on FHLB stock holdings of $555,600 with no advances outstanding. In addition, the Company had a revolving line of credit with another financial institution with the ability to draw up to $10.0 million with no advances outstanding. This line of credit had a variable rate based on prime rate minus 25 basis points and matured in the third quarter of 2020.

## (11) JUNIOR SUBORDINATED DEBENTURES

In January 2004, the Company established BFC Capital Trust II ("BFC II"), a trust formed under the Delaware Business Trust Act. The Company owns all of the common securities of BFC II. In February 2004, BFC II issued $25 million of aggregate liquidation amount of 7.20% Cumulative Trust Preferred Securities (the "Cumulative Trust Preferred Securities") to other investors. In March 2004, BFC II issued an additional $1 million in Cumulative Trust Preferred Securities through the execution of an over-allotment option. The proceeds from the sale of the Cumulative Trust Preferred Securities and the common securities of BFC II were invested in $26.8 million of 7.20% Junior Subordinated Debentures of the Company. Interest payments on the $26.8 million of 7.20% Junior Subordinated Debentures are payable January 15, April 15, July 15 and October 15 of each year. Such interest payments may be deferred for up to twenty consecutive quarters. The stated maturity date of the $26.8 million of 7.20% Junior Subordinated Debentures is March 31, 2034, but they are subject to mandatory redemption pursuant to optional prepayment terms. The Cumulative Trust Preferred Securities represent an undivided interest in the $26.8 million of 7.20% Junior Subordinated Debentures and are guaranteed by the Company. During any deferral period or during any event of default, the Company may not declare or pay any dividends on any of its capital stock. The Cumulative Trust Preferred Securities were callable at par, in whole or in part, after March 31, 2009.

On October 8, 2015, the Company acquired CSB Bancshares Statutory Trust I (CSB Trust I), a trust formed under the Delaware Business Trust Act, from the merger of CSB Bancshares Inc. CSB Trust I had issued $5.0 million aggregate liquidation amount of floating rate capital securities to other purchasers and $155,000 aggregate liquidation amount of common securities to CSB Bancshares Inc., which were assumed by the Company as a result of the merger. The proceeds from the sale of the securities of CSB Trust I were invested in $5.2 million of Floating Rate Junior Subordinated Deferrable Interest Debentures of CSB Bancshares Inc., which were assumed by the Company as a result of the merger. Interest payments on the $5.2 million of Floating Rate Junior Subordinated Deferrable Interest Debentures were payable March 15, June 15, September 15 and December 15 of each year. The interest rate on the $5.2 million of Floating Rate Junior Subordinated Deferrable Interest Debentures was set at three month LIBOR plus 182 basis points. The Floating Rate Junior Subordinated Deferrable Interest Debentures was due September 15, 2036. On December 17, 2018 the Company redeemed the Floating Rate Junior Subordinated Deferrable Interest Debentures and subsequently dissolved CSB Trust I.

## (12) INCOME TAXES

The components of the Company's income tax expense (benefit) are as follows:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (Dollars in thousands) | | |
| Current taxes: | | | |
| Federal | $ 25,974 | $ 26,247 | $ 23,700 |
| State | 7,443 | 7,288 | 7,083 |
| Deferred taxes | (9,491) | 1,148 | 3,155 |
| Total income taxes | $ 23,926 | $ 34,683 | $ 33,938 |

Income tax (benefit) expense applicable to securities transactions approximated $(82,000), $171,000 and $10,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

A reconciliation of tax expense at the federal statutory tax rate applied to income before taxes is presented in the following table. The federal statutory tax rate was 21% in 2020, 2019 and 2018:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (Dollars in thousands) | | |
| Tax expense at the federal statutory tax rate | $ 25,937 | $ 35,377 | $ 33,546 |
| Increase (decrease) in tax expense from: | | | |
| Tax-exempt income, net | (507) | (581) | (510) |
| Modified endowment life contracts | (508) | (519) | (558) |
| Share based compensation excess tax benefit | (412) | (765) | (917) |
| Tax deductible dividends paid on ESOP | (453) | — | — |
| State tax expense, net of federal tax benefit | 5,606 | 5,757 | 5,595 |
| Utilization of tax credits: | | | |
| New markets tax credits, net of tax expense | (3,121) | (3,547) | (1,422) |
| Low-income housing tax credits, net of amortization | (1,273) | (1,266) | (1,273) |
| Other tax credits | (320) | — | — |
| Other, net | (1,023) | 227 | (523) |
| Total tax expense | $ 23,926 | $ 34,683 | $ 33,938 |

The net deferred tax asset consisted of the following and is reported in other assets:

| | December 31, 2020 | December 31, 2019 |
|---|---|---|
| | (Dollars in thousands) | |
| Provision for credit losses | $ 22,500 | $ 13,763 |
| Write-downs of other real estate owned | 143 | 181 |
| Deferred compensation | 2,325 | 2,268 |
| Stock-based compensation | 1,672 | 1,514 |
| Investments in partnership interests | 4,695 | 3,677 |
| Other | 405 | 903 |
| Gross deferred tax assets | 31,740 | 22,306 |
| Unrealized net gains on securities | (2,513) | (1,187) |
| Premium on securities of banks acquired | (144) | (153) |
| Intangibles | (6,135) | (6,757) |
| Basis difference related to tax credits | (2,127) | (2,015) |
| Depreciation | (11,529) | (10,349) |
| Prepaid expense deducted | (1,208) | (1,000) |
| Other | (178) | (180) |
| Gross deferred tax liabilities | (23,834) | (21,641) |
| Net deferred tax asset | $ 7,906 | $ 665 |

The Company recognizes accrued interest and penalties related to unrecognized tax benefits, if applicable, in income tax expense. During the years ended December 31, 2020, 2019 and 2018, the Company did not recognize or accrue any interest and penalties related to unrecognized tax benefits. Federal and various state income tax statutes dictate that tax returns filed in any of the previous three reporting periods remain open to examination, which includes tax return years 2017 to 2019. In addition, the 2018 return will remain open through 2023 due to amending it in 2020. The Company has no open examinations with either the Internal Revenue Service or any state agency.

Management performs an analysis of the Company's tax position annually and believes it is more likely than not that all of its tax positions will be utilized in future years.

## (13) STOCK-BASED COMPENSATION

The Company has had a nonqualified incentive stock option plan (the "BancFirst ISOP") since May 1986. At December 31, 2020, there were 190,500 shares available for future grants. The BancFirst ISOP will terminate on December 31, 2024, if not extended. The options vest and are exercisable beginning four years from the date of grant at the rate of 25% per year for four years. Options expire at the end of fifteen years from the date of grant. The option price must be no less than 100% of the fair value of the stock relating to such option at the date of grant.

The Company has had the BancFirst Corporation Non-Employee Directors' Stock Option Plan (the "BancFirst Directors' Stock Option Plan") since June 1999. Each non-employee director is granted an option for 10,000 shares. At December 31, 2020, there were 30,000 shares available for future grants. The BancFirst Directors' Stock Option Plan will terminate on December 31, 2024, if not extended. The options vest and are exercisable beginning one year from the date of grant at the rate of 25% per year for four years, and expire at the end of fifteen years from the date of grant. The option price must be no less than 100% of the fair value of the stock relating to such option at the date of grant.

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

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

| | Options | Wgtd. Avg. Exercise Price | Wgtd. Avg. Remaining Contractual Term | Aggregate Intrinsic Value |
|---|---|---|---|---|
| | (Dollars in thousands, except option data) | | | |
| **Year Ended December 31, 2020** | | | | |
| Outstanding at December 31, 2019 | 1,257,730 | $ 32.70 | | |
| Options granted | 171,000 | 48.89 | | |
| Options exercised | (76,650) | 20.53 | | |
| Options canceled, forfeited, or expired | (9,000) | 58.26 | | |
| Outstanding at December 31, 2020 | 1,343,080 | 35.28 | 8.61Yrs | $ 31,453 |
| Exercisable at December 31, 2020 | 710,330 | 25.06 | 6.94Yrs | $ 23,894 |
| **Year Ended December 31, 2019** | | | | |
| Outstanding at December 31, 2018 | 1,216,700 | $ 28.48 | | |
| Options granted | 178,500 | 56.87 | | |
| Options exercised | (107,470) | 21.23 | | |
| Options canceled, forfeited, or expired | (30,000) | 46.42 | | |
| Outstanding at December 31, 2019 | 1,257,730 | 32.70 | 9.28Yrs | $ 37,408 |
| Exercisable at December 31, 2019 | 644,730 | 23.09 | 7.10Yrs | $ 25,370 |

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

| | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Total intrinsic value of options exercised | $ 2,315 | $ 3,982 | $ 4,810 |
| Cash received from options exercised | 1,574 | 2,282 | 2,159 |
| Tax benefit realized from options exercised | 590 | 1,014 | 1,225 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model and is based on certain assumptions including risk-free rate of return, dividend yield, stock price volatility and the expected term. The fair value of each option is expensed over its vesting period.

The following table is a summary of the Company's recorded stock-based compensation expense:

| | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| | (Dollars in thousands) | | |
| Stock-based compensation expense | $ 1,516 | $ 1,277 | $ 1,352 |
| Tax benefit | 386 | 325 | 345 |
| Stock-based compensation expense, net of tax | $ 1,130 | $ 952 | $ 1,007 |

The Company will continue to amortize the unearned stock-based compensation expense over the remaining vesting period of approximately seven years. The following table shows the unearned stock-based compensation expense:

| | December 31, 2020 |
|---|---|
| | (Dollars in thousands) |
| Unearned stock-based compensation expense | $ 4,888 |

The following table shows the assumptions used for computing stock-based compensation expense under the fair value method on options granted during the periods presented:

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| Weighted average grant-date fair value per share of options granted | $ 10.85 | $ 13.34 | $ 14.71 |
| Risk-free interest rate | 0.64 to 1.13% | 1.55 to 2.76% | 2.55 to 3.05% |
| Dividend yield | 2.00% | 2.00% | 2.00% |
| Stock price volatility | 22.84 to 36.10% | 22.93 to 23.63% | 23.05 to 23.95% |
| Expected term | 10 Yrs | 10 Yrs | 10 Yrs |

The risk-free interest rate is determined by reference to the spot zero-coupon rate for the U.S. Treasury security with a maturity similar to the expected term of the options. The dividend yield is the expected yield for the expected term. The stock price volatility is estimated from the recent historical volatility of the Company's stock. The expected term is estimated from the historical option exercise experience. The Company accounts for forfeitures as they occur.

The Company has had the BancFirst Corporation Directors' Deferred Stock Compensation Plan (the "BancFirst Deferred Stock Compensation Plan") since May 1999. As of December 31, 2020 there are 21,943 shares available for future issuance under the BancFirst Deferred Stock Compensation Plan. The BancFirst Deferred Stock Compensation Plan will terminate on December 31, 2024, if not extended. Under the plan, directors and members of the community advisory boards of the Company and its subsidiaries may defer up to 100% of their board fees. They are credited for each deferral with a number of stock units based on the current market price of the Company's stock, which accumulate in an account until such time as the director or community board member terminates serving as a board member. Shares of common stock of the Company are then distributed to the terminating director or community board member based upon the number of stock units accumulated in his or her account. There were 8,218 and 9,542 shares of common stock distributed from the BancFirst Deferred Stock Compensation Plan during the years ended December 31, 2020 and 2019, respectively.

A summary of the accumulated stock units is as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| Accumulated stock units | 148,278 | 143,362 |
| Average price | $ 28.57 | $ 27.17 |

**(14) RETIREMENT PLANS**

Since January 1, 2009, the Company has had two individual retirement plans. The Thrift Plan ("401(k)") and Employee Stock Ownership Plan ("ESOP") cover all eligible employees, as defined in the plans, of the Company and its subsidiaries. The 401(k) allows employees to defer up to the maximum legal limit of their compensation, of which the Company may match up to 3% of their compensation. In addition, the Company may make discretionary contributions based on employee contributions or eligible compensation to the ESOP, as determined by the Company's Board of Directors. The ESOP sponsor purchases shares from the open market. These shares are included in the calculation of the basic earnings per share. Dividends issued on these shares are reinvested into the ESOP. The ESOP is not leveraged. The aggregate amounts of contributions by the Company to the 401(k) and ESOP are shown in the following table:

| | December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (Dollars in thousands) | | |
| 401(k) contributions | $ 2,986 | $ 2,526 | $ 2,465 |
| ESOP contributions | 3,689 | 4,403 | 4,073 |
| Total contributions | $ 6,675 | $ 6,929 | $ 6,538 |

## (15) STOCKHOLDERS' EQUITY

As of December 31, 2020, 2019 and 2018 the Company's authorized and outstanding preferred and common stock was as follows:

| Class of Stock | No. of Shares Authorized at December 31, 2020 | No. of Shares Outstanding at December 31, 2020 | 2019 | 2018 | Par Value Per Share | Dividends | Voting Rights |
|---|---|---|---|---|---|---|---|
| Senior Preferred | 10,000,000 | — | — | — | $ 1.00 | As declared | Voting |
| 10% Cumulative Preferred | 900,000 | — | — | — | 5.00 | As declared | Non-voting |
| Common | 40,000,000 | 32,719,852 | 32,694,268 | 32,603,926 | 1.00 | As declared | Voting |

The following is a description of the capital stock of the Company:

(a) Senior Preferred Stock: No shares issued or outstanding. Shares may be issued with such voting, dividend, redemption, sinking fund, conversion, exchange, liquidation and other rights as shall be determined by the Company's Board of Directors, without approval of the stockholders. The Senior Preferred Stock would have a preference over common stock as to payment of dividends, as to the right to distribution of assets upon redemption of such shares or upon liquidation of the Company.

(b) 10% Cumulative Preferred Stock: Redeemable at the Company's option at $5.00 per share plus accumulated dividends; non-voting; cumulative dividends at the rate of 10% payable semi-annually on January 15 and July 15; no shares issued or outstanding.

(c) Common stock: At December 31, 2020, 2019 and 2018 the shares issued equaled shares outstanding.

In November 1999, the Company adopted a Stock Repurchase Program (the "SRP"). The SRP may be used as a means to increase earnings per share and return on equity, to purchase treasury stock for the exercise of stock options or for distributions under the Deferred Stock Compensation Plan, to provide liquidity for optionees to dispose of stock from exercises of their stock options, and to provide liquidity for stockholders wishing to sell their stock. All shares repurchased under the SRP have been retired and not held as treasury stock. The timing, price and amount of stock repurchases under the SRP may be determined by management and approved by the Company's Executive Committee.

The following table is a summary of the shares under the program:

| | Year Ended December 31, 2020 | 2019 | 2018 |
|---|---|---|---|
| Number of shares repurchased | 59,284 | 26,670 | 151,264 |
| Average price of shares repurchased | $ 52.26 | $ 60.04 | $ 52.32 |
| Shares remaining to be repurchased | 62,782 | 122,066 | 148,736 |

The Company's ability to pay dividends is dependent upon dividend payments received from BancFirst. Banking regulations limit bank dividends based upon net earnings retained and minimum capital requirements. Dividends in excess of these requirements require regulatory approval. At January 1, 2021, approximately $102.1 million of the equity of BancFirst was available for dividend payments to the Company. During any deferral period or any event of default on the Junior Subordinated Debentures, the Company may not declare or pay any dividends on any of its capital stock.

The Company, BancFirst and Pegasus Bank are subject to risk-based capital guidelines issued by the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation ("FDIC"). These guidelines are used to evaluate capital adequacy and involve both quantitative and qualitative evaluations of the Company's, BancFirst's and Pegasus Bank's assets, liabilities, and certain off-balance-sheet items calculated under regulatory practices. Failure to meet the minimum capital requirements can initiate certain mandatory or discretionary actions by the regulatory agencies that could have a direct material effect on the Company's financial statements. Management believes that as of December 31, 2020, the Company, BancFirst and Pegasus Bank met all capital adequacy requirements to which they are subject. The actual and required capital amounts and ratios are shown in the following table:

| | Actual | | Required For Capital Adequacy Purposes | | With Capital Conservation Buffer | | To Be Well Capitalized Under Prompt Corrective Action Provisions | |
|---|---|---|---|---|---|---|---|---|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| | | | (Dollars in thousands) | | | | | |
| **As of December 31, 2020:** | | | | | | | | |
| Total Capital | | | | | | | | |
| (to Risk Weighted Assets)- | | | | | | | | |
| BancFirst Corporation | $997,383 | 15.64% | $510,110 | 8.00% | $669,519 | 10.50% | N/A | N/A |
| BancFirst | 898,714 | 15.59% | 461,142 | 8.00% | 605,248 | 10.50% | $576,427 | 10.00% |
| Pegasus Bank | 70,922 | 11.85% | 47,893 | 8.00% | 62,860 | 10.50% | 59,866 | 10.00% |
| Common Equity Tier 1 Capital | | | | | | | | |
| (to Risk Weighted Assets)- | | | | | | | | |
| BancFirst Corporation | $891,534 | 13.98% | $286,937 | 4.50% | $446,346 | 7.00% | N/A | N/A |
| BancFirst | 806,478 | 13.99% | 259,392 | 4.50% | 403,499 | 7.00% | $374,678 | 6.50% |
| Pegasus Bank | 66,150 | 11.05% | 26,940 | 4.50% | 41,906 | 7.00% | 38,913 | 6.50% |
| Tier 1 Capital | | | | | | | | |
| (to Risk Weighted Assets)- | | | | | | | | |
| BancFirst Corporation | $917,534 | 14.39% | $382,583 | 6.00% | $541,992 | 8.50% | N/A | N/A |
| BancFirst | 826,478 | 14.34% | 345,856 | 6.00% | 489,963 | 8.50% | $461,142 | 8.00% |
| Pegasus Bank | 66,150 | 11.05% | 35,920 | 6.00% | 50,886 | 8.50% | 47,893 | 8.00% |
| Tier 1 Capital | | | | | | | | |
| (to Total Assets)- | | | | | | | | |
| BancFirst Corporation | $917,534 | 9.63% | $380,952 | 4.00% | N/A | N/A | N/A | N/A |
| BancFirst | 826,478 | 9.48% | 348,666 | 4.00% | N/A | N/A | $435,833 | 5.00% |
| Pegasus Bank | 66,150 | 8.10% | 32,682 | 4.00% | N/A | N/A | 40,852 | 5.00% |
| **As of December 31, 2019:** | | | | | | | | |
| Total Capital | | | | | | | | |
| (to Risk Weighted Assets)- | | | | | | | | |
| BancFirst Corporation | $910,561 | 14.42% | $505,050 | 8.00% | $662,878 | 10.50% | N/A | N/A |
| BancFirst | 827,928 | 14.14% | 468,107 | 8.00% | 614,390 | 10.50% | $585,134 | 10.00% |
| Pegasus Bank | 63,817 | 14.15% | 36,083 | 8.00% | 47,359 | 10.50% | 45,104 | 10.00% |
| Common Equity Tier 1 Capital | | | | | | | | |
| (to Risk Weighted Assets)- | | | | | | | | |
| BancFirst Corporation | $830,323 | 13.15% | $284,091 | 4.50% | $441,919 | 7.00% | N/A | N/A |
| BancFirst | 753,659 | 12.88% | 263,310 | 4.50% | 409,594 | 7.00% | $380,337 | 6.50% |
| Pegasus Bank | 60,214 | 13.35% | 20,297 | 4.50% | 31,573 | 7.00% | 29,317 | 6.50% |
| Tier 1 Capital | | | | | | | | |
| (to Risk Weighted Assets)- | | | | | | | | |
| BancFirst Corporation | $856,323 | 13.56% | $378,788 | 6.00% | $536,616 | 8.50% | N/A | N/A |
| BancFirst | 773,659 | 13.22% | 351,080 | 6.00% | 497,364 | 8.50% | $468,107 | 8.00% |
| Pegasus Bank | 60,214 | 13.35% | 27,062 | 6.00% | 38,338 | 8.50% | 36,083 | 8.00% |
| Tier 1 Capital | | | | | | | | |
| (to Total Assets)- | | | | | | | | |
| BancFirst Corporation | $856,323 | 10.28% | $333,171 | 4.00% | N/A | N/A | N/A | N/A |
| BancFirst | 773,659 | 10.22% | 302,845 | 4.00% | N/A | N/A | $378,556 | 5.00% |
| Pegasus Bank | 60,214 | 8.58% | 28,058 | 4.00% | N/A | N/A | 35,072 | 5.00% |

As of December 31, 2020, the most recent notification from the Federal Reserve Bank of Kansas City and the FDIC categorized BancFirst and Pegasus Bank as “well capitalized” under the prompt corrective action provisions. The Common Equity Tier 1 Capital of the Company, BancFirst and Pegasus Bank includes common stock and related paid-in capital and retained earnings. In connection with the adoption of the Basel III Capital Rules, the election was made to opt-out of the requirement to include most components of accumulated other comprehensive income in Common Equity Tier 1 Capital. Common Equity Tier 1 Capital for the Company, BancFirst and Pegasus Bank is reduced by goodwill and other intangible assets, net of associated deferred tax liabilities. The Company's trust preferred securities have continued to be included in Tier 1 capital as the Company's total assets do not exceed $15 billion. There are no conditions or events since the most recent notification of BancFirst and Pegasus Bank's capital category that management believes would materially change its category under capital requirements existing as of the report date.

In April 2020, the Company began originating loans to qualified small businesses under the PPP administered by the SBA. Federal bank regulatory agencies have issued an interim final rule that permits banks to neutralize the regulatory capital effects of participating in the Paycheck Protection Program Lending Facility (the "PPP Facility") and clarify that PPP loans have a zero percent risk weight under applicable risk-based capital rules. Specifically, a bank may exclude all PPP loans pledged as collateral to the PPP Facility from its average total consolidated assets for the purposes of calculating its leverage ratio, while PPP loans that are not pledged as collateral to the PPP Facility are included. The Company's PPP loans are included in the calculation of the Company's leverage ratio as of December 31, 2020 as the Company did not utilize the PPP Facility for funding purposes.

As discussed in Note 1 – Description of Business and Summary of Significant Accounting Policies, in connection with the adoption of ASC 326, the Company recognized an after-tax cumulative effect reduction to retained earnings totaling $2.3 million. In February 2019, the federal bank regulatory agencies issued a final rule (the "2019 CECL Rule") that revised certain capital regulations to account for changes to credit loss accounting under U.S. GAAP. The 2019 CECL Rule included a transition option that allows banking organizations to phase in, over a three-year period, the day-one adverse effects of CECL on their regulatory capital ratios (three-year transition option). In March 2020, the federal bank regulatory agencies issued an interim final rule that maintains the three-year transition option of the 2019 CECL Rule and also provides banking organizations that were required under U.S. GAAP (as of January 2020) to implement CECL before the end of 2020 the option to delay for two years an estimate of the effect of CECL on regulatory capital, relative to the incurred loss methodology's effect on regulatory capital, followed by a three-year transition period (five-year transition option). The Company elected not to adopt the five-year transition option.

## (16) NET INCOME PER COMMON SHARE

Basic and diluted net income per common share are calculated as follows:

| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
|---|---|---|---|
| | (Dollars in thousands, except per share data) | | |
| **Year Ended December 31, 2020** | | | |
| **Basic** | | | |
| Income available to common stockholders | $ 99,586 | 32,672,522 | $ 3.05 |
| Dilutive effect of stock options | — | 538,430 | |
| **Diluted** | | | |
| Income available to common stockholders plus assumed exercises of stock options | $ 99,586 | 33,210,952 | $ 3.00 |
| **Year Ended December 31, 2019** | | | |
| **Basic** | | | |
| Income available to common stockholders | $ 134,879 | 32,639,396 | $ 4.13 |
| Dilutive effect of stock options | — | 690,448 | |
| **Diluted** | | | |
| Income available to common stockholders plus assumed exercises of stock options | $ 134,879 | 33,329,844 | $ 4.05 |
| **Year Ended December 31, 2018** | | | |
| **Basic** | | | |
| Income available to common stockholders | $ 125,814 | 32,689,228 | $ 3.85 |
| Dilutive effect of stock options | — | 741,486 | |
| **Diluted** | | | |
| Income available to common stockholders plus assumed exercises of stock options | $ 125,814 | 33,430,714 | $ 3.76 |

The following table shows the number and average exercise price of options that were excluded from the computation of diluted net income per common share for each year because the options were anti-dilutive for the period.

| | Shares | Average Exercise Price |
|---|---|---|
| December 31, 2020 | 402,575 | $ 52.72 |
| December 31, 2019 | 180,989 | 54.73 |
| December 31, 2018 | 92,738 | 53.17 |

**(17) CONDENSED PARENT COMPANY FINANCIAL STATEMENTS**

**BALANCE SHEETS**

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (Dollars in thousands) | |
| **ASSETS** | | |
| Cash | $ 9,081 | $ 5,761 |
| Investments in subsidiaries | 1,003,017 | 946,311 |
| Goodwill | 69,478 | 69,478 |
| Core deposit premium | 8,622 | 9,617 |
| Dividends receivable | 12,750 | 11,622 |
| Other assets | 5,331 | 2,313 |
| Total assets | $ 1,108,279 | $ 1,045,102 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Other liabilities | $ 13,590 | $ 13,309 |
| Junior subordinated debentures | 26,804 | 26,804 |
| Stockholders' equity | 1,067,885 | 1,004,989 |
| Total liabilities and stockholders' equity | $ 1,108,279 | $ 1,045,102 |

**STATEMENTS OF INCOME**

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (Dollars in thousands) | | |
| **OPERATING INCOME** | | | |
| Dividends from subsidiaries | $ 50,872 | $ 77,559 | $ 38,326 |
| Interest on interest-bearing deposits | 1 | 1,150 | 1,151 |
| Other | 886 | 451 | 16 |
| Total operating income | 51,759 | 79,160 | 39,493 |
| **OPERATING EXPENSE** | | | |
| Interest | 1,965 | 1,965 | 2,172 |
| Other | 3,317 | 5,017 | 698 |
| Total operating expense | 5,282 | 6,982 | 2,870 |
| Income before taxes and equity in undistributed earnings of subsidiaries | 46,477 | 72,178 | 36,623 |
| Allocated income tax benefit | 2,610 | 2,731 | 3,093 |
| Income before equity in undistributed earnings of subsidiaries | 49,087 | 74,909 | 39,716 |
| Equity in undistributed earnings of subsidiaries | 51,955 | 61,194 | 87,404 |
| Amortization of stock-based compensation arrangements of subsidiaries | (1,456) | (1,224) | (1,306) |
| Net income | $ 99,586 | $ 134,879 | $ 125,814 |

### STATEMENTS OF CASH FLOW

| | Year Ended December 31, | | |
|---|---|---|---|
| | 2020 | 2019 | 2018 |
| | (Dollars in thousands) | | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net income | $ 99,586 | $ 134,879 | $ 125,814 |
| Adjustments to reconcile to net cash provided by operating activities: | | | |
| Equity in undistributed earnings of subsidiaries | (51,955) | (61,194) | (87,404) |
| Amortization of stock-based compensation arrangements of subsidiaries | 1,456 | 1,224 | 1,306 |
| Other, net | 188 | (440) | (2,621) |
| Net cash provided by operating activities | 49,275 | 74,469 | 37,095 |
| **INVESTING ACTIVITIES** | | | |
| Net cash provided by acquisitions | — | — | 41,347 |
| Payments for investments in subsidiaries | (1,000) | (134,457) | — |
| Other, net | (1,175) | (418) | (174) |
| Net cash (used in) provided by investing activities | (2,175) | (134,875) | 41,173 |
| **FINANCING ACTIVITIES** | | | |
| Issuance of common stock | 1,790 | 2,484 | 2,238 |
| Common stock acquired | (3,098) | (1,601) | (7,914) |
| Cash dividends paid | (42,472) | (39,805) | (30,265) |
| Redemption of Junior Subordinated debentures | — | — | (5,155) |
| Net cash used in financing activities | (43,780) | (38,922) | (41,096) |
| Net increase (decrease) in cash and due from banks | 3,320 | (99,328) | 37,172 |
| Cash and due from banks at the beginning of the period | 5,761 | 105,089 | 67,917 |
| Cash and due from banks at the end of the period | $ 9,081 | $ 5,761 | $ 105,089 |
| **SUPPLEMENTAL DISCLOSURE** | | | |
| Cash paid during the period for interest | $ 1,966 | $ 5,131 | $ 2,171 |
| Cash received during the period for income taxes, net | $ 2,812 | $ 4,518 | $ 3,647 |

## (18) RELATED PARTY TRANSACTIONS

Refer to Note (5) for information regarding loan transactions with related parties.

## (19) COMMITMENTS AND CONTINGENT LIABILITIES

The Company is a party to financial instruments with off balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include loan commitments and standby letters of credit which involve elements of credit and interest-rate risk to varying degrees. The Company's exposure to credit loss in the event of nonperformance by the other party to the instrument is represented by the instrument's contractual amount. To control this credit risk, the Company uses the same underwriting standards as it uses for loans recorded on the balance sheet. The amounts of financial instruments with off-balance-sheet risk are as follows:

| | December 31, | |
|---|---|---|
| | 2020 | 2019 |
| | (Dollars in thousands) | |
| Loan commitments | $1,779,857 | $1,618,001 |
| Stand-by letters of credit | 96,311 | 64,702 |

Loan commitments are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Stand-by letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. These instruments generally have fixed expiration dates or other termination clauses and may require payment of a fee.

Since many of the instruments are expected to expire without being drawn upon, the total amounts do not necessarily represent commitments that will be funded in the future.

The Company is a defendant in legal actions arising from normal business activities. Management believes that all legal actions against the Company are without merit or that the ultimate liability, if any, resulting from them will not materially affect the Company's financial statements.

## (20) LEASES

### Lessee

The Company has operating leases, which primarily consist of office space in buildings, ATM locations, storage facilities, parking lots, equipment and land on which it owns certain buildings.

Rental expense on all operating leases, including those rented on a monthly or temporary basis were as follows (Dollars in thousands):

| **Year Ending December 31:** | | |
|---|---|---|
| 2020 | $ | 1,894 |
| 2019 | | 1,633 |
| 2018 | | 1,857 |

As of December 31, 2020, a right of use lease asset included in accrued interest receivable and other assets on the balance sheet totaled $4.4 million, and a related lease liability included in accrued interest payable and other liabilities on the balance sheet totaled $4.3 million. As of December 31, 2020, our operating leases have a weighted-average remaining lease term of 3.3 years and a weighted-average discount rate of 3.1 percent.

*Maturity of Operating Lease Liabilities*

| | December 31, 2020 (Dollars in thousands) | |
|---|---|---|
| 2021 | $ | 1,413 |
| 2022 | | 1,210 |
| 2023 | | 706 |
| 2024 | | 345 |
| 2025 | | 277 |
| Thereafter | | 887 |
| Total lease payments | | 4,838 |
| Less imputed interest | | (508) |
| Operating lease liability | $ | 4,330 |

### Lessor

The Company is a lessor of operating leases, which primarily consist of office space in buildings and parking lots. These assets are classified on the balance sheet as premises and equipment. The Company had operating lease revenue of $5.3 million, $6.1 million and $2.5 million for the years ended December 31, 2020, 2019 and 2018, respectively. Lease revenue is included in occupancy, net on the consolidated statement of comprehensive income.

*Future Minimum Lease Payments to be received*

The Company does not have operating leases that extend beyond 2030. The following table presents the scheduled minimum future contractual rent to be received under the remaining non-cancelable term of the operating leases:

| | December 31, 2020 |
|---|---|
| | (Dollars in thousands) |
| 2021 | $ 3,402 |
| 2022 | 2,707 |
| 2023 | 2,313 |
| 2024 | 2,229 |
| 2025 | 1,611 |
| 2026-2030 | 4,355 |
| Total future minimum lease payments | $ 16,617 |

## (21) FAIR VALUE MEASUREMENTS

Accounting standards define fair value as the price that would be received to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants on the measurement date.

FASB Accounting Standards Codification ("ASC") Topic 820 establishes a fair value hierarchy for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category includes certain collaterally dependent loans, impaired loans, repossessed assets, other real estate owned, goodwill and other intangible assets.

### Financial Assets and Financial Liabilities Measured at Fair Value on a Recurring Basis

A description of the valuation methodologies and key inputs used to measure financial assets and financial liabilities at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to the following categories of the Company's financial assets and financial liabilities.

#### Debt Securities Available for Sale

Debt securities classified as available for sale are reported at fair value. U.S. Treasuries are valued using Level 1 inputs. Other debt securities available for sale including U.S. federal agencies, registered mortgage backed securities and state and political subdivisions are valued using prices from an independent pricing service utilizing Level 2 data. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, live trading levels, trade execution data, market consensus prepayment speeds, credit information and the bond's terms and conditions, among other things. The Company also invests in private label mortgage backed debt securities for which observable information is not readily available. These debt securities are reported at fair value utilizing Level 3 inputs. For these debt securities, management determines the fair value based on replacement cost, the income approach or information provided by outside consultants or lead investors. Discount rates are primarily based on reference to interest rate spreads on comparable securities of similar duration and credit rating as determined by the nationally recognized rating agencies adjusted for a lack of trading volume. Significant unobservable inputs are developed by investment securities professionals involved in the active trading of similar securities.

The Company reviews the prices for Level 1 and Level 2 securities supplied by the independent pricing service for reasonableness and to ensure such prices are aligned with traditional pricing matrices. In general, the Company does not purchase investment portfolio securities that are esoteric or that have complicated structures. The Company's portfolio primarily consists of traditional investments including U.S. Treasury obligations, federal agency mortgage pass-through securities, general obligation municipal bonds and a small amount of municipal revenue bonds. Pricing for such instruments is fairly generic and is easily obtained. For in-state bond issues that have relatively low issue sizes and liquidity, the Company utilizes the same parameters for pricing mentioned in the preceding paragraph adjusted for the specific issue. Periodically, the Company will validate prices supplied by the independent pricing service by comparison to prices obtained from third party sources.

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of the periods presented, segregated by the level of the valuation inputs within the fair value hierarchy utilized to measure fair value:

| | Level 1 Inputs | Level 2 Inputs | Level 3 Inputs | Total Fair Value |
|---|---|---|---|---|
| | | (Dollars in thousands) | | |
| **December 31, 2020** | | | | |
| Debt securities available for sale: | | | | |
| U.S. Treasury | $ 475,236 | $ — | $ — | $ 475,236 |
| U.S. federal agencies | — | 19,638 | — | 19,638 |
| Mortgage-backed securities | — | 15,696 | — | 15,696 |
| States and political subdivisions | — | 28,793 | 155 | 28,948 |
| Asset backed securities | — | — | 12,714 | 12,714 |
| **December 31, 2019** | | | | |
| Debt securities available for sale: | | | | |
| U.S. Treasury | $ 414,449 | $ — | $ — | $ 414,449 |
| U.S. federal agencies | — | 23,024 | — | 23,024 |
| Mortgage-backed securities | — | 17,005 | — | 17,005 |
| States and political subdivisions | — | 22,531 | — | 22,531 |
| Asset backed securities | — | — | 12,714 | 12,714 |

The changes in Level 3 assets measured at estimated fair value on a recurring basis during the periods presented were as follows:

| | Twelve Months Ended December 31, 2020 | 2019 |
|---|---|---|
| | (Dollars in thousands) | |
| Balance at the beginning of the year | $ 12,714 | $ 13,443 |
| Transfers from level 2 | 1,643 | — |
| Settlements | (1,473) | (695) |
| Total unrealized losses | (15) | (34) |
| Balance at the end of the period | $ 12,869 | $ 12,714 |

The Company's policy is to recognize transfers in and transfers out of Levels 1, 2 and 3 as of the end of the reporting period. During the year ended December 31, 2020, the Company transferred securities from Level 2 to Level 3 due to a review of the pricing models that determined some state and political subdivisions bonds to be Level 3. During the year ended December 31, 2019, the Company did not transfer any securities between levels in the fair value hierarchy.

**Financial Assets and Financial Liabilities Measured at Fair Value on a Nonrecurring Basis**

Certain financial assets and financial liabilities are measured at fair value on a nonrecurring basis; that is, the instruments are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances (for example, when there is evidence of impairment). These financial assets and financial liabilities are reported at fair value utilizing Level 3 inputs.

The Company invests in equity securities without readily determinable fair values and utilizes Level 3 inputs. These securities are reported at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The realized and unrealized gains and losses are reported as securities transactions in the noninterest income section of the consolidated statements of comprehensive income.

Collateral dependent loans are reported at the fair value of the underlying collateral if repayment is dependent on liquidation of the collateral. When management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral, expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for selling costs as appropriate. In no case does the fair value of a collateral dependent loan exceed the fair value of the underlying collateral. The collateral dependent loans are adjusted to fair value through a specific allocation of the allowance for credit losses or a direct charge-down of the loan.

Impaired loans are reported at the fair value of the underlying collateral if repayment is dependent on liquidation of the collateral. In no case does the fair value of an impaired loan exceed the fair value of the underlying collateral. The impaired loans are adjusted to fair value through a specific allocation of the allowance for credit losses or a direct charge-down of the loan.

Repossessed assets, upon initial recognition, are measured and adjusted to fair value through a charge-off to the allowance for possible credit losses based upon the fair value of the repossessed asset.

Other real estate owned is revalued at fair value subsequent to initial recognition, with any losses recognized in net expense from other real estate owned.

The following table summarizes assets measured at fair value on a nonrecurring basis. The fair value represents end of period values, which approximate fair value measurements that occurred on various measurement dates throughout the period:

| | Total Fair Value Level 3 |
|---|---|
| | (Dollars in thousands) |
| **As of and for the Year-to-date Period Ended December 31, 2020** | |
| Equity securities | $ 21,203 |
| Collateral dependent loans | 11,347 |
| Repossessed assets | 291 |
| Other real estate owned | 32,066 |
| **As of and for the Year-to-date Period Ended December 31, 2019** | |
| Equity securities | $ 10,121 |
| Impaired loans (less specific allowance) | 45,687 |
| Repossessed assets | 465 |
| Other real estate owned | 3,024 |

**Estimated Fair Value of Financial Instruments**

The Company is required under current authoritative accounting guidance to disclose the estimated fair value of their financial instruments that are not recorded at fair value. For the Company, as for most financial institutions, substantially all of its assets and liabilities are considered financial instruments. A financial instrument is defined as cash, evidence of an ownership interest in an entity or a contract that creates a contractual obligation or right to deliver or receive cash or another financial instrument from a second entity. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

**Cash and Cash Equivalents Include: Cash and Due from Banks and Interest-Bearing Deposits with Banks**

The carrying amount of these short-term instruments is a reasonable estimate of fair value.

**Federal Funds Sold**

The carrying amount of these short-term instruments is a reasonable estimate of fair value.

### Debt Securities Held for Investment

For debt securities held for investment, which are generally traded in secondary markets, fair values are based on quoted market prices or dealer quotes, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities making adjustments for credit or liquidity if applicable.

### Loans Held For Sale

The Company originates mortgage loans to be sold. At the time of origination, the acquiring bank has already been determined and the terms of the loan, including interest rate, have already been set by the acquiring bank allowing the Company to originate the loan at fair value. Mortgage loans are generally sold within 30 days of origination. Loans held for sale are valued using Level 2 inputs. Gains or losses recognized upon the sale of the loans are determined on a specific identification basis. At December 31, 2020, the Company's principal subsidiary bank, BancFirst, had approximately $21.6 million in loans at its Hugo, Oklahoma branch that it has entered into an agreement to sell to AmeriState Bank in Atoka, Oklahoma.

### Loans

To determine the fair value of loans, the Company uses an exit price calculation, which takes into account factors such as liquidity, credit and the nonperformance risk of loans. For certain homogeneous categories of loans, such as some residential mortgages, fair values are estimated using the quoted market prices for securities backed by similar loans, adjusted for differences in loan characteristics. The fair values of other types of loans are estimated by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities.

### Deposits

The fair values of transaction and savings accounts are the amounts payable on demand at the reporting date. The fair values of fixed-maturity certificates of deposit are estimated using the rates currently offered for deposits of similar remaining maturities.

### Short-term Borrowings

The amounts payable on these short-term instruments are reasonable estimates of fair value.

### Junior Subordinated Debentures

The fair values of junior subordinated debentures are estimated using the rates that would be charged for junior subordinated debentures of similar remaining maturities.

### Loan Commitments and Letters of Credit

The fair values of commitments are estimated using the fees currently charged to enter into similar agreements, taking into account the terms of the agreements. The fair values of letters of credit are based on fees currently charged for similar agreements.

The estimated fair values of the Company's financial instruments that are reported at amortized cost in the Company's consolidated balance sheets, segregated by the level of valuation inputs within the fair value hierarchy utilized to measure fair value, are as follows:

| | December 31, | | | |
|---|---|---|---|---|
| | 2020 | | 2019 | |
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| | (Dollars in thousands) | | | |
| **FINANCIAL ASSETS** | | | | |
| Level 2 inputs: | | | | |
| Cash and cash equivalents | $ 1,616,912 | $ 1,616,912 | $ 1,868,281 | $ 1,868,281 |
| Federal funds sold | — | — | 1,000 | 1,000 |
| Debt securities held for investment | 59 | 62 | 1,403 | 1,403 |
| Loans held for sale | 53,719 | 53,719 | 11,001 | 11,001 |
| Level 3 inputs: | | | | |
| Debt securities held for investment | 2,905 | 2,922 | 500 | 500 |
| Loans, net of allowance for credit losses | 6,303,140 | 6,347,803 | 5,607,905 | 5,625,005 |
| **FINANCIAL LIABILITIES** | | | | |
| Level 2 inputs: | | | | |
| Deposits | 8,064,704 | 8,084,695 | 7,483,635 | 7,497,429 |
| Short-term borrowings | 1,100 | 1,100 | 1,100 | 1,100 |
| Junior subordinated debentures | 26,804 | 30,535 | 26,804 | 29,324 |
| **OFF-BALANCE SHEET FINANCIAL INSTRUMENTS** | | | | |
| Loan commitments | | 3,115 | | 2,832 |
| Letters of credit | | 722 | | 485 |

**Non-financial Assets and Non-financial Liabilities Measured at Fair Value**

The Company has no non-financial assets or non-financial liabilities measured at fair value on a recurring basis. Certain non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis include intangible assets and other non-financial long-lived assets measured at fair value and adjusted for impairment. These items are evaluated at least annually for impairment, of which there were none as of December 31, 2020. The evaluation of intangible assets and goodwill for the year ended December 31, 2019 resulted in an impairment of customer relationship intangibles of approximately $353,000 related to BancFirst Insurance Services, Inc. The overall levels of non-financial assets and non-financial liabilities measured at fair value on a nonrecurring basis were not considered to be significant to the Company at December 31, 2020 or 2019.

**(22) SEGMENT INFORMATION**

The Company evaluates its performance with an internal profitability measurement system that measures the profitability of its business units on a pre-tax basis. The five principal business units are metropolitan banks, community banks, Pegasus Bank, other financial services and executive, operations and support. Metropolitan banks, community banks and Pegasus Bank offer traditional banking products such as commercial and retail lending, and a full line of deposit accounts. Metropolitan banks consist of banking locations in the metropolitan Oklahoma City and Tulsa areas. Community banks consist of banking locations in communities throughout Oklahoma. Pegasus Bank consists of banking locations in the Dallas metropolitan area. Other financial services are specialty product business units including guaranteed small business lending, residential mortgage lending, trust services, securities brokerage, electronic banking and insurance. The executive, operations and support groups represent executive management, operational support and corporate functions that are not allocated to the other business units.

The results of operations and selected financial information for the five business units are as follows:

| | Metropolitan Banks | Community Banks | Pegasus Bank | Other Financial Services | Executive, Operations & Support | Eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| | | | | (Dollars in thousands) | | | |
| **December 31, 2020** | | | | | | | |
| Net interest income | $ 85,464 | $ 175,757 | $ 21,360 | $ 23,500 | $ 79 | $ 508 | $ 306,668 |
| Provision for credit losses | 30,202 | 29,827 | 1,916 | 562 | 141 | — | 62,648 |
| Noninterest income | 18,664 | 60,386 | 1,071 | 41,549 | 118,491 | (102,939) | 137,222 |
| Depreciation and amortization | 2,639 | 10,603 | 760 | 500 | 3,922 | — | 18,424 |
| Other expenses | 36,746 | 111,341 | 13,831 | 44,918 | 33,588 | (1,118) | 239,306 |
| Income before taxes | $ 34,541 | $ 84,372 | $ 5,924 | $ 19,069 | $ 80,919 | $ (101,313) | $ 123,512 |
| Total assets | $2,729,886 | $5,527,611 | $919,572 | $137,122 | $1,073,507 | $(1,175,341) | $9,212,357 |
| Capital expenditures | $ 1,087 | $ 9,946 | $ 1,775 | $ 450 | $ 53,188 | $ — | $ 66,446 |
| **December 31, 2019** | | | | | | | |
| Net interest income | $ 86,511 | $ 177,330 | $ 8,657 | $ 5,763 | $ 3,660 | $ — | $ 281,921 |
| Provision for credit losses | 2,143 | 5,606 | 140 | (69) | 467 | — | 8,287 |
| Noninterest income | 18,608 | 64,485 | 483 | 40,270 | 152,320 | (138,937) | 137,229 |
| Depreciation and amortization | 2,463 | 10,218 | 274 | 603 | 2,431 | — | 15,989 |
| Other expenses | 37,549 | 109,044 | 4,939 | 25,408 | 50,941 | (2,569) | 225,312 |
| Income before taxes | $ 62,964 | $ 116,947 | $ 3,787 | $ 20,091 | $ 102,141 | $ (136,368) | $ 169,562 |
| Total assets | $2,806,021 | $4,998,247 | $738,351 | $102,442 | $ 950,920 | $(1,030,223) | $8,565,758 |
| Capital expenditures | $ 4,349 | $ 11,219 | $ 83 | $ 1,220 | $ 10,183 | $ — | $ 27,054 |
| **December 31, 2018** | | | | | | | |
| Net interest income (expense) | $ 84,043 | $ 170,096 | $ — | $ 5,341 | $ 996 | $ — | $ 260,476 |
| Provision for credit losses | 79 | 4,178 | — | (466) | 11 | — | 3,802 |
| Noninterest income | 16,625 | 60,004 | — | 37,743 | 137,364 | (126,537) | 125,199 |
| Depreciation and amortization | 2,364 | 9,092 | — | 588 | 1,502 | — | 13,546 |
| Other expenses | 36,873 | 106,674 | — | 24,895 | 42,319 | (2,186) | 208,575 |
| Income before taxes | $ 61,352 | $ 110,156 | $ — | $ 18,067 | $ 94,528 | $ (124,351) | $ 159,752 |
| Total assets | $2,743,876 | $4,892,946 | $ — | $ 84,706 | $ 861,782 | $(1,009,052) | $7,574,258 |
| Capital expenditures | $ 3,003 | $ 21,393 | $ — | $ 1,035 | $ 26,432 | $ — | $ 51,863 |

The financial information for each business unit is presented on the basis used internally by management to evaluate performance and allocate resources. The Company utilizes a transfer pricing system to allocate the benefit or cost of funds provided or used by the various business units. Certain services provided by the support group to other business units, such as item processing, are allocated at rates approximating the cost of providing the services. Eliminations are adjustments to consolidate the business units and companies. Capital expenditures are generally charged to the business unit using the asset.

**(23) SUBSEQUENT EVENT**

On January 22, 2021, the Company sold approximately $21 million in loans and approximately $38 million in deposits from its Hugo, Oklahoma branch to AmeriState Bank in Atoka, Oklahoma. A gain on the transaction of $2.5 million will be reflected in the first quarter of 2021.

On February 19, 2021, the Company entered into a purchase and assumption agreement with The First National Bank and Trust Company of Vinita, Oklahoma to purchase certain assets and assume the deposits and certain other obligations of The First National Bank and Trust Company of Vinita. The First National Bank and Trust Company of Vinita is a nationally chartered bank with banking locations in Vinita and Grove, Oklahoma. These banking locations would become branches of BancFirst. As of December 2020, The First National Bank and Trust Company of Vinita had approximately $285 million in total assets, $209 million in loans, and $258 million in deposits. The purchase and assumption is expected to be completed during the second quarter of 2021 and is subject to regulatory approval.

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

There were no disagreements with accountants regarding accounting and financial disclosure matters during the year ended December 31, 2020.

**Item 9A.** ***Controls and Procedures.***

Pursuant to Rule 13a-15 of the Securities Exchange Act of 1934 (the "Exchange Act"), the Company's Chief Executive Officer, Chief Financial Officer and its Disclosure Committee, which includes the Company's Executive Chairman, Chief Risk Officer, Chief Internal Auditor, Chief Asset Quality Officer, Controller, General Counsel and Vice President of Corporate Finance, have evaluated, as of the last day of the period covered by this Annual Report on Form 10-K, the effectiveness Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures of the Company were effective as of the end of the period covered by this Annual Report on Form 10-K.

No changes were made to the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) during the last fiscal quarter of 2020 that has materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Management's Report On Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining internal control over financial reporting and for assessing the effectiveness of internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Management has assessed the effectiveness of the Company's internal control over financial reporting based on the criteria established in "Internal Control—Integrated Framework (2013 edition)," issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that assessment and criteria, management has determined that the Company has maintained effective internal control over financial reporting as of December 31, 2020.

BKD LLP, independent registered public accounting firm, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2020 and has issued an unqualified report thereon.

BancFirst Corporation
Oklahoma City, Oklahoma
February 26, 2021

/s/ DAVID Harlow

**David Harlow**
**President and Chief Executive Officer**
**(Principal Executive Officer)**

/s/ Kevin Lawrence

**Kevin Lawrence**
**Executive Vice President,**
**Chief Financial Officer**
**(Principal Financial Officer)**

## Report of Independent Registered Public Accounting Firm

Stockholders, Board of Directors and Audit Committee
BancFirst Corporation
Oklahoma City, Oklahoma

### Opinion on the Internal Control over Financial Reporting

We have audited BancFirst Corporation's (the "Company") internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework* (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013),* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements of the Company and our report dated February 26, 2021, expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying management's report on internal control over financial reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definitions and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that 1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; 2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and 3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

/s/ BKD, LLP

We have served as the Company's auditor since 2013

Oklahoma City, Oklahoma
February 26, 2021

**Item 9B.** ***Other Information.***

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

## PART III

**Item 10.** ***Directors, Executive Officers and Corporate Governance.***

The information required by Item 401 of Regulation S-K will be contained in the 2021 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 2021 Proxy Statement under the caption "Delinquent Section 16(a) Reports" and is hereby incorporated by reference. The information required by Item 406 of Regulation S-K will be contained in the 2021 Proxy Statement under the caption "Corporate Code of Conduct" 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 2021 Proxy Statement under the captions "Executive Compensation" and "Compensation Discussion and Analysis" and is hereby incorporated by reference.

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

The information required by Item 201(d) of Regulation S-K will be contained in the 2021 Proxy Statement under the caption "Equity Compensation Plan Information" and is hereby incorporated by reference.

The information required by Item 403 of Regulation S-K will be contained in the 2021 Proxy Statement under the caption "Security Ownership" and is hereby incorporated by reference.

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

The information required by Item 404 of Regulation S-K will be contained in the 2021 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 2021 Proxy Statement under the caption "Ratification of Selection of Independent Registered Public Accounting Firm" and is hereby incorporated by reference.

## PART IV

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

(a) For the financial statements of BancFirst Corporation, reference is made to Part II, Item 8, of this Annual Report on Form 10-K.

(1) Financial Statements:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at December 31, 2020 and 2019

Consolidated Statements of Comprehensive Income for the three years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Stockholders' Equity for the three years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Cash Flow for the three years ended December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

(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:

## Index to Exhibits

| Exhibit Number | Exhibit |
|---|---|
| 2.1 | Share Exchange Agreement by and between BancFirst Corporation and Pegasus Bank dated April 23, 2019 (filed as Exhibit 2.1 to the Company’s Current Report on Form 8-K/A dated April 25, 2019 and incorporated herein by reference). |
| 3.1 | Amended and Restated By-Laws of BancFirst Corporation (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K dated March 30, 2015 and incorporated herein by reference). |
| 3.2 | Certificate of Amendment of the Third Amended and Restated Certificate of Incorporation of BancFirst Corporation dated May 31, 2017 (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K dated May 31, 2017 and incorporated herein by reference). |
| 4.1 | Instruments defining the rights of securities holders (see Exhibits 3.1 and 3.2 above). |
| 4.2 | Description of Registrant’s Securities (filed as Exhibit 4.2 to the Company’s Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference). |
| 4.3 | 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/A, File No. 333-112488 dated February 23, 2004 and incorporated herein by reference). |
| 4.4 | Form of 7.20% Cumulative Trust Preferred Security Certificate for BFC Capital Trust II (filed as Exhibit D to Exhibit 4.5 to the Company’s registration statement on Form S-3/A, File No. 333-112488 dated February 23, 2004, and incorporated herein by reference). |
| 4.5 | 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 dated February 4, 2004 and incorporated herein by reference). |
| 4.6 | Form of Certificate of 7.20% Junior Subordinated Deferrable Interest Debenture of BancFirst Corporation (filed as Exhibit 4.2 on Form S-3 to the Company’s registration statement, File No. 333-112488 dated February 4, 2004 and incorporated herein by reference). |
| 4.7 | 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/A, File No. 333-112488 dated February 23, 2004 and incorporated herein by reference). |
| 4.8 | Form of Guarantee Agreement by and between CSB Bancshares, Inc. and Wilmington Trust Company (filed as Exhibit 4.7 to the Company’s Quarterly Report on Form 10-Q for the Quarter ended September 30, 2015 and incorporated herein by reference). |
| 4.9 | Form of Indenture relating to the Floating Rate Junior Subordinated Deferrable Interest Debentures of CSB Bancshares, Inc., issued to Wilmington Trust Company (filed as Exhibit 4.8 to the Company’s Quarterly Report on Form 10-Q for the Quarter ended September 30, 2015 and incorporated herein by reference). |
| 4.10 | Form of First Supplemental Indenture relating to the Floating Rate Junior Subordinated Deferrable Interest Debentures by and between Wilmington Trust Company and BancFirst Corporation (filed as Exhibit 4.9 to the Company’s Quarterly Report on Form 10-Q for the Quarter ended September 30, 2015 and incorporated herein by reference). |
| 10.1 | BancFirst Corporation Employee Stock Ownership and Trust Agreement adopted effective January 1, 2015 (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q for the Quarter ended March 31, 2015 and incorporated herein by reference). |
| 10.2 | Amendment Number One to the BancFirst Corporation Employee Stock Ownership Plan (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K dated February 26, 2018 and incorporated herein by reference). |
| 10.3 | Adoption Agreement for the BancFirst Corporation Thrift Plan adopted April 21, 2016 effective January 1, 2016 (filed as Exhibit 10.5 to the Company’s Quarterly Report on Form 10-Q for the Quarter Ended March 31, 2016 and incorporated herein by reference). |

## Index to Exhibits

| Exhibit Number | Exhibit |
|---|---|
| 10.4 | Amendment Number One to the BancFirst Corporation Thrift Plan. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 26, 2018 and incorporated herein by reference). |
| 10.5 | Purchase and Sale Agreement and Escrow Instructions by and between Cotter Tower – Oklahoma L.P. and BancFirst Corporation. (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated September 5, 2018 and incorporated herein by reference). |
| 10.6 | First Amendment to Purchase and Sale Agreement and Escrow Instructions by and between Cotter Tower – Oklahoma L.P. and BancFirst Corporation. (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated September 5, 2018 and incorporated herein by reference). |
| 10.7 | Seventh Amended and Restated BancFirst Corporation Non-Employee Directors' Stock Option Plan (filed as Exhibit 10.10 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2020 and incorporated herein by reference). |
| 10.8 | Sixth Amended and Restated 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, 2019 and incorporated herein by reference). |
| 10.9 | Sixteenth Amended and Restated BancFirst Corporation Stock Option Plan (filed as Exhibit 10.11 to the Company's Quarterly Report on Form 10-Q for the Quarter Ended June 30, 2020 and incorporated herein by reference). |
| 10.10 | Amended and Restated BancFirst Corporation Stock Option Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K dated December 22, 2020 and incorporated herein by reference). |
| 10.10 | BancFirst Corporation Employee Stock Ownership Plan 2019 Amendment Number One (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference). |
| 10.11 | 2019 Amendment BancFirst Corporation Thrift Plan (filed as Exhibit 10.11 to the Company's Annual Report on Form 10-K for the year ended December 31, 2019 and incorporated herein by reference). |
| 10.12 | 2020 Amendment BancFirst Corporation Thrift Plan (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K for dated December 17, 2020 and incorporated herein by reference). |
| 21.1* | Subsidiaries of Registrant. |
| 23.1* | Consent of Independent Registered Public Accounting Firm. |
| 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* | CEO's and CFO's Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | Inline XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104* | Cover page Interactive Data File (formatted as Inline XBRL and contained within the Inline XBRL Instance Document in Exhibit 101) |

* Filed herewith.

## 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.

February 26, 2021

**BANCFIRST CORPORATION**

/s/ David Harlow

David Harlow
President and Chief Executive Officer
(Principal Executive Officer)

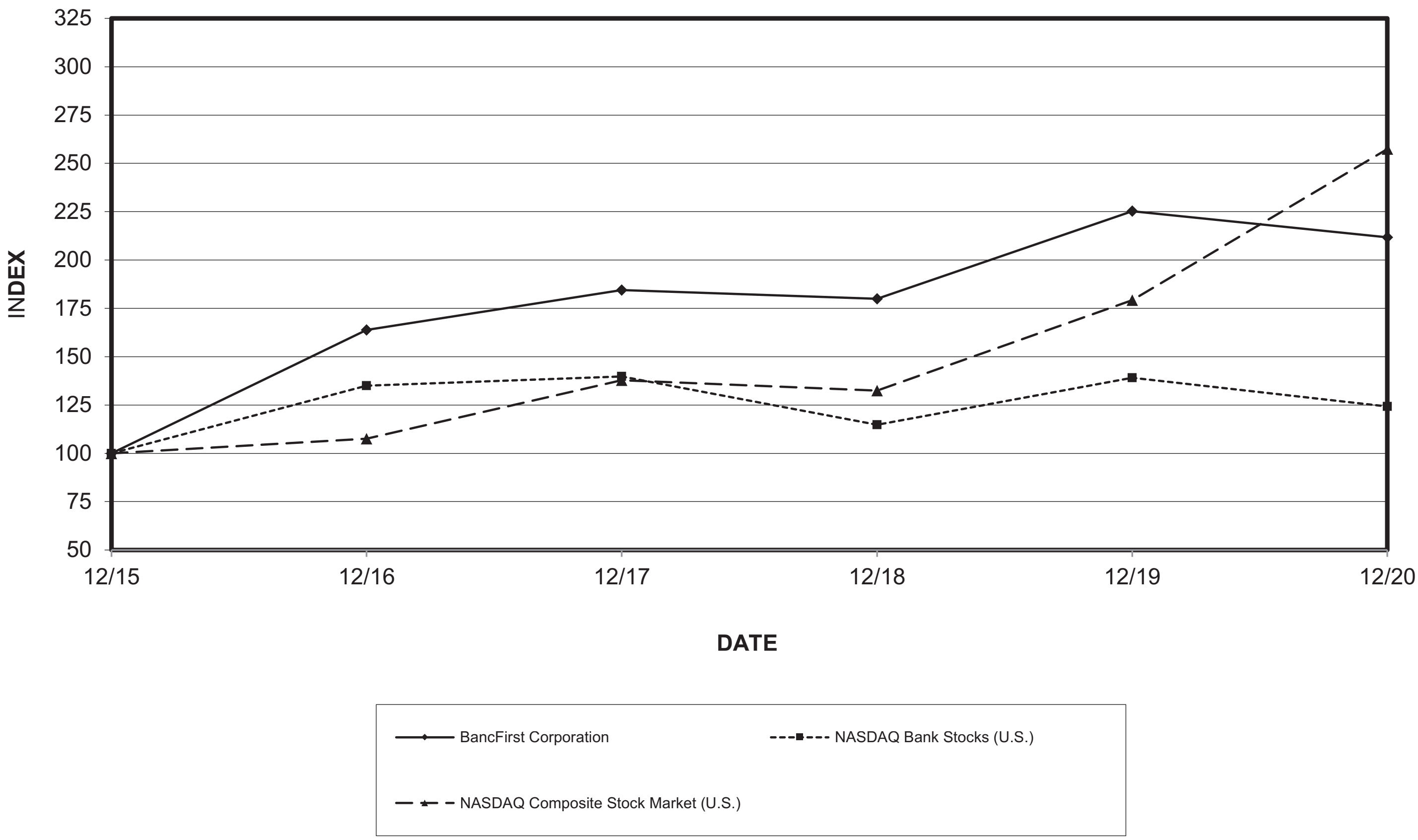
Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 26, 2021.

| | |
|---|---|
| /s/ David E. Rainbolt<br>David E. Rainbolt<br>Executive Chairman | /s/ David R. Harlow<br>David R. Harlow<br>President and Chief Executive Officer<br>(Principal Executive Officer) |
| /s/ Dennis L. Brand<br>Dennis L. Brand<br>Director | C. L. Craig, Jr.<br>Director |
| /s/ F. Ford Drummond<br>F. Ford Drummond<br>Director | /s/ Joseph Ford<br>Joseph Ford<br>Director |
| /s/ Joe R. Goyne<br>Joe R. Goyne<br>Director | /s/ William O. Johnstone<br>William O. Johnstone<br>Vice Chairman of the Board |
| /s/ Frank Keating<br>Frank Keating<br>Director | /s/ Bill G. Lance<br>Bill G. Lance<br>Director |
| /s/ Dave R. Lopez<br>Dave R. Lopez<br>Director | William Scott Martin<br>Director |
| /s/ Tom H. McCasland, III<br>Tom H. McCasland, III<br>Director | Ronald J. Norick<br>Director |
| /s/ H. E. Rainbolt<br>H. E. Rainbolt<br>Chairman Emeritus | /s/ Robin Roberson<br>Robin Roberson<br>Director |
| /s/ Darryl W. Schmidt<br>Darryl W. Schmidt<br>Chief Executive Officer, BancFirst and Director | /s/ Natalie Shirley<br>Natalie Shirley<br>Director |
| /s/ Michael K. Wallace<br>Michael K. Wallace<br>Director | /s/ Gregory G. Wedel<br>Gregory G. Wedel<br>Director |
| /s/ G. Rainey Williams, Jr<br>G. Rainey Williams, Jr<br>Director | |
| /s/ Kevin Lawrence<br>Kevin Lawrence<br>Executive Vice President and Chief Financial Officer<br>(Principal Financial Officer) | /s/ Randy Foraker<br>Randy Foraker<br>Executive Vice President and Chief Risk Officer<br>(Principal Accounting Officer) |

[THIS PAGE INTENTIONALLY LEFT BLANK]

## COMPANY PERFORMANCE

Presented below is a line graph which compares the percentage in the cumulative total return on the Company's Common Stock to the cumulative total return of the NASDAQ Stock Market (U.S. Companies) Index and the NASDAQ Bank Stock Index. The period presented is from January 1, 2016 through December 31, 2020. The graph assumes an investment on January 1, 2016 of $100 in the Company's Common Stock and in each index, and that any dividends were reinvested. The values presented for each quarter during the period represent the cumulative market values of the respective investment. The performance graph represents past performance and should not be considered to be an indication of future performance.



# BOARD OF DIRECTORS

## OUTSIDE DIRECTORS

**G. RAINEY WILLIAMS, JR.** - *Lead Independent Director*
*President*
Marco Holding Corporation

**C.L. CRAIG, JR.**
Investments

**F. FORD DRUMMOND**
*Owner/Operator*
Drummond Ranch

**JOSEPH W. FORD**
*President*
Shawnee Milling Company

**FRANK KEATING**
*President*
Frank Keating Investments

**BILL G. LANCE**
*Secretary of Commerce*
Chickasaw Nation

**DAVE R. LOPEZ**
*Controlling Manager*
DL Dynamics, LLC

**WILLIAM SCOTT MARTIN**
Investments

**TOM H. MCCASLAND, III**
*President*
Mack Energy Co.

**RONALD J. NORICK**
*Controlling Manager*
Norick Investment Company, LLC

**ROBIN ROBERSON**
*Managing Director, North America*
Claim Central Consolidated

**NATALIE SHIRLEY**
*President & Chief Executive Officer*
National Cowboy & Western Heritage Museum

**MICHAEL K. WALLACE**
*President*
Wallace Properties, Inc.

**GREGORY G. WEDEL**
*Managing Partner*
Wedel Rahill & Associates, CPAs PLC

## INSIDE DIRECTORS

**DENNIS L. BRAND**
*Vice Chairman*
BancFirst Corporation

**JOE R. GOYNE**
*Chairman & Chief Executive Officer*
Pegasus Bank

**DAVID R. HARLOW**
*Chief Executive Officer*
BancFirst Corporation

**WILLIAM O. JOHNSTONE**
*President*
Council Oak Partners

**DAVID E. RAINBOLT**
*Executive Chairman*
BancFirst/BancFirst Corporation

**H.E. RAINBOLT**
*Chairman Emeritus*
BancFirst Corporation

**DARRYL W. SCHMIDT**
*Chief Executive Officer*
BancFirst

## ADVISORY DIRECTORS

**LAURA RATLIFF**
*Investments*
Trust Committee Member

BancFirst®

# PAYCHECK PROTECTION PLAN LOAN STATISTICS

OVER
**$854** MILLION
TO BUSINESSES

LARGEST
PRODUCER
OF PPP LOANS
IN THE STATE

**8,576**
LOANS
FUNDED

AVERAGE LOAN
BALANCE UNDER
**$100,000**

**24/7**
STAFFING
FOR 3 WEEKS

When pandemic spread across America, among many fears was the devastation it would inflict on the economy. Of vital concern was the livelihood of those employed by small businesses. Fortunately, Congress acted quickly, outlining the Paycheck Protection Program to be administered through the Small Business Administration. As Oklahoma's top-volume SBA lender for more than 25 years, BancFirst responded with swift implementation of a plan producing more PPP loans for Main Street Oklahoma than any other financial institution.

The interwoven history of small business and BancFirst is a story of persistently meeting challenges head-on so economic opportunity may bloom anew. In 2020, the resolve of BancFirst and our customers was tested and once again proven strong.